



Kcell

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**

Contents

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position	1
Consolidated Statements of Comprehensive Income	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4

Notes to the Consolidated Financial Statements

1	The Group and its Operations	5
2	Basis of Preparation and Significant Accounting Policies	5
3	Critical Accounting Estimates, and Judgements in Applying Accounting Policies	12
4	New Accounting Pronouncements	13
5	Segment Information	16
6	Balances and Transactions with Related Parties	17
7	Property, Plant and Equipment	20
8	Intangible Assets	21
9	Other Non-Current Assets	22
10	Trade and Other Receivables	22
11	Charter Capital	24
12	Trade and Other Payables	24
13	Deferred Revenue	25
14	Revenues	25
15	Expenses by nature	25
16	Taxes	26
17	Contingencies, Commitments and Operating Risks	28
18	Financial Risk Management	30
19	Fair Value of Financial Instruments	33
20	Subsequent Events	33



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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Page 2

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.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
16 March 2012

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**

<i>In thousands of Kazakhstani Tenge</i>	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 5 to 33 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**

<i>In thousands of Kazakhstani Tenge</i>	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.

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**

<i>In thousands of Kazakhstani Tenge</i>	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 5 to 33 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**

<i>In thousands of Kazakhstani Tenge</i>	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 5 to 33 are an integral part of these consolidated financial statements

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM

Notes to the Consolidated Financial Statements

for the three years ended 31 December 2011, 2010 and 2009

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 Aktiv (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 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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:

	<u>Useful lives in years</u>
Buildings	10 to 25
Switches and transmission devices	4 to 8
Other	4 to 8

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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:

	<u>Useful lives in years</u>
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. 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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 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, infor services 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

(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.

(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 certain 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

4 New Accounting Pronouncements (Continued)

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.

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

4 New Accounting Pronouncements (Continued)

- 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 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

4 New Accounting Pronouncements (Continued)

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 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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

5 Segment Information (Continued)

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.

The segment information for the year ended 31 December 2011 and a reconciliation of segment's measures of profit and loss to profit for the year is provided as follows:

<i>In thousands of Kazakhstani Tenge</i>	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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

6 Balances and Transactions with Related Parties (Continued)

Amounts due from related parties at 31 December 2011, 2010 and 2009 are as follows:

<i>In thousands of Kazakhstani Tenge</i>		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.

Amounts due to related parties at 31 December 2011, 2010 and 2009 are as follows:

<i>In thousands of Kazakhstani Tenge</i>		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:

<i>In thousands of Kazakhstani Tenge</i>		2011	2010	2009
<i>Revenues</i>				
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:

<i>In thousands of Kazakhstani Tenge</i>		2011	2010	2009
<i>Operating expenses</i>				
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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

6 Balances and Transactions with Related Parties (Continued)

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. (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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

8 Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

9 Other Non-Current Assets

<i>In thousands of Kazakhstani Tenge</i>	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

<i>In thousands of Kazakhstani Tenge</i>	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:

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

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:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2011	31 December 2010	31 December 2009
<i>Total neither past due nor impaired</i>	8,374,522	4,157,954	4,157,631
<i>Past due but not impaired</i>			
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
<i>Total past due but not impaired</i>	599,615	302,188	936,246
<i>Impaired</i>			
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
<i>Total impaired</i>	669,224	752,338	548,792
<i>Provision for impairment of trade receivables</i>	(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:

<i>In thousands of Kazakhstani Tenge</i>	
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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

13 Deferred Revenue

<i>In thousands of Kazakhstani Tenge</i>	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

<i>In thousands of Kazakhstani Tenge</i>	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.

<i>In thousands of Kazakhstani Tenge</i>	2011	2010 (restated)	2009 (restated)
Interconnect fees and expenses	20,301,197	17,094,596	16,571,226
Network maintenance 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.

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

16 Taxes

Income taxes

Income tax expense comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	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

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	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.

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

16 Taxes (Continued)

Comparative movements for year ended 31 December 2010 is detailed below:

<i>In thousands of Kazakhstani Tenge</i>	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

Comparative movements for year ended 31 December 2009 is detailed below:

<i>In thousands of Kazakhstani Tenge</i>	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)

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

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.

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

17 Contingencies, Commitments and Operating Risks (Continued)

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 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:

<i>In thousands of Kazakhstani Tenge</i>	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).

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

17 Contingencies, Commitments and Operating Risks (Continued)

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.

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:

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

18 Financial Risk Management (Continued)

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.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default. The Group accepts only those banks in Kazakhstan that have highest ratings by international rating agencies. The table below shows the rating and balances with major banks at the reporting date:

<i>In thousands of Kazakhstani Tenge</i>	Rating agency	Rating	31 December 2011	31 December 2010	31 December 2009
Kazkommertsbank	Moody's	Ba3 - (short-term)	622,279	4,560,333	984,711
Citibank London	Moody's	A1 - (long-term)	173,015	182,573	-
Bank Pozitiv	Not rated	-	63,851	72,736	24,673
Bank CenterCredit	Moody's	Ba3 - (short-term)	32,417	4,955	34,711
SberBank Kazakhstan	Moody's	Ba2 (long-term)	31,091	-	-
Halyk Savings Bank of Kazakhstan	Moody's	Ba2 (long-term)	23,241	-	-
RBS Kazakhstan	Not rated	-	19,616	-	-
Bank TuranAlem	Moody's	Caa3 - (short-term)	4,645	10,845	6,758
Citibank Kazakhstan	Moody's	A3 - (long-term)	1,846	287,748	36,898
J.P. Morgan	Moody's	Aa1 - (short-term)	-	-	221,124
Other	Not rated	-	6,317	26,488	147,506
Total balances with banks			978,318	5,145,678	1,456,381

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).

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.

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

18 Financial Risk Management (Continued)

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:

<i>In thousands of Kazakhstani Tenge</i>	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:

<i>In thousands of Kazakhstani Tenge</i>	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

Comparative maturity analysis of financial liabilities at 31 December 2009 is detailed below:

<i>In thousands of Kazakhstani Tenge</i>	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

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM
Notes to the Consolidated Financial Statements
for the three years ended 31 December 2011, 2010 and 2009

18 Financial Risk Management (Continued)

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.

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).