KCELL JSC

Condensed Interim Consolidated Financial Statements
for the three and six months ended
30 June 2014 (unaudited)

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KCELL JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014

Management of Kcell JSC (hereinafter – "the Company") is responsible for the preparation of the condensed interim consolidated financial statements of the Company and its subsidiaries (hereinafter jointly the "Group") that present fairly the consolidated financial position of the Group as at 30 June 2014, the results of its operations for the three and six months then ended, changes in equity and cash flows for the six months then ended, in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 have been followed, subject to any material departures disclosed and explained in condensed interim consolidated financial information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the consolidated financial position and financial performance of the Group;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the Condensed Interim Consolidated financial statements of the comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

These condensed interim consolidated financial statements of the Group for the three and six months ended 30 June 2014 were approved by management on 15 August 2014.

Approved for issue and signed on behalf of the Management on 15 August 2014:

Ali Agan Chief Executive Officer	Baurzhan Ayazbaev Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To: Board of Directors and Shareholders of Kcell JSC

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kcell JSC and its subsidiaries (collectively – "the Group") as at 30 June 2014 and the related condensed interim consolidated statements of profit or loss and other comprehensive income for the three and six month period then ended, and changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2013, were audited by another auditor who expressed an unmodified opinion on those statements on 14 April 2014.

Deloitte, LLP

Deloitte LLP

Almaty, Kazakhstan

15 August 2014

Condensed interim consolidated statement of financial position

In thousands of Kazakhstani Tenge	Note	30 June 2014 (unaudited)	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	6	105,374,420	112,368,845
Intangible assets	7	13,222,928	13,954,545
Other non-current assets		2,873,029	3,130,944
Total non-current assets		**121,470,377**	**129,454,334**
Current assets			
Inventories		2,035,527	499,180
Trade and other receivables	8	11,529,580	9,268,357
Prepaid current income tax	12	956,630	834,480
Due from related parties	5	175,200	306,862
Cash and cash equivalents		4,804,576	18,916,258
Total current assets		**19,501,513**	**29,825,137**
TOTAL ASSETS		**140,971,890**	**159,279,471**
EQUITY			
Charter capital	9	33,800,000	33,800,000
Retained earnings		32,150,344	63,392,942
TOTAL EQUITY		**65,950,344**	**97,192,942**
LIABILITIES			
Non-current liabilities			
Deferred tax liability		5,295,983	5,231,448
Other non-current liabilities		1,349,963	1,426,245
Total non-current liabilities		**6,645,946**	**6,657,693**
Current liabilities			
Borrowings	11	20,766,141	24,721,178
Trade and other payables	10	39,173,288	21,490,816
Due to related parties	5	456,982	502,045
Deferred revenues		6,260,399	7,346,686
Taxes payable		1,718,790	1,368,111
Total current liabilities		**68,375,600**	**55,428,836**
TOTAL LIABILITIES		**75,021,546**	**62,086,529**
TOTAL LIABILITIES AND EQUITY		**140,971,890**	**159,279,471**

Approved for issue and signed on behalf of the Management on 15 August 2014

Ali Agan
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

The accompanying notes on pages 7 to 23 are an integral part of these condensed interim consolidated financial statements

Condensed interim consolidated statement of profit or loss and other comprehensive income (unaudited)

		Three months ended 30 June		Six months ended 30 June	
In thousands of Kazakhstani Tenge	Note	2014	2013	2014	2013
Revenue		48,034,649	46,270,634	92,141,840	89,323,660
Cost of sales		(20,870,329)	(19,751,498)	(39,338,442)	(38,378,002)
Gross profit		**27,164,320**	**26,519,136**	**52,803,398**	**50,945,658**
Selling and marketing expenses		(3,178,684)	(4,229,125)	(6,122,058)	(8,125,009)
General and administrative expenses		(2,846,657)	(2,673,707)	(5,248,728)	(5,314,691)
Other operating income		126,824	195,122	291,324	283,743
Other operating expenses		(232,523)	(63,293)	(835,514)	(85,970)
Operating profit		**21,033,280**	**19,748,133**	**40,888,422**	**37,703,731**
Finance income		168,027	154,023	306,124	190,920
Finance expense		(387,742)	(691,121)	(805,470)	(1,340,123)
Profit before income tax		**20,813,565**	**19,211,035**	**40,389,076**	**36,554,528**
Income tax expense	12	(4,301,616)	(3,659,751)	(8,241,606)	(7,347,459)
Profit for the period		**16,511,949**	**15,551,284**	**32,147,470**	**29,207,069**
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**16,511,949**	**15,551,284**	**32,147,470**	**29,207,069**
Earnings per share (Kazakhstani Tenge), basic and diluted		**82.56**	**77.76**	**160.74**	**146.04**

Profit and total comprehensive income for both interim periods is fully attributable to the Company's owners.

Approved for issue and signed on behalf of the Management on 15 August 2014

Ali Agan
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

Condensed interim consolidated statement of Changes in Equity

In thousands of Kazakhstani Tenge	Charter capital	Retained earnings	Total equity
At 1 January 2013	**33,800,000**	**32,403,052**	**66,203,052**
Total comprehensive income for the period	-	29,207,069	29,207,069
Dividends declared	-	(32,402,000)	(32,402,000)
At 30 June 2013 (unaudited)	**33,800,000**	**29,208,121**	**63,008,121**
At 1 January 2014	**33,800,000**	**63,392,942**	**97,192,942**
Total comprehensive income for the period	-	32,147,470	32,147,470
Dividends declared	-	(63,390,068)	(63,390,068)
At 30 June 2014 (unaudited)	**33,800,000**	**32,150,344**	**65,950,344**

Approved for issue and signed on behalf of the Management on 15 August 2014

Ali Agan
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities			
Profit for the period		32,147,470	29,207,069
Adjustments for:			
Depreciation of property, plant and equipment	6	10,734,041	10,112,232
Amortisation of intangible assets	7	1,380,943	1,420,643
Income taxes	12	(57,615)	79,393
Impairment of trade receivables		471,986	249,849
Finance costs		805,470	1,340,123
Losses less gains on disposal of property, plant and equipment and intangible assets		133,478	130,054
Operating cash flows before working capital changes		**45,615,773**	**42,539,363**
Inventories		(1,536,347)	9,807
Trade and other receivables		(2,733,209)	5,083,304
Due from related parties		131,662	(14,544)
Restricted cash		435	4,089
Trade and other payables		683,317	419,428
Due to related parties		(45,063)	77,294
Deferred revenues		(1,086,287)	(880,191)
Taxes payable		350,679	337,922
Cash generated from operations		**41,380,960**	**47,576,472**
Interest paid		(810,507)	(996,721)
Net cash from operating activities		**40,570,453**	**46,579,751**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,768,848)	(8,740,896)
Purchase of intangible assets		(601,219)	(231,982)
Net cash used in investing activities		**(6,370,067)**	**(8,972,878)**
Cash flows from financing activities			
Proceeds from bank borrowings		3,000,000	6,950,000
Repayment of bank borrowings		(6,950,000)	(5,150,000)
Dividends paid	9	(44,362,068)	(40,402,000)
Net cash used in financing activities		**(48,312,068)**	**(38,602,000)**
Net decrease in cash and cash equivalents		**(14,111,682)**	**(995,127)**
Cash and cash equivalents at beginning of the period		18,916,258	3,075,138
Cash and cash equivalents at end of the period		**4,804,576**	**2,080,011**

Approved for issue and signed on behalf of the Management on 15 August 2014

Ali Agan
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

The accompanying notes on pages 7 to 23 are an integral part of these condensed interim consolidated financial statements

Notes to the condensed interim consolidated financial statements

1 THE GROUP AND ITS OPERATIONS

Kcell JSC ("the Company") and its subsidiaries (together referred to as "the Group") provide cellular services throughout most of the territory of the Republic of Kazakhstan. At present, the Group is one of four GSM cellular phone carriers operating in the Kazakhstani market. The Group operates under its own brands, Kcell (postpaid and paid-in-advance subscribers) and Activ (prepaid subscribers).

The Company was established as a limited liability partnership (GSM Kazakhstan OAO Kazakhtelecom LLP) on 1 June 1998 to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard. The Company began its commercial operations in 1999 through direct sales and a network of distributors. Prior to 2 February 2012 the Company was owned 51 percent by Fintur Holdings B.V. ("Fintur" or "Parent" company) and 49 percent by Kazakhtelecom JSC ("Kazakhtelecom"). Fintur itself is owned jointly by Sonera Holding B.V. and Turkcell Iletisim Hizmetleri A.S., with holdings of 58.55 percent and 41.45 percent respectively. On 2 February 2012 the 49 percent stake in the Company owned by Kazakhtelecom was sold directly to Sonera Holding B.V. (Sonera), a subsidiary of TeliaSonera. On 1 July 2012 the General Meeting of participants of GSM Kazakhstan LLP approved a conversion of the Company from Limited Liability Partnership to Joint Stock Company (the Conversions), with 200,000,000 common shares to be transferred to Fintur and Sonera in proportion to their ownership percentage. The General Meeting also approved the Company's change of name to Kcell JSC. On 27 August 2012 the Ministry of Justice registered the Company as a Joint Stock Company. Under Kazakh law, upon Conversion, retained earnings as of the date of Conversion became share capital of the Group and ceased to be available for distribution to shareholders. The Company's ultimate parent and 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). In 2008, the Group accepted an offer from the government of the Republic of Kazakhstan to acquire an 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 the revised terms, the Group provided all locations with population over 1,000 people with mobile services using GSM-900 and GSM-1800 standards by 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 wireless local loop ("WLL") licenses. In 2009, KT-Telecom and AR-Telecom commenced their operating activities; accordingly the Group started to prepare consolidated financial statements since 2009. In 2010, WiMAX services were launched in Astana and Atyrau under WLL licenses. Subsequently in 2011, the ownership of WLL licenses has been transferred to the Company.

On 25 December 2010, the competent authority signed an addendum to the existing GSM license, which provides the Group with a right to operate a 3G network. In December 2010, the Group launched 3G services in Astana and Almaty. The addendum requires the Group to provide all locations with population over 10,000 people with mobile services using UMTS/WCDMA standards by 1 January 2015.

On 1 July 2011, the Ministry of Communication and Information of Kazakhstan extended the Company's general license from the initial 15 years to an unlimited period of time.

The Company has successfully completed its offering of Global Depositary Receipts on the London Stock Exchange and common shares on Kazakhstan Stock Exchange on 13 December 2012. The offering consisted of a sale by TeliaSonera of 50 million shares, which represents 25 percent of the Company's share capital.

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.

These condensed interim consolidated financial statements were approved for issue on 15 August 2014.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed interim consolidated financial statements for the three and six months ended 30 June 2014 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which had been prepared in accordance with IFRS.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Income taxes

Taxes on income for the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Foreign currency translation

As at 30 June 2014, the principal rate of exchange of the National Bank of Republic of Kazakhstan used for translating foreign currency balances was USD 1 = Kazakhstani Tenge 183.51 (31 December 2013: USD 1 = Tenge 153.61).

New and revised standards

New standards, amendments and interpretations shall be applied in preparation of the first interim financial statements issued after their effective dates. There are no IFRS or their interpretations which would have material effect on the Group when applied for first time to this interim period.

The range of new standards, amendments to the standards and interpretations are effective as at 30 June 2014. The requirements of these amended standards have been considered for preparation of these condensed interim consolidated financial statements.

The Company has adopted the following new and revised Standards and Interpretations during the current period:

- Amendments to IFRS 10, IFRS 12, IAS 27 *Investment Entities*
- Amendments to IAS 32 *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36 *Impairment of Assets*
- Amendments to IAS 39 *Financial Instruments: Recognition and measurement*
- IFRIC 21 *Levies*

The adoption of the above mentioned Standards and Interpretations has not led to any changes in the Group's accounting policy. The amendments did not materially affect the condensed interim consolidated financial statements of the Group.

Standards and Interpretations in issue but not yet effective

The Company did not adopt the following Standards and Interpretations that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
IFRS 9 *Financial Instruments*;	1 January 2018
Amendments to IFRS 11 *Joint Arrangements*	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
Amendments to IAS 16 *Property, plant and equipment and* IAS 38 *Intangible Assets*	1 January 2016
Amendments to IAS 27 *Separate Financial Statements*	1 January 2016

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* among others gives detailed guidance on the accounting for:

Bundled offerings: the Company current accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service is in line with IFRS 15. However, possibly the model currently used must be refined. Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract should be capitalized and deferred over the contract term if the contract is beyond one year. Deferral related to contracts with shorter terms is allowed but not mandatory. The Company currently does not capitalize such costs. The potential effects are dependent on the mix between short-term and long-term contracts, to what extent current commissions and subsidies are "incremental," etc. and will be analysed further.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money should be made at the prevailing interest rates in the relevant market. The Company currently apply discounting, using TeliaSonera's average borrowing rate. This discount rate might have to be adjusted. The potential effects will be analysed further.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The effects, if any, will be analysed further.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual and interim reports, to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

Transition methods: Either a full retrospective approach with adjustments to all periods presented or a modified approach with only the current period adjusted which however requires disclosures of all financial statement line items in the year of adoption as if prepared under current standards, i.e. effectively requiring two sets of accounting records during the year of adoption. The Company has yet to decide which method to apply.

Management anticipates that the adoption of other standards above will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of condensed interim consolidated financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision of income taxes.

4 SEGMENT INFORMATION

The Group's operations are 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.

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 segment information for the three and six months ended 30 June 2014 and a reconciliation of segment's measures of profit and loss to profit for the six months period is provided as follows:

In thousands of Kazakhstani Tenge	**Three months ended 30 June 2014**	**Three months ended 30 June 2013**	**Six months ended 30 June 2014**	**Six months ended 30 June 2013**
Revenue	48,034,649	46,270,634	92,141,840	89,323,660
EBITDA	27,330,433	25,508,342	53,003,405	49,236,606
Depreciation, and amortisation	(6,297,153)	(5,760,209)	(12,114,983)	(11,532,875)
EBIT	21,033,280	19,748,133	40,888,422	37,703,731
Finance income	168,027	154,023	306,124	190,920
Finance cost	(387,742)	(691,121)	(805,470)	(1,340,123)
Profit before income tax	20,813,565	19,211,035	40,389,076	36,554,528
Profit for the period	16,511,949	15,551,284	32,147,470	29,207,069

All revenue is attributable to customers in Kazakhstan. All non-current assets are located in Kazakhstan.

5 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. Entities of TeliaSonera group include entities under common control and associates of TeliaSonera.

Amounts due from related parties at 30 June 2014 and 31 December 2013 are as follows:

In thousands of Kazakhstani Tenge		30 June 2014	31 December 2013
Entities of TeliaSonera group	Roaming	169,659	113,485
Turkcell (Minority owner of Parent)	Roaming	5,442	2,324
Entities of TeliaSonera group	Rent	99	79
Entities of TeliaSonera group	Consulting, technical assistance and operational support	-	190,974
Total due from related parties		**175,200**	**306,862**

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 175,200 thousand tenge will be fully repaid in 2014.

Amounts due to related parties as at 30 June 2014 and 31 December 2013 are as follows:

In thousands of Kazakhstani Tenge		30 June 2014	31 December 2013
Fintur Holding B.V. (Parent)	Technical assistance	392,660	392,660
Entities of TeliaSonera group	Roaming	46,410	56,177
Turkcell (Minority owner of Parent)	Roaming	13,103	5,066
TeliaSonera (Ultimate parent)	Roaming	4,809	4,456
Entities of TeliaSonera group	Interconnect and transmission	-	43,686
Total due to related parties		**456,982**	**502,045**

The income items with related parties for the three and six months ended 30 June 2014 and 2013 were as follows:

		Three months ended		Six months ended	
In thousands of Kazakhstani Tenge		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Revenues					
Turkcell (Minority owner of Parent)	Roaming	5,002	3,585	8,152	6,073
Entities of TeliaSonera group	Interconnect	256,995	-	370,823	
Entities of TeliaSonera group	Roaming	52,305	40,865	85,845	69,675
Total revenues – related parties		**314,302**	**44,450**	**464,820**	**75,748**

The expense items with related parties for the three and six months ended 30 June 2014 and 2013 were as follows:

		Three months ended		Six months ended	
In thousands of Kazakhstani Tenge		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Operating expenses					
Entities of TeliaSonera group	Interconnect and transmission	653,992	222,647	1,110,388	474,868
Entities of TeliaSonera group	Roaming	84,789	87,722	158,146	174,751
Fintur Holding B.V. (Parent)	Technical assistance	-	9,205	-	43,144
Turkcell (Minority owner of Parent)	Roaming	13,722	16,289	18,696	23,682
TeliaSonera (Ultimate parent)	Roaming	1,758	4,869	6,974	9,805
Total expenses – related parties		**754,261**	**340,732**	**1,294,204**	**726,250**

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.

Memorandum on Understanding

On 26 August 2012, Sonera and the Group entered into a memorandum of understanding (the "Buy and Sell MoU"). Under this MoU the Group has the right to require Sonera to sell to it, and Sonera has the right to require the Group to acquire from it, all participatory interests owned by Sonera in KazNet Media LLP ("KazNet") together with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of KazNet (refer to "WIMAX Business Acquisition by Sonera" below) and all the participatory interests owned by Sonera in Rodnik Inc LLP ("Rodnik") together with all rights and obligations of Sonera under the agreements to buy participatory interests in the charter capital of Rodnik (refer to "Investment in Rodnik Inc LLP by Sonera"). Subject to satisfaction of the applicable conditions, each of Sonera and the Group is entitled to exercise its option at any time starting from nine months after the date of the offering of global depository receipts and listing on local stock exchange (13 December 2012).

The contractual right of Sonera to sell the underlying assets (debt and equity interests and related rights and obligations) to Kcell is a financial instrument (derivative) within the scope of IAS 39. The derivative instrument should be measured at fair value, with the changes in fair value recognised in income statement. The Group does not have an unconditional right to avoid the settlement.

Sonera has the right to terminate the Buy and Sell MoU at any time by serving a written notice to the Company.

Unless otherwise agreed by Sonera and the Company, exercise of these options is conditional upon Fintur having consented to, authorised or voted in favour of the acquisition to be made by the Company as a result of the exercise of such right. In addition, completion of the acquisition contemplated by the exercise of options is subject to law, regulation and any requisite approvals. Sonera has the option to sell (the "Put Option") and the Company has the option to buy (the "Call Option") the participatory interest. Strike price of both the options equals net costs incurred by Sonera, annually compounded using the interest rate (interest accruals begins when the costs are incurred or the receipts are cashed and ends when the participatory interest are transferred).

Neither the Put Option nor the Call Option can be exercised without the authorisation of Fintur. In addition there is an uncertainty in timing of requires changes in 4G/LTE regulation. Accordingly, there is an uncertainty in valuation of the derivative. The Company measured the derivative at original cost, which is zero.

The value of the Call Option to acquire the assets is nil as Sonera has the option to cancel it by issuing a written notification in this respect.

WIMAX Business Acquisition by Sonera

On 13 August 2012, Sonera entered into a framework agreement with a third party to buy all the participatory interests in the charter capital of KazNet for a total consideration of US$170 million. The acquisition was completed on 14 January 2013.

As a condition precedent to Sonera's purchase of the participatory interests in KazNet, KazNet acquired two limited liability partnerships in Kazakhstan, namely Aksoran LLP ("Aksoran") and Instaphone LLP ("Instaphone"). Aksoran and Instaphone each holds certain radio frequency permits that are capable of being deployed for the operation of a WIMAX business in Kazakhstan. The KazNet group will own and operate a WIMAX business in Kazakhstan.

These participatory interests owned by Sonera with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of KazNet above are included in the Buy and Sell Options between Sonera and Kcell.

Investment in Rodnik by Sonera

Sonera negotiated an agreement with a third party to acquire 25% of the participatory interests in the charter capital of Rodnik. Rodnik owns 79.92% of the total share capital of KazTransCom JSC ("KTC").

The purchase price for the acquisition is US$20 million, subject to adjustments to be made based on the amount of net debt of Rodnik and KTC at the time the acquisition is completed.

On 13 August 2012, Sonera entered in a call option agreement with a third party under which Sonera has a call option to acquire another 75% participatory interest in Rodnik. Pursuant to the terms of that call option agreement, the call option exercise price will be calculated based on fair market value of the participatory interest in Rodnik.

The acquisition of 25% of the participatory interests in the charter capital of Rodnik was completed on 14 January 2013.

These participatory interests owned by Sonera with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of Rodnik above are included in the Buy and Sell Options between Sonera and Kcell.

Directors' compensation

Compensation paid to the Board of Directors, 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 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 statement of profit or loss and other comprehensive income is equal to 117,291 thousand Tenge and 181,897 thousand Tenge for the three and six months ended 30 June 2014, correspondingly (the three and six months ended 30 June 2013: 78,238 thousand Tenge and 140,852 thousand Tenge, correspondingly).

6 PROPERTY, PLANT AND EQUIPMENT

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

In thousands of Kazakhstani Tenge	Freehold land	Buildings	Switches and transmission devices	Other	Construction in progress	Total
Cost at 1 January 2013	1,993,267	27,291,320	148,284,982	23,658,376	16,092,694	217,320,639
Accumulated depreciation	-	(4,813,598)	(87,204,423)	(14,965,816)	-	(106,983,837)
Carrying amount at 1 January 2013	**1,993,267**	**22,477,722**	**61,080,559**	**8,692,560**	**16,092,694**	**110,336,802**
Additions	50,897	406,290	3,172,867	122,321	7,344,137	11,096,512
Transfers	-	765,965	6,478,137	(35,370)	(7,208,732)	-
Disposals	-	(10,840)	-	(119,071)	(143)	(130,054)
Depreciation charge	-	(563,044)	(7,869,092)	(1,680,096)	-	(10,112,232)
Cost at 30 June 2013	2,044,164	27,832,687	153,463,239	23,564,222	16,227,956	223,132,268
Accumulated depreciation	-	(4,756,594)	(90,600,768)	(16,583,878)	-	(111,941,240)
Carrying amount at 30 June 2013	**2,044,164**	**23,076,093**	**62,862,471**	**6,980,344**	**16,227,956**	**111,191,028**
Cost at 1 January 2014	2,074,747	28,121,794	163,873,471	25,200,837	12,034,136	231,304,985
Accumulated depreciation	-	(5,364,994)	(95,644,701)	(17,926,445)	-	(118,936,140)
Carrying amount at 1 January 2014	**2,074,747**	**22,756,800**	**68,228,770**	**7,274,392**	**12,034,136**	**112,368,845**
Additions	13,874	73,741	498,384	19,827	3,267,268	3,873,094
Transfers	-	-	5,177,883	-	(5,177,883)	-
Disposals	-	-	-	(133,478)	-	(133,478)
Depreciation charge	-	(531,277)	(8,814,546)	(1,388,218)	-	(10,734,041)
Cost at 30 June 2014	2,088,621	28,195,535	169,549,738	24,965,708	10,123,521	234,923,123
Accumulated depreciation	-	(5,896,271)	(104,459,247)	(19,193,185)	-	(129,548,703)
Carrying amount at 30 June 2014	**2,088,621**	**22,299,264**	**65,090,491**	**5,772,523**	**10,123,521**	**105,374,420**

As at 30 June 2014, the gross carrying value of property, plant and equipment, which has been fully depreciated and still in use, was approximately 34,802,711 thousand Tenge (31 December 2013: 44,824,120 thousand Tenge).

7 INTANGIBLE ASSETS

In thousands of Kazakhstani Tenge	GSM network license and rights	Computer software and software license rights	Other telecom licenses	Other	Total
Cost at 1 January 2013	14,564,579	17,311,512	3,317,778	3,998	35,197,867
Accumulated amortisation	(8,230,386)	(9,403,767)	(1,422,537)	(1,423)	(19,058,113)
Carrying amount at 1 January 2013	**6,334,193**	**7,907,745**	**1,895,241**	**2,575**	**16,139,754**
Additions	-	231,916	-	66	231,982
Disposals	(383,647)	(195,188)	-	(2,548)	(581,383)
Amortisation charge	(306,702)	(947,988)	(165,889)	(64)	(1,420,643)
Cost at 30 June 2013	14,564,579	17,543,428	3,317,778	4,064	35,429,849
Accumulated amortisation	(8,920,735)	(10,546,943)	(1,588,426)	(4,035)	(21,060,139)
Carrying amount at 30 June 2013	**5,643,844**	**6,996,485**	**1,729,352**	**29**	**14,369,710**
Cost at 1 January 2014	14,564,579	18,703,749	3,317,778	4,064	36,590,170
Accumulated amortisation	(9,365,253)	(11,513,274)	(1,754,315)	(2,783)	(22,635,625)
Carrying amount at 1 January 2014	**5,199,326**	**7,190,475**	**1,563,463**	**1,281**	**13,954,545**
Additions	-	649,326	-	-	649,326
Amortisation charge	(169,167)	(1,135,659)	(76,117)	-	(1,380,943)
Cost at 30 June 2014	14,564,579	19,353,075	3,317,778	4,064	37,239,496
Accumulated amortisation	(9,534,420)	(12,648,933)	(1,830,432)	(2,783)	(24,016,568)
Carrying amount at 30 June 2014	**5,030,159**	**6,704,142**	**1,487,346**	**1,281**	**13,222,928**

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 the amount of 5.5 billion Tenge and is valid for 15 years, commencing June 1998. On 28 August 2008, the Group obtained a 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 2.6 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 groups 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 a 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.

8 TRADE AND OTHER RECEIVABLES

In thousands of Kazakhstani Tenge	30 June 2014	31 December 2013
Trade and other receivables from dealers and distributors	3,484,679	3,380,474
Trade receivables from subscribers	2,842,423	2,641,742
Trade receivables for interconnect services	1,987,299	1,229,785
Trade receivables from roaming operators	1,259,084	363,855
Less: provision for impairment of trade receivables	(2,239,893)	(1,710,085)
Total financial assets	**7,333,592**	**5,905,771**
Advances to suppliers	2,838,055	2,501,779
Prepaid other taxes	878,669	540,769
Deferred expenses	114,719	188,701
Other receivables	364,545	131,337
Total trade and other receivables	**11,529,580**	**9,268,357**

9 CHARTER CAPITAL

The ownership of the Company is as follows:

	30 June 2014		31 December 2013	
	Share	Number of Shares	Share	Number of shares
Fintur	51 percent	102,000,000	51 percent	102,000,000
Sonera	24 percent	48,000,000	24 percent	48,000,000
JSC Central Securities Depositary	23.35 percent	46,715,386	23.35 percent	46,709,056
JSC Single Accumulative Pension Fund	1.14 percent	2,270,950	-	-
JSC Grantum Accumulative Pension Fund	-	-	0.95 percent	1,900,000
Public	0.51 percent	1,013,664	0.70 percent	1,390,944

The nominal registered amount of the Company's issued share capital is 33,800,000 thousand Tenge, the total authorised number of ordinary shares is 200,000 thousand shares with a par value of 169 Tenge per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. The Company did not have treasury shares.

For the purpose of these consolidated financial statements, earnings per share is calculated by dividing net profit for the period attributable to owners of the Group by the number of common shares approved by the Company's shareholders.

In thousands of Kazakhstani Tenge	**Three months ended**		**Six months ended**	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
Profit for the period attributable to equity shareholders	16,511,949	15,551,284	32,147,470	29,207,069
Number of common shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings per share (Kazakhstani Tenge), basic and diluted	**82.56**	**77.76**	**160.74**	**146.04**

Dividends declared and paid during the six months ended 30 June, 2014 and 2013 were as follows:

In thousands of Kazakhstani Tenge	
Dividends payable at 1 January 2013	**8,000,000**
Dividends declared	32,402,000
Dividends paid	(40,402,000)
Dividends payable at 30 June 2013	**-**
Dividends payable at 1 January 2014	**-**
Dividends declared	63,390,068
Dividends paid	(44,362,068)
Dividends payable at 30 June 2014	**19,028,000**

According to the requirements of the Kazakhstan Stock Exchange (KASE), the Group calculated book value per share, which was calculated based on the number of common shares outstanding as at the reporting date. Book value per share as at 30 June 2014 and 31 December 2013 is presented below.

	30 June 2014	**31 December 2013**
Net assets, excluding intangible assets	52,727,416	83,238,397
Number of common shares in issue	200,000,000	200,000,000
Book value per share (tenge)	**263.64**	**416.19**

10 TRADE AND OTHER PAYABLES

In thousands of Kazakhstani Tenge	**30 June 2014**	**31 December 2013**
Trade payables	17,246,037	18,636,939
Dividends payable	19,028,000	-
Total financial liabilities	**36,274,037**	**18,636,939**
Accrued salaries and bonuses to employees	2,741,916	2,634,219
Other payables	157,335	219,658
Total trade and other payables	**39,173,288**	**21,490,816**

11 BORROWINGS

In thousands of Kazakhstani Tenge		30 June 2014	31 December 2013
Bank loans from:	- Syndicated loan from Citibank Kazakhstan JSC and RBS Kazakhstan JSC	14,759,812	14,759,812
	- HSBC Kazakhstan JSC	6,006,329	6,007,583
	- ATF Bank JSC	-	3,953,783
Total borrowings		**20,766,141**	**24,721,178**

The Group's bank loans mature within one year and are denominated in Kazakhstani Tenge. The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of interest rate exposures.

The carrying amount of borrowings approximates their fair value.

Bank name	Date of issue	Maturity date	Loan currency	Effective interest rate	Outstanding balance	Total borrowings
Syndicated loan from Citibank Kazakhstan JSC and RBS Kazakhstan JSC	26.09.2013	26.09.2014	KZT	7.70%	14,759,812	14,759,812
HSBC Kazakhstan JSC	25.09.2013	25.09.2014	KZT	6.64%	6,006,329	6,006,329

On 25 September 2013, the Company signed a credit line agreement with JSC Halyk Savings Bank for a credit line up to 30 billion Tenge with 24 months access period with an interest rate from 5.3 percent to 7.3 percent per annum for 1 month to 12 months tranches, accordingly. As at 30 June 2014, the Company has not utilised this credit line.

On 25 September 2013, the Group signed a credit line agreement with JSC SB HSBC Kazakhstan for a credit line up to 6 billion Tenge with 12 months access period with a fixed interest rate of 6.5 percent.

On 26 September 2013, the Group fully repaid 15 billion Tenge loan under the Loan Facility Agreement with JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan signed on 17 October 2012.

On 26 September 2013, the Group repaid 15.5 billion Tenge part of a 30 billion Tenge loan to JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan under the Loan Facility Agreement with JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan signed on 26 September 2012. The outstanding loan balance of 14.5 billion Tenge under the Loan Facility Agreement with JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan was extended with a fixed interest rate of 7.4 percent per annum and a maturity of twelve months from 24 September 2013.

On 21 June 2013 and 23 August 2013, the Group signed credit line agreements with ATFbank JSC for the amounts of 2.75 billion Tenge and 1.2 billion Tenge and on 26 December 2013 the Group fully utilized them by obtaining two tranches maturing and fully repaid on 24 January 2014 and 26 March 2014, correspondingly.

12 TAXES

Income tax expense is recognized based on the management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2013 is 20% (the estimated tax rate for the three and the six months ended 30 June 2014 is 20%).

13 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Operating Environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market

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, as at 30 June 2014, no provision for potential tax liabilities had been recorded (31 December 2013: nil).

Capital expenditure commitments

As at 30 June 2014, the Group has contractual capital expenditure commitments in respect of property, plant and equipment approximating 4,037,377 thousand Tenge (31 December 2013: 5,808,515 thousand Tenge), mostly related to the purchase of telecommunications equipment from Ericsson and ZTE Corporation.

Non-cancellable lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Kazakhstani Tenge	**30 June 2014**	**31 December 2013**
Not later than 1 year	4,810,000	4,840,000
From 1 to 2 years	2,630,000	4,780,000
From 2 to 3 years	480,000	480,000
Later than 3 years	40,000	280,000
Total non-cancellable lease commitments	**7,960,000**	**10,380,000**

Non-cancellable lease agreement is represented by the Telecommunication Services Agreement on lease of transparent communication channels and IP VPN network with Kazakhtelecom and a five-year fibre optics lease agreement with KazTransCom JSC.

Acquisitions and Investments

Memorandum of understanding with Sonera

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding, details of which are disclosed further in Note 5.

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.

Anti-monopoly legislation

On 18 October 2011, the Agency of Competition Protection ("the ACP") issued an order mandating inclusion of the Company in the State Register of Dominant and Monopolistic Entities of the Republic of Kazakhstan (the "State Register") in respect of certain services provided by the Company, including interconnection services. The Company challenged its inclusion in the State Register.

In April 2013 the Appellate Judicial Panel for Civil and Administrative Cases of Astana Court cancelled the Order. However, in June 2013 Cassation Board of Astana court cancelled the April decision of Appellate Judicial Panel for Civil and Administrative Cases. The Company continued to appeal against inclusion in the State Register in the Supervisory Board of the Supreme Court, however, in November 2013 the Company's application had been cancelled.

Starting from June 2013 the Company is subject to regulation by the Ministry of Transport and Communication ("the Ministry"). The Ministry can reduce the Company's interconnection tariffs, while interconnect tariffs of other mobile operators that have not been included in the State Register would remain unregulated. On 15 April 2014, the Ministry sent an opinion letter to reduce the existing interconnect tariffs with other mobile operators. The Ministry recommends a gradual reduction of prices by 20% each year from 2015 till 2017.

Telecommunication regulation

In January 2013, the Ministry required lowering the maximum tariff plans. When the Company refused to fulfil the requirements, an Order was issued on violation of fulfilling the requirements. The Company challenged the Order and requirements in the Specialized Interdistrict Economic Court of Astana city ("the SIEC"), which in June cancelled the Order and requirements. Subsequently Appeal decision dated 28 August 2013 and Cassation decision dated 15 January 2014 confirmed the decision of the SIEC. The Ministry has a right to further appeal to the Supreme Court.

Management believes that the Company would defend its position if the Ministry applies to Supreme Court. No provision has been recorded as at 30 June 2014.

The Company voluntary reduced the maximum prices for the following services starting from April 2014:

Service type	Prior rates (tenge, with VAT)	Current rates (tenge, with VAT)
On-net voice/minute	20	16,70
Off-net voice/minute	39	30,50
Off-net SMS/message	15	12,33
Data/Mb	24.64	20.16

"Always Available" investigation on alleged violation

In 2013, certain subscribers of the Company complained about charging for voicemail services provided by the Company which they had not signed up for. The ACP made an investigation and the Company could be fined 10,906,022 thousand KZT by the Administrative Court. The amount of fine was considered to be excessive by the Company as it was calculated from total voice revenues, rather than from the specific revenue in question and therefore, the Company filed a petition to the court, which required the ACP to reconsider the amount of the fine. The Company provided information on revenues from "Always Available" services for 2012 and 2013 to the ACP.

On 19 March 2014, the first instance court granted the Company's petition and required the ACP to provide more detailed information on the claimed violation. However, due to lack of clarity in the legislation, the amount of potential fine is subject to varying interpretations by the ACP, including methodology of calculation and wide range of time period application. Therefore, management believes that due to this uncertainty, it is not possible to estimate reliably the amount of potential fine.

On 3 July 2014, the Specialized Interdistrict Administrative Court of Almaty city (SIDAC) ruled to impose a penalty on the Company in the amount of 41,782 thousand Tenge, 10% of the income amount received from the Always available service during the investigation period. The Company challenged this decision in Almaty City Court. On 7 August 2014, the Board of Appeals of Almaty city court determined to uphold the decision of the SIDAC and, thereby, the SIDAC decision has come into force.

Besides, on 27 November 2013, the ACP issued an order prescribing to eliminate violations of the competition law. According to this order, the Company is to, by 27 December 2013, cease to provide the Always Available service if no consent of the subscriber has been obtained. On 26 December 2013, the Company filed an application with the Specialized Interdistrict Economic Court of Astana seeking cancellation of the said order. On 12 March 2014, the Specialized Interdistrict Economic Court of Astana has dismissed the Company's petition. The Company challenged the Decision of the Specialized Interdistrict Economic Court of Astana in the Astana city Court.

On 15 July 2014, the Board of Appeals of Astana City Court upheld the decision of Specialized Interdistrict Economic Court of Astana city and rejected the appeal of the Company. This decision has come into force, whereby the Company is to fulfill the order of the ACP to stop providing the Always Available service without subscriber's consent.

The ACP may issue an order on return of money received from providing this service.

No provision has been recorded as at 30 June 2014.

"Daytime Unlimited" investigation on alleged violation

In September 2013, the ACP initiated investigations on alleged violation by the Company of the anti-monopoly law in respect to the "Daytime Unlimited" tariff plan. In January 2014, the ACP completed it's investigation and claimed abuse of a market dominant position by the Company which led to violation of customers rights, and the Company received investigation findings with a proposed fine in the amount of 16,053,502 thousand Tenge, based on total voice revenue. The basis for the investigation was a wrong tariffication of subscribers for "Daytime Unlimited" service and that the service was not interrupted when the funds on the accounts of subscribers come to an end.

On 7 March 2014, SIDAC supported the ACP claim against the Company.

On 28 March 2014, the Company appealed against the ruling of SIDAC in the Almaty City Court. On 15 April 2014, the Board of Appeals of the Almaty City Court (Board of Appeals) determined to partially grant the complaint, alter the decision of SIDAC and, pursuant to Part 3 of art. 147 of RK Code of Administrative Offence, impose a fine on the Company in the amount of 325,850 thousand Tenge. Considering that this court decision came into force on 13 May 2014, the Company has made a payment of the fine.

On 18 March 2014, the ACP addressed to the Company an Order on cessation and elimination of consequences of violation of the competition laws, pursuant to which it ordered that the Company shall have on or before 21 April 2014: 1) to stop collection of the subscription fee under the tariff plan "Daytime Unlimited" in case of insufficiency of funds on the account; 2) to ensure interruption of connection (radiotelephone conversation or the service of access to the Internet) when the funds on the accounts of subscribers come to an end; 3) to ensure refund of funds to subscribers, received as a result of failure to interrupt the connection (radiotelephone conversation or the service of access to the Internet) when the funds on the accounts of subscribers come to an end.

The Company appealed against this order in the Specialized Interdistrict Economic Court (SIDEC) of Astana. On 26 June 2014, SIDEC of Astana has dismissed the Company's petition. This decision has not come into force.The Company challenged court's decision.

If the court finds that the Company had acted in violation of law through inappropriate provision of Daytime Unlimited, the ACP may issue an order on return of money received from providing this service. Due to different interpretations of the potential fine calculation methodology and wide range of time scope the ACP may use for calculations, management believes that the outcome and amount of fine is uncertain. Therefore, no provision has been recorded as at 30 June 2014.

14 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 condensed interim consolidated financial statements do not include all financial management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2013. There have been no changes in the risk management policies since year end.

Credit risk

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

The Group's maximum exposure to credit risk by class of assets is as follows:

In thousands of Kazakhstani Tenge	Note	30 June 2014	31 December 2013
Cash and cash equivalents		4,804,576	18,916,258
Trade receivables	8	7,333,592	5,905,771
Due from related parties		175,200	306,862
Restricted Cash		125,139	125,574
Total maximum exposure to credit risk		**12,438,507**	**25,254,465**

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. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount of trade receivables exposed to credit risk. The Group has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

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

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 30 June 2014 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 30 June 2014 is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Total**
Liabilities				
Borrowings	-	20,766,141	-	20,766,141
Trade payables	17,246,037	-	-	17,246,037
Dividends payable	-	-	19,028,000	19,028,000
Due to related parties	456,982	-	-	456,982
Total future payments	**17,703,019**	**20,766,141**	**19,028,000**	**57,497,160**

Comparative maturity analysis of financial liabilities at 31 December 2013 is detailed below:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Total**
Liabilities				
Borrowings	2,752,599	1,201,184	20,767,395	24,721,178
Trade payables	18,636,939	-	-	18,636,939
Due to related parties	502,045	-	-	502,045
Total future payments	**21,891,583**	**1,201,184**	**20,767,395**	**43,860,162**

Management believes that the payments of the borrowings, the remaining of the dividends and other financial liabilities will be financed by cash flows from operating activities and that the Group will be able to meet its obligations as they fall due. The Company can extend borrowings up to an additional twelve month, subject to consent of the lenders.