NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For three months period ended 31 March, 2016

1. CORPORATE INFORMATION

Kazakhtelecom JSC (the "Company" or "Kazakhtelecom") was established in June 1994 in accordance with legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 010000, Astana, 12 Sauran St., Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna" or the "Parent"), which owned 51% of the Company's controlling stock. The following lists the shareholders of the Company's stock as at 31 March 2016:

	31 March 2016 (unaudited)	31 December 2015
Samruk-Kazyna	**51.0%**	51.0%
Bodam B. V.	**16.9%**	16.9%
ADR (The Bank of New York is a depositor)	**9.8%**	9.8%
Deran Services Limited	**7.6%**	7.6%
State Fund on Pension Assets JSC	**3.4%**	3.4%
Kazkommertsbank JSC	**3.1%**	3.1%
Deran Investment B.V.	**2.0%**	2.0%
Other	**6.2%**	6.2%
	100%	100%

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network ("PSTN") connection services provided to third party telecommunication operators, and leasing of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 2* (together the "Group") have a significant share of the fixed line communication market, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; and provides also rent of lines, data transfer services and wireless communication services.

2. BASIS FOR PREPARATION

The interim condensed consolidated financial statements for the three months period ended 31 March 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate at the date of the transaction established by the Kazakhstan Stock Exchange (hereinafter – the "KASE") and published by the National Bank of the Republic of Kazakhstan (the "NBRK") rate of exchange ruling at the reporting date. All differences are recognized in the interim condensed consolidated statement of comprehensive income.

The following table summarises the foreign currency exchange rates for tenge:

	31 March 2016	31 December 2015	31 March 2015
US dollar	**343.06**	340.01	185.65
Euro	**388.24**	371.46	201.63
Russian ruble	**5.08**	4.61	3.21

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS FOR PREPARATION (continued)

Subsidiaries

The following significant subsidiaries have been included in these interim condensed consolidated financial statements:

	Country of residence	Percentage ownership 31 March 2016 (unaudited)	 31 December 2015
ALTEL JSC	Kazakhstan	**0.00%**	100.00%
NURSAT JSC	Kazakhstan	**100.00%**	80.00%
Kazakhtelecom Industrial Enterprises Services LLP	Kazakhstan	**100.00%**	100.00%
Signum LLC	Russia	**100.00%**	100.00%
KT Cloud Lab LLP	Kazakhstan	**100.00%**	100.00%
VOSTOKTELECOM LLP	Kazakhstan	**100.00%**	100.00%
Digital TV LLP	Kazakhstan	**100.00%**	100.00%
MaxCom LLP	Kazakhstan	**100.00%**	100.00%
Online.kg LLC	Kyrgyzstan	**100.00%**	100.00%
Info-Net Wireless LLP	Kazakhstan	**100.00%**	100.00%

3. CHANGE IN ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and amendments to IFRS effective as at 1 January 2015:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions.*
- Annual Improvements 2010-2012 Cycle.
- Annual Improvements 2011-2013 Cycle.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during the second half of 2014. Thus, these amendments did not impact the Group's consolidated financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2011-2013 Cycle

These improvements are effective from or after 1 July 2014 and the Group has applied these amendments in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the consolidated financial statements of the joint arrangement itself.

The Group Kazakhtelecom JSC is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the organizational structure of the Group, and consists of two reporting operating segments as follows:

- Local, intercity, international wireline telecommunication services provided by Kazakhtelecom JSC, VOSTOKTELECOM LLP, KT Cloud Lab LLP and Digital TV LLP business units.
- GSM and LTE mobile telecommunication services provided by associated company Khan Tengri Holding B.V. business unit.

5. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2016, the Group acquired property and equipment for 2,201,803 thousand tenge (unaudited) (during three months period ended 31 March 2015: 3,206,880 thousand tenge (unaudited)). During the three months period ended 31 March 2016, the Group disposed property and equipment with net book value of 49,026 thousand tenge (unaudited) (during three months period ended 31 March 2015: 151,963 thousand tenge (unaudited)).

The Group's main construction projects are capitalized expenses for modernization and construction of existing and new digital and wireline networks and fiber optic communication lines. As at 31 March 2016, the carrying value of construction in progress was 9,680,695 thousand tenge (unaudited) (as at 31 December 2015: 11,483,524 thousand tenge).

During the three months period ended 31 March 2016, the Group recognized depreciation expense amounting to 7,103,241 thousand tenge (unaudited) (during three months period ended 31 March 2015: 7,965,646 thousand tenge (unaudited)).

As at 31 March 2016, the carrying value of equipment purchased and held under finance leases and included in property and equipment amounted to 27,421,174 thousand tenge (unaudited) (as at 31 December 2015: 28,038,190 thousand tenge). During the three months period ended 31 March 2016 and 31 March 2015, the Group had no additions of telecommunication equipment held under finance leases. Leased assets are pledged as security for the related finance leases.

As at 31 March 2016, property and equipment, amounting to 110,843,403 thousand tenge (unaudited), were fully amortized (as at 31 December 2015: 122,930,240 thousand tenge).

6. INTANGIBLE ASSETS

During the three months period ended 31 March 2016, the Group acquired intangible assets for 4,229,686 thousand tenge (unaudited) (during three months period ended 31 March 2015: 30,878 thousand tenge (unaudited)).

During the three months period ended 31 March 2016, the Group recognized amortization expense amounting to 977,965 thousand tenge (unaudited) (during three months period ended 31 March 2015: 1,045,534 thousand tenge (unaudited)).

As at 31 March 2016 intangible assets (mainly software) with cost amounting to 7,635,598 thousand tenge (unaudited), were fully amortized (as at 31 December 2015: 8,768,527 thousand tenge).

7. IMPAIRMENT OF GOODWILL

Goodwill is tested by the Group for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2015.

The Group considers the size of its list of IP TV subscribers and growth rate of customers in the subscriber list, among other factors, when reviewing for indicators of impairment. As at 31 March 2016, size of the list of IP TV subscribers of the Group was higher than as at 31 December 2015, and growth rate of customers in the subscriber list during three months period ended 31 March 2016 was in line with the Group's expectations. As a result, no goodwill impairment indicators were identified as at 31 March 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Trade receivables	**26,446,959**	18,299,271
	26,446,959	18,299,271
Less: allowance for doubtful debts	**(2,415,625)**	(1,914,169)
	24,031,334	16,385,102

The movements in the allowance for doubtful debts were as follows during the three months ended 31 March:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Allowance for doubtful debts at 1 January	**(1,914,169)**	(1,512,067)
Charge for the period	**(752,832)**	(348,169)
Write-offs for the period	**251,376**	46,137
Allowance for doubtful debts at 31 March	**(2,415,625)**	(1,814,099)

9. OTHER FINANCIAL ASSETS

Other financial assets comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Bank deposits	**28,733,175**	29,278,450
Due from employees	**1,830,169**	1,851,394
Interest receivable on current bank accounts	**409,772**	228,817
Restricted cash on current bank accounts	**208,600**	208,600
Other receivable	**83,013**	2,376,729
Other	**6,249**	5,805
	31,270,978	33,949,795

Bank deposits with maturities over 3 months but less than 12 months were opened in local banks and were earning interest at the rates ranging from 2.3 to 4.5% per annum (as at 31 December 2015: from 2.3 to 10% per annum).

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Cash in current bank accounts	**10,721,500**	8,179,504
Bank deposits with maturity of less than 90 days	**7,985,000**	3,079,666
Cash on hand	**15,323**	17,721
	18,721,823	11,276,891

Cash on current bank accounts earn interest at the rates ranging from 0.10 to 14.5% per annum (as at 31 December 2015: from 0.01 to 7.55% per annum). Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the rates ranging from 1 to 38% per annum (as at 31 December 2015: from 0.1 to 32% per annum).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. CASH AND CASH EQUIVALENTS (continued)

At 31 March 2016 and 31 December 2015 cash and cash equivalents were denominated in various currencies as follows:

In thousands of tenge	31 March 2016 (unaudited)	31 December 2015
Tenge	**13,114,997**	5,743,047
US dollars	**5,481,117**	5,264,926
Russian rubles	**110,061**	258,593
Euro	**12,787**	7,166
Other	**2,861**	3,159
	18,721,823	11,276,891

11. BORROWINGS

Borrowings comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	Weighted average interest rate (unaudited)	31 March 2016 (unaudited)	Weighted average interest rate	31 December 2015
Fixed interest rate borrowings with range between 7% and 12.5% p.a.	**8.30%**	**61,103,109**	9,45	31,438,314
		61,103,109		31,438,314

Borrowings are repayable as follows:

In thousands of tenge	31 March 2016 (unaudited)	31 December 2015
Current portion	**6,015,557**	4,138,393
Maturity between 1 and 2 years	**501,899**	-
Maturity between 2 and 5 years	**38,348,911**	27,299,921
Maturity over 5 years	**16,236,742**	-
Total long-term portion	**55,087,552**	27,299,921
Total borrowings	**61,103,109**	31,438,314

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. OTHER NON-CURRENT AND CURRENT LIABILITIES

Non-current liabilities

Other non-current liabilities comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Guarantees issued	**2,535,887**	-
Deferred connection revenue	**2,098,602**	2,205,014
Asset retirement obligations	**67,544**	66,614
Other	**1,633,003**	704,505
	6,335,036	2,976,133

Asset retirement obligations

Provision for asset retirement obligations is provided at the present value of expected costs to settle the obligation using estimated cash flows and is recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability.

Current liabilities

Other current liabilities comprised the following at 31 March 2016 and 31 December 2015:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Due to employees	**3,793,230**	3,734,606
Taxes payable other than income tax	**3,766,952**	2,428,493
Dividends payable	**1,575,007**	1,582,251
Deferred connection revenue	**771,816**	811,719
Payables to pension funds	**450,030**	746,694
Guarantees issued	**271,342**	-
Other	**1,446,044**	1,326,655
	12,074,421	10,630,418

At 31 March 2016 and 31 December 2015, other current liabilities were not interest bearing and were primarily denominated in tenge.

13. REVENUE

Revenue for the three months period ended 31 March comprised the following:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Data transfer services	**25,153,524**	24,137,415
Rendering of wireline and wireless phone services	**13,533,408**	14,447,952
Interconnect	**4,982,622**	3,236,060
Rent of lines	**2,458,621**	1,640,369
Other	**1,567,681**	1,655,753
	47,695,856	45,117,549

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. COST OF REVENUE

Cost of revenue for the three months period ended 31 March comprised the following:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Personnel costs	**10,799,841**	10,678,273
Depreciation and amortization	**7,534,623**	7,472,433
Rent of channels	**2,677,730**	1,825,608
Interconnect	**2,170,692**	1,905,400
Repair and maintenance	**1,200,001**	1,064,714
TV Content	**1,126,802**	806,699
Materials	**853,268**	886,992
Electricity	**751,874**	744,508
Fees for the right to provide telecom services	**687,277**	509,126
Security	**436,258**	442,809
Rental of equipment	**411,501**	204,156
Fees for use of frequency range	**272,554**	235,735
Other	**980,539**	1,088,050
	29,902,960	27,864,503

15. NET FOREIGN EXCHANGE LOSS

During three months period ended 31 March 2016, the Group recognized a net loss from revaluation of foreign currency items in the amount of 33,276 thousand tenge (unaudited) (during the three months period ended 31 March 2015: 378,659 thousand tenge (unaudited)).

16. INCOME TAX EXPENSE

Income tax expense for the three months period ended 31 March comprised the following:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Current income tax expense	**2,539,789**	868,937
Deferred income tax expense	**482,919**	554,970
	3,022,708	1,423,907

17. DISCONTINUED OPERATIONS

At 3 November 2015, Kazakhtelecom JSC and Tele2 Group concluded an agreement on the creation of a joint venture in the segment of cellular communications by combination of Altel JSC and Mobile Telecom-Service LLP.

At 29 February 2016, Kazakhtelecom JSC and Tele2 completed the arrangement on the creation of a joint venture in the segment of cellular communications on the basis of Altel JSC and Mobile Telecom-Service LLP businesses. As a result of this arrangement Kazakhtelecom JSC in exchange for 100% share in Altel JSC received 51% of share capital and 49.48% of voting rights in the joint venture.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. DISCONTINUED OPERATIONS (continued)

The results of Altel JSC for the period are presented below:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Revenue	**4,961,007**	6,261,712
Cost of revenue	**(3,133,778)**	(5,319,440)
Gross profit	**1,827,229**	942,272
General and administrative expenses	**(599,918)**	(456,246)
Selling expenses	**(601,613)**	(610,126)
Operating profit	**625,698**	(124,100)
Finance costs	**(421,325)**	(386,532)
Finance income	**175,085**	31,364
Other income/(expenses)	**47,958**	440,161
Profit/(loss) before tax from discontinued operations	**427,416**	(39,107)
Income tax (expense)/benefit	**(300,384)**	34,633
Profit/(loss) for the period from discontinued operations	**127,032**	(4,474)

The major classes of assets and liabilities of Altel JSC classified as held for sale, as follows:

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Assets		
Property and equipment	**27,614,404**	26,932,840
Intangible assets	**7,902,080**	3,885,075
Trade accounts receivable	**3,889,479**	2,722,596
Inventories	**2,067,089**	2,449,560
Cash and cash equivalents	**1,683,295**	8,688,151
Deferred tax asset	**1,249,888**	1,300,407
Other	**2,453,617**	2,498,571
Assets classified as held for sale	**46,859,852**	48,477,200
Liabilities		
Borrowings	**-**	(33,836,564)
Trade accounts payable	**(10,423,524)**	(8,673,614)
Advances received	**(1,389,595)**	(1,441,043)
Other	**(4,584,181)**	(4,536,095)
Liabilities directly associated with assets classified as held for sale	**(16,397,300)**	(48,487,316)
Net assets/(liabilities), directly associated with disposal group	**30,462,552**	(10,116)

The net cash flows incurred by Altel JSC are, as follows:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Operating	**(10,770,566)**	2,944,425
Investing	**(4,777,192)**	(482,706)
Financing	**8,542,902**	(2,450,291)
Net cash inflow	**(7,004,856)**	11,428

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. NON-CASH TRANSACTIONS

These transactions have been excluded from the interim condensed consolidated statement of cash flows:

During the three months period ended 31 March 2016, 4,848,164 thousand tenge (unaudited) was paid for property and equipment purchased in the preceding year (during the three months period ended 31 March 2015: 7,494,099 thousand tenge (unaudited)). Property and equipment of 418,689 thousand tenge (unaudited) were purchased during the three months period ended 31 March 2016 but not paid by 31 March 2016 (purchased, but not paid by 31 March 2015: 5,825,442 thousand tenge (unaudited)).

19. RELATED PARTY DISCLOSURES

The category "parent-controlled entities" comprises entities controlled by the Parent, except for banks controlled by the Parent. Transactions with (purchases from) parent-controlled entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to Parent and parent-controlled entities.

Related party transactions were made on terms agreed to between the parties. Outstanding balances at the year-end are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 31 March 2016 and 31 December 2015 the Group has not recorded impairment of trade accounts receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Sales and purchases with related parties during the periods of three months period ended 31 March 2016 and 2015 and the balances with related parties at 31 March 2016 and 31 December 2015 were as follows:

In thousands of tenge	**31 March 2016 (unaudited)**	31 March 2015 (unaudited)
Sales of goods and services		
Parent	**29,010**	57,125
Parent-controlled entities	**677,939**	591,063
Associate	**430,683**	-
Government bodies	**6,804,707**	6,839,303
Purchases of goods and services		
Parent	**30,226**	241
Parent-controlled entities	**469,657**	531,547
Associate	**467,764**	-
Government bodies	**225,413**	290,118
Interest incurred on borrowings		
Entities under government control		
Development Bank of Kazakhstan JSC	**866,851**	714,192
Average interest rate on borrowings	**8.07%**	8.28%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

In thousands of tenge	**31 March 2016 (unaudited)**	31 December 2015
Cash and cash equivalents		
Entities under government control		
Development Bank of Kazakhstan JSC	**2,578**	2,581
Borrowings		
Entities under government control		
Development Bank of Kazakhstan JSC	**55,167,337**	55,398,052
Trade and other receivables		
Parent	**21,370**	154,155
Parent-controlled entities	**535,939**	470,265
Associate	**7,112,072**	-
Government bodies	**5,530,528**	3,204,354
Accounts payable		
Parent-controlled entities	**410,113**	192,228
Associate	**3,891,311**	-
State entities	**266,310**	556,337
Other long term assets		
Long term loans given to key personnel	**41,065**	41,696

The Government of the Republic of Kazakhstan provides certain subsidies to the Group for provision of universal services in rural areas in the amount of 1,326,795 thousand tenge for the three months period ended 31 March 2016 (unaudited), (for the three months period ended 31 March 2015: 1,648,650 thousand tenge (unaudited)).

20. FINANCIAL INSTRUMENTS

Fair values

As at 31 March 2016 and 31 December 2015, the carrying values of the Group's monetary assets and liabilities approximated their estimated fair values.

The carrying amount of cash and cash equivalents, trade accounts receivable, trade accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments. Interest-bearing loans and borrowings are stated at amortized costs which approximate their fair values.

The fair value of long-term financial assets is estimated using discounted cash flow based on deposit rates currently available to the Group with similar terms and average maturities. The fair value of long-term financial assets is considered to approximate their carrying values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 March 2016 the Group had contractual commitments totaling 4,431,385 thousand tenge (unaudited) (as at 31 December 2015: 9,144,742 thousand tenge) related mostly to the purchase of telecommunication equipment and construction of telecommunication network.

License commitments

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of the Group's network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2016. As at 31 March 2016, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

22. SUBSEQUENT EVENTS

According to decision of the Annual General Shareholders' Meeting held on 22 April 2016, the Group declared about planning to pay dividends on ordinary and preferred shares in amount of 3,658,267 thousand tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. CALCULATION OF BOOK VALUE PER COMMON SHARE

1. Book value per common share is calculated by the following formula:

BVCS = NAV / NOCS, where

BVCS – book value per common share as of the date of calculation, in Tenge;

As at 31 December, 2015:

BVCS = (272,542,753 / 10,707,323) x 1,000 = 25,454

As at 31 March, 2016:

BVCS = (340,550,950 / 10,707,323) x 1,000 = 31,805

NAV – net asset value for common shares as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015– 272,542,753
As at 31 March, 2016 – 340,550,950

NOCS – number of outstanding common shares as of the date of calculation;
As at 31 December, 2015– 10,707,323
As at 31 March, 2016 – 10,707,323

2. Net asset value for common shares is calculated by the following formula:

NAV = (TA – IA) – TL – PS, where

As at 31 December, 2015:
NAV = (436,493,944 – 19,558,165) – 144,072,502 – 320,524= 272,542,753 in thousands of Tenge

As at 31 March, 2016:
NAV = (485,966,922 – 18,873,247) – 126,222,201 – 320,524= 340,550,950 in thousands of Tenge

TA – total assets in the statement of issuer's financial position as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015 – 436,493,944
As at 31 March, 2016 – 485,966,922

IA – intangible assets in the statement of issuer's financial position as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015 – 19,558,165
As at 31 March, 2016 – 18,873,247

TL – total liabilities in the statement of issuer's financial position as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015 – (83,044,876 + 61,027,626) = 144,072,502
As at 31 March, 2016 – (34,681,451 + 91,540,750) = 126,222,201

23. CALCULATION OF BOOK VALUE PER COMMON SHARE (continued)

PS – preferred stock, i.e. balance of the account "authorized capital stock, preferred shares" in the statement of issuer's financial position as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015 – 320,524

As at 31 March, 2016 – 320,524

3. Book value per preferred share of the first group is calculated by the following formula:

BVPS1 = (EPC + DCPS1) / NOPS1, where

BVPS1 – book value per preferred share of the first group as of the date of calculation, in Tenge;

As at 31 December, 2015:

BVPS1 = ((1,902,287 + 874,156) / 320,524) x1,000 = 8,662

As at 31 March, 2016:

BVPS1 = ((1,895,043 + 874,156) / 320,524) x1,000 = 8,640

NOPS1 – number of outstanding preferred shares of the first group as of the date of calculation;

As at 31 December, 2015 – 320,524

As at 31 March, 2016 – 320,524

EPC – equity with prior claims, i.e. equity owned by the holders of preferred stock of the first group as of the date of calculation, in thousands of Tenge;

As at 31 December, 2015 – 1,902,287

As at 31 March, 2016 – 1,895,043

DCPS1 – debt component of preferred shares of the first group included in liabilities, in thousands of Tenge;

As at 31 December, 2015 – 874,156

As at 31 March, 2016 – 874,156

4. Equity owned by the holders of preferred stock of the first group (equity with prior claims) is calculated by the following formula:

EPC = TDPS1 + PS, where:

As at 31 December, 2015:

EPC = 1,581,763 + 320,524 = 1,902,287 thousands of Tenge

As at 31 March, 2016:

EPC = 1,574,519 + 320,524 = 1,895,043 thousands of Tenge

TDPS1 – total dividends, i.e. the sum of accrued but not paid dividends on preferred shares of the first group (balance of the account "accounts payable to shareholders (dividends)") as of the date of calculation. Dividends on preferred shares of the first group not paid due to unavailability of actual information and details about such shareholders are not included, in thousands of Tenge;

As at 31 December, 2015 – 1,581,763

As at 31 March, 2016 – 1,574,519