NOTES TO THEINTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

KazakhtelecomJSC (the "Company" or "Kazakhtelecom") was established in June 1994in 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: 31 Abaystreet, Astana, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through National Welfare Fund "Samruk-Kazyna" ("Samruk-Kazyna" or the "Parent"), which owned51% of the Company's controlling stock.The following lists the shareholders of the Company's stock as at 31 December:

	31 March 2014 (unaudited)	31 December2013
Samruk-Kazyna	**51.0%**	51.0%
Bodam B. V.	**16.9%**	16.9%
ADR (The Bank of New York is a depositor)	**9.9%**	9.9%
Deran Services Limited	**9.6%**	9.6%
JSC "SingleAccumulative Pension Fund"	**3,2%**	–
Kazkommertsbank	**3.1%**	3.1%
Other	**6.3%**	9.5%
	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; and provides also rent of lines, data transfer services and wireless communication services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31March 2014 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 consolidated financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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 consolidated statement of comprehensive income.

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

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

	31 March 2014	31 December 2013
US dollar	182,04	153.61
Euro	249,7	211.17
South Korean won	0.17	0.14
Russian rouble	5,09	4.7

Subsidiaries

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

		Percentage ownership	
	Country of residence	31 March 2014 (unaudited)	31 December 2013
ALTEL JSC	Kazakhstan	100.00%	100.00%
NURSAT JSC	Kazakhstan	77.08%	77.08%
Radio Tell 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%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through comprehensive income. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the organizational structure of the Group. The Group has three reportable operating segments as follows:

- Wireline telecommunication services mainly provided by Kazakhtelecom JSC, VOSTOKTELECOM LLP and Digital TV LLP business units.
- CDMA and LTE mobile telecommunication services mainly provided by ALTEL JSC business unit.
- Satellite telecommunication services, including data transfer services mainly provided by NURSAT JSC business unit.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on a basis similar to transactions with third parties.

The following tables present revenue and profit information regarding the Group's operating segments for the three months ended 31 March 2014 and 2013, respectively:

Three months period ended 31 March, 2014 (unaudited)

In thousands of tenge	Wireline telecommu-nications	CDMA and LTE mobile telecommu-nications	Satellite telecommu-nications	Other	Eliminations and adjustments	Group
Revenue						
External customers	45,124,847	2,345,575	117,293	57,337	–	47,645,052
Inter-segment	837,596	466,598	20,618	444,423	(1,769,235)	–
Total revenue	45,962,443	2,812,173	137,911	501,760	(1,769,235)	47,645,052
Results						
Depreciation and amortization	(7,499,750)	(842,825)	(115,033)	(78,840)	–	(8,536,448)
Finance costs	(1,458,929)	(83,748)	(31,402)	–	–	(1,574,079)
Finance income	632,412	8,703	252	–	–	641,367
Charge of bad debt expense	(169,203)	(2,750)	(9,789)	(5,859)	–	(187,601)
Income tax	(2,569,994)	177,272	85,157	(19,111)	–	(2,326,676)
Segment profit/(loss)	6,303,750	(2,718,981)	(445,621)	29,813	–	3,168,961

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (continued)

Three months period ended 31 March, 2013 (unaudited)

In thousands of tenge	Wireline telecommu-nications	CDMA and LTE mobile telecommu-nications	Satellite telecommu-nications	Other	Eliminations and adjustments	Group
Revenue						
External customers	42,191,090	2,035,488	310,996	9,646	-	44,547,220
Inter-segment	513,344	467,116	208,928	283,375	(1,472,763)	-
Total revenue	42,704,434	2,502,604	519,924	293,021	(1,472,763)	44,547,220
Results						
Depreciation and amortization	(8,750,025)	(595,943)	(169,136)	(21,808)	-	(9,536,912)
Finance costs	(2,322,165)	(39,291)	(31,689)	-	-	(2,393,145)
Finance income	1,224,023	1,701	-	-	-	1,225,724
Charge of bad debt expense	(146,439)	(5,117)	(31,957)	-	-	(183,513)
Income tax	(2,604,178)	37,100	23,998	(7,550)	-	(2,550,630)
Segment profit/(loss)	9,346,930	(1,212,324)	(144,243)	43,910	-	8,034,273

The following table presents segment assets and liabilities of the Group's operating segments as at 31 March 2014 and 31 December 2013:

In thousands of tenge	Wireline telecommu-nications	CDMA and LTE telecommuni-cations	Satellite telecommu-nications	Other	Eliminations and adjustments	Group
Segment assets						
As at 31 March 2014 (unaudited)	**387,979,150**	**33,128,153**	**4,201,011**	**3,710,087**	**(39,548,213)**	**389,470,188**
As at 31 December 2013	414,018,340	30,780,278	5,042,819	3,739,710	(37,445,869)	416,135,278
Segment liabilities						
As at 31 March 2014 (unaudited)	**104,548,305**	**26,494,348**	**2,746,806**	**299,608**	**(10,887,565)**	**123,201,502**
As at 31 December 2013	135,749,285	22,358,699	3,228,734	336,760	(11,041,535)	150,631,943

Reconciliation of assets

In thousands of tenge	31 March 2014 (unaudited)	31 December 2013
Segment operating assets	**429,018,401**	453,581,147
Elimination of the Company's investments in subsidiaries	**(27,554,633)**	(26,674,775)
Elimination of intergroup balances of accounts receivable and payable	**(11,993,580)**	(10,771,094)
Group operating assets	**389,470,188**	416,135,278

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2014, the Group acquired property and equipment for 5,638,962 thousand tenge (2013: 7,818,955 thousand tenge).

Construction in progress primarily represents construction of network and telecommunication equipment under installation.

The Group's main construction projects are modernization and construction of existing and new digital networks and fiber optic communication line. As of 31 March 2014, the carrying value of construction in progress was 26,483,732 thousand tenge (31 December 2013: 31,290,069 thousand tenge).

During the three months period ended 31 March 2014, The Group recognized depreciation expense amounting to 7,839,940 thousand tenge (2013: 8,568,437 thousand tenge).

At 31 March 2014, certain property and equipment with a net carrying amount of 2,907,240 thousand tenge (At 31 December 2013: 3,046,995 thousand tenge) were pledged as security for some of the Group's borrowings *(Note 10)*.

Borrowing costs of 108 thousand tenge on loans obtained to finance the construction of property and equipment were capitalized during the three months of 2014 at an average capitalization rate of 1.99% (2013: 4,172 thousand tenge at an average capitalization rate of 2.66%).

At 31 March 2014, the carrying value of equipment held under finance leases and included in property and equipment amounted to 28,298,502 thousand tenge (at 31 December 2013: 28,903,323 thousand tenge). Additions during the three months include 263,281 thousand tenge (2013:461,463 thousand tenge) of property and equipment held under finance leases. Leased assets are pledged as security for the related finance leases.

As at 31 March 2014, property and equipment amounting to 122,609,144 thousand tenge, were fully amortized (At 31 December 2013: 120,459,427 thousand tenge).

6. INTANGIBLE ASSETS

During the three months ended 31 March 2014, the Group acquired intangible assets for 131,068 thousand tenge (2013: 5,860,313 thousand tenge).

During the three months period ended 31 March 2014, The Group recognized depreciation expense amounting to 704,035 thousand tenge (2013: 971,511 thousand tenge).

As at 31 March 2014 intangible assets (mainly software) amounting to 6,474,106 thousand tenge were fully amortized (2013: 6,283,986 thousand tenge).

7. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable comprised the following at 31 March, 2014 and 31 December, 2013:

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Trade receivables	**23,640,107**	18,077,833
	23,640,107	18,077,833
Less: allowance for doubtful debts	**(2,010,618)**	(1,885,077)
	21,629,489	16,192,756

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

In thousands of tenge	**31 March 2014 (unaudited)**	31 March 2013 (unaudited)
Allowance for doubtful debts at 1 January	**(1,885,077)**	(2,616,112)
Charge for the period	**(165,128)**	(160,795)
Write-offs	**39,587**	43,987
Allowance for doubtful debts at 31 March	**(2,010,618)**	(2,732,920)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. OTHER FINANCIAL ASSETS

Other financial assets comprised the following at 31 March, 2014 and 31 December, 2013:

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Bank deposits	**5,003,660**	4,870,000
Restricted cash on current bank account	**4,056,059**	4,056,059
Due from employees	**1,942,634**	1,970,371
Other receivable	**864,366**	537,000
Restricted deposit	**-**	441,000
Interest receivable	**223,708**	271,971
	12,090,427	12,146,401

Bank deposits with maturities over 3 months but less than 12 months were opened in a local bank and were earning interest at the rates ranging from 2 to 4% per annum (2013: from 3 to 6.5% per annum).

Interest free restricted cash on current bank accounts was placed as collateral for covered bank guarantees for the period less than one year.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at 31 March, 2014 and 31 December, 2013:

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Cash on current bank accounts	**11,702,811**	41,516,634
Deposits with maturity less than 90 days from origination date	**898,165**	802,136
Cash on hand	**32,758**	34,053
	12,633,734	42,352,823

Cash on current bank accounts earn interest at the rates ranging from 0.09 to 4.79% per annum (31 December 2013: from 0.08 to 3.98% 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 0.01 to 8.75% per annum (31 December 2013: from 0.1 to 4% per annum).

At 31 March, 2014 and 31 December, 2013 cash and cash equivalents were denominated in various currencies as follows:

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Tenge	**7,512,389**	13,081,223
US dollars	**5,054,006**	28,935,778
Russian rubles	**64,783**	185,181
Euro	**517**	148,581
Other	**2,039**	2,060
	12,633,734	42,352,823

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. BORROWINGS

Borrowings comprised the following 31 March, 2014 and 31 December, 2013:

In thousands of tenge	**Weighted average interest rate**	**31 March 2014 (unaudited)**	Weighted average interest rate	31 December 2013
Fixed interest rate borrowings *with range between 3% and 8.5% p.a.*	**5.08%**	**20,711,180**	5.49%	17,004,856
Variable interest rate borrowings *with range between 2.52% and 9.33% p.a.*	**6.63%**	**32,485,352**	6.69%	28,141,211
		53,196,532		45,146,067

Borrowings are repayable as follows:

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Current portion	**7,865,939**	9,117,411
Maturity between 1 and 2 years	**6,001,274**	4,799,169
Maturity between 2 and 5 years	**15,952,895**	11,960,887
Maturity over 5 years	**23,376,424**	19,268,600
Total long-term portion	**45,330,593**	36,028,656
Total borrowings	**53,196,532**	45,146,067

As at 31 March 2014, certain property and equipment with a net carrying amount of 2,907,240 thousand tenge were pledged as security for some of the Group's borrowings (at 31 December 2013: 3,046,995 thousand tenge) *(Note 5)*.

As at 31 March 2014, the Group's borrowings of 1,679,736 thousand tenge were guaranteed by the Government of the Republic of Kazakhstan (at 31 December 2013: 1,512,557 thousand Tenge).

11. OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current liabilities comprised the following 31 March, 2014 and 31 December, 2013:

Non-current liabilities

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Deferred connection revenue	**3,181,084**	3,304,035
Asset retirement obligations	**1,412,051**	1,065,771
Other	**217,081**	63,951
	4,810,216	4,433,757

Other current liabilities comprised the following 31 March, 2014 and 31 December, 2013:

Current liabilities

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Dividends payable	**1,708,627**	30,268,498
Due to employees	**4,177,204**	3,580,509
Deferred connection revenue	**1,666,218**	1,498,531
Taxes payable other than income tax	**3,413,025**	1,198,333
Payable to pension funds	**444,857**	674,322
Other	**689,309**	798,949
	12,099,240	38,019,142

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

11. OTHER NON-CURRENT AND CURRENT LIABILITIES (continued)

Current liabilities (continued)

At 31 March, 2014 and 31 December, 2013, other current liabilities were not interest bearing and were primarily denominated in tenge.

12. REVENUE

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

In thousands of tenge	**31 March 2014 (unaudited)**	31 March 2013 (unaudited)
Data transfer services	**22,722,095**	19,279,570
Rendering of wireline and wireless phone services	**16,088,197**	17,424,587
Interconnect	**3,419,644**	3,570,206
Rent of lines	**1,620,851**	1,575,559
Other	**2,536,583**	1,466,376
	46,387,370	43,316,298

13. COST OF REVENUE

Cost of services provided for three months period ended 31 March, comprised the following:

In thousands of tenge	**31 March 2014 (unaudited)**	31 March 2013 (unaudited)
Personnel costs	**10,454,528**	10,704,316
Depreciation and amortization	**8,419,327**	9,445,113
Interconnect	**1,990,430**	2,239,532
Rent of channels	**1,701,777**	1,595,493
Repair and maintenance	**1,149,842**	1,273,405
Materials	**903,246**	1,097,953
Electricity	**736,304**	613,910
Rental of equipment	**616,583**	477,263
Fees for use of frequency range	**601,970**	225,311
Fees for the right to provide telecom services	**478,965**	448,845
Security and safety	**444,418**	387,721
Other	**3,106,017**	1,945,644
	30,603,407	30,454,506

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. INCOME TAX

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

In thousands of tenge	**31 March 2014 (unaudited)**	31 March 2013 (unaudited)
Current corporate income tax charge	**1,611,692**	2,030,818
Deferred tax expense	**714,984**	519,812
	2,326,676	2,550,630

15. NON-CASH TRANSACTIONS

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

During the three months period ended 31 March 2014, under finance lease agreements, the Group received telecommunication equipment with a value of 263,281 thousand tenge (2013: 461,463 thousand tenge).

During the three months period ended 31 March 2014, the Group capitalized interest on borrowings to the cost of property and equipment in the amount 108 thousand tenge (2013: 4,172 thousand tenge).

During the three months period ended 31 March 2014, 9,357,317 thousand tenge was paid for property and equipment purchased in 2013 (2013: 6,079,003 thousand tenge). Property and equipment of 6,653,918 thousand tenge (31 December 2013: 13,663,823 thousand tenge) was purchased before 31 March 2014 but not paid by 31 March 2014.

16. RELATED PARTY TRANSACTIONS

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.

BTA Bank JSC, Temirbank JSC, and Alliance Bank JSC are related parties since they are controlled by Parent.

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

At 31 March, 2014 and 31 December, 2013, the Group has not recorded any 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. RELATED PARTY TRANSACTIONS (continued)

Sales and purchases with related parties during the three months period ended 31 March 2014 and 2013 and the balances with related parties at 31 March, 2014 and 31 December, 2013, were as follows:

In thousands of tenge	**31 March 2014 (unaudited)**	31 March 2013 (unaudited)
Sales of goods and services		
Parent	**22,922**	56,082
Parent-controlled entities	**1,320,667**	928,919
Government bodies	**6,324,548**	3,682,632
Purchases of goods and services		
Parent	**8,467**	-
Parent-controlled entities	**969,282**	1,569,808
Government bodies	**2,852,219**	7,510
Interest earned on financial assets		
Alliance Bank	**-**	12,712
Average interest rate on financial assets	**-**	*2.01%*
BTA Bank	**556**	7,933
Average interest rate on financial assets	***4.79%***	*2.31%*
Interest accrued on borrowings		
Development Bank of Kazakhstan	**399,086**	1,119,911
Average interest rate on borrowings	***9.33%***	*9.61%*

In thousands of tenge	**31 March 2014 (unaudited)**	31 December 2013
Cash and cash equivalents		
Alliance Bank	**143,796**	759,639
BTA Bank	**48,015**	330,513
Development Bank of Kazakhstan	**4,231**	24,583
Temirbank	**70**	73
Borrowings		
Development Bank of Kazakhstan	**18,751,826**	16,242,112
Trade and other receivables		
Parent	**83,847**	87,086
Parent-controlled entities	**1,201,666**	1,211,106
Government bodies	**5,594,348**	2,005,348
Accounts payable		
Parent	**-**	14,505,462
Parent-controlled entities	**421,235**	256,026
Government bodies	**265,664**	354,949
Other non-current assets		
Long-term loans to key management personnel	**44,099**	44,137

16. RELATED PARTY TRANSACTIONS (continued)

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 1,257,682 thousand tenge for the three months ended 31 March 2014 (three months ended 31 March 2013: 1,230,922 thousand tenge).

As discussed in *Note 10*, some of the Group's borrowings for the amount of 1,679,736 thousand tenge were guaranteed by the Government of the Republic of Kazakhstan (At 31 December 2013: 1,512,557 thousand tenge).

17. FINANCIAL INSTRUMENTS

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortized cost

The fair value of borrowings is estimated by discounting future cash flows using rates currently available for loans on similar terms, credit risk and remaining maturities

18. 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, 2014 the Group had contractual commitments totalling 34,180,136 thousand tenge (At 31 December 2013: 42,361,938 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 2014. As at 31 March 2014 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.

19. 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 March, 2014:

BVCS = (240,219,398 / 10,712,081) x 1,000 = 22,425

As at 31 December, 2013:

BVCS = (238,938,162 / 10,718,921) x 1,000 = 22,291

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

As at 31 March, 2014 – 240,219,398

As at 31 December, 2013– 238,938,162

NOCS – number of outstanding common shares as of the date of calculation;

As at 31 March, 2014 – 10,712,081

As at 31 December, 2013– 10,718,921

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

NAV = (TA – IA) – TL – PS, where

As at 31 March, 2014:

NAV = (389,470,188 – 25,721,209) – 123,201,495 – 328,086= 240,219,398 in thousands of Tenge

As at 31 December, 2013:

NAV = (416,135,278 – 26,237,752) – 150,631,943 – 327,421= 238,938,162 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 March, 2014 – 389,470,188

As at 31 December, 2013 – 416,135,278

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

As at 31 March, 2014 – 25,721,209

As at 31 December, 2013 – 26,237,752

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

As at 31 March, 2014 – (43,688,361 + 79,513,134) = 123,201,495

As at 31 December, 2013 – (80,672,909 + 69,959,034) = 150,631,943

19. 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 March, 2014 – 328,086

As at 31 December, 2013 – 327,421

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

$$BVPS1 = (EPC + DCPS1) / NOPS1, \text{ where}$$

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

As at 31 March, 2014:

$$BVPS1 = ((2{,}005{,}409 + 894{,}780) / 328{,}086) \times 1{,}000 = 8{,}840$$

As at 31 December, 2013:

$$BVPS1 = ((2{,}668{,}654 + 892{,}966) / 327{,}421) \times 1{,}000 = 10{,}878$$

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

As at 31 March, 2014 – 328,086

As at 31 December, 2013 – 327,421

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 March, 2014 – 2,005,409

As at 31 December, 2013 – 2,668,654

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

As at 31 March, 2014 – 894,780

As at 31 December, 2013 – 892,966

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

$$EPC = TDPS1 + PS, \text{ where:}$$

As at 31 March, 2014:

$$EPC = 1{,}677{,}323 + 328{,}086 = 2{,}005{,}409 \text{ thousands of Tenge}$$

As at 31 December, 2013:

$$EPC = 2{,}341{,}233 + 327{,}421 = 2{,}668{,}654 \text{ thousands of Tenge}$$

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 March, 2014 – 1,677,323

As at 31 December, 2013 – 2,341,233