NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kazakhtelecom JSC (the "Company" or "Kazakhtelecom") was established in 1994 by the decree of the Cabinet of Ministers of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan as a joint stock company. The legal address of the Company is: 31 Abay street, 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 owned 51% of the Company's controlling stock as of 30 June 2012 and 31 December 2011. The following lists the shareholders of the Company's stock:

	30 June 2012 (unaudited)	31 December 2011
Samruk-Kazyna	**51.0%**	51.0%
Bodam B. V.	**16.9%**	16.9%
ADRs (The Bank of New York is a depositor)	**11.9%**	12.7%
Deran Services Limited	**9.6%**	9.6%
Kazkommertsbank	**3.1%**	3.1%
Other	**7.5%**	6.7%
	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 4* (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.

The interim condensed consolidated financial statements were authorised for issue on 15 August 2012, by Management of the Company.

2. BASIS FOR PREPARATION

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

Foreign currency translation

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

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

	30 June 2012	31 December 2011
US Dollar	**149.42**	148.40
Euro	**187.9**	191.72
South Korean Won	**0.13**	0.13

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGE IN ACCOUNTING POLICIES

New standards, interpretations and amendments thereof, adopted by the Group

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 financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

Amendment IAS 12 "Income Taxes - deferred tax: Recovery of Underlying Assets"

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group has neither investment properties at fair value nor assets under IAS 16 valued under the revaluation model. Therefore amendment had no impact on the financial statements of the Group.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

Amendment IFRS 7 "Financial Instruments – Disclosures" - Transfers of financial assets

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements. The Group is in process of assessing the impact of the amendment.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. CONSOLIDATION

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

	Country of residence	Percentage ownership 30 June 2012 (unaudited)	Percentage ownership 31 December 2011
Altel JSC	Kazakhstan	**100.00%**	100.00%
Nursat JSC	Kazakhstan	**77.08%**	77.08%
VostokTelecom LLP	Kazakhstan	**100.00%**	100.00%
Radiotell LLP	Kazakhstan	**100.00%**	100.00%
Signum LLC	Russia	**100.00%**	100.00%
KT Cloud Lab LLP	Kazakhstan	**100.00%**	100.00%
Association of internet –traffic exchange center	Kazakhstan	**100.00%**	100.00%
Online.kg LLC	Kyrgyzstan	**100.00%**	100.00%

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENTS 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:

- Provision of wireline telecommunication services as represented by Kazakhtelecom JSC business unit.
- Provision of mobile telecommunication services in CDMA standard as represented by Altel JSC business unit.
- Provision of wireless telecommunication services, including data transfer services as represented 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 interim condensed consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011, respectively:

For the six months ended 30 June 2012 (unaudited)

In thousands of tenge	Wireline telecommunications	CDMA mobile services	Wireless telecommunications	Other	Eliminations and adjustments	Group
Revenue						
External customers	80,013,739	5,387,098	741,609	8,637	–	86,151,083
Inter-segment	803,708	877,500	491,816	1,496,507	(3,669,531)	–
Total revenue	**80,817,447**	**6,264,598**	**1,233,425**	**1,505,144**	**(3,669,531)**	**86,151,083**
Results						
Depreciation and amortization	(15,264,903)	(935,733)	(322,249)	(422,282)	–	(16,945,167)
Finance costs	(4,542,315)	(65,222)	(55,514)	(53,939)	3,198 **1)**	(4,713,792)
Finance income	1,912,008	3,477	–	–	– **1)**	1,915,485
Income tax	(2,716,856)	(391,092)	(49,197)	4,372	–	(3,152,773)
Segment profit	**14,636,001**	**233,750**	**(130,242)**	**(86,337)**	**– 2)**	**14,653,172**

For the six months ended 30 June 2011 (unaudited)

In thousands of tenge	Wireline telecommunications	CDMA mobile services	Wireless telecommunications	Other	Eliminations and adjustments	Group
Revenue						
External customers	76,668,487	6,192,271	802,793	6,823	-	83,670,374
Inter-segment	1,012,687	893,545	645,112	1,631,047	(4,182,391)	-
Total revenue	**77,681,174**	**7,085,816**	**1,447,905**	**1,637,870**	**(4,182,391)**	**83,670,374**
Results						
Depreciation and impairment	(17,441,927)	(788,534)	(393,185)	(360,431)	-	(18,984,077)
Finance costs	(4,172,637)	(74,796)	(65,118)	(130,728)	(59,818) **1)**	(4,503,097)
Finance income	1,440,862	8,261	68	51	(10,634) **1)**	1,438,608
Income tax	(2,805,118)	(271,484)	(39,776)	(13,086)	-	(3,129,464)
Segment profit	**15,300,335**	**1,145,424**	**(34,031)**	**(7,640)**	**(70,452) 2)**	**16,333,636**

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENTS INFORMATION (continued)

1) Finance costs and income does not include inter-segment finance charges.
2) Segment operating profit does not include profit from inter-segment sales and profit from discontinued operations.

The following table presents segment assets of the Group's operating segments as at 30 June 2012 and 31 December 2011:

In thousands of tenge	Wireline telecommu-nications	CDMA mobile services	Wireless telecommu-nications	Other	Eliminations and adjustments	Group
Segment assets						
As at 30 June 2012 (unaudited)	**402,536,320**	**18,637,629**	**4,737,401**	**5,981,121**	**(27,381,540)**	**404,510,931**
As at 31 December 2011	361,402,556	17,372,787	4,822,950	6,088,551	32,009,360	421,696,204

Reconciliation of profit:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Segment profit	**14,653,172**	32,593,534
Other	**–**	(70,452)
Group profit	**14,653,172**	32,523,082

Reconciliation of assets:

In thousands of tenge	**30 June 2012 (unaudited)**	31 December 2011
Segment operating assets	**431,892,471**	389,686,844
GSM Mobile Services –discontinued operations (*Note 15*)	**–**	58,389,446
Elimination of the Company's investments in subsidiaries	**(23,996,620)**	(23,915,296)
Elimination of intergroup balances of accounts receivable and payable	**(3,384,920)**	(2,464,790)
Group operating assets	**404,510,931**	421,696,204

6. PROPERTYAND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property and equipment for 11,706,174 thousand tenge (2011: 8,168,253 thousand tenge).

The Group's main construction projects are modernization and construction of existing and new digital and wireline networks and fiber optic communication line. As of 30 June 2012, the carrying value of construction in progress was 25,049,050 thousand tenge (31 December 2011: 27,106,646 thousand tenge).

During the six months ended 30 June 2012, the Group sold property and equipment with a net carrying value of 313,364 thousand tenge (2011: 279,931 thousand tenge) at net loss of 97,327 thousand tenge (2011: 91,155 thousand tenge).

During the six months ended 30 June 2012, The Group recognized depreciation expense amounting to 15,735,227 thousand tenge (2011: 17,646,649 thousand tenge).

At 30 June 2012, certain items of property and equipment with a net carrying amount of 8,838,193 thousand tenge (31 December 2011: 8,611,210 thousand tenge) were pledged as security for some of the Group's borrowings (*Note 10*).

At 30 June 2012, the carrying value of equipment held under finance leases and included in property and equipment amounted to 21,072,914 thousand tenge (31 December 2011: 22,244,663 thousand tenge). Additions during the six months ended 30 June 2012 include 578,984 thousand tenge (2011: 783,109 thousand tenge) of property and equipment held under finance leases. Leased assets are pledged as security for the related finance leases.

As at 30 June 2012 property and equipment, amounting to 102,344,690 thousand tenge, were fully amortized (31

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

7. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable comprised the following at 30 June 2012 and 31 December 2011:

In thousands of tenge	**30 June 2012 (unaudited)**	31 December 2011
Trade receivables	**22,496,842**	18,586,034
Less: Allowance for doubtful debts	**(2,691,740)**	(2,567,505)
	19,805,102	16,018,529

The movements in the allowance for doubtful debts were as follows during the six months ended 30 June:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Allowance for doubtful debts at 1 January	**(2,567,505)**	(3,326,801)
Charge for the period	**(301,716)**	(9,662)
Write-offs	**177,481**	218,986
Allowance for doubtful debts at 30 June	**(2,691,740)**	(3,117,477)

8. OTHER FINANCIAL ASSETS

Other financial assets comprised the following at 30 June 2012 and 31 December 2011:

In thousands of tenge	**30 June 2012 (unaudited)**	31 December 2011
Dividends receivable	**17,361,567**	–
Interest receivable	**918,246**	535,686
	18,279,813	535,686

Dividends receivable represent the declared dividends from an associate *(Note 15)*.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at 30 June 2012 and 31 December 2011:

In thousands of tenge	**30 June 2012 (unaudited)**	31 December 2011
Cash in current bank accounts	**78,997,514**	68,136,616
Deposits with maturity of less than 90 days	**26,622,030**	19,534,679
Cash on hand	**63,792**	44,392
	105,683,336	87,715,687

At 30 June 2012 and 31 December 2011 cash and cash equivalents were denominated in various currencies as follows:

In thousands of tenge	**30 June 2012 (unaudited)**	31 December 2011
US Dollars	**60,968,590**	16,547,360
Tenge	**44,537,053**	71,061,978
Russian Rubles	**132,013**	39,086
Euro	**12,760**	65,756
Other	**32,920**	1,507
	105,683,336	87,715,687

10. BORROWINGS

Borrowings comprised the following at 30 June 2012 and 31 December 2011:

In thousands of tenge	30 June 2012 (unaudited)	31 December 2011
Fixed interest rate borrowings	**14,343,211**	15,884,874
Variable interest rate borrowings	**57,712,848**	58,334,633

Borrowings are repayable as follows:

In thousands of tenge	30 June 2012 (unaudited)	31 December 2011
Current portion	**8,981,609**	14,539,739
Maturity between 1 and 2 years	**6,991,227**	12,051,018
Maturity between 2 and 5 years	**9,716,224**	27,427,478
Maturity over 5 years	**46,366,999**	20,201,272
Total long-term portion	**63,074,450**	59,679,768

As at 30 June 2012 certain items of property and equipment with a net carrying amount of 8,838,193 thousand tenge were pledged as security for some of the Group's borrowings (31 December 2011: 8,611,210 thousand tenge) (*Note 6*).

As at 30 June 2012 long-term guarantee deposits in the amount of 805,585 thousand tenge (31 December 2011: 803,096 thousand tenge) were placed in banks as a security for some of the Group's borrowings.

Government of the Republic of Kazakhstan guaranteed some of the Group's borrowings of 1,532,709 thousand tenge and 1,562,259 thousand tenge as at 30 June 2012 and 31 December 2011, respectively (*Note 17*).

11. OTHER NON-CURRENT AND CURRENT LIABILITIES

Other liabilities comprised the following at 30 June 2012 and 31 December 2011:

Non-current liabilities

In thousands of tenge	30 June 2012 (unaudited)	31 December 2011
Deferred connection revenue	**3,989,768**	4,147,152
Asset retirement obligations	**237,112**	217,542
Guarantees issued	**20,788**	112,754
Other	**88,789**	121,451
	4,336,457	4,598,899

Current liabilities

In thousands of tenge	30 June 2012 (unaudited)	31 December 2011
Taxes payable other than income tax	**5,441,902**	1,869,985
Dividends payable	**2,537,984**	469,823
Due to employees	**1,655,113**	1,973,489
Deferred connection revenue	**1,600,154**	1,796,010
Payable to pension funds	**504,791**	610,177
Guarantees issued	**210,452**	281,105
Other	**838,583**	630,924
	12,788,979	7,631,513

Taxes payable other than income tax include unpaid value-added tax for the amount of 2,717,068 thousand tenge as of 30 June 2012 (31 December 2011: 803,729 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

12. REVENUE

Revenue for the six months ended 30 June comprised the following:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Rendering of wireline and wireless phone services	**35,377,480**	37,207,883
Data transfer services	**32,551,178**	28,626,345
Interconnect	**7,919,327**	6,586,562
Rent of lines	**4,875,348**	5,445,418
Other	**2,773,434**	2,979,043
	83,496,767	80,845,251

13. COST OF REVENUE

Cost of revenue for the six months ended 30 June comprised the following:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Personnel costs	**20,181,916**	18,095,195
Depreciation, amortization and impairment	**16,736,958**	18,697,512
Interconnect	**6,196,220**	6,235,403
Repair and maintenance	**6,079,322**	5,304,049
Rent of channels	**3,046,082**	2,172,961
Security and safety	**876,396**	809,845
Fees for the right to provide telecom services	**864,288**	997,115
Rental of equipment	**787,479**	705,121
Fees for use of frequency range	**415,790**	328,406
Other	**2,178,870**	2,873,693
	57,363,321	56,219,300

14. INCOME TAX

Income tax for the six months ended 30 June comprised the following:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Current income tax expense	**3,229,563**	4,221,540
Deferred income tax benefit	**(76,790)**	(1,092,076)
	3,152,773	3,129,464

15. DISCONTINUED OPERATION

As at 31 December 2011 the Group had a 49% interest in LLP GSM Kazakhstan OAO Kazakhtelecom ("GSM Kazakhstan"), which is engaged in the provision of mobile telecommunication services in the GSM standard in Kazakhstan. GSM Kazakhstan is a private entity that is not listed on any public exchange.

On 21 December 2011, Kazakhtelecom concluded an agreement to sell its 49% ownership in GSM Kazakhstan to Sonera Holdings B.V., a subsidiary of Swedish mobile operator Telia Sonera AB.

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

15. DISCONTINUED OPERATION (continued)

On 1 February 2012, the Group completed the sale of 49% ownership in GSM Kazakhstan for the consideration of 1,519 million of US Dollars (equivalent to 225,738,590 thousand tenge). As a result, the gain from disposal comprised of 200,033,665 thousand tenge. The cash flows generated by the sale of the discontinued operation during 2012 have been considered in the cash flow statement as part of the investing activities.

The movements in the investment in an associate balance were as follows:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
As at 1 January	**58,389,446**	53,785,831
Share of profit of an associate	**1,962,663**	16,189,446
Dividends declared	**(34,723,134)**	(13,720,000)
Disposal of an investment	**(25,628,975)**	–
As at 30 June	**–**	56,255,277

The movement in dividends receivable from an associate balance were as follows:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
As at 1 January	**–**	–
Dividends declared	**34,723,134**	13,720,000
Cash received	**(17,361,567)**	(6,860,000)
As at 30 June	**17,361,567**	6,860,000

Discontinued operation comprised of the following during six months ended 30 June:

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Share of profit of an associate	**1,962,663**	16,189,446
Profit before tax from a discontinued operation	**1,962,663**	16,189,446
Gain on disposal	**200,033,665**	–
Income tax expense	**–**	–
Profit after tax for the period from a discontinued operation	**201,996,328**	16,189,446

Gain on disposal of the investment comprised the following:

In thousands of tenge	**30 June 2012 (unaudited)**
Consideration received from Sonera Holdings B.V.	**225,738,590**
Net assets associated with disposal group as of the date of disposal	**(25,628,975)**
Forex gain	**(75,950)**
Gain on disposal	**200,033,665**

16. NON-CASH TRANSACTIONS

During the six months ended 30 June 2012, under finance lease agreements the Group received telecommunication equipment with a value of 578,984 thousand tenge (2011: 783,109 thousand tenge). This transaction has been excluded from the interim consolidated statement of cash flows.

During the six months ended 30 June 2012, 5,365,314 and 815,370 thousand tenge was paid for property and equipment and intangible assets, respectively purchased on credit in 2011. Property and equipment and intangible assets of 2,521,682 and 40,136 thousand tenge, respectively was purchased on credit during the six months ended 30 June 2012.

During the six months ended 30 June 2012, property and equipment for the amount of 136,413 thousand tenge were transferred to inventories.

NOTES TO THE INTERIM CONDENSED CONDSOLIDATED FINANCIAL STATEMENTS (continued)

17. RELATED PARTY DISCLOSURES

Parent-controlled entities comprise entities controlled by the Parent. BTA Bank JSC, Temirbank JSC and Alliance Bank JSC are related parties since they are controlled by Parent. Associate (discontinued operation) is represented by GSM Kazakhstan, a private entity not listed on any public exchange, in which the Group has a 49% interest (Note 15).

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. Outstanding balances at 30 June 2012 are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 30 June 2012 the Group has recorded impairment of trade accounts receivables relating to amounts owed by related parties for the total amount of 234,932 thousand tenge (31 December 2011:1,373 thousand tenge).

Sales and purchases with related parties during the periods of six months ended 30 June 2012 and 30 June 2011 and the balances with related parties at 30 June 2012 and 31 December 2011 were as follows:

	Six months ended June 30	
In thousands of tenge	2012 (unaudited)	2011 (unaudited)
Sales of goods and services		
Parent	**50,098**	159,494
Parent-controlled entities	**1,772,597**	1,698,552
Associate	**483,657**	3,174,231
Purchases of goods and services		
Parent-controlled entities	**919,978**	827,257
Associate	**233,421**	1,730,560
Interest earned on financial assets		
BTA Bank	**17,468**	9,240
Average interest rate on deposits	**2.68%**	6.81%
Alliance Bank	**105,649**	4,445
Average interest rate on deposits	**5.43%**	2.17%
Interest incurred on borrowings		
Development Bank of Kazakhstan	**2,194,893**	2,081,857
Average interest rate on borrowings	**9.79%**	9.59%

In thousands of tenge	30 June 2012 (unaudited)	31 December 2011
Cash and cash equivalents		
BTA Bank	**1,538,956**	1,446,095
Alliance Bank	**1,502,875**	4,042,647
Temirbank	**90**	96
Development Bank of Kazakhstan	**3,928**	12,690
Borrowings		
Development Bank of Kazakhstan	**46,993,018**	46,591,485
Trade and other receivables		
Parent	**141,749**	370,972
Parent-controlled entities	**529,129**	559,728
Associate	**–**	635,759
Accounts payable		
Parent-controlled entities	**91,929**	72,197
Associate	**–**	2,513,021

17. RELATED PARTY DISCLOSURES (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 2,654,316 thousand tenge for the six months ended 30 June 2012, (for the six months ended 30 June 2011: 2,825,123 thousand tenge).

As discussed in *Note 10*, some of the Group's borrowings were guaranteed by the Government of the Republic of Kazakhstan.

18. DIVIDENDS PAID AND PROPOSED

The preferred shares earn a non-discretionary dividend of 300 tenge per share or 11% per annum in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends on preferred shares in the amount of 60,479 thousand tenge were accrued during the six months ended 30 June 2012 (2011: 60,479 thousand tenge) and is treated as finance costs in the income statement. Present value of non-discounted future cash flows represents the liability component in liabilities.

According to the decision of the General Shareholders Meeting held on 8 May 2012, the Company declared additional dividends on preferred shares in the amount of 7,867,553 thousand tenge and dividends on ordinary shares in the amount of 217,234,922 thousand tenge (2011: 92,223 thousand tenge and 5,775,252 thousand tenge, respectively). Dividends per share (ordinary and preferred): 19,888 tenge (2011: 529 tenge).

In thousands of tenge	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
Dividends declared on ordinary shares	**217,234,922**	5,775,252
Dividends declared on preferred shares	**7,867,553**	92,223
	225,102,475	5,867,475
Withholding tax accrued	**(1,822,463)**	(55,221)
Dividends paid	**(221,272,330)**	(2,900,453)
Change in dividends payable	**2,068,161**	2,972,281

19. 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 30 June 2012 the Group had contractual commitments totaling 21,770,413 thousand tenge (31 December 2011: 9,074,781 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

19. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 30 June 2012. As at 30 June 2012, 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.

20. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2012, the Group paid interest on Kazakhstan bonds amounting to 2,210,185 thousand tenge.

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 June 30, 2012:

BVCS = (259,935,889 / 10,922,876) x 1,000 = 23,797

As at December 31, 2011:

BVCS = (270,780,808 / 10,922,876) x 1,000 = 24,790

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

As at June 30, 2012 – 259,935,889
As at December 31, 2011– 270,780,808

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

As at June 30, 2012 – 10,922,876
As at December 31, 2011– 10,922,876

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

NAV = (TA – IA) – TL – PS, where

As at June 30, 2012:

NAV = (404,510,931 – 10,149,152) – 133,212,237 – 1,213,653= 259,935,889 in thousands of Tenge

As at December 31, 2011:

NAV = (421,696,204 – 10,907,805) – 138,793,938 – 1,213,653= 270,780,808 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 June 30, 2012 – 404,510,931
As at December 31, 2011 – 421,696,204

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

As at June 30, 2012 – 10,149,152
As at December 31, 2011 – 10,907,805

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

As at June 30, 2012 – (42,052,277 + 91,159,960) = 133,212,237
As at December 31, 2011 – (48,305,464 + 90,488,474) = 138,793,938

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 June 30, 2012 – 1,213,653
As at December 31, 2011 – 1,213,653

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 June 30, 2012:

BVPS1 = ((3,391,518 + 926,029) / 1,213,653) x1,000 = 3,557

As at December 31, 2011:

BVPS1 = ((1,629,077 + 1,099,620) / 1,213,653) x1,000 = 2,248

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

As at June 30, 2012 – 1,213,653
As at December 31, 2011 – 1,213,653

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 June 30, 2012 – 3,391,518
As at December 31, 2011 – 1,629,077

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

As at June 30, 2012 – 926,029
As at December 31, 2011 – 1,099,620

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 June 30, 2012:

EPC = 2,177,865 + 1,213,653 = 3,391,518 thousands of Tenge

As at December 31, 2011:

EPC = 415,424 + 1,213,653 = 1,629,077 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 June 30, 2012 – 2,177,865
As at December 31, 2011 – 415,424