



## **KCELL JSC**

**Condensed Interim Consolidated  
Financial Information**  
for the three months ended 31 March 2015  
(unaudited)

**CONTENTS**

---

**PAGE**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015 .....	1
INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION.....	2
<b>CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION</b>	
Condensed interim consolidated statement of financial position .....	3
Condensed interim consolidated statement of comprehensive income .....	4
Condensed interim consolidated statement of changes in equity .....	5
Condensed interim consolidated statement of cash flows .....	6
Notes to the condensed interim consolidated financial information.....	7-20

## KCELL JSC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015

---

Management of Kcell JSC (hereinafter – “the Company”) is responsible for the preparation of the condensed interim consolidated financial information of the Company and its subsidiaries (hereinafter jointly the “Group”) that present fairly the consolidated financial position of the Group as at 31 March 2015, the results of its operations, changes in equity and cash flows for the three months then ended, in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

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

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

Management is also responsible for:

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

This condensed interim consolidated financial information of the Group for the three months ended 31 March 2015 was approved by management on 6 May 2015.

Approved for issue and signed on behalf of the Management

  
Arti Ots  
Chief Executive Officer



  
Guzel Khassanova  
Manager of Planning, Budgeting and Reporting

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To: Shareholders and Board of Directors of Kcell JSC

### Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kcell JSC and its subsidiaries (collectively – “the Group”) as at 31 March 2015 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### Scope of Review

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

### Conclusion

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

*Deloitte, LLP*

Deloitte LLP  
Almaty, Kazakhstan  
6 May 2015

# KCELL JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousand of Kazakhstani Tenge, unless otherwise stated)

	Note	31 March 2015 (Unaudited)	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	105,338,251	108,955,322
Intangible assets	7	12,107,783	12,493,561
Restricted cash		145,346	145,047
<b>Total non-current assets</b>		<b>117,591,380</b>	<b>121,593,930</b>
<b>Current assets</b>			
Inventories		3,821,556	2,336,064
Trade and other receivables	8	16,167,883	13,241,334
Prepaid current income tax		1,809,254	1,027,055
Due from related parties	5	298,645	274,256
Cash and cash equivalents		22,972,411	19,520,357
<b>Total current assets</b>		<b>45,069,749</b>	<b>36,399,066</b>
<b>TOTAL ASSETS</b>		<b>162,661,129</b>	<b>157,992,996</b>
<b>EQUITY</b>			
Share capital	9	33,800,000	33,800,000
Retained earnings		71,507,739	58,273,778
<b>TOTAL EQUITY</b>		<b>105,307,739</b>	<b>92,073,778</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		4,431,519	4,442,050
Other non-current liabilities		1,350,816	1,376,244
<b>Total non-current liabilities</b>		<b>5,782,335</b>	<b>5,818,294</b>
<b>Current liabilities</b>			
Borrowings	11	24,726,637	25,020,026
Trade and other payables	10	19,975,775	25,119,293
Due to related parties	5	700,885	661,338
Deferred revenue		5,703,792	8,809,049
Taxes payable		463,966	491,218
<b>Total current liabilities</b>		<b>51,571,055</b>	<b>60,100,924</b>
<b>TOTAL LIABILITIES</b>		<b>57,353,390</b>	<b>65,919,218</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>162,661,129</b>	<b>157,992,996</b>

Approved for issue and signed on behalf of the Management on 6 May 2015

Arti Ots  
Chief Executive Officer

Guzel Khassanova  
Manager of Planning, Budgeting and Reporting

The accompanying notes on pages 7 to 28 are an integral part of this condensed interim consolidated financial information

# KCELL JSC

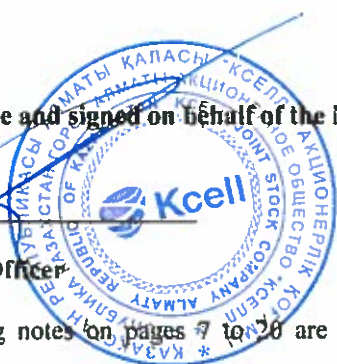
## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (in thousand of Kazakhstani Tenge, unless otherwise stated)

	Note	For the three months ended	
		31 March 2015	31 March 2014
Revenues		43,084,575	44,107,191
Cost of sales		(21,121,910)	(18,468,113)
<b>Gross profit</b>		<b>21,962,665</b>	<b>25,639,078</b>
Selling and marketing expenses		(2,143,267)	(2,943,374)
General and administrative expenses		(2,951,126)	(2,402,071)
Other operating income		505,929	164,500
Other operating expenses		-	(602,991)
<b>Operating profit</b>		<b>17,374,201</b>	<b>19,855,142</b>
Finance income		1,823	138,097
Finance costs		(588,262)	(417,728)
<b>Profit before income tax</b>		<b>16,787,762</b>	<b>19,575,511</b>
Income tax expense	12	(3,553,801)	(3,939,990)
<b>Profit and total comprehensive income for the period</b>		<b>13,233,961</b>	<b>15,635,521</b>
<b>Earnings per share (Kazakhstani Tenge), basic and diluted</b>		<b>66.17</b>	<b>78.18</b>

Profit and total comprehensive income for both periods are fully attributable to the Group's shareholders.

Approved for issue and signed on behalf of the Management on 6 May 2015

Arti Ota  
Chief Executive Officer



Guzel Khassanova  
Manager of Planning, Budgeting and Reporting

The accompanying notes on pages 7 to 28 are an integral part of this condensed interim consolidated financial information

**KCELL JSC**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
*(in thousand of Kazakhstani Tenge, unless otherwise stated)*

	Share capital	Retained earnings	Total equity
Balance at 1 January 2014	33,800,000	63,392,942	97,192,942
Profit and total comprehensive income for the period	-	15,635,521	15,635,521
Balance at 31 March 2014	33,800,000	79,028,463	112,828,463
Balance at 1 January 2015	33,800,000	58,273,778	92,073,778
Profit and total comprehensive income for the period	-	13,233,961	13,233,961
Balance at 31 March 2015	33,800,000	71,507,739	105,307,739

Approved for issue and signed on behalf of the Management on 6 May 2015

Arti Ots  
 Chief Executive Officer



*Guzel Khassanova*  
 Guzel Khassanova  
 Manager of Planning, Budgeting and Reporting

The accompanying notes on pages 7 to 20 are an integral part of this condensed interim consolidated financial information

# KCELL JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (in thousand of Kazakhstani Tenge, unless otherwise stated)

	Note	For the three months ended	
		31 March 2015	31 March 2014
<b>Cash flows from operating activities</b>			
Profit for the year		13,233,961	15,635,521
Adjustments for:			
Depreciation of property, plant and equipment	6	5,397,552	4,968,507
Amortisation of intangible assets	7	718,369	849,323
Income tax		(792,730)	(1,321,336)
Unrealised forex gain		(263,184)	-
Impairment of trade receivables		173,464	235,865
Interest income		(1,823)	(138,097)
Finance costs		588,262	417,728
Losses less gains on disposal of property, plant and equipment	6	7,982	61,570
		<b>19,061,853</b>	<b>20,709,081</b>
Movements in working capital:			
Trade and other receivables		(3,100,013)	(1,434,333)
Due from related parties		(24,389)	261,814
Inventories		(1,485,492)	145,085
Taxes payable		(27,252)	(12,134)
Trade and other payables		1,276,045	3,333,845
Due to related parties		39,547	(158,437)
Deposits received from subscribers		54,292	(313,999)
Deferred revenues		(3,159,549)	(1,632,207)
Other cash flows		(300)	435
<b>Cash generated from operations</b>		<b>12,634,742</b>	<b>20,899,150</b>
Interest paid		(881,651)	(503,877)
Interest received		1,823	138,097
<b>Net cash from operating activities</b>		<b>11,754,914</b>	<b>20,533,370</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(8,233,453)	(2,467,995)
Purchase of intangible assets		(332,591)	(80,005)
<b>Net cash used in investing activities</b>		<b>(8,566,044)</b>	<b>(2,548,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowing		-	3,000,000
Repayment of borrowing		-	(3,950,000)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(950,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,188,870</b>	<b>17,035,370</b>
Effects of foreign exchange rate changes on cash balances in foreign currencies		263,184	2,090
Cash and cash equivalents at the beginning of the period		19,520,357	18,916,258
<b>Cash and cash equivalents at the end of the period</b>		<b>22,972,411</b>	<b>35,953,718</b>

Approved for issue and signed on behalf of the Management on 6 May 2015

Arti Ots  
Chief Executive Officer

Guzel Khassanova  
Manager of Planning, Budgeting and Reporting

The accompanying notes on pages 7 to 20 are an integral part of this condensed interim consolidated financial information



**1 THE GROUP AND ITS OPERATIONS**

This condensed interim consolidated financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, for the three months ended 31 March 2015 for Kcell JSC (the “Company”) and its subsidiaries (together referred to as “the Group”).

The Company was established as a limited liability partnership (GSM Kazakhstan OAO Kazakhtelecom LLP) on 1 June 1998 to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard. The Company began its commercial operations in 1999 through direct sales and a network of distributors. Prior to 2 February 2012, the Company was owned 51 percent by Fintur Holdings B.V. (“Fintur” or “Parent” company) and 49 percent by Kazakhtelecom JSC (“Kazakhtelecom”). Fintur itself is owned jointly by Sonera Holding B.V. and Turkcell Iletisim Hizmetleri A.S., with holdings of 58.55 percent and 41.45 percent respectively. On 2 February 2012, the 49 percent stake in the Company owned by Kazakhtelecom was sold directly to Sonera Holding B.V. (“Sonera”), a subsidiary of TeliaSonera. On 1 July 2012, the General Meeting of the participants of GSM Kazakhstan OAO Kazakhtelecom LLP approved a conversion of the Company from Limited Liability Partnership to Joint Stock Company (the “Conversion”), with 200,000,000 common shares to be transferred to Fintur and Sonera in proportion to their ownership percentage. The General Meeting also approved the Company’s change of name to Kcell JSC. On 27 August 2012, the Ministry of Justice registered the Company as a Joint Stock Company. Under Kazakhstani law, upon the Conversion, retained earnings as of the date of the Conversion became share capital of the Company and ceased to be available for distribution to shareholders. The Company’s ultimate parent and controlling party is TeliaSonera.

In an auction arranged by the Republic of Kazakhstan in June 1998, the Group obtained a non-exclusive general license for 15 years to provide mobile telephone services in accordance with GSM standard 900 (GSM-900). The Group provides cellular services throughout most of the territory of the Republic of Kazakhstan. At present, the Group is one of four GSM cellular phone carriers operating in the Kazakhstani market. The Group operates under its own brands, Kcell (postpaid and paid-in-advance subscribers) and Activ (prepaid subscribers).

In 2008, the Group accepted an offer from the government of the Republic of Kazakhstan to acquire additional 5 MHz radiofrequencies in the range of 1800 MHz. On 26 August 2008, the competent authority approved an addendum to the Group’s operating GSM license. The revised license provides the Group with a right to operate GSM-900 and GSM-1800 networks. Under revised terms, the Group provided all locations with population over 1,000 people with mobile services using GSM-900 and GSM-1800 standards by 31 December 2012.

On 1 July 2011, the Ministry of Communication and Information of the Republic of Kazakhstan extended the Company’s GSM-900 and GSM-1800 general license from the initial 15 years to an unlimited period of time.

The Company acquired KT-Telecom LLP (“KT-Telecom”) in 2008 and AR-Telecom LLP (“AR-Telecom”) in 2007. The purpose of these acquisitions was to obtain wireless local loop (“WLL”, “Wireless Local Loop”) licenses (Note 7). In 2009, KT-Telecom and AR-Telecom commenced their operating activities. Accordingly, the Group started to prepare its consolidated financial statements from 2009. In 2010, WiMAX services were launched in Astana and Atyrau under WLL licenses. Subsequently in 2011, the ownership of WLL licenses have been transferred to the Company.

On 25 December 2010, the competent authority signed an addendum to the existing GSM license, which provided the Company with a right to operate a 3G network. In December 2010, the Company launched 3G services in Astana and Almaty. The addendum requires the Group to start providing all locations with population over 10,000 people with mobile services using UMTS/WCDMA standards until 1 January 2015 (Note 7).

On 13 December 2012 the Company successfully completed its offering of Global Depositary Receipts on the London Stock Exchange and common shares on the Kazakhstan Stock Exchange. The offering consisted of a sale by Sonera Holding B.V., a company of TeliaSonera, of 50 million shares, which represented 25 percent of the Company’s share capital (Note 9).

The Company’s registered address is 100, Samal-2, Almaty, Republic of Kazakhstan.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### *Basis of preparation*

This condensed interim consolidated financial information for the three months ended 31 March 2015 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which had been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### *Accounting policies*

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

### *Income taxes*

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

### *Foreign currency translation*

As at 31 March 2015, the principal rate of exchange of the National Bank of Republic of Kazakhstan used for translating foreign currency balances was USD 1 = Kazakhstani Tenge 185.65 (31 December 2014: USD 1 = Tenge 182.35).

### *New and revised standards*

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

The Company has not adopted any new and revised Standards and Interpretations as of 31 March 2015.

## 3 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In preparing this condensed interim consolidated financial information, significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

### **Reclassifications**

Certain reclassifications have been made to the condensed interim consolidated statement of financial position as of 31 December 2014 to conform to the presentation as of 31 March 2015, as current year presentation provides better view of the financial position of the Group. In 2015 the Group has revised presentation of advances paid for property, plant and equipment and intangible assets which are now presented within property, plant and equipment and intangible assets in the Group’s statements of financial position. Previously they were shown as a part of other non-current assets.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**  
*(in thousand of Kazakhstani Tenge, unless otherwise stated)*

**4 SEGMENT INFORMATION**

The Group's operations are a single reportable segment.

The Group provides mobile communication services in Kazakhstan. The Group identifies the segment in accordance with the criteria set in IFRS 8, *Operating Segments*, and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Company's CEO. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined a single operating segment being mobile communication services based on these internal reports.

**5 BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's ultimate controlling party is TeliaSonera. Entities of TeliaSonera group include entities under common control and associates of TeliaSonera. Entities of TeliaSonera group include entities under common control and associates of TeliaSonera. Immediate shareholders are disclosed in the Note 9.

The Group's primary transactions with related parties are consulting services, technical assistance and operational support, roaming and interconnect.

Amounts due from and due to related parties at 31 March 2015 and 31 December 2014 are as follows:

		<u>31 March 2015</u>	<u>31 December 2014</u>
Due from related parties	Entities of TeliaSonera group and others	298,645	274,256
Due to related parties	Entities of TeliaSonera group and others	304,899	265,033
Due to related parties	Immediate and ultimate parent	395,986	396,305

Amounts due from related parties are neither past due nor impaired. They represent receivables from related parties for roaming services. These entities do not have credit ratings assigned but their reliability is determined by the Group on the basis of long-term cooperation and which have a good credit history. The Group's management believes that amounts due from related parties will be fully repaid in 2015.

The income and expense items with related parties for the three months ended 31 March 2015 and 2014 were as follows:

		<u>Three months ended 31 March 2015</u>	<u>Three months ended 31 March 2014</u>
Revenue	Entities of TeliaSonera group and others	409,921	150,518
Expenses	Entities of TeliaSonera group and others	1,001,005	529,753
Expenses	Immediate and ultimate parent	11,213	10,190

*Memorandum on Understanding (“MoU”)*

On 26 August 2012, Sonera Holding B.V. and the Group entered into a memorandum of understanding (the Buy and Sell MoU). Under this MoU the Group has the right to require Sonera to sell to it, and Sonera has the right to require the Group to acquire from it, all participatory interests owned by Sonera in KazNet Media LLP (“KazNet”) and in Rodnik Inc LLP (“Rodnik”). Subject to satisfaction of the applicable conditions, each of Sonera and the Group is entitled to exercise its option at any time starting from nine months after the date of the planned offering of global depository receipts and listing on local stock exchange (Note 13).

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

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

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

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

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

## KCELL JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

#### 6 PROPERTY, PLANT AND EQUIPMENT

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

	Property	Plant and machinery	Assets under construction and advances given	Equipment tools and installations	Total
As at 1 January 2014					
Cost	20,551,263	177,915,545	14,914,779	20,804,041	234,185,628
Accumulated depreciation	(3,401,526)	(99,509,133)	-	(16,025,481)	(118,936,140)
<b>Carrying amount</b>	<b>17,149,737</b>	<b>78,406,412</b>	<b>14,914,779</b>	<b>4,778,560</b>	<b>115,249,488</b>
Additions	239,688	-	2,064,968	76,293	2,380,949
Transfers	-	3,826,429	(3,826,429)	-	-
Impairment and other write-off (net)	-	-	-	(61,570)	(61,570)
Depreciation charge	(170,225)	(4,408,637)	-	(389,645)	(4,968,507)
As at 31 March 2014					
Cost	20,790,951	181,741,974	13,153,318	20,661,582	236,347,825
Accumulated depreciation and impairment losses	(3,571,751)	(103,917,770)	-	(16,257,944)	(123,747,465)
<b>Carrying amount</b>	<b>17,219,200</b>	<b>77,824,204</b>	<b>13,153,318</b>	<b>4,403,638</b>	<b>112,600,360</b>
As at 1 January 2015					
Cost	20,789,633	181,370,531	19,028,746	22,336,984	243,525,894
Accumulated depreciation	(3,299,660)	(113,901,795)	-	(17,369,117)	(134,570,572)
<b>Carrying amount</b>	<b>17,489,973</b>	<b>67,468,736</b>	<b>19,028,746</b>	<b>4,967,867</b>	<b>108,955,322</b>
Additions	54,150	255,926	665,410	812,977	1,788,463
Transfers	-	2,678,517	(2,678,517)	-	-
Impairment and other write-off (net)	-	-	-	(7,982)	(7,982)
Depreciation charge	(255,433)	(4,747,711)	-	(394,408)	(5,397,552)
As at 31 March 2015					
Cost	20,843,783	184,304,974	17,015,639	23,125,805	245,290,201
Accumulated depreciation	(3,555,093)	(118,649,506)	-	(17,747,351)	(139,951,950)
<b>Carrying amount</b>	<b>17,288,690</b>	<b>65,655,468</b>	<b>17,015,639</b>	<b>5,378,454</b>	<b>105,338,251</b>

As at 31 March 2015, the gross carrying value of property, plant and equipment, which has been fully depreciated and still in use, was 65,404,440 thousand Tenge (31 December 2014: 53,414,730 thousand Tenge).

## KCELL JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

#### 7 INTANGIBLE ASSETS

	<u>Intangible assets</u>	<u>Advances given</u>	<u>Total</u>
As at 1 January 2014			
Cost	36,590,170	124,727	36,714,897
Accumulated depreciation	(22,635,625)	-	(22,635,625)
<b>Carrying amount</b>	<b>13,954,545</b>	<b>124,727</b>	<b>14,079,272</b>
Additions	-	188,472	188,472
Transfers	79,194	(79,194)	-
Amortisation charge	(849,323)	-	(849,323)
As at 31 March 2014			
Cost	36,615,130	234,005	36,849,135
Accumulated amortisation	(23,430,714)	-	(23,430,714)
<b>Carrying amount</b>	<b>13,184,416</b>	<b>234,005</b>	<b>13,418,421</b>
As at 1 January 2015			
Cost	38,546,529	-	38,546,529
Accumulated amortisation	(26,052,968)	-	(26,052,968)
<b>Carrying amount</b>	<b>12,493,561</b>	<b>-</b>	<b>12,493,561</b>
Additions	332,591	-	332,591
Amortisation charge	(718,369)	-	(718,369)
As at 31 March 2015			
Cost	38,879,120	-	38,879,120
Accumulated depreciation	(26,771,337)	-	(26,771,337)
<b>Carrying amount</b>	<b>12,107,783</b>	<b>-</b>	<b>12,107,783</b>

The original GSM network license (GSM-900) was provided by the State Committee of Telecommunications and Information of the Republic of Kazakhstan for a fee in the amount of 5.5 billion Tenge and is valid for 15 years, commencing June 1998. On 28 August 2008, the Group obtained a radiofrequency band of 5 MHz spectrum (receipt/transit) in the range of 1800 MHz under the existing GSM network license (Note 1) for the amount of 2.6 billion Tenge. On 1 July 2011, the Ministry of Communication and Information of the Republic of Kazakhstan extended the Company's GSM-900 and GSM-1800 general license from the initial 15 years to an unlimited period of time.

The Group acquired two dormant local entities AR-Telecom in 2007 and KT-Telecom in 2008. The purpose of these acquisitions was to obtain non-term WLL licenses and other related telecom licenses held by AR-Telecom and KT-Telecom that provide a right to organise wireless radio-access networks and data transfer services in the territory of Kazakhstan. The acquisitions of these entities were accounted for as acquisitions of groups of assets (licenses) rather than businesses. Management estimates their economic useful life to be 10 years.

On 25 December 2010, the Group received a right to operate a 3G network by utilising a radiofrequency band of 20 MHz (receipt/transit) in the range of 1920-1980 MHz and 2110-2170 MHz. The radiofrequencies were provided in the form of an addendum to the existing GSM license. The acquisition cost was 5 billion Tenge.

As at 31 March 2015, the carrying amount of the 3G license was 3,583,333 thousand Tenge (31 December 2014: 3,666,667 thousand Tenge) and its remaining amortisation period was 11 years. As at 31 March 2015, the GSM- 900 and 1800 licenses were fully amortised, therefore, they have a carrying value of nil.

## KCELL JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

#### 8 TRADE AND OTHER RECEIVABLES

	<u>31 March 2015</u>	<u>31 December 2014</u>
Trade and other receivables from dealers and distributors	3,608,966	2,802,912
Trade receivables from subscribers	4,111,382	3,567,136
Trade receivables for interconnect services	2,737,647	1,784,636
Trade receivables from roaming operators	1,909,968	1,711,249
Less: allowance for impairment of trade receivables	<u>(2,183,303)</u>	<u>(2,041,663)</u>
<b>Total financial assets</b>	<b>10,184,660</b>	<b>7,824,270</b>
Advances to suppliers	3,335,042	2,336,806
VAT recoverable	1,004,989	1,821,468
Prepaid other taxes	878,277	593,241
Deferred expenses	299,457	384,374
Other receivables	<u>465,458</u>	<u>281,175</u>
<b>Total trade and other receivables</b>	<b><u>16,167,883</u></b>	<b><u>13,241,334</u></b>

#### 9 SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Company at 31 March 2015 and 31 December 2014 is as follows:

	<b>31 March 2015</b>		<b>31 December 2014</b>	
	<u>Shareholders</u>	<u>Shares quantity</u>	<u>Shareholders</u>	<u>Shares quantity</u>
Fintur	51 percent	102,000,000	51 percent	102,000,000
Sonera	24 percent	48,000,000	24 percent	48,000,000
JSC Central Securities Depository	23.22 percent	46,455,776	23.31 percent	46,625,306
JSC Grantum Accumulative Pension Fund	1.14 percent	2,270,950	1.14 percent	2,270,950
Other	0.64 percent	1,273,274	0.55 percent	1,103,744

On 13 December 2012, the Company successfully completed its offering of Global Depositary Receipts on the London Stock Exchange and common shares on Kazakhstan Stock Exchange. The offering consisted of a sale by Sonera of 50 million shares, which represent 25 percent of the Company's share capital. The total authorized number of ordinary shares is 200,000,000 shares with a par value of 169 Tenge per share, all of which are issued and fully paid.

The calculation of basis and diluted earnings per share is based on the following data:

	<b>For the three months ended</b>	
	<u>31 March 2015</u>	<u>31 March 2014</u>
Profit for the period attributable to equity shareholders	<u>13,233,961</u>	<u>15,635,521</u>
Number of common shares	<u>200,000,000</u>	<u>200,000,000</u>
<b>Earnings per share (Kazakhstani Tenge), basic and diluted</b>	<b><u>66.17</u></b>	<b><u>78.18</u></b>

The Group has no dilutive or potentially dilutive securities outstanding.

## KCELL JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

According to the requirements of Kazakhstan Stock Exchange, the Group calculated book value per share, which was calculated based on the number of common shares outstanding as at the reporting date. The book value per share as at 31 March 2015 and 31 December 2014 is presented below.

	<u>31 March 2015</u>	<u>31 December 2014</u>
Net assets value, excluding intangible assets	93,199,956	79,580,217
Number of common shares in issue	<u>200,000,000</u>	<u>200,000,000</u>
<b>Book value per share (Kazakhstani Tenge)</b>	<b><u>466.00</u></b>	<b><u>397.90</u></b>

During the three months ended 31 March 2015 and 2014, the Company has not declared dividends.

#### 10 TRADE AND OTHER PAYABLES

	<u>31 March 2015</u>	<u>31 December 2014</u>
Trade payables	<u>15,036,666</u>	<u>20,534,843</u>
<b>Total financial liabilities</b>	<b><u>15,036,666</u></b>	<b><u>20,534,843</u></b>
Accrued salaries and bonuses to employees	3,334,149	2,873,488
Other payables	<u>1,604,960</u>	<u>1,710,962</u>
<b>Total trade and other payables</b>	<b><u>19,975,775</u></b>	<b><u>25,119,293</u></b>

#### 11 BORROWINGS

	<u>31 March 2015</u>	<u>31 December 2014</u>
Syndicated loan from Citibank Kazakhstan JSC and SB RBS Kazakhstan JSC	14,519,213	14,810,602
Halyk Bank of Kazakhstan JSC	8,004,000	8,006,000
Altyn Bank JSC (previously – SB HSBC Kazakhstan JSC)	<u>2,203,424</u>	<u>2,203,424</u>
<b>Total borrowings</b>	<b><u>24,726,637</u></b>	<b><u>25,020,026</u></b>

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

The carrying amount of the Group's borrowings approximate their fair value.

Bank name	<u>Date of issue</u>	<u>Maturity date</u>	<u>Nominal interest rate</u>	<u>Outstanding balance</u>	<u>Total borrowings</u>
Syndicated loan from Citibank Kazakhstan JSC and SB RBS Kazakhstan JSC	26.09.2014	28.09.2015	7.95%	14,519,213	14,519,213
Altyn Bank JSC (previously – SB HSBC Kazakhstan JSC)	25.09.2014	25.09.2015	8.50%	2,203,424	2,203,424
Halyk Bank of Kazakhstan JSC	29.12.2014	24.09.2015	9.00%	<u>8,004,000</u>	<u>8,004,000</u>
<b>Total</b>				<b><u>24,726,637</u></b>	<b><u>24,726,637</u></b>



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

*(in thousand of Kazakhstani Tenge, unless otherwise stated)*

---

On 25 September 2014, the Company signed an additional agreement to the credit line agreement with Altyn Bank JSC for 2.2 billion Tenge with 8.5 percent per annum interest rate payable monthly and principal payable at maturity, and a 12 month term.

On 26 September 2014, the Company signed an amendment letter to loan facility agreement with Citibank Kazakhstan JSC and SB RBS Kazakhstan JSC for prolongation of the loan in the amount of 14.8 billion Tenge with a nominal interest rate of 7.95 percent per annum and a maturity of twelve months.

On 29 December 2014, the Company received 8 billion Tenge under the 30 billion Tenge credit line agreement with Halyk Bank of Kazakhstan JSC with maturity on 24 September 2015, nominal interest rate of 9 percent per annum payable monthly and principal payable at maturity.

No assets were pledged under borrowing agreements.

**12 TAXES**

Income tax expense is recognised based on the management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2015 is 20 percent (the estimated tax rate for the three months ended 31 March 2015 is 20 percent).

**13 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS*****Political and economic conditions in Kazakhstan***

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

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

On 11 February 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the Tenge exchange rate. As a result, the official exchange rate of Tenge to U.S. dollar fell to 184.55 Tenge per U.S. dollar as at 12 February 2014, i.e. by approximately 19 percent. To prevent the destabilisation of the financial market and economy as a whole, the National Bank set an exchange corridor for the Tenge against the U.S. dollar at 170-188 Tenge per U.S. dollar. As of the date of the issue, the Tenge to U.S. dollar official exchange rate is 185.80 Tenge per U.S. dollar.

The Group management believes that it has taken appropriate measures to support the sustainability of the Group business under the current circumstances. However, a decrease in the Tenge exchange rate could negatively affect the results and financial position of the Group in a manner not currently determinable.

Additionally, the telecommunication sector in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on the financial results of the Group.

**Taxation**

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 March 2015 no provision for potential tax liabilities has been recorded (31 December 2014: nil).

**Capital expenditure commitments**

As at 31 March 2015, the Company has contractual capital expenditure commitments in respect of property, plant and equipment totalling 6,542,321 thousand Tenge (2014: 3,048,263 thousand Tenge).

**Non-cancellable service commitments**

The future minimum payments under non-cancellable operating service agreements are as follows:

	<u>31 March 2015</u>	<u>31 December 2014</u>
Not later than 1 year	3,645,000	5,020,000
From 1 to 2 years	480,000	480,000
From 2 to 3 years	<u>280,000</u>	<u>280,000</u>
<b>Total non-cancellable commitments</b>	<b><u>4,405,000</u></b>	<b><u>5,780,000</u></b>

**Acquisitions and Investments****(i) Memorandum of understanding with Sonera**

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding (the "Buy and Sell MoU"), under which the Company has the right to require Sonera to sell to it, and Sonera has the right to require the Company to acquire from it, all participatory interests owned by Sonera in KazNet Media LLP ("KazNet") together with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of KazNet (refer to "WIMAX Business Acquisition by Sonera" below) and all the participatory interests owned by Sonera in Rodnik Inc LLP ("Rodnik") together with all rights and obligations of Sonera under the agreements to buy participatory interests in the charter capital of Rodnik (refer to "Investment in Rodnik by Sonera").

Subject to satisfaction of the applicable conditions, each of Sonera and the Company is entitled to exercise its option at any time starting from nine months after the date of the offering of global depository receipts and listing on local stock exchange, 13 December 2012. The purchase price that the Company will pay to Sonera for the acquisition resulting from the exercise of the option will be the amount of net cost incurred by Sonera in connection with the corresponding investments and acquisition transactions plus interest accrued on such amount.

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

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

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

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

*(ii) WIMAX Business Acquisition by Sonera*

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

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

*(iii) Investment in Rodnik by Sonera*

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

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

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

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

*Anti-monopoly legislation*

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

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

Starting from June 2013, the Company was subject to regulation by the Ministry of Transport and Communication ("the Ministry"). Since August 2014, the Company is subject to regulation by the Ministry of Investment and Development ("the MID"). The MID can reduce the Company's interconnection tariffs, while interconnection tariffs of other mobile operators that have not been included in the State Register would remain unregulated. The MID did not change interconnection tariffs of the Company in 2013 and cannot do it retrospectively.

***The “Always Available” Service***

An administrative court case was initiated by the Agency for Competition Protection of the Republic of Kazakhstan (the “ACP”). After investigations in June and November 2013, the Antimonopoly Inspectorate issued an administrative offence report with a potential fine on the Company of 10 billion Tenge. During the court process the Company presented its arguments, as a result the penalty was reduced to 41 million Tenge. In August 2014 the amount of penalty was fully paid. The ACP can still challenge the decision of the court through the prosecutors, and at such additional expenses may occur. No provision has been recorded as of 31 March 2015.

***The “Daytime Unlimited” and failure to disconnect calls on Kcell network***

An administrative court case was initiated by the ACP. After investigations in September 2013 and February 2014, the Antimonopoly Inspectorate issued an administrative offence report with a potential fine on the Company of 16 billion Tenge. The key findings are based on claimed by ACP incorrect charges for the “Daytime Unlimited” service under the Activ brand and non-interruption of services when a customer’s balance reaches zero under the Kcell brand. During the court process the Company presented its arguments and was able to reduce the penalty to 325 million Tenge. Payment was made in full in May 2014.

The ACP ordered that the Company should comply with the following on or before 21 April 2014:

1. to stop collection of the subscription fee under the tariff plan “Daytime Unlimited” in case of insufficiency of funds on the account;
2. to ensure interruption of connection (voice or Internet access) when a subscriber balance reaches zero;
3. to ensure a refund to subscribers, received as a result of failure to interrupt the connection when a subscriber’s balance reaches zero (the “Order”).

The Company was able to comply with point 1, however point 2 is impossible for the implementation within the stated terms due to technical limitations of the billing system. However, the Company is in the process of introduction of the a billing system, that will enable the interruption of the connection. Point 3 requires additional clarification of the procedure which has not been provided by the ACP.

The Company has repeatedly applied to the ACP for explanations regarding the refund procedure and disconnection of its subscribers. However, on 28 January 2015, the Company received a letter from the competition authority stating that there were no reasons for the revision of the Order.

The Company has challenged the ACP decision through courts, and currently the case is with the Supreme court. In parallel failure to comply with points 2 and 3 of the ACP’s order led to imposition of a fine in the amount of 3.2 million Tenge on the Company, however the Company challenged this court decision and the decision was reversed on the appellate level and dismissed.

The case will lead to additional expenses, the amount is difficult to estimate as the ACP order did not specify the details (the period for which revenue from services should be returned, procedures on return and etc.). Also the ACP may issue an order on return of money received from providing tariff plan “Daytime Unlimited”, as it did for not discontenting customers’ calls. The failure to comply with the order may give the antimonopoly authority grounds to apply to the court for split-off or de-merger of the Company to several legal entities.

As of 31 December 2014, the Company estimated the amount of refund to subscribers for the period from January 2012 to September 2013 (investigated period). In December 2014, the Company accrued a provision in the amount of 1.6 billion Tenge, included in “Other payables” (Note 10). No additional provision was accrued as of 31 March 2015.

***Kazakhtelecom Case***

On 2 December 2014, the Company received an order from the ACP on the commencement of the investigation related to the violation of anti-monopoly legislation. Starting from April 2013, the Company blocked the traffic of Kazakhtelecom. Later another operator blocked Kazakhtelecom traffic as well. There is risk that the following action may be treated as collusion for both operators.

If ACP concludes that Kcell has abused its dominance during 2013-2014, the administrative penalty will be 10 percent of illegal (monopoly) income, otherwise, the Company may be brought to administrative responsibility under Administrative Code of the Republic of Kazakhstan (as amended in 2015) and imposed a fine of 5 percent of Company's revenue. The subject of investigation is not defined and the stated period of audit 2012-2014 can be extended by the regulator. Management has concluded that it cannot reasonably estimate the outcome of this matter.

## 14 FINANCIAL RISK MANAGEMENT

### *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

The condensed interim consolidated financial information does not include all financial management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2014. There have been no changes in the risk management policies since year end.

### *Credit risk*

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

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

	Note	31 March 2015	31 December 2014
Cash and cash equivalents		22,972,411	19,520,357
Trade receivables	8	10,184,660	7,824,270
Due from related parties	5	298,645	274,256
Restricted cash		145,346	145,047
<b>Total maximum exposure to credit risk</b>		<b>33,601,062</b>	<b>27,763,930</b>

The Group has policies in place to ensure that sales of products and services are made to customers and distributors with an appropriate credit history. If corporate customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Customers that fail to settle their liabilities for mobile services provided are disconnected until the debt is paid. Management provides ageing and other information about credit risk. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount of trade receivables exposed to credit risk. The Group has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

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

*Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group's treasury aims to maintain flexibility in funding by keeping sufficient cash available.

The table below shows financial liabilities at 31 March 2015 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

The maturity analysis of financial liabilities at 31 March 2015 is as follows:

	<u>Demand and less than 3 months</u>	<u>From 3 to 12 months</u>	<u>Total</u>
<b>Liabilities</b>			
Borrowings	182,000	25,514,260	25,696,260
Trade payables	15,036,666	-	15,036,666
Due to related parties	700,885	-	700,885
<b>Total future payments</b>	<b><u>15,919,551</u></b>	<b><u>25,514,260</u></b>	<b><u>41,433,811</u></b>

Comparative maturity analysis of financial liabilities at 31 December 2014 is detailed below:

	<u>Demand and less than 3 months</u>	<u>From 3 to 12 months</u>	<u>Total</u>
<b>Liabilities</b>			
Borrowings	521,318	26,062,663	26,583,981
Trade payables	20,534,843	-	20,534,843
Due to related parties	661,338	-	661,338
<b>Total future payments</b>	<b><u>21,717,499</u></b>	<b><u>26,062,663</u></b>	<b><u>47,780,162</u></b>

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

**15 SUBSEQUENT EVENTS**

On 14 April 2015, the Company completed the drawdown of a 22 billion Tenge tranche of the approved credit line with Halyk Bank Kazakhstan JSC. This tranche was obtained under the bank loan agreement signed between Kcell JSC and Halyk Bank of Kazakhstan JSC for 30 billion Tenge for working capital financing with a nominal interest rate of 15 percent per annum. The maturity date is 13 April 2016.

On 17 April 2015, the Annual General Meeting (AGM) approved the proposal of Kcell's Board of Directors to distribute 70 percent of the net income for 2014 as an Annual Dividend and an additional 30 percent as a Special Dividend. The Company will distribute a total of 58,260 million Tenge, representing 100 percent of its net income for 2014. On 29 April 2015 the Company has paid the first tranche of dividends amounting to 40,782 million Tenge.