



Kcell

KCELL JSC

**International Financial Reporting Standards
Notes to the Financial Statements
for the nine months period ended 30 September 2013
(Unaudited)**

Translated from the original version in Russian

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1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period ended 30 September 2013 for Kcell JSC (the "Company").

The Company is a subsidiary of Fintur Holdings B.V., and was formed 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 was established as a limited liability partnership on 1 June 1998 with the short name, GSM Kazakhstan LLP. 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"). Owners of Fintur are TeliaSonera Finland Oyj ("TeliaSonera") and Turkcell Iletisim Hizmetleri A.S. ("Turkcell") holding 58.55 percent and 41.45 percent, respectively. On 2 February 2012 the 49% stake in the Company owned by Kazakhtelecom was sold directly to Sonera Holding B.V. ("Sonera"), which is entity under common control of TeliaSonera. On 1 July 2012 the General Meeting of Participants of GSM Kazakhstan approved a conversion of the Company from Limited Liability Partnership to Joint Stock Company with 200,000,000 common shares to be transferred to Fintur and Sonera (hereinafter "Conversion") proportionally to their ownership percentage (Note 11). The meeting also approved changing the Company's name to Kcell JSC. Pursuant to Kazakh law, upon Conversion, total equity as of the date of Conversion became share capital of the Company and ceases to be available for distribution to shareholders. On 27 August 2012 the Ministry of Justice registered the Company as a Joint Stock Company. The Company's ultimate parent and ultimate controlling party is TeliaSonera.

In an auction arranged by the Republic of Kazakhstan in June 1998, the Company obtained a non-exclusive general license for 15 years to provide mobile telephone services in accordance with GSM standard 900 (GSM-900).

The Company started its commercial activity in 1999 through direct sales and a network of distributors. The Company provides cellular services throughout most of the territory of the Republic of Kazakhstan. At present, the Company is one of three GSM cellular phone carriers operating in the Kazakhstani market. The Company operates under its own brands, Kcell (postpaid and paid-in-advance subscribers) and Activ (prepaid subscribers).

In 2008, the Company 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 Company's operating GSM license. The revised license provides the Company with a right to operate both GSM-900 and GSM-1800 networks. Under revised terms, the Company provided all locations with population over 1,000 people with mobile services using GSM-900 and GSM-1800 standards by 31 December 2012.

On 25 December 2010, the competent authority signed an addendum to the existing GSM license, which provides 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 Company to provide all locations with population over 10,000 people with mobile services using UMTS/WCDMA standards until 1 January 2015.

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

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

The Company's registered address is 100, Samal-2, Almaty, Republic of Kazakhstan. The head office is located at Timiryazeva street, 2, Almaty, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Actual results could differ from those estimates.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company entities is Tenge.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction established by National Bank of the Republic of Kazakhstan. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the profit and loss for the year.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment. Cost comprises construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the construction cost or purchase price.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Construction in progress is carried at cost. Upon completion, assets are transferred to buildings and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings	10 to 25
Radio equipment, switches and transmission devices	4 to 8
Other	4 to 8

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss for the year when the asset is retired.

(iii) Impairment

At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

The Company's operating GSM licenses (GSM-900, GSM-1800 and 3G), are recorded at cost and are amortised on a straight-line basis over the estimated economic useful life of the license/right.

The economic useful life of the original GSM license and 3G license is estimated by management at 15 years. The useful life of the initial license term is in line with the management assessment of the development of communication technology. The economic useful life of the right for the radiofrequencies (GSM-1800) is estimated by management to expire in line with the original GSM license.

Other intangible assets are amortised over their estimated useful lives as follows:

	<u>Useful lives in years</u>
Computer software and software license rights	4 to 8
Other telecom licences	10
Other	8 to 10

If impaired, the carrying amount of intangible assets is written down to the higher of value in use or fair value less costs to sell.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other financial receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit or loss for the year. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss for the year. The primary factor that the Company considers whether a receivable is impaired is its overdue status.

Prepaid taxes, deferred expenses and advances to suppliers are stated at actual amounts paid less provision for impairment.

Prepayments

Prepayments are carried at cost less any provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Value added tax

Value added tax ("VAT") related to sales is payable to the government when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statements of financial position on a net basis.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Trade and other payables

Trade and other financial payables are accrued when the counterparty performed its obligations under the contract. The Company recognises trade payables at fair value. Subsequently, trade payables are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Asset retirement obligations

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

Revenue recognition

Revenue is recorded on an accrual basis at the sales value, adjusted for discounts granted and VAT. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is categorised as follows: voice services, data services, value added services, and other revenues.

Voice service includes call out revenue, interconnect fees, roaming revenues charged to the Company's subscribers for roaming in other wireless operators' network, and revenues charged to other wireless operators for non-Company subscribers using the Company's network.

Data services include revenues from GRPS, WAP services and other data services.

Value added services consists of SMS, MMS, infor services and providing content of third parties, fax and voice mail services.

Other revenues include sales of handsets to distributors and subscribers, rental of transmission lines to other operators.

(i) Call out revenue

Call out revenue is recognised based on the actual airtime used by the subscribers. Prepayments received for call out revenue are not recognised as revenue until the related service has been provided to the subscriber. Revenue is recognised based on the actual traffic time elapsed, at the customer selected calling plan rates.

(ii) Interconnect revenues and costs

The Company charges interconnect per minute fees and fixed monthly payments to other local wireless and fixed line operators for calls originated outside and terminated within the Company's network. The Company recognises such revenues when the services are provided. The Company is charged interconnect fees per minute and fixed monthly payments by other local wireless and fixed line operators for calls originated within the Company's network and terminated outside of the network. The Company recognises such costs when the services are provided.

(iii) Data revenue

The data service is recognised when a service is used by a subscriber based on actual data volume traffic.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(iv) Roaming revenues charged to the Company's subscribers

Roaming revenue from the Company's subscribers for roaming in other operators' network is charged based on information provided by other operators to the Company.

(v) Roaming fees charged to other wireless operators

The Company charges roaming per minute fees to other wireless operators for non-Company subscribers utilising the Company's network. The Company recognises such revenues when the services are provided.

(vi) Value added services

Value added services mainly consists of content provided by third parties, different inforservices, fax and voice mail. When invoicing the end-customer for third party content service, amounts collected on behalf of the principal are excluded from revenue.

(vii) Deferred revenue

Prepayments received for communication services are recorded as deferred revenue. The Company recognises revenue when the related service has been provided to the subscriber.

Sales commission to dealers and distributors

The Company sells part of payment scratch cards, sim cards, and handsets using various distributors and dealers. The Company pays a certain commission to distributors and dealers depending on the number of payment scratch cards, sim cards or handset sold. The commission is recognised when the item is sold to the subscriber.

Payroll expenses and related contributions

Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Company.

Pension payments

The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Upon retirement of employees, all pension payments are administered by the pension funds directly.

Income taxes

Income taxes have been provided for in these financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the period except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the financial statements are authorised prior to the filing of the relevant tax return. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit, including deferred tax liabilities, will be available against which the deductions can be utilised.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Earnings per share

Preference shares are not redeemable and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year. The Company has no dilutive or potentially dilutive securities outstanding.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets of the Company include loans and receivables. The management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise restricted cash, trade receivables, due from related parties and cash and cash equivalents in the statements of financial position.

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(iii) Classification of financial liabilities

Financial liabilities of the Company include financial liabilities carried at amortised cost. The Company's financial liabilities comprise trade and other financial payables and due to related parties.

(iv) Initial recognition of financial instruments

Derivatives are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in these financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on projected period over which the Company expects to consume economic benefits from the asset. It could change significantly as a result of technical innovations and competitor actions in a high-tech and competitive mobile industry. Management will increase the depreciation charge where useful lives are less than previously assessed estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

The management assesses the useful life of telecommunication licenses based on technology development and legal terms of the license agreements. The useful life of GSM and 3G license is assessed as estimated by the management as 15 years. The useful lives are reviewed at least at each reporting date.

Impairment of non-financial assets

At each reporting date management assesses whether there is any indication of impairment of non-financial assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. Calculation of value in use requires application of estimated data and professional judgment from management, which are considered reasonable in the existing circumstances.

In accordance with the Company's accounting policy, for the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Management has determined the whole telecommunication network of the Company as one cash-generating unit. Telecom licenses and other intangible assets, including WLL licenses, do not generate independent cash flows and are assessed for impairment together with the related network assets.

Management has considered whether there are any indications of impairment of property, plant and equipment and intangible assets as of 30 September 2013 and concluded that no impairment indications existed at this date.

KCELL JSC
Notes to the Financial Statements

4 Property, Plant and Equipment

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

<i>In thousands of Kazakhstani Tenge</i>	Freehold land	Buildings	Radio equipment, switches and transmission devices	Other	Construction in progress	Total
Cost at 31 December 2011	1,939,630	22,646,420	123,271,626	18,715,928	22,055,614	188,629,218
Accumulated depreciation	-	(3,526,658)	(71,971,196)	(12,759,716)	-	(88,257,570)
Carrying amount at 31 December 2011 Audited	1,939,630	19,119,762	51,300,430	5,956,212	22,055,614	100,371,648
Additions	53,637	2,815,602	4,016,987	4,576,588	17,451,248	28,914,062
Transfers	-	1,631,609	20,384,874	1,397,685	(23,414,168)	-
Disposals	-	(38,529)	(45,560)	(52,708)	-	(136,797)
Depreciation charge	-	(1,050,722)	(14,576,172)	(3,185,217)	-	(18,812,111)
Cost at 31 December 2012	1,993,267	27,291,320	148,284,982	23,658,376	16,092,694	217,320,639
Accumulated depreciation	-	(4,813,598)	(87,204,423)	(14,965,816)	-	(106,983,837)
Carrying amount at 31 December 2012 Audited	1,993,267	22,477,722	61,080,559	8,692,560	16,092,694	110,336,802
Additions	74,932	624,226	4,311,675	1,042,469	9,709,713	15,763,015
Transfers	-	765,965	9,331,402	181,443	(10,278,810)	-
Disposals	-	(80,944)	236,128	(412,720)	(3,118)	(260,654)
Depreciation charge	-	(858,831)	(12,830,537)	(2,189,008)	-	(15,878,376)
Cost at 30 September 2013	2,068,199	27,929,890	156,520,924	24,469,778	15,520,479	226,509,270
Accumulated depreciation	-	(5,001,752)	(94,391,697)	(17,155,034)	-	(116,548,483)
Carrying amount at 30 September 2013 Unaudited	2,068,199	22,928,138	62,129,227	7,314,744	15,520,479	109,960,787

5 Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	GSM network license and rights	Computer software and software license rights	Other telecom licenses	Other	Total
Cost at 31 December 2011	14,462,162	15,739,232	3,317,778	3,998	33,523,170
Accumulated depreciation	(7,162,028)	(6,835,396)	(1,090,759)	(1,296)	(15,089,479)
Carrying amount at 31 December 2011 Audited	7,300,134	8,903,836	2,227,019	2,702	18,433,691
Additions	102,417	1,572,280	-	-	1,674,697
Transfers	-	-	-	-	-
Depreciation charge	(1,068,358)	(2,568,371)	(331,778)	(127)	(3,968,634)
Cost at 31 December 2012	14,564,579	17,311,512	3,317,778	3,998	35,197,867
Accumulated depreciation	(8,230,386)	(9,403,767)	(1,422,537)	(1,423)	(19,058,113)
Carrying amount at 31 December 2012 Audited	6,334,193	7,907,745	1,895,241	2,575	16,139,754
Additions	-	617,651	-	66	617,717
Disposals	(383,647)	(195,188)	(68,619)	(2,548)	(650,002)
Depreciation charge	(390,036)	(931,111)	(180,214)	(75)	(1,501,436)
Cost at 30 September 2013	14,564,579	17,929,163	3,317,778	4,064	35,815,584
Accumulated depreciation	(9,004,069)	(10,530,066)	(1,671,370)	(4,046)	(21,209,551)
Carrying amount at 30 September 2013 Unaudited	5,560,510	7,399,097	1,646,408	18	14,606,033

6 Other Non-Current Assets

	30 September 2013 Unaudited	31 December 2012 Audited
<i>In thousands of Kazakhstani Tenge</i>		
Restricted cash	84,022	75,211
Total financial assets	84,022	75,211
Prepayments for property, plant and equipment	3,278,575	3,046,416
Total other non-current assets	3,362,597	3,121,627

7 Trade and Other Receivables

	30 September 2013 Unaudited	31 December 2012 Audited
<i>In thousands of Kazakhstani Tenge</i>		
Trade and other receivables from dealers and distributors	1,085,852	7,406,783
Trade receivables from subscribers	2,290,530	2,396,607
Trade receivables for interconnect services	172,094	1,884,047
Trade receivables from roaming operators	-	558,486
Less: provision for impairment of trade receivables	(1,434,418)	(976,315)
Total financial assets	2,114,058	11,269,608
Advances to suppliers	5,981,637	1,067,051
VAT recoverable (net)	-	867,166
Prepaid other taxes	890,270	514,644
Deferred expenses	237,519	162,068
Other receivables	829,595	483,509
Total trade and other receivables	10,053,079	14,364,046

8 Share Capital

Charter / Share capital of the Company at 30 September 2013 and 31 December 2012 is as follows:

	30 September 2013 Unaudited	31 December 2012 Audited
	Shares quantity	Shares quantity
Fintur	102,000,000	102,000,000
Sonera	48,000,000	48,000,000
JSC Central Securities Depository	46,588,349	45,113,528
JSC Grantum Accumulative Pension Fund	1,900,000	1,900,000
Public	1,511,651	2,986,472

KCELL JSC
Notes to the Financial Statements

8 Share Capital (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	30 September 2013 Unaudited	30 September 2012 Unaudited
Profit for the period attributable to equity shareholders	45,128,361	46,072,482
Number of common shares	200,000,000	200,000,000
Earnings per share (Kazakhstani Tenge), basic and diluted	225.64	230.36

Dividends declared and paid during the year 2012 and for nine month period ended 30 September, 2013 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	
Dividends payable at 31 December 2011	-
Dividends declared during the year	115,877,439
Dividends paid during the year	(107,877,439)
Dividends payable at 31 December 2012	8,000,000
Dividends declared during the year	32,402,000
Dividends paid during the year	(40,402,000)
Dividends payable at 30 September 2013	-

9 Trade and Other Payables

<i>In thousands of Kazakhstani Tenge</i>	30 September 2013 Unaudited	31 December 2012 Audited
Trade payables	17,493,085	10,664,606
Dividends payable	-	8,000,000
Total financial liabilities	17,493,085	18,664,606
Accrued salaries and bonuses to employees	1,860,323	2,499,081
Other payables	601,363	93,249
Total trade and other payables	19,954,771	21,256,936

10 Borrowings

<i>In thousands of Kazakhstani Tenge</i>	30 September 2013 Unaudited	31 December 2012 Audited
Bank loans from:		
- ATF Bank JSC	-	3,950,000
- Syndicated loans from Citibank Kazakhstan JSC and RBS Kazakhstan JSC	14,529,559	45,040,985
- Halyk Bank JSC	10,000,000	
- SB HSBC Bank Kazakhtsan	6,000,000	
Total borrowings	30,529,559	48,990,985

11 Deferred Revenue

<i>In thousands of Kazakhstani Tenge</i>	30 September 2013 Unaudited	31 December 2012 Audited
Deferred revenue from pre-paid subscribers	3,141,313	3,139,459
Deferred revenue from paid-in-advanced subscribers	3,062,031	2,871,563
Total deferred revenue	6,203,344	6,011,022

12 Revenues

<i>In thousands of Kazakhstani Tenge</i>	For the nine months ended	
	30 September 2013 Unaudited	30 September 2012 Unaudited
Voice service	106,909,020	107,921,198
Value added services	18,399,934	13,087,761
Data service	12,556,344	10,949,962
Other revenues	207,454	1,144,615
Total revenues	138,072,752	133,103,536

13 Expenses by nature

Operating expenses are presented on the face of the statements of comprehensive income using a classification based on the functions “Cost of sales”, “Selling and marketing expenses” and “General and administrative expenses”. Total expenses by function were distributed by nature as follows.

	For the nine months ended	
	30 September 2013	30 September 2012
<i>In thousands of Kazakhstani Tenge</i>	Unaudited	Unaudited
Interconnect fees and expenses	21,347,402	20,109,702
Network maintenance expenses	10,001,849	7,560,722
Transmission rent	6,535,197	6,428,202
Frequency usage charges and taxes other than on income	4,736,483	4,374,886
Cost of SIM card, scratch card, start package sales and handsets	1,284,998	2,129,618
Sales commissions to dealers and distributors and advertising expenses	8,846,575	8,591,365
Staff costs	5,709,887	5,640,337
Others	3,763,629	4,054,335
Depreciation of property, plant and equipment and amortization of intangible assets	17,379,812	16,905,455
Total expenses	79,605,831	75,794,624

16 Expenses by nature (Continued)

Amortization and depreciation by function were as follows.

<i>In thousands of Kazakhstani Tenge</i>	For the nine months ended	
	30 September 2013 Unaudited	30 September 2012 Unaudited
Cost of sales	15,001,515	14,739,818
General and administrative expenses	2,378,297	2,165,637
Total depreciation of property, plant and equipment and amortization of intangible assets	17,379,812	16,905,455

14 Taxes

Income taxes

Income tax expense comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	For the nine months ended	
	30 September 2013 Unaudited	30 September 2012 Unaudited
Current income tax	11,240,062	11,569,108
Deferred income tax	695,882	41,555
Total income tax expense	11,935,944	11,610,663

15 Contingencies, Commitments and Operating Risks

Political and economic conditions in Kazakhstan

The economy in the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

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 Company's control.

The financial condition and future operations of the Company 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 these financial statements.

Legal proceedings

The Company is party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that, upon final disposition, will have a material adverse effect on the financial position of the Company.

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 Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

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The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 September 2013 no provision for potential tax liabilities has been recorded (2012: nil).

Telecommunication regulation

In January 2013, the Ministry of Transport and Communications (MTC) required lowering the maximum tariff plans. The Company challenged the lawfulness of the document and subsequently challenged the legality of these requirements in February 2013 in Specialized Inter-District Economic Court of Astana city. The Company also appealed against The Order #3 of MTC on 16 April 2013 in Specialized Inter-district Economic Court of Astana city. This order refers to the violations committed by the Company through its failure to fulfill the requirements of the MTC. In June 2013 the Specialized Inter-District Economic Court had cancelled the MTC requirements, however in July 2013 MTC appealed against this decision. On August 28, 2013 the Board of Appeals of Astana City Court to uphold the decision of the Specialized Inter-district Economic Court of Astana city of June 12, 2013 and to dismiss the appeal of MTC.

16 Book value per common share

The book value per common share is calculated by formula:

$$BV_{CS} = NAV / NO_{CS}, \text{ where}$$

- BV_{CS} – book value per common share as of the calculation date;
- NAV – net asset value for common shares as of the calculation date;
- NO_{CS} – number of outstanding common shares as of the calculation date.

The net asset value of common shares is calculated by formula:

$$NAV = (TA - IA) - TL - PS, \text{ where}$$

- TA – total assets of shares issuer in its financial condition statement as of the calculation date;
- IA – intangible assets in shares issuer financial condition statement as of the calculation date;
- TL – total liabilities in shares issuer financial condition statement as of the calculation date;
- PS – account balance of preferred stock in shares issuer financial condition statement as of the calculation date;

	30 September 2013	31 December 2012
	Unaudited	Audited
<i>In thousands of Kazakhstani Tenge</i>		
TA	145,492,627	149,640,968
IA	14,606,033	16,139,754
TL	66,563,120	83,437,916
PS	-	-
NAV	64,323,474	50,063,298
<i>In thousands of Kazakhstani Tenge, otherwise stated</i>		
NAV	64,323,474	50,063,298
NO _{CS} (units)	200,000,000	200,000,000
BV_{CS} (In Kazakhstani Tenge)	321.62	250.32