Kcell

KCELL JSC

Condensed interim consolidated
financial information
for the three months ended
31 March 2018 (unaudited)

KCELL JSC

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KCELL JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFROMATION FOR THE THREE MONTHS ENDED 31 MARCH 2018

Management is responsible for the preparation of the condensed interim consolidated financial information that presents fairly the financial position of Kcell JSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2018, the results of its operations, cash flows and changes in equity for the three months then ended, in compliance 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 the legislation of Kazakhstan and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

This condensed interim consolidated financial information of the Group for the three months ended 31 March 2018 was approved by management on 11 May 2018.

Approved for issue and signed on behalf of the Management

Arti Ots **Chief Executive Officer**	**Andis Locmelis** **Chief Financial Officer**

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the 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 as of 31 March 2018, the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month 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, the Republic of Kazakhstan

11 May 2018

KCELL JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousand of Kazakhstani Tenge)

	Note	31 March 2018 (Unaudited)	31 December 2017 (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	8	91,177,403	93,680,082
Intangible assets	9	42,063,237	43,060,675
Long-term trade receivables	10	2,050,477	1,617,206
Cost to obtain contract		305,244	221,089
Restricted cash		38,733	38,733
Total non-current assets		**135,635,094**	**138,617,785**
Current assets			
Inventories		4,896,494	3,424,664
Trade and other receivables	10	20,552,255	20,316,900
Prepaid current income tax		5,238,591	5,064,001
Due from related parties	7	916,284	810,492
Cash and cash equivalents		13,429,383	12,659,844
Total current assets		**45,033,007**	**42,275,901**
TOTAL ASSETS		**180,668,101**	**180,893,686**
EQUITY			
Share capital	11	33,800,000	33,800,000
Retained earnings		45,584,136	41,831,723
TOTAL EQUITY		**79,384,136**	**75,631,723**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		4,164,137	4,667,305
Other non-current liabilities		1,361,952	1,354,594
Borrowings	13	43,349,965	12,000,000
Total non-current liabilities		**48,876,054**	**18,021,899**
Current liabilities			
Borrowings	13	26,947,958	58,417,722
Trade and other payables	12	18,196,053	21,228,218
Due to related parties	7	1,454,554	1,177,333
Deferred revenue		5,398,339	6,007,580
Taxes payable		411,007	409,211
Total current liabilities		**52,407,911**	**87,240,064**
TOTAL LIABILITIES		**101,283,965**	**105,261,963**
TOTAL LIABILITIES AND EQUITY		**180,668,101**	**180,893,686**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

Approved for issue and signed on behalf of the Management on 11 May 2018

Arti Ots
Chief Executive Officer

Andis Locmelis
Chief Financial Officer

The accompanying notes on pages 7 to 22 are an integral part of this condensed interim consolidated financial information

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

	Note	For the three months ended 31 March 2018	2017 (Restated)*
Revenues		36,385,984	35,631,752
Cost of sales		(22,993,503)	(22,579,295)
Gross profit		**13,392,481**	**13,052,457**
Selling and marketing expenses		(2,363,729)	(2,609,103)
General and administrative expenses		(4,108,124)	(2,985,414)
Other operating income		453,025	298,621
Other operating expenses		(127,362)	(126,758)
Operating profit		**7,246,291**	**7,629,803**
Finance income		128,320	163,608
Finance costs		(2,443,849)	(2,846,696)
Profit before income tax		**4,930,762**	**4,946,715**
Income tax expense	14	(1,178,349)	(996,141)
Profit and total comprehensive income for the period		**3,752,413**	**3,950,574**
Earnings per share (Kazakhstani Tenge), basic and diluted	**11**	**18.76**	**19.75**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

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 11 May 2018

Arti Ots
Chief Executive Officer

Andis Locmelis
Chief Financial Officer

The accompanying notes on pages 7 to 22 are an integral part of this condensed interim consolidated financial information

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(in thousand of Kazakhstani Tenge)

	Share capital	Retained earnings	Total equity
Balance as at 1 January 2017 (as previously reported)	**33,800,000**	**38,880,286**	**72,680,286**
Adjustments (Note 5)	-	843,811	843,811
Balance as at 1 January 2017 (restated)*	**33,800,000**	**39,724,097**	**73,524,097**
Profit and total comprehensive income for the period (restated)*	-	3,950,574	3,950,574
Balance as at 31 March 2017 (restated)*	**33,800,000**	**43,674,671**	**77,474,671**
Balance as at 1 January 2018 (restated)*	**33,800,000**	**41,831,723**	**75,631,723**
Profit and total comprehensive income for the period	-	3,752,413	3,752,413
Balance as at 31 March 2018	**33,800,000**	**45,584,136**	**79,384,136**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

Approved for issue and signed on behalf of the Management on 11 May 2018

Arti Ots
Chief Executive Officer

Andis Locmelis
Chief Financial Officer

The accompanying notes on pages 7 to 22 are an integral part of this condensed interim consolidated financial information

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(in thousand of Kazakhstani Tenge)

	Note	For the three months ended 31 March 2018	2017 (restated)*
Cash flows from operating activities			
Profit for the period		3,752,413	3,950,574
Adjustments for:			
Depreciation of property, plant and equipment	8	4,702,405	4,174,946
Amortisation of intangible assets	9	1,451,342	1,455,510
Income tax		(677,758)	(2,341,567)
Net foreign exchange (gain)/loss		(50,309)	22,189
Interest income		(117,291)	(145,370)
Impairment of trade receivables		939,000	245,244
Interest expense		2,329,590	2,647,812
		12,329,392	10,009,338
Change in working capital and other balances:			
Trade and other receivables		(1,243,105)	(1,327,454)
Long-term receivables		(433,271)	(42,168)
Due from related parties		(105,792)	28,384
Cost to obtain the contract		(84,155)	(28,309)
Inventories		(1,471,830)	739,023
Taxes payable		1,797	48,977
Trade and other payables		(1,052,088)	694,314
Due to related parties		277,221	(251,997)
Deferred revenues		(609,241)	(848,133)
		7,608,928	9,021,975
Interest paid		(2,140,117)	(2,570,306)
Interest received		117,291	145,370
Net cash generated from operating activities		**5,586,102**	**6,597,039**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,520,562)	(4,643,582)
Purchase of intangible assets		(562,771)	(205,800)
Net cash used in investing activities		**(4,083,333)**	**(4,849,382)**
Cash flows from financing activities			
Proceeds from loans	13	6,420,000	26,000,000
Proceeds from bonds issued	13	4,950,000	-
Repayment of loans	13	(12,000,000)	(26,000,000)
Net cash used in financing activities		**(630,000)**	**-**
Net increase in cash and cash equivalents		**872,769**	**1,747,657**
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(103,230)	(180,665)
Cash and cash equivalents at the beginning of the period		12,659,844	8,476,653
Cash and cash equivalents at the end of the period		**13,429,383**	**10,043,645**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

Approved for issue and signed on behalf of the Management on 11 May 2018

Arti Ots **Chief Executive Officer**	**Andis Locmelis** **Chief Financial Officer**

The accompanying notes on pages 7 to 22 are an integral part of this condensed interim consolidated financial information

(in thousand of Kazakhstani Tenge, unless otherwise stated)

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 2018 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. ("Sonera") 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, a subsidiary of Telia Company.

On 1 July 2012, the General Meeting of the participants of GSM Kazakhstan approved a conversion of the Company from a limited liability partnership to a 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.

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 of 50 million shares, which represented 25 percent of the Company's share capital.

On 4 May 2016, the 24 percent stake in the Company owned by Sonera was sold directly to TeliaSonera Kazakhstan Holding B.V. ("TeliaSonera Kazakhstan"), a subsidiary of Telia Company. The Company's ultimate parent and controlling party is Telia Company.

The Company owns the following subsidiaries:

	Ownership interest		Voting power	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
KazNetMedia LLP (Note 3)	100%	100%	100%	100%
KT-Telecom LLP	100%	100%	100%	100%
AR-Telecom LLP	100%	100%	100%	100%

On 13 March 2018, Management of the Company made a decision on liquidation of AR-Telecom LLP.

Operations

On 25 December 2010, a 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. As of 1 January 2015, the Group provided all locations with a population of over 10,000 people with mobile services using UMTS/WCDMA based on the terms of the addendum.

In January 2016, the Group paid 14 billion Tenge as the first tranche for LTE radio frequencies. In accordance with the decision made by Kazakhstan's Ministry of Investments and Development ("MID") in January 2016, the Group had to pay a one-time fee of 4 billion Tenge by 1 February 2016 for 10/10 MHz radio frequency within the 1700/1800 MHz band, and the first tranche of 10 billion Tenge by 1 March 2016 to gain access to 10/10 MHz radio frequency within the 700/800 MHz band. The second tranche for 10/10 MHz radio frequencies within the 700/800 MHz band in the amount of 12 billion Tenge was paid till 1 December 2016. The Group paid the second tranche on 30 November 2016. On 1 March 2016, the Group launched LTE in its network on the previously granted frequencies.

The Company's registered address is 100, Samal-2, Almaty, the 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 2018 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 consolidated financial statements for the year ended 31 December 2017, which were 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 for impairment of financial assets and revenue from contracts with customers.

In the current year, the Group has applied *IFRS 9 Financial Instruments* that is mandatorily effective for an accounting period that begins on or after 1 January 2018. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In the current year, the Group changed incurred credit loss model to expected credit loss model, the effect was not material.

The Group has applied *IFRS 15 Revenue from Contracts with customers* that is mandatorily effective for an accounting period that begins on or after 1 January 2018. The Group has amended accounting for bundled offerings and incremental costs for obtaining a contract (Note 5).

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 2018, the principal rate of exchange of the National Bank of the Republic of Kazakhstan used for translating foreign currency balances was US Dollar 1 = Kazakhstani Tenge 318.31 ("Tenge") (31 December 2017: US Dollar 1 = Tenge 332.33).

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 the first time to this interim period.

The range of new standards, amendments to the standards and interpretations are effective as at 31 March 2018. The requirements of these amended standards have been considered for preparation of this condensed interim consolidated financial information.

In the current year, the Group has applied a number of amendments to IFRS and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40 – Transfers of Investment Property;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Annual Improvements to IFRSs 2014-2016 Cycle.

3. BUSINESS COMBINATION UNDER COMMON CONTROL

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding ("the MoU"), under which the Company had the right to require Sonera to sell to it, and Sonera had 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; and
- 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.

On 20 October 2015, the Company and KT-Telecom (100 percent subsidiary of the Company) signed an agreement ("the Agreement") for the purchase of 100 percent of the participatory interest in KazNet where Sonera is the seller. KazNet holds 100 percent of the participatory interest in Kcell Solutions, (former "Aksoran" LLP) and 100 percent of the participatory interest in Instaphone – companies holding frequencies that are capable of being deployed for 4G/LTE. On 31 March 2017, Aksoran LLP was reregistered as "Kcell Solutions" LLP ("Kcell Solutions").

In accordance with the Agreement, the amount of the transaction is divided on two tranches. The first tranche comprises a nominal price of 5 million US Dollars; the second tranche equals to the fair market value of the frequencies. If the parties of the Agreement can not agree commercially on the fair value of the frequencies, then the fair value shall be determined by independent appraiser appointed by the parties. The total amount of the transaction shall not exceed 70 million US Dollars.

In accordance with the Agreement, the second tranche shall be paid by the Company within 60 calendar days from the date at which the frequencies are permitted to be used by the Company for 4G/LTE services in Kazakhstan. The Company shall receive the relevant authorisation for the use of the frequencies by 31 December 2025. The second tranche shall not be due and payable if the Company is not authorised to provide 4G/LTE services in Kazakhstan by 31 December 2025. As at 31 March 2018, the Company had not applied for permission to use the frequencies.

In accordance with the Agreement, the completion of the deal is subject to the satisfaction of a list of conditions, including but not limited to, signing of waiver-letters and execution of an amendment to the MoU.

On 15 January 2016, all parties of the Agreement signed waiver-letters according to which all parties confirmed no need for execution of the amendment to the MoU and corresponding satisfaction of all the conditions precedent set forth in the Agreement.

On 4 May 2016, the Company and KT-Telecom signed an amendment to the Agreement for the purchase of a 100% participatory interest in KazNet from Telia Company for 1 US Dollar (the revised first tranche following the amendment). The parties agreed that the control over KazNet is transferred to the Group and thereafter the Group would consolidate KazNet, including its subsidiaries Kcell solutions and Instaphone, starting from the month after Kcell Solutions repays the 5 million US Dollars of loan principal plus 369 thousand US Dollars of accrued interest on that loan to Sonera.

On 5 May 2016, KazNet repaid a loan due to Sonera in full, thus the Group obtained control over the activity of KazNet, including Kcell Solutions and Instaphone, and consolidated its financial information since June 2016. Since the transfer of ownership in KazNet represents a business combination under common control (with Telia Company being the ultimate parent), the assets and liabilities of the transferred subsidiary were recognised at their historical carrying values per the predecessor owner's financial statements. The Group consolidated financial statements of these companies from the date of control transfer.

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the 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 2017 with the exception of changes in estimates that are required in determining the provision for income taxes.

5. RESTATEMENT OF PRIOR PERIOD FINANCIAL INFORMATION

In the condensed interim consolidated financial information for the three months ended 31 March 2018, a retrospective adjustment for the impact of IFRS 15 in the period of initial application is made. The Group applied IFRS 15 using the full retrospective method with adjustments to all periods presented.

Bundled offerings: the Group's accounting and recognition of revenue of the previous financial year for bundled offerings and allocation of the consideration between equipment and service was in line with IFRS 15. A detailed analysis of the performance obligations and the revenue recognition for each type of customer contract was performed and the model used in the previous financial year was slightly refined for some types of customer contracts, the effect was not material.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract should be capitalised and deferred over the period over which the Group expects to provide services to the customer. The Group did not capitalize such costs in the previous financial year. The main effect of implementing IFRS 15 for the Group was related to capitalisation of the costs.

(in thousand of Kazakhstani Tenge, unless otherwise stated)

As a result, comparative information was restated as follows:

Effect on the condensed interim consolidated statement of comprehensive income

	As previously reported	Adjustments	As restated
For the three months ended 31 March 2017			
Revenue	35,516,783	114,969	35,631,752
Gross profit	**12,937,488**	**114,969**	**13,052,457**
Selling and marketing expenses	(2,637,413)	28,310	(2,609,103)
General and administrative expenses	(2,976,657)	(8,757)	(2,985,414)
Operating profit	**7,495,281**	**134,522**	**7,629,803**
Profit before income tax	**4,812,193**	**134,522**	**4,946,715**
Income tax expense	(1,013,475)	17,334	(996,141)
Profit and total comprehensive income for the period	**3,798,718**	**151,856**	**3,950,574**
Earnings per share (Kazakhstani Tenge), basic and diluted	18.99	0.76	19.75

Effect on the condensed interim consolidated statement of financial position.

	As previously reported	Adjustments	As restated
As at 31 December 2017			
Long-term trade receivables	1,437,480	179,726	1,617,206
Cost to obtain contract	-	221,089	221,089
Total non-current assets	**138,216,970**	**400,815**	**138,617,785**
Trade and other receivables	19,672,722	644,178	20,316,900
Total current assets	**41,631,723**	**644,178**	**42,275,901**
TOTAL ASSETS	**179,848,693**	**1,044,993**	**180,893,686**
Retained Earnings	40,636,532	1,195,191	41,831,723
TOTAL EQUITY	**74,436,532**	**1,195,191**	**75,631,723**
Deferred income tax liabilities	4,817,503	(150,198)	4,667,305
Total non-current liabilities	**18,172,097**	**(150,198)**	**18,021,899**
TOTAL LIABILITIES	**105,412,161**	**(150,198)**	**105,261,963**
TOTAL EQUITY AND LIABILITIES	**179,848,693**	**1,044,993**	**180,893,686**

Effect on the condensed interim consolidated statement of cash flows.

	As previously reported	Adjustments	As restated
For the three months ended 31 March 2017			
Profit for the period	3,798,718	151,856	3,950,574
Income tax	(2,324,241)	(17,326)	(2,341,567)
	9,874,808	134,530	10,009,338
Changes in working capital and other balances:			
Trade and other receivables	(1,320,320)	(7,134)	(1,327,454)
Long-term receivables	56,919	(99,087)	(42,168)
Cost to obtain contract	-	(28,309)	(28,309)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

6. SEGMENT INFORMATION

The Group's operations are a single reportable segment.

The Group provides mobile communication services in the Republic of 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 Chief Executive Officer. 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.

7. 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 Telia Company. Telia Company group includes entities under common control and associates of Telia Company. Immediate shareholders are disclosed in the Note 10.

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 as at 31 March 2018 and 31 December 2017 were as follows:

		31 March 2018	**31 December 2017**
Due from related parties	Entities of Telia Company group	916,284	810,492
Due to related parties	Entities of Telia Company group	446,450	135,926
Due to related parties	Immediate and ultimate parent	1,008,104	1,041,407

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 their good credit history. The Group's management believes that amounts due from related parties will be fully repaid within one year.

The income and expense items with related parties for the three months ended 31 March 2018 and 2017 were as follows:

		Three months ended	
		31 March 2018	**31 March 2017**
Revenue	Entities of Telia Company group	133,703	255,851
Expenses	Entities of Telia Company group	(584,407)	(1,155,552)
Expenses	Immediate and ultimate parent	(22,718)	(2,643)

(in thousand of Kazakhstani Tenge, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and machinery	Equipment tools and installations	Assets under construction and advances given	Total
As at 1 January 2017					
Cost	21,216,911	193,752,896	26,553,990	16,711,684	258,235,481
Accumulated depreciation and impairment losses	(5,313,603)	(137,350,205)	(20,250,067)	-	(162,913,875)
Carrying amount as at 1 January 2017	**15,903,308**	**56,402,691**	**6,303,923**	**16,711,684**	**95,321,606**
Additions	-	-	79,891	5,667,118	5,747,009
Transfers	-	1,942,030	773,914	(2,715,944)	-
Depreciation charge	(140,924)	(3,614,654)	(419,368)	-	(4,174,946)
As at 31 March 2017					
Cost	21,216,911	195,694,926	27,407,795	19,662,858	263,982,490
Accumulated depreciation and impairment losses	(5,454,527)	(140,964,859)	(20,669,435)	-	(167,088,821)
Carrying amount as at 31 March 2017	**15,762,384**	**54,730,067**	**6,738,360**	**19,662,858**	**96,893,669**
As at 1 January 2018					
Cost	21,276,370	205,640,035	30,096,875	16,964,923	273,978,203
Accumulated depreciation and impairment losses	(5,892,669)	(151,954,662)	(22,450,790)	-	(180,298,121)
Carrying amount as at 1 January 2018	**15,383,701**	**53,685,373**	**7,646,085**	**16,964,923**	**93,680,082**
Additions	-	-	17,620	2,527,143	2,544,763
Transfers	117,748	1,263,746	65,157	(1,446,651)	-
Transfer to Advances given for Intangible assets (Note 9)	-	-	-	(345,037)	(345,037)
Depreciation charge	(198,487)	(3,803,639)	(700,279)	-	(4,702,405)
As at 31 March 2018					
Cost	21,394,118	206,903,781	30,179,652	17,700,378	276,177,929
Accumulated depreciation and impairment losses	(6,091,156)	(155,758,301)	(23,151,069)	-	(185,000,526)
Carrying amount as at 31 March 2018	**15,302,962**	**51,145,480**	**7,028,583**	**17,700,378**	**91,177,403**

As at 31 March 2018, the gross carrying value of property, plant and equipment, which has been fully depreciated and still in use, was 106,272,699 thousand Tenge (31 December 2017: 105,879,825 thousand Tenge).

(in thousand of Kazakhstani Tenge, unless otherwise stated)

9. INTANGIBLE ASSETS

	Software and licenses	Intangible assets in progress	Advances given	Total
As at 1 January 2017				
Cost	73,151,906	5,638,363	8,222	78,798,491
Accumulated amortisation	(35,956,011)	-	-	(35,956,011)
Carrying amount as at 1 January 2017	**37,195,895**	**5,638,363**	**8,222**	**42,842,480**
Additions	81,255	-	124,545	205,800
Transfers	19,146	-	(19,146)	-
Amortisation charge	(1,455,510)	-	-	(1,455,510)
As at 31 March 2017				
Cost	73,252,307	5,638,363	113,621	79,004,291
Accumulated amortisation	(37,411,521)	-	-	(37,411,521)
Carrying amount as at 31 March 2017	**35,840,786**	**5,638,363**	**113,621**	**41,592,770**
As at 1 January 2018				
Cost	83,765,166	456,750	557,094	84,779,010
Accumulated amortisation	(41,718,335)	-	-	(41,718,335)
Carrying amount as at 1 January 2018	**42,046,831**	**456,750**	**557,094**	**43,060,675**
Additions	108,867	-	-	108,867
Transfer of Advances given for Property, plant and equipment (Note 8)	-	-	345,037	345,037
Amortisation charge	(1,451,342)	-	-	(1,451,342)
As at 31 March 2018				
Cost	83,874,033	456,750	902,131	85,232,914
Accumulated amortisation	(43,169,677)	-	-	(43,169,677)
Carrying amount as at 31 March 2018	**40,704,356**	**456,750**	**902,131**	**42,063,237**

As at 31 March 2018, the carrying amount of the 3G license was 2,583,333 thousand Tenge (31 December 2017: 2,916,667 thousand Tenge) and its remaining amortisation period was 8 years. As at 31 March 2018, the carrying amount of the 4G license was 22,244,444 thousand Tenge (31 December 2017: 23,977,778 thousand Tenge) and its remaining amortisation period was 13 years. As at 31 March 2018, the gross carrying value of intangible assets, which have been fully amortised and still in use, was 21,263,681 thousand Tenge (31 December 2017: 19,275,605 thousand Tenge).

(in thousand of Kazakhstani Tenge, unless otherwise stated)

10. TRADE AND OTHER RECEIVABLES

	31 March 2018	31 December 2017 (restated)*
Trade receivables from subscribers	18,883,572	16,394,364
Trade receivables for interconnect services	1,129,665	900,299
Trade receivables from roaming operators	42,680	259,550
Trade and other receivables from dealers and distributors	7,853	326,613
Less: allowance for impairment of trade receivables	(6,113,497)	(5,642,354)
Total financial assets	**13,950,273**	**12,238,472**
Less: long term trade receivables from subscribers	(2,050,477)	(1,617,206)
Total current financial assets	**11,899,796**	**10,621,266**
VAT recoverable	6,986,238	5,516,033
Advances to suppliers	658,914	2,556,276
Prepaid other taxes	492,233	497,818
Deferred expenses	354,686	446,512
Other receivables	160,388	678,995
Total trade and other receivables	**20,552,255**	**20,316,900**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

11. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018		31 December 2017	
	Share	Number of shares	Share	Number of shares
Fintur	51.00 percent	102,000,000	51.00 percent	102,000,000
TeliaSonera Kazakhstan	24.00 percent	48,000,000	24.00 percent	48,000,000
JSC Central Securities Depositary	12.34 percent	24,671,251	13.24 percent	26,472,717
JSC Freedom Finance	9.31 percent	18,610,908	9.08 percent	18,153,541
Single Accumulative Pension Fund	1.14 percent	2,270,950	1.14 percent	2,270,950
Other	2.21 percent	4,446,891	1.54 percent	3,102,792

The total authorised 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 basic and diluted earnings per share is based on the following data:

	For the three months ended	
	31 March 2018	31 March 2017 (restated)*
Profit for the period attributable to equity shareholders	3,752,413	3,950,574
Weighted average number of common shares	200,000,000	200,000,000
Earnings per share (Kazakhstani Tenge), basic and diluted	**18.76**	**19.75**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

The Group has no dilutive or potentially dilutive securities outstanding.

(in thousand of Kazakhstani Tenge, unless otherwise stated)

According to the requirements of the Kazakhstan Stock Exchange (KASE), 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 2018 and 31 December 2017 is presented below.

	31 March 2018	31 December 2017 (restated)*
Net assets, excluding intangible assets	37,320,889	32,571,048
Number of common shares in issue	200,000,000	200,000,000
Book value per share (Kazakhstani Tenge)	**186.60**	**162.86**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

During the three months ended 31 March 2018 and 2017, the Group has not declared dividends.

12. TRADE AND OTHER PAYABLES

	31 March 2018	31 December 2017
Trade payables	11,565,451	15,099,016
Total financial liabilities	**11,565,451**	**15,099,016**
Accrued salaries and bonuses to employees	2,029,533	1,334,003
Other payables	4,601,069	4,795,199
Total trade and other payables	**18,196,053**	**21,228,218**

13. BORROWINGS

	31 March 2018	31 December 2017
Halyk Bank of Kazakhstan JSC	22,105,556	34,209,722
Eurasian Development Bank	33,026,138	26,103,278
SB Alfabank JSC	10,120,833	10,104,722
Bonds	5,045,396	-
Total borrowings	**70,297,923**	**70,417,722**
Including		
Long-term loans	38,420,000	12,000,000
Short-term loans - principal amount	26,420,000	58,000,000
Long-term bonds	4,929,965	-
Loans– accrued interest	412,527	417,722
Accrued coupon payable on bonds	115,431	-

The Group's borrowings are denominated in Kazakhstani Tenge. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

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

(in thousand of Kazakhstani Tenge, unless otherwise stated)

The details of the Group's loans as at 31 March 2018 are as follows:

Bank name	Date of issue	Maturity date	Nominal interest rate	Principle amount	Outstanding balance
Eurasian Development Bank	10/02/2017	20/12/2019	12.00%	32,840,000	33,026,138
Halyk Bank of Kazakhstan JSC	05/06/2017	04/12/2018	12.50%	10,000,000	10,090,278
Halyk Bank of Kazakhstan JSC	23/09/2016	20/09/2019	12.50%	4,000,000	4,006,945
Halyk Bank of Kazakhstan JSC	28/11/2016	02/12/2019	12.50%	8,000,000	8,008,333
SB AlfaBank JSC	01/06/2017	08/06/2018	14.50%	6,000,000	6,072,500
SB AlfaBank JSC	01/06/2017	10/07/2018	14.50%	4,000,000	4,048,333
				64,840,000	**65,252,527**

On 16 January 2018, the Group undertook a bond placement on the Kazakhstan Stock Exchange, in which bonds to the value of 4.95 billion Tenge were placed with investors at a yield of 11.5 percent. This was the first placement in the programme which the Group had announced on 14 December 2017, aimed at expanding and diversifying the Group's funding sources, increasing the average term of Kcell's financial liabilities and decreasing its funding costs. The programme details are as follows:

Type of bonds:	Unsecured coupon bonds
Amount of bonds:	30,000,000 (thirty million) bonds
Nominal price of a bond:	1,000 (one thousand) Tenge
Total volume of the bond issue:	30,000,000,000 (thirty billion) Tenge

	Maturity	Coupon rate, %	31 March 2018	31 December 2017
Unsecured KZT denominated bonds	16 January 2021	11.50%	4,950,000	-
Including/(excluding):				
Discount on bonds issued, net			(20,035)	-
Accrued coupon payable			115,431	-
			5,045,396	-

As at 31 March 2018 and 31 December 2017, no assets were pledged under borrowing agreements.

As at 31 March 2018 and 31 December 2017, the Group was in compliance with financial covenants.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018	Financing cash flows	31 March 2018
Loans, principal amount	70,000,000	(5,580,000)	64,840,000
Bonds	-	4,950,000	4,950,000

The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the condensed interim consolidated statement of cash flows.

14. INCOME 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 three months ended 31 March 2018 is 20 percent (the estimated tax rate for the three months ended 31 March 2017 was 20 percent).

15. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Political and economic conditions in the Republic of 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.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. In August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free-floating Tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the Tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures, it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group might be significant.

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.

In July 2017, the Kazakhstan tax authority completed its comprehensive tax audit for the period between 2012 and 2015. Following the audit, the tax authority made a total claim of 9 billion Tenge, of which 5.8 billion Tenge is for unpaid taxes and 3.2 billion Tenge represents fines and penalties for the late payment. Currently, the Company disputes this claim on those issues on which the Company does not agree through the available mechanisms, which include court litigation. The Company considers it unlikely that the full amount of the claim will become payable following the appeal process.

The Kazakhstan tax authority's claim relates to issues including VAT, CIT and other taxes. The Company currently disputes several of the individual findings, including a claim that withholding tax should have been paid in relation to the IPO in 2012, when retained earnings were reinvested in the newly formed joint stock company.

The Company has recorded the reserves and contingent liabilities for the tax audit, but does not disclose the amount, because it believes that disclosure of this information may adversely affect the outcome of tax audit results disputes.

The Company submitted administrative appeals to the highest level of Kazakhstan's government and to the Ministry of Finance. In January 2018, the Company filed an appeal with the Court of First Instance, the claim was dismissed. This ruling, however, has not been enforced yet; the Company will appeal it to the court of higher instance (the Court of Appeal).

Capital expenditure commitments

As at 31 March 2018, the Group had contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling 10,124,051 thousand Tenge (31 December 2017: 6,873,547 thousand Tenge).

The standby letter of credit

The standby letter of credit for 10 million US Dollars, within the framework of the general agreement between the Company and Citibank Kazakhstan JSC, was issued on 23 September 2015. As at 31 March 2018, the credit limit has been decreased to 5.5 million US Dollars. This instrument has been issued in favour of Apple Distribution International (Ireland) to allow the Company to extend the term of payment for goods purchased from the company, and will have a positive impact on the Company's working capital. As at 31 March 2018, the instrument has been used, the outstanding balance is 777,850 thousand Tenge.

The "Daytime Unlimited" and failure to disconnect calls on Kcell network

During 2013, an investigation was initiated by the Agency for Competition Protection of the Republic of Kazakhstan ("ACP"), in relation to the "Daytime Unlimited" service under the Activ brand and non-interruption of services when a customer's balance reaches zero under the Kcell brand. On conclusion of the initial investigations, the Antimonopoly Inspectorate issued an administrative offence report with a potential fine on the Company of 16 billion Tenge. During the following court process the Company was able to reduce the penalty to 325 million Tenge and subsequently made payment 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 fees under the tariff plan "Daytime Unlimited" in case of insufficiency of funds on a subscriber's account;
2. to ensure interruption of connection (voice or Internet access) when a subscriber's balance reaches zero; and
3. to ensure a refund to subscribers, any fees received as a result of failure to interrupt the connection when a subscriber's balance reaches zero ("the Order").

The Company complied with point 1, however, due to technical limitations of the billing system, the Company is currently unable to implement point 2. However, the Company in the process of introducing a new billing system that will enable the interruption of the connection.

The Company has challenged the ACP findings and decision through the courts system in the Republic of Kazakhstan, culminating in an appeal to the Supreme Court. On 30 June 2015, the Supreme Court of the Republic of Kazakhstan dismissed the Company's supervisory appeal. On 15 June 2015, the ACP filed a claim in court seeking for enforcement of the order. On 9 July 2015, the court issued a resolution on satisfying the ACP claim to enforce the order, and as a result the Company must now enforce points 2 and 3 in the above ACP order.

As at 31 March 2018, the total amount returned to subscribers is 2,618,043 thousand Tenge. As at 31 March 2018, the Company accrued a provision in the amount of 116,640 thousand Tenge (31 December 2017: 116,640 thousand Tenge). The Company expects the further refunding subscription fees until point 2 above is enforced.

New SORM Technical Regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of Technical Regulations "General requirements to the telecommunication equipment in ensuring conducting of operative search measures, collection and storage of subscribers' information" was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter-ORA). Management is currently implementing the action plan in order to comply with the requirements of Technical Regulations.

Online charging

Order No. 403 of the Minister of Information and Communications of the Republic of Kazakhstan dated 21 November 2017 on Amendments and Additions to the Order No. 171 of the Acting Minister for Investment and Development of the Republic of Kazakhstan dated 24 February 2015 "On Approval of the Rules for the Provision of Communication Services" was officially published on 16 January 2018, and came into force on 26 January 2018. Rules states that mobile operators will be obliged:

(i) to inform subscribers when bonus allowances are fully consumed and charge from the main balance only after receiving respective consent from subscriber. In case subscriber did not give the consent, operator should postpone services (item 26).
(ii) potentially it won't be allowed to operators to allow debt of subscribers in roaming (which contradicts to the Rules).

The violations of new rules can be recognized an abuse of dominant position that entails a penalty of 5% of the total income of the company or 10% in case if repeated within a year with monopoly revenue confiscation.

Management is currently assessing the risks associated with the introduction of new rules in order to comply with the amendments and additions to the "Rules for the Provision of Communication services".

16. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including foreign exchange 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.

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.

(in thousand of Kazakhstani Tenge, unless otherwise stated)

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

	Note	31 March 2018	31 December 2017 (restated)*
Cash and cash equivalents		13,429,383	12,659,844
Trade receivables	10	11,899,796	10,621,266
Long-term trade receivables		2,050,477	1,617,206
Due from related parties	7	916,284	810,492
Restricted cash		38,733	38,733
Total maximum exposure to credit risk		**28,334,673**	**25,747,541**

**Retrospective restatement of items of condensed interim consolidated financial information is disclosed in Note 5*

Credit risk from balances with cash and cash equivalents is managed by the Company's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved financial institutions and within credit limits assigned to each bank or financial institution. Financial institutions' credit limits are reviewed by the Group's Treasury Department on a monthly basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a financial institution's potential failure to make payments.

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.

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 as at 31 March 2018 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 as at 31 March 2018 is as follows:

	Demand and less than 3 months	From 3 to 12 months	More than 12 months	Total
Liabilities				
Borrowings	8,656,463	25,472,093	48,329,604	82,458,160
Trade payables	11,565,451	-	-	11,565,451
Due to related parties	1,454,554	-	-	1,454,554
Total future payments	**21,676,468**	**25,472,093**	**48,329,604**	**95,478,165**

(in thousand of Kazakhstani Tenge, unless otherwise stated)

The comparative maturity analysis of financial liabilities as at 31 December 2017 is detailed below:

	Demand and less than 3 months	From 3 to 12 months	More than 12 months	Total
Liabilities				
Borrowings	2,687,722	62,109,417	13,319,444	78,116,583
Trade payables	15,099,016	-	-	15,099,016
Due to related parties	1,177,333	-	-	1,177,333
Total future payments	**18,964,071**	**62,109,417**	**13,319,444**	**94,392,932**

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 months, subject to consent of the lenders.

Fair value of financial instruments

The Group does not carry any financial assets or liabilities at fair value. Management of the Group considers that the carrying amount of financial assets and financial liabilities with maturity of less than twelve months recorded at amortised cost in the condensed interim consolidated financial information approximates their fair values due to their short-term maturities. For financial assets and financial liabilities with maturity of more than twelve months, the fair value represents a present value of discounted estimated future cash flows with the use of market rates effective at the end of the reporting period. As at 31 March 2018 and 31 December 2017, the fair value of financial assets and financial liabilities were not significantly different from their carrying value.

17. SUBSEQUENT EVENTS

On 19 April 2018, the Board of Directors of the Company proposed an annual dividend for 2017 in the amount of 11,678,000 thousand Tenge, or 58.39 Tenge per ordinary share.