

**PROSPECTUS OF SHARE ISSUE  
OF KCELL JOINT STOCK COMPANY  
Kcell JSC**

“State registration of issue of authorized shares by the authorized agency does not mean a provision of any recommendations to investors concerning purchase of shares, described in the Prospectus. The authorized agency, which has carried out the state registration of the issue of authorized shares, does not bear any responsibility for reliability of information containing in this document. The Prospectus of issue of shares has been considered only in view of compliance with the requirements of legislation of the Republic of Kazakhstan. Officials of the joint stock company bear responsibility for reliability of information containing in this Prospectus and confirm that all information, contained herein, is authentic and not misleading the investors in respect of the society and its placed shares.”

Almaty, 2012

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## 1. GENERAL INFORMATION ON THE JOINT STOCK COMPANY

### 2. Name of the joint stock company

#### Name of the joint stock company

##### *Full name:*

In Russian:	Акционерное общество “Кселл”
In Kazakh:	“Кселл” акционерлік қоғамы
In English:	Kcell Joint Stock Company

##### *Short name:*

In Russian:	АО “Кселл”
In Kazakh:	“Кселл” АҚ
In English:	Kcell JSC

#### Preceding full and short name of the joint stock company as well as dates of their changing

##### *Full name:*

In Russian:	Товарищество с ограниченной ответственностью «GSM (Джи Эс Эм) Казахстан ОАО «Казактелеком»
In Kazakh:	Жауапкершілігі шектеулі серіктестік «GSM Қазақстан ОАО «Казактелеком»
In English:	“GSM Kazakhstan ОАО “Kazakhtelecom” Limited Liability Partnership

##### *Short name:*

In Russian:	ТОО «GSM Казахстан»
In Kazakh:	ЖШС «GSM Қазақстан»
In English:	“GSM Kazakhstan” LLP

27 August 2012 года – changing of the name “GSM Kazakhstan” LLP to the name Kcell JSC due to reorganization (transformation).

#### Succession in title

Kcell Joint Stock Company (hereinafter referred to as the “**Company**”) was established as a result of transformation of “GSM Kazakhstan ОАО “Kazakhtelecom” into Kcell Joint Stock Company (Minutes #78 of the Extraordinary General Meeting of Participants of “GSM Kazakhstan” LLP of 1 July 2012). Kcell Joint Stock Company is a successor of all rights and responsibilities of “GSM Kazakhstan” LLP subject to the Instrument of Transfer, approved by Minutes #78 of the Extraordinary General Meeting of Participants of “GSM Kazakhstan” LLP of 1 July 2012.

### 3. Information on state registration (re-registration) of the joint stock company

Certificate of state registration of Kcell Joint Stock Company under number 1201-1910-06-AO (HY), issued by the Department of Justice of the city of Almaty on 27 August 2012.  
Business Identification Number of Kcell Joint Stock Company - 980540002879.

### 4. Registration number of a taxpayer

TRN 600700171535

### 5. Information on the place of location of the joint stock company, phone contact and fax numbers, e-mail address

100, mikrorayon Samal-2, city of Almaty 050051, Republic of Kazakhstan

Ph.: 8 (727) 258-27-55

Fax: 8 (727) 258-89-11

Email: info@kcell.kz

### 6. Bank details of the joint stock company

JSC Kazkommertsbank

IIC KZ539261802102350000

BIC KZKOKZKX

### 7. Types of business of the joint stock company

The main types of business of the Company are:

- rendering of communication services (including the services of mobile communication, data transmission, access to the Internet etc.); and
- other types of business, relating to or connected with the above mentioned types, as well as other types of business, not forbidden by legislation of Kazakhstan and required for functioning of the Company.

### 8. Information on availability of ratings, assigned to the joint stock company or to the issued by it securities by international rating agencies and (or) rating agencies of the Republic of Kazakhstan. Information on assignment of the status of the finance agency

As of the date of this Prospectus no ratings, assigned to the Company or to the issued by the latter securities by international rating agencies and (or) rating agencies of the Republic of Kazakhstan, are available.

The Company does not have any status of the finance agency.

### 9. Names, dates of registration, places of location and postal addresses of all subsidiaries and representative offices of the joint stock company

Information on subsidiaries and representative offices:

Subsidiary name	Date of registration	Place of location and postal addresses
1	2	3

Karaganda Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	02.11.2005	bldng. 18, Bulvar Mira, Kazybek bi district, Karaganda 100012, Karaganda oblast
Atyrau Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	05.07.2005	bldng. 13B, Kurmangazy str., Atyrau 060000, Atyrau oblast
Aktau Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	16.01.2012	Administrative bldng. # 7 opposite to bldng. 38, mikrorayon 11, Aktau 130000, Mangystau oblast
Kostanai Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	17.10.2011	122 (VP 13, VP 5), Altynsarin str., Kostanai 110000, Kostanai oblast
Pavlodar Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	12.02.2009	bldng. 77, Krivenko str., Pavlodar 140003, Pavlodar oblast
Aktobe Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	11.03.2009	bldng. 55A, Prospekt Abilkair khan, Aktobe 030019, Aktobe oblast
Kokshetau Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	26.05.2006	bldng. 97B, Akan Sere str., Kokshetau 020000, Akmolinsk oblast
Ust-Kamenogorsk Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	25.11.2005	159, Kazakhstan str., Ust-Kamenogorsk 070019, East-Kazakhstan oblast
Semei Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	20.08.2010	58A, Kabanbai batyr str., Semei 071400, East-Kazakhstan oblast
Astana Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	12.03.1999	VP-2, bldng. 1, Almaty str., Yessil district, Astana 010016
Petropavlovsk Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	30.05.2006	168, Auezov str., Petropavlovsk 150010, North-Kazakhstan oblast
Kyzylorda Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	04.02.2009	24, Aiteke bi str., Kyzylorda 120014, Kyzylorda oblast
Uralsk Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	24.10.2011	room 1, bldng. 71, Prospekt Eurasia, Uralsk 090002, West-Kazakhstan oblast
Shymkent Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	13.09.2005	bldng. 1, Turkestanskaya str., Al-Farabi district, Shymkent 160000, South-Kazakhstan oblast
Taraz Branch Office of "GSM Kazakhstan OAO "Kazakhtelecom" Limited Liability Partnership	29.01.2009	bldng. 7A, Nietkaliev str., Taraz 080000, Zhambyl oblast

The Company does not have any representative offices.

**10. Full official name of audit organizations (surname, name, patronymic name, if any, of the auditor), carrying out the audit of financial accounts of the joint stock company for the last three completed fiscal years, specifying their affiliation with the relevant collegiums (associations, chambers)**

Audit organizations, conducting audit of financial statements of “GSM Kazakhstan” LLP, which successor is the Company

	2009	2010	2011
<b>Full official name of audit organizations</b>	LLP PricewaterhouseCoopers	LLP PricewaterhouseCoopers	LLP PricewaterhouseCoopers
<b>License, place of location</b>	General State License of the RK Ministry of Finances No. 0000005 of 21 October 1999, Almaty	General State License of the RK Ministry of Finances No. 0000005 of 21 October 1999, Almaty	General State License of the RK Ministry of Finances No. 0000005 of 21 October 1999, Almaty
<b>Auditor’s surname, name, patronymic name</b>	Dana Asylbekovna Inkarbekova	Baurzhan Nurlanovich Burkhanbekov	Dana Asylbekovna Inkarbekova
<b>Affiliation with the relevant collegiums (associations, chambers)</b>	RK Chamber of Auditors	RK Chamber of Auditors	RK Chamber of Auditors
<b>Agreement date and number</b>	01.07.2009 #4462	13.09.2010 #16019	14.09.2011 #23616

**Full official name of consultants for legal and finance issues, with whom the agreements for rendering relevant services were concluded for the last three completed fiscal years, specifying their affiliation with the relevant collegiums (associations, chambers)**

Consultants for legal and finance issues, with whom the agreements for rendering relevant services were concluded by "GSM Kazakhstan" LLP, which successor is the Company:

	2009	2010	2011
<b>Full official name of the consultant</b>	LLP Salans	LLP Salans	LLP Salans
<b>Surname, name, patronymic name of the top manager</b>	Director General Aigul Kenzhebayeva	Director General Aigul Kenzhebayeva	Director General Aigul Kenzhebayeva
<b>Лицензия (при наличии), место нахождения</b>	135, Abylai khan str., Almaty	135, Abylai khan str., Almaty	135, Abylai khan str., Almaty
<b>Affiliation with the relevant collegiums (associations, chambers)</b>	No	No	No
<b>Agreement date and number</b>	Agreement for rendering the professional legal services w/n of 05.12.2006	Agreement for rendering the professional legal services w/n of 05.12.2006	Agreement for rendering the professional legal services w/n of 05.12.2006

If it is appeared that the agreement with the above stated persons was terminated, it will be

**required to provide information on the reason of cancellation of the agreement, specifying the initiator of such a cancellation.**

The agreement continues to operate.

**11. Date of acceptance by the company of the code of corporate management (if it is provided by the charter of the company)**

As of the date of this Prospectus, the Company Code of Corporate Management has not been adopted.

**11-1. Date of approval by the general meeting of shareholders or by the meeting of founders of the method of determination of the shares cost when they are redeemed by the company**

The method of determination of the shares cost when they are redeemed by the Company was approved by the Extraordinary General Meeting of Participants of "GSM Kazakhstan OAO "Kazakhtelecom" LLP on 8 August 2012 (Minutes # 80 of 8 August 2012)

**2. BODIES OF THE COMPANY AND FOUNDERS (SHAREHOLDERS)**

**12. Board of Directors of the joint stock company**

The Board of Directors was formed according to item 2, Art. 64 of Law of the Republic of Kazakhstan No. 220-I of 22 April 1998 “On Partnerships With Limited And Additional Liability” in a membership as follows:

Surname, name, patronymic name (if any)	Year of birth	Positions, taken during the last three years and currently, in a chronological order, date of taking the office	Percentage of voting shares to the total number of voting shares of the company	Percentage of shares (participatory interest in the authorized capital) in subsidiaries and dependent organizations to the total number of placed shares (participatory interest in the authorized capital) of these organizations
1) Mats Goran Salomonsson	1950	2008 - 2009 – Finance Director of the Mobile Services Segment of TeliaSonera AB. Date of taking the office – 1 March 2003  2009 through 2011 - Finance Director of the Eurasia Business Area of TeliaSonera AB Date of taking the office– 18 September 2009  2011 until present – Director for Market and Commercial Development of the Eurasia Business Area in TeliaSonera AB	0%	0%

		Date of taking the office – 1 April 2011		
2) Tolga Kokturk	1977	2006 through 2011 – Chief Finance Officer of "GSM Kazakhstan OAO "Kazakhtelecom" LLP Date of taking the office – 1 May 2006  2011 until present – Finance Director of Eurasia Business Area in TeliaSonera AB Date of taking the office – 1 April 2011	0%	0%
3) Mohamed Amersi – independent director	1960	2008 until present – Managing Director of Emergent Telecom Ventures. Date of taking the office – 4 March 2004		

No changes in the membership of the Board of Directors within the last two years exist.

#### **12-1. Committees of the Board of Directors of the company (if any)**

The Committees of the Board of Directors will be formed following the formation of the new Board of Directors after the state registration of issue of authorized shares and forming of the system of registers of shares holders subject to item 1, Art. 35 of RK Law No. 415-II of 13 May 2003 “On Joint Stock Companies”.

#### **12-2. Stabilization bank indicates the authorized person (authorized persons), ensuring bank management**

The Company is not a stabilization bank.

#### **12-3. Internal audit service (if any)**

As of the date of this Prospectus no internal audit service has been formed.

### **13. Collegiate (sole) executive body of the joint stock company**

#	Surname, name, patronymic name, year of birth of the sole executive body	Taken positions at present and during the last three years in a chronological order	Percentage of voting shares to the total number of voting shares of the company
1	<b>Veysel Aral, 18 February 1968</b>	1 October 2007 through 27 August 2012 (the date of transformation into Kcell JSC) – Chief Executive Officer of "GSM Kazakhstan OAO "Kazakhtelecom" LLP. Powers:  general leadership and management, continuous daily management and control over performance of the Partnership, and also other powers and duties, prescribed from time to time by the General Meeting of	0%



		<p>Participants;</p> <p>ensuring functionality of the Partnership concerning the personnel, including appointment of other leading copartners, labor compensation, hours of operation, premises and equipment, safety, including resolving of the Partnership staff-related issues within the scope of appointment, dismissal of the personnel and management;</p> <p>other powers, according to the LLP Charter.</p> <p>Central Asian Telecommunications development B.V. (Member of the Supervisory Council) TeliaSonera Uzbek Telecom Holding B.V. (Chairman of the Board of Directors) – pluralistically</p> <p>On 1 July 2012 was appointed the Chief Executive Officer of Kcell JSC. Date of taking the office: 27 August 2012. Granted powers according to the provided Charter of Kcell JSC (Section 11).</p>	
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**14. Total bonus and salary amount as well as benefits, paid and granted to persons specified in items 12 and 13 of this Prospectus for the last fiscal year**

Should the joint stock company be established three and more months before taking a decision in issue of shares, it will be required to specify the total amount of bonuses (in terms of money, securities or in any other form) and salary, received from the joint stock company by persons (as a group of persons), specified in items 12 and 13 of this Prospectus, for the last three months.

Since transformation into JSC was registered on 27.08.2012, no payments on behalf of the Company were effected as of the date of signature thereof.

**15. Organizational structure of the joint stock company**

1) Structural units of the joint stock company

The payroll schedule and structure of the Company have not been approved yet as of the date of this Prospectus.

2) Total number of employees of the joint stock company, including employees of branch and representative offices of the joint stock company

As of 27.08.2012, the total number of employees of "GSM Kazakhstan" LLP, which successor is the Company, made 1617 (One thousand six hundred and seventeen) people.

3) Total number of employees of the joint stock company, holding shares of the joint stock company, and their cumulative percentage of the total number of outstanding shares

Employees of the Company do not hold any shares.

4) Information on unit heads of the joint stock company (surname, name, patronymic name, if any, year of birth)

As of the date of this Prospectus, no unit heads have been approved.

5) Information on heads of branch and representative offices (surname, name, patronymic name, if any, year of birth)

<b>Branch Office name</b>	<b>Surname, name, patronymic name of the top manager</b>	<b>Year of birth of the top manager</b>
1	2	3
Karaganda Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Andrey Valeryevich Vitalyev	07.07.1980
Atyrau Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Salamat Berikovich Ismagambetov	06.04.1981
Aktau Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Anatoly Pavlovich Lemeni-Makedon	22.06.1974
Kostanai Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Zhanat Kabdibekovich Zhanturin	11.12.1980
Pavlodar Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Georgiy Sergeyeovich Listunov	14.05.1980
Aktobe Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Kazbek Bekzhanovich Shaimov	29.07.1975
Kokshetau Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Alexander Mikhailovich Poimanov	15.01.1977
Ust-Kamenogorsk Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Victor Nickolaevich Prishibsky	19.01.1977
Semei Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Dinara Talgatovna Baiskakova	14.10.1978
Astana Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Askar Ergembayevich Nauryzbayev	23.10.1955
Petropavlovsk Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Igor Evgenyevich Pogrebitsky	19.05.1978
Kyzylorda Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	EAibek Sharapatdinuly Yesekeev	01.09.1978
Uralsk Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Bekzhan Kublanovich Batyrgaliyev	21.06.1979
Shymkent Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Saken Madikhanovich Baituganov	14.07.1974
Taraz Branch Office of “GSM Kazakhstan OAO “Kazakhtelecom” Limited Liability Partnership	Mukhtar Akzholtayevich Shaimshiyev	22.01.1975

**16. Founders (shareholders) of the Joint Stock Company**

<b>Full name of the founder or shareholder – legal entity,</b>	<b>Location of the founder or shareholder – legal entity</b>	<b>Quantity and type (types) of shares prepaid by the founder</b>
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<b>the date when the shareholder began to own ten and more percent of the listed shares of the Company</b>		<b>(founders) or percentage ratio of the voting shares belonging to the shareholders owning ten and more percent of the listed shares of the Company</b>
1	2	3
Fintur Holdings B.V.  Date when the shareholder began to own ten and more percent of the participatory shares of the Company predecessor before its reorganization to the JSC – 30 May 2000.	34K, 3011 AN Rodesand str., Rotterdam, Netherlands	102 000 000 ordinary shares 51%
Sonera Holding B.V.  Date when the shareholder began to own ten and more percent of the participatory shares of the Company predecessor before its reorganization to the JSC – 01 February 2012.	34K, 3011 AN Rodesand str., Rotterdam, Netherlands	98 000 000 ordinary shares 49%

**Information about shareholders or participants owning ten and more percent of ownership shares in the charter capital (founders) shareholders of the Company**

**Fintur Holdings B.V.:**

58.55% of the participatory share are hold by Sonera Holding B.V., a closed type partnership, registered by the Chamber of Commerce of Rotterdam city, The Netherlands, under No. 007398232, and having its registered address at: 34K, 3011 AN Rodezand str. Rotterdam, Netherlands.

41.45% of the participatory share are hold by Turkcell Iletisim Hizmetleri A.S.

**Sonera Holding B.V.:**

100 % of the participatory share are hold by TeliaSonera Finland oyj, a company registered with the National Committee of Patents and in registration trade systems in Helsinki city, Finland under No. 1476507-9 and located at: Teollisuuskatu 15, Fin-00510 Helsinki, Finland.

**17. Data concerning organizations where the Company is a major shareholder or possesses ten and more percent of share in charter capital of the organization**

<b>Full name of the organization, data when the organization began to possess ten and more percent of shares in charter capital of the</b>	<b>Location</b>	<b>Percentage ratio of the shares (participatory interests in the charter capital) belonging to the Company to the total quantity of</b>	<b>Type of activity</b>	<b>First manager</b>
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organization		listed shares of the organization		
1	2	3	4	5
<p>KT-TELECOM Liability Limited Partnership</p> <p>Data when the organization began to possess ten and more percent of shares in charter capital of the organization – 15 August 2008</p>	<p>100 Samal-2 Almaty, Republic of Kazakhstan</p>	<p>100%</p>	<ol style="list-style-type: none"> <li>1. System integration: distribution, export-import operations, procurement and sales of equipment, technologies and “know-how”;</li> <li>2. Supply, installation and commissioning of: exchanges stations and systems; computer, local and global networks, computer equipment, videoconferencing systems, radio communications, cable networks and systems, security and fire alarm systems, access control systems, control and stabilization of climate parameters, information systems;</li> <li>3. Design, installation and commissioning of the software;</li> <li>4. Maintenance of the supplied equipment;</li> <li>5. Arrangement of training;</li> <li>6. Rendering of telecommunication services, including but not limited to: international voice, local and international voice services, mobile communications, paging, data transmission telex, fax, Internet access; computer telephony, databases and data banks, e-mail, video conferencing;</li> <li>7. Production, supply and sale of consumer goods and food products;</li> <li>8. Intermediary trade and commercial activity;</li> <li>9. FEA;</li> <li>10. Repair and construction and design works;</li> <li>11. Education, consulting and information services;</li> <li>12. Publishing and information and promotional activities in accordance with legislation</li> </ol>	<p>Nurlan Tynyshbayevich Sargaskaev</p>

			of Kazakhstan 13. Services to international firms and citizens 14. Performing any other activities not prohibited by laws of the Republic of Kazakhstan	
AR-Telecom Liability Limited Partnership  Data when the organization began to possess ten and more percent of shares in charter capital of the organization – 2007	100 Samal-2 Almaty, Republic of Kazakhstan	100%	1. System integration: distribution, export-import operations, procurement and sales of equipment, technologies and “know-how”; 2. Supply, installation and commissioning of: exchanges stations and systems; computer, local and global networks, computer equipment, videoconferencing systems, radio communications, cable networks and systems, security and fire alarm systems, access control systems, control and stabilization of climate parameters, information systems; 3. Design, installation and commissioning of the software; 4. Maintenance of the supplied equipment; 5. Arrangement of training; 6. Rendering of telecommunication services, including but not limited to: international voice, local and international voice services, mobile communications, paging, data transmission telex, fax, Internet access; computer telephony, databases and data banks, e-mail, video conferencing; 7. Production, supply and sale of consumer goods and food products; 8. Intermediary trade and commercial activity; 9. FEA; 10. Repair and construction and design works; 11. Education, consulting and information services;	Sergey Leninovich Maximov

			12. Publishing and information and promotional activities in accordance with legislation of Kazakhstan 13. Services to international firms and citizens 14. Performing any other activities not prohibited by laws of the Republic of Kazakhstan	
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**18. Information concerning industrial, banking, financial groups, holdings, group of companies, associations, consortiums where the Company participates**

As of this Prospectus date the Company does not take part in industrial, banking, financial groups, holdings, group of companies, associations, consortiums.

**19. Information concerning other affiliated entities of the Company**

These data are provided in Annex No.1 “Data on affiliated entities of the Company”.

**20. Transactions with affiliated entities of the Company**

As of this Prospectus date the Company did not make any transaction with affiliated entities of the Company.

**3. DESCRIPTION OF BUSINESS OF THE JOINT STOCK COMPANY**

**21. Brief description of the main types of the Company’s activity, data concerning organizations being main rivals of the Company**

Brief description of the main types of the Company’s activity:

- rendering communication services (including cellular communication services, data transmission, Internet access etc.)

Data concerning organizations being main rivals of the Company

- KaR-Tel LLP, representing Beeline and Dos brands
- Mobile Telecom Service LLP, representing the Tele2 brand
- Altel LLP, represented by Dalacom, PATHWORD, Citi and Jet brands

**22. Positive and negative factors influencing the profitability of sales (work, services) by major types of activity of the joint-stock company**

- Future activity results will depend on the macroeconomic situation in Kazakhstan. Overall, a favorable economic environment aids revenue growth while unfavorable economic conditions cause revenues to go down.
- Further slowdown in the growth of mobile market in Kazakhstan may cause a slowdown or reduction in growth of the Company’s revenues and profit.

- The Company receives revenue from selling mobile services to the subscribers in Kazakhstan. Therefore, growth of Company's revenues and profit depends on the growth of Kazakhstani mobile services market, which has for the past several years been showing signs of slowdown. A relatively high level of penetration of mobile voice communication impedes further increase in the Company's and other mobile operators' subscriber bases in the country, which makes them dependent on the growth of mobile usage by their subscribers, including increase in voice and data, as well as growing demand for content and other services. Further slowdown in subscriber base growth or in mobile usage may cause the Company's revenues and profit growth rate to slow down or decrease.

### **23. Information on licenses (patents) held by the Company and period of validity thereof, research and development costs, including those sponsored by the Company**

As of the date of this Prospectus, the Company, as the successor of GSM Kazakhstan LLP, holds the following licenses:

1. State License MTK #0000270 of 08.06.1999 to carry on the business of GSM mobile services. Licensor – Ministry of Transport and Communications of the Republic of Kazakhstan. License type – general license. Valid in – Republic of Kazakhstan. Period of validity – unlimited.
2. State License #11000042 of 31.01.2011 to provide communication services. Licensor – Ministry of Communication and Information of the Republic of Kazakhstan. Communication and Standardization Committee. Special license conditions – general, list of sub-types as per annexes to states licenses.

### **24. Volume of sales (work performed, services rendered) in the past two years or over the entire period of existence of the joint stock company**

The volume of product sold (work performed, services rendered) by GSM Kazakhstan LLP, whose successor the Company is, and their trend analysis for the past two years:

Revenue	2011		2010		Difference	
	(million tenge)	% of total	(million tenge)	% of total	(million tenge)	% of total
Voice	146 076	81,7%	131 185	86,0%	14 891	56,6%
VAS	14 532	8,1%	13 790	9,0%	742	2,8%
Data	14 064	7,9%	6 946	4,6%	7 118	27,1%
Other income	4 114	2,3%	567	0,4%	3 547	13,5%
<b>Revenue total</b>	<b>178 786</b>	<b>100%</b>	<b>152 488</b>	<b>100%</b>	<b>26 298</b>	<b>100%</b>

Growth of revenue from data services has allowed GSM Kazakhstan LLP, whose successor the Company is, to deploy its own 3G network in Almaty, Astana and other cities of the Republic of Kazakhstan and thus enabled it to provide higher data rates to its subscribers and increase consumer appeal of the relevant services.

Growth of other income is mainly associated with sales by GSM Kazakhstan LLP, whose successor the Company is, of mobile phones to its distributors who resold them to the subscribers in order to

increase use of Internet-capable mobile phones (especially 3G-capable handsets) and thus to promote data services.

## 25. Company's activity relating to organization of sales of its goods (work, services)

Information on consumers and vendors of goods (work, services) of the Company in the amount of five and more per cent of total value of goods (work, services) it produced or consumed.

Main vendors of goods (work, services):

Vendor	Goods (work, services) supplied	Location	Share in overall volume of goods (work, services) supplied (%)
1	2	3	4
Ericsson	Telecommunication equipment	Buyukdere Cad. USO Center No:61,7th Floor MASLAK/ISTANBUL TURKEY	26.72%
ZTE Corporation	Telecommunication equipment	Shenzhen, P.R. China, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District	13.01%
TOO Кар-Тел/Kar-Tell	Interconnect	Almaty, mikrorayon Kokten 2, d.22	8.68%

Main consumers of goods (work, services):

Consumer	Goods (work, services) consumed	Location	Share in overall volume of goods (work, services) consumed (%)
1	2	3	4
<u>Consumer segment</u>	<u>All types of communication services provided by the Company</u>	<u>Republic of Kazakhstan</u>	<u>88,5%</u>
<u>Corporate segment</u>	<u>All types of communication services provided by the Company</u>	<u>Republic of Kazakhstan</u>	<u>11,5%</u>

## 26. Factors influencing the Company business activity

### 6) Seasonal types of activity and their share in the Company overall revenue

The Company's activity is not of seasonal nature.

### 7) Share of imported raw materials (work, services) supplied (performed for/rendered to) the joint stock company and share of products (work, services) exported by the joint stock company, in overall sales

Share of import is over 50%.

### 8) Information on litigation in which a joint stock company is involved. Details of legal trials in which it is involved, which may result in termination of or changes in the activity of a joint stock company, or enforcement of monetary and other obligations



**Administrative and civil cases with the involvement of GSM Kazakhstan OAO "Kazakhtelecom" LLP (in 2010, 2011 and 2012) which may result in termination of or changes in the activity of a joint stock company, or enforcement of monetary and other obligations exceeding five percent of the company's balance sheet assets**

*Legal proceedings in respect of international roaming.* On 3 July 2010, the Competition Protection Agency initiated an investigation in respect of the Company over the fact that it had allegedly violated the antimonopoly laws through making their subscribers maintain a certain amount of funds in their mobile accounts in order not to be disconnected from the Company's international roaming services. The Competition Protection Agency claimed a penalty of 15 793 500 000 tenge. The Company challenged the protocol in the Almaty Administrative Court.

*Legal proceedings in respect of market dominance.* On 3 November 2010, the Competition Protection Agency initiated another proceeding in respect of the Company over the fact that it had allegedly abused its market dominance through charging Russian subscribers (MegaFon, Vypelkom and MTS) excessive roaming prices for roaming on the Company's network while visiting Kazakhstan. The Competition Protection Agency claimed a penalty of 15 793 500 000 tenge and seizure of monopoly income. The Company challenged the protocol through court. Court ruled in favor of the Company and terminated the proceedings in the case. Nevertheless, this ruling may be appealed in General Prosecutor's Office during the term of one year after it came into force.

*Inclusion in State Register.* Another legal proceeding involving the Company and Competition Protection Agency over the Company's being included in State Register. On 18 October 2011, Competition Protection Agency issued an order on market dominance whereby the Company has been included in State Register as a provider of certain types of services, including interconnect. The Company initially appealed against being included in the State Register in October 2011 through Astana Economic Court. On 28 February 2012, the Court ruled in favor of the Company in respect of all of its services, except for the interconnection services, and ruled in favor of the Competition Protection Agency in respect of the interconnection services. The Company has appealed against the ruling of Astana economic Court in respect of the interconnect services in Astana City Court. On 23 May 2012, Astana City Court judged to suspend the appeal proceedings and appoint an economic and technical expert to carry out an expert examination of the Company's activity. The expert examination is to be carried out by the Central Forensics Laboratory under RK Ministry of Justice.

9) Information on all administrative sanctions imposed by competent state bodies and (or) court on a joint stock company and its officials over the past year

Information on sanctions is provided in Appendix 2.

5) Risk factors

Risks influencing the share price in an organized securities market or over-the-counter market as well as market price of a product that affects the price of the Company's shares:

- The Company needs significant funds to set up, expand, maintain, upgrade and operate mobile networks; if the Company is unable to fund its capital needs, this may significantly affect its business, financial standing and performance indicators.
- The Company's performance depends on the operational reliability of its networks, and damage caused to such networks or system failure may result in loss of subscribers, decrease of revenue or contingent capital and operational costs.

- Future changes in laws regulating Kazakhstani mobile market may significantly affect the Company's business, financial standing and performance indicators.

Risks conditioned by inflation, devaluation and bank interest rates:

Drop in KZT exchange rate may have significant adverse effect on the Company's business, financial standing and performance indicators as capital expenditures are mainly denominated in USD.

Risks associated with product competitiveness:

- The Company is operating in an extremely competitive environment which may lead to further cut on tariffs, high subscriber churn and loss of the respective market share.

Risks associated with political changes in the country and legislative changes:

Political risk is conditioned by possible political changes which may adversely affect performance of both the Company and its suppliers/customers.

Risks associated with social factors:

These are not typical for the Company's activity.

#### 4. FINANCIAL STANDING

##### 27. Investments

Information on long-term investments in the capital of other organizations, on composition of securities portfolio including date of acquisition, other investments:

AR-Telecom – KZT 677 778 thousand, 100%, acquired in 2007.

KT-Telecom – KZT 2 640 000 thousand, 100%, acquired in 2008.

Company's strategy of managing an investment portfolio, participation on the capital of other organizations, specifying their names and location:

In order to expand business and networks the Company invests in attractive and promising projects.

##### 28. Accounts receivable

#	Name and location of organizations which have long and short-term debt to the Company in the amount of five and more percent of the Company's balance sheet assets	Maturity of accounts receivable	Amounts falling due in the next twelve months with a breakdown per quarter. Other amounts due with a breakdown per year
1	2	3	4
	There are no organizations which have long- or short-term debt in the amount of five and more percent of the Company's balance sheet assets		

## 29. Assets

#	Description of Company's property the value of which is five and more percent of its balance sheet assets	Value (thousand tenge)	% of Company's balance sheet assets
1	2	3	4
	Company has no property the value of which is five and more percent of its balance sheet assets		

Information on Company's assets provided to secure its obligations as well as held in trust, including value of each asset and date of termination of relevant contracts:

The Company has no assets provided to secure its obligations or held in trust.

## 30. Information on company's authorized capital and own equity

As of the date of this Prospectus, the Company's authorized capital is 33 800 000 000 tenge.

Company's own equity is 33 800 000 000 tenge.

## 31. Borrowings

Information on bond issuance, bank borrowings and credit facilities:

The Company did not issue any bonds.

As of the date of this Prospectus, the Company имеет следующие банковские займы as follows:

Bank	Contract #	Loan value, tenge	Term of loan	%	Security
AO ATFBank	#K019-2012 of 06/08/12	2,750,000,000	till 06/08/13	5.75%	non-collateral
AO ATFBank	#K020-2012 of 23/08/12	1,200,000,000	till 23/08/13	6%	non-collateral
AO Bank Positiv Kazakhstan	#1-12/025 of 10/08/12	1,049,000,000	till 09/08/14	5%	non-collateral

## 32. Accounts payable associated with company's core activity (debt to suppliers, advances received)

The Company has no accounts payable amounting to five and more per cent of its balance sheet assets.

## 5. FINANCIAL STANDING OF FINANCIAL INSTITUTIONS

The Company is not a financial organization; therefore, this section of the Prospectus (items 33-43) is not filled in.

## **6. INFORMATION ON SECURITIES ISSUES**

This section (items 44 - 44-1) is not filled in by the Company as it did not issue / register the issue of stock.

## **7. INFORMATION ON ISSUE OF AUTHORIZED SHARES**

### **45. Information on shares**

6) Quantity and types of authorized shares:

Total shares: **200 000 000**, of which ordinary shares - **200 000 000**.

7) Quantity and types of shares to be placed (placed) by distribution among founders:

**102 000 000 ordinary shares (51%) – Fintur Holdings B.V.;**

**98 000 000 ordinary shares (49%) – Sonera Holding B.V.**

8) Par value per share paid up by creditors:

**Par value per share – 169 tenge**

9) Guaranteed amount of dividend on preferred shares:

There is no guaranteed amount of dividend on preferred shares.

### **45-1. Information on quantity, types and nominal value of authorized shares of stabilization bank (to be filled in by stabilization bank)**

The Company is not a stabilization bank.

### **46. Convertible securities of company**

No issue of convertible securities by the Company is stipulated under this Prospectus.

### **47. Information on paying agent**

As of the date of this Prospectus, no paying agent is available.

### **48. Information on company's registrar**

Registrar name: Ediny Registrator Tsennykh Bumag Joint Stock Company, ERTsB JSC

Location: prospekt Abylai Khana, d. 141, Almaty 050000, Republic of Kazakhstan

Contact phone number: 272-69-40

License details: non-licensable activity

Date and # of agreement with the registrar: Agreement #00064-AO of 31.08.2012.

48-1. The Company is not an incorporated investment fund.

## 8. ADDITIONAL PROVISIONS

### 50. Investor information

**Information on sources from which investors may obtain a copy of the Company Charter and share issue Prospectus, as amended, along with the reports on allotment of shares:**

Office of Kcell Joint Stock Company locates at: 2G, Timiryazev str., Almaty city, 050013, Republic of Kazakhstan

**Mass media organizations used to communicate the information on the Company's activity in accordance with its Charter:**

The Company and its shareholders shall use the corporate WEB-site of the Company ([www.investors.kcell.kz](http://www.investors.kcell.kz)) to publish their notices and other information which is subject to mandatory promulgation under the legislative acts of Kazakhstan.

**Chief Executive Officer** \_\_\_\_\_ **Veysel Aral**

**Chief Accountant** \_\_\_\_\_ **Sagidolla Merekenov**