

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

Kazakhtelecom JSC (the “Company” or “Kazakhtelecom”) was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 010000, Astana, 12 Sauran st., Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through “Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna” or the “Parent”), which owned 51% of the Company’s controlling stock. The following lists the shareholders of the Company’s stock:

	30 June 2016 (unaudited)	31 December 2015
Samruk-Kazyna	51.0%	51.0%
Bodam B.V.	16.9%	16.9%
ADR (The Bank of New York is a depositor)	9.8%	9.8%
Deran Services Limited	7.6%	7.6%
State Fund on Pension Assets JSC	3.4%	3.4%
Kazkommertsbank JSC	3.1%	3.1%
Deran Investment B V	2.0%	2.0%
Other	6.2%	6.2%
	100%	100%

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network (“PSTN”) connection services provided to third party telecommunication operators, and leasing of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 2* (together the “Group”) have a significant share of the fixed line communication market, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; and provides also rent of lines, data transfer services and wireless communication services.

The interim condensed consolidated financial statements were authorised for issue on 2 August 2016 on behalf of the Management of the Company by the Acting Chief Financial Director.

2. BASIS FOR PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate at the date of the transaction established by the Kazakhstan Stock Exchange (hereinafter – the “KASE”) and published by the National Bank of the Republic of Kazakhstan (the “NBRK”) rate of exchange ruling at the reporting date. All differences are recognized in the interim condensed consolidated statement of comprehensive income.

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

	30 June 2016	31 December 2015	30 June 2015
US dollar	338.66	340.01	186.20
Euro	377.20	-371.46	206.98
Russian ruble	5.28	4.61	3.37