ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2018

1. GENERAL INFORMATION

Kazakhtelecom JSC (the "Company" or "Kazakhtelecom") was established in 1994 in accordance with 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 owns 51% of the Company's controlling shares. Below is a list of the Company's shareholders as at 30 September 2018:

	30 September 2018 (unaudited)	31 December 2017 (audited)
Samruk-Kazyna	**51.0%**	51.0%
SKYLINE INVESTMENT COMPANY S.A.	**24.5%**	0.0%
ADR (The Bank of New York – depositor)	**9.2%**	9.2%
Alatau Capital Invest LLP	**3.7%**	3.7%
State Fund on Pension Assets JSC	**3.4%**	3.4%
Deran Investment B.V.	**2.0%**	2.0%
SOBRIO LIMITED	**0.0%**	24.5%
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 rental of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 2* (hereinafter collectively referred to as 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 also leases out lines and provides data transfer services, as well as wireless communication.

2. BASIS FOR PREPARATION

The interim condensed consolidated financial statements for the nine months period ended 30 September 2018 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 consolidated financial statements as at 31 December 2017.

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.

2. BASIS FOR PREPARATION (continued)

Foreign currency translation (continued)

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

	30 September 2018	31 December 2017	30 September 2017
US dollar	**363.07**	332.33	341.19
Euro	**420.91**	398.23	402.64
Russian ruble	**5.52**	5.77	5.9

Subsidiaries

The following significant subsidiaries have been included in these interim condensed consolidated financial statements:

		Percentage ownership	
	Country of residence	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Nursat JSC	Kazakhstan	**100.00%**	100.00%
KT-IX LLC	Russia	**100.00%**	100.00%
KT Cloud Lab LLP	Kazakhstan	**100.00%**	100.00%
VostokTelecom LLP	Kazakhstan	**100.00%**	100.00%
Info-Net Wireless LLP	Kazakhstan	**100.00%**	100.00%
Nursat+ LLP	Kazakhstan	**100.00%**	100.00%

3. CHANGES IN ACCOUNTING POLICIES

New standards, clarifications and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group first applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, information about the nature and impact of these changes is disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption to not completed contracts at the date of initial application in its interim condensed consolidated financial statements.

The comparative information for each of the primary financial statements is presented based on the requirements of IAS 11, IAS 18 and related Interpretations.

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The cumulative catch-up adjustment to the opening balance of retained earnings as at 1 January 2018 is recognised in the consolidated statement of changes in equity for the nine months ended 30 September 2018. The information on this adjustment is disclosed as follows:

In thousands of tenge		Adjustments
Non-current assets		
Contract costs	(b)	61,515
Total non-current assets		61,515
Current assets		
Contract costs	(b)	174,180
Total current assets		174,180
Total assets		235,695
Equity		
Retained earnings	(b), (c)	(124,139)
Total equity		(124,139)
Non-current liabilities		
Deferred tax liabilities	(b)	47,139
Other non-current liabilities	(c)	(5,215,862)
Contract liabilities	(c)	5,360,104
Total non-current liabilities		191,381
Current liabilities		
Other current liabilities	(c)	(1,207,937)
Advances received	(c)	(3,033,151)
Contract liabilities	(c)	4,409,541
Total current liabilities		168,453
Total liabilities		359,834

The Group's activities mainly relates to the provision of data transmission services, local, intercity and international calls, interconnect / traffic transmission of other operators and rent of channels.

(a) Rendering of services

Interconnection fees from domestic and foreign telecommunication operators are recognized when the services are rendered based on the actual minutes of traffic transferred through the network.

Revenue from international and intercity calls and calls to local operators are recognized at the time the call is made over the Group's network.

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet services or voice services, are recognised as revenue over time on a straight-line basis. Revenue from dial up internet is recognized based on the actual airtime provided to the customers.

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognised on a straight-line basis over the period to which it relates.

Non-refundable upfront fees received for initial connection of new subscribes to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer period and industry practice.

Application of IFRS 15 to service contracts does not affect the Group's revenue and profit and loss, except the points described in *Note (b)* and *(c)* below.

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

(b) Equipment provided to customers free of charge

The Group provides internet and other data transfer services and equipment to the subscribers to use these services, such as a modem, router and others.

Based on the analysis of the current operating indicators, the Group concluded that equipment that cannot be used by the subscriber separately from the Group's services is not a separate performance obligation.

Under IFRS 15, the Group capitalized the cost of the equipment provided free of charge as contract costs and charged this to retained earnings. The contract costs amortizes over the period the services are provided to the customers.

The statement of financial position at the date of transition to IFRS 15 (1 January 2018) was restated, resulting in: increases in current and non-current portions of contract costs amounting to KZT 174,180 thousand and KZT 61,515 thousand, respectively; increase in deferred tax liabilities amounting to KZT 47,139 thousand; and increase in retained earnings amounting to KZT 188,556 thousand.

(c) Advances received from customers

The Group receives mainly short-term advances from its customers. Upon the adoption of the IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effect of a financial component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the service and when the Group transfers that promised service to the customer will be one year or less.

The Group also receives long-term advances for activation of connection to the international network. Prior to the adoption of IFRS 15, the Group presented these advances as deferred income in the statement of financial position. No interest was accrued on the long-term advances under the previous accounting policy. The Group concluded that there is a significant financing component for those contracts. Upon adoption of IFRS 15, the Group recognized contract liabilities for the interest on the advances received from customers with a significant financing component and charge this to retained earnings. In addition, reclassifications have been made from deferred revenue to contract liabilities for the outstanding balance of advances from customers.

The statement of financial position at the date of transition to IFRS 15 (1 January 2018) was corrected, resulting in: increase in current and non-current portion of contract liabilities amounting to KZT 4,409,541 thousand and KZT 5,360,104 thousand, respectively; decrease in other current and non-current liabilities amounting to KZT 1,207,937 thousand and KZT 5,215,862 thousand, respectively; decrease in advances received amounting to KZT 3,033,151 thousand and decrease in retained earnings to KZT 312,695 thousand.

(d) Presentation and disclosure requirements

As required for the condensed interim consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to *Note 16* for the disclosure on disaggregated revenue.

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

(e) Impact on financial statements

The following tables summarise the impact of adopting IFRS 15 on the Group's interim condensed consolidated financial statements for the nine month period ended 30 September 2018:

	Impact of changes in accounting policies		
In thousand tenge	As reported	Adjustments	Balances without adoption of IFRS 15
Interim condensed consolidated statement of financial position as at 30 September 2018			
Non-current assets			
Contract costs	15,378	(15,378)	-
Total non-current assets	**340,450,408**	**(15,378)**	**340,435,030**
Current assets			
Contract costs	89,682	(89,682)	-
Total current assets	**154,516,113**	**(89,682)**	**154,426,431**
Total assets	**494,966,521**	**(105,060)**	**494,861,461**
Equity			
Retained earnings	372,679,783	130,804	372,810,587
Total equity	**380,167,364**	**130,804**	**380,298,168**
Non-current liabilities			
Deferred tax liabilities	18,600,728	(21,012)	18,579,716
Other non-current liabilities	179,660	5,744,515	5,924,175
Contract liabilities	5,888,757	(5,888,757)	-
Total non-current liabilities	**66,649,750**	**(165,254)**	**66,484,496**
Current liabilities			
Other current liabilities	4,716,570	1,815,671	6,532,241
Advances received	-	2,879,021	2,879,021
Contract liabilities	4,765,302	(4,765,302)	-
Total current liabilities	**48,149,407**	**(70,610)**	**48,078,797**
Total equity and liabilities	**494,966,521**	**(105,060)**	**494,861,461**

	Impact of changes in accounting policies		
In thousand tenge	As reported	Adjustments	Statement of comprehensive income without adoption of IFRS 15
Interim condensed consolidated statement of comprehensive income for the three months period ended 30 September 2018			
Revenue	57,935,774	(43,545)	57,892,229
Finance costs	(1,297,536)	138,244	(1,159,292)
Finance income	756,025	(95,226)	660,799
Profit before tax for the period	**25,400,149**	**(527)**	**25,399,622**
Income tax expenses	(4,882,625)	8,709	(4,873,916)
Net profit for the period	**20,517,524**	**8,182**	**20,525,706**

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

(e) Impact on financial statements (continued)

In thousand tenge	Impact of changes in accounting policies As reported	Adjustments	Statement of comprehensive income without adoption of IFRS 15
Interim condensed consolidated statement of comprehensive income for the nine months period ended 30 September 2018			
Revenue	161,559,068	(130,635)	161,428,433
Finance costs	(3,767,905)	395,934	(3,371,971)
Finance income	2,844,176	(298,091)	2,546,085
Profit before tax for the period	**52,168,226**	**(32,792)**	**52,135,434**
Income tax expenses	(11,756,145)	26,127	(11,730,018)
Net profit for the period	**40,412,081**	**(6,665)**	**40,405,416**

In thousand tenge	Impact of changes in accounting policies As reported	Adjustments	Statement of cash flows without adoption of IFRS 15
Interim condensed consolidated statement of cash flow for the nine months period ended 30 September 2018			
Operating activities			
Profit before tax for the period	52,168,226	(32,792)	52,135,434
Adjustments for:			
Finance costs	(3,767,905)	395,934	(3,371,971)
Finance income	2,844,176	(298,091)	2,546,085
Adjustments of working capital			
Change in contract costs	130,635	(130,635)	-
Change in contract liabilities	739,436	(739,436)	-
Change in advances received	-	(154,130)	(154,130)
Change in other current liabilities	(2,122,107)	893,566	(1,228,541)
Cash flow received from operating activities	**62,652,165**	**–**	**62,652,165**

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The management of the Group decided not to restate the comparative information for the period beginning 1 January 2017, hence:

- the comparative information on financial assets and liabilities is disclosed in accordance with classification and measurement requirements of IAS 39;
- the adjustment to the opening balance of retained earnings as at 1 January 2018 is recognized in the consolidated statement of changes in equity for the nine months ended 30 September 2018. The information on this adjustment is disclosed as follows:

In thousands of tenge		**Adjustments**
Non-current assets		
Other non-current financial assets	(b)	(311,627)
Total non-current assets		**(311,627)**
Current assets		
Trade receivables	(b)	(870,289)
Cash and cash equivalents	(b)	(20,240)
Other current financial assets	(b)	(278,727)
Total current assets		**(1,169,256)**
Total assets		**(1,480,883)**
Equity		
Retained earnings	(a), (b)	(1,976,432)
Total equity		**(1,976,432)**
Non-current liabilities		
Deferred tax liabilities	(b)	(204,630)
Other non-current financial liabilities	(a)	700,179
Total non-current liabilities		**495,549**

The impact of transition to IFRS 9 on retained earnings is as follows:

In thousands of tenge	**Retained earnings**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	351,621,657
Recognition of IFRS 9 ECLs	(2,181,062)
Deferred tax in relation to the above	204,630
Restated opening balance under IFRS 9 (1 January 2018)	**349,645,225**
Total change in equity due to adopting IFRS 9	**(1,976,432)**

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and funds in credit institutions (bank deposits, cash and cash equivalents).

The Group does not have financial assets at FVPL and FVOCI.

The Group accounts the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated provision for expected credit losses. As a result, the Group has adjusted the balance of retained earnings as of 1 January 2018 and other non-current financial liabilities by KZT 700,179 thousand.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of these assets.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For long-term bank deposits and other financial assets recorded at amortized cost, the Group adopted a general approach.

For short-term bank deposits, cash and cash equivalents, the Group assessed the credit risk as low based on the credit ratings of banks and financial institutions.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in an increase in valuation allowances for impairment losses on financial assets. As a result of this increase, the Group adjusted the balance of retained earnings as at 1 January 2018 in this interim condensed consolidated statement of changes in equity for expected credit losses on financial assets. The effect of the adjustment is as follows: decrease in trade receivables, cash and cash equivalents, other current and non-current financial assets, deferred tax liabilities and retained earnings amounting to KZT 870,289 thousand, KZT 20,240 thousand, KZT 278,727 thousand, KZT 311,627 thousand, KZT 204,630 thousand and KZT 1,276,253 thousand, respectively.

In addition, the Group presented separately the impairment losses on financial assets in its interim condensed consolidated statement of comprehensive income for the three and nine months period ended 30 September 2018.

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

3. CHANGES IN ACCOUNTING POLICIES (continued)

New standards, clarifications and amendments adopted by the Group (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (continued)

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Standards and interpretations issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*. IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

Adjustments of comparative data

Certain amounts in the interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2017 were corrected to match the presentation in the interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2018:

In thousand tenge	As previously presented	Adjustments	Note	As adjusted
Interim condensed consolidated statement of comprehensive income for the three months ended 30 September 2017				
Revenue	50,770,102	254,374	[1]	**51,024,476**
Cost of sales	(33,479,973)	(254,374)	[1]	**(33,734,347)**
Profit before tax for the period	20,515,606	–		**20,515,606**

In thousand tenge	As previously presented	Adjustments	Note	As adjusted
Interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2017				
Revenue	151,212,134	749,309	[1]	**151,961,443**
Cost of sales	(98,574,730)	(749,309)	[1]	**(99,324,039)**
Profit before tax for the period	41,718,822	–		**41,718,822**

[1] Tax for the use of 4G radiofrequencies and the related reimbursement of the tax were presented on a gross basis.

The above adjustment made had no impact on previously reported net profit, total comprehensive income or equity. The changes did not have an impact the Group's investing and financing cash flows.

4. SEGMENT INFORMATION

The Group has two reportable operating segments as follows:

- Rendering fixed-line telecommunication services to local, national long-distance and international users by business units of Kazakhtelecom JSC, Vostoktelecom LLP, KT Cloud Lab LLP and Nursat JSC, including revenue from rent of channels.
- Rendering mobile telecommunication services in GSM and LTE standards by a business unit of an associate Khan Tengri Holding B.V.

4. SEGMENT INFORMATION (continued)

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

The following tables disclose revenue and segment profit information for the Group's operating segments for the three and nine months ended 30 September 2018 and 2017.

For the three months ended 30 September 2018 (unaudited)

In thousands of tenge	Fixed line	GSM and LTE telecom-munication	Other	Eliminations and adjustments	Group
Revenue					
Sales to external customers	57,783,238	–	152,536	–	57,935,774
Inter-segment	13,466	–	53,315	(66,781)	–
Total revenue	57,796,704	–	205,851	(66,781)	57,935,774
Financial results					
Depreciation and amortization	(9,316,576)	–	(28,224)	–	(9,344,800)
Finance costs	(1,297,536)	–	–	–	(1,297,536)
Finance income	755,482	–	543	–	756,025
Share in profit of associates	–	1,874,715	23,952	–	1,898,667
Allowance for impairment	209,854	–	(38)	–	209,816
Segment profit/(loss) before tax	23,575,381	1,874,715	(49,947)	–	25,400,149

For the three months ended 30 September 2017 (unaudited)

In thousands of tenge	Fixed line	GSM and LTE telecom-munication	Other	Eliminations and adjustments	Group
Revenue					
Sales to external customers	56,109,886	–	–	–	56,109,886
Inter-segment	–	–	52,859	(52,859)	–
Total revenue	56,109,886	–	52,859	(52,859)	56,109,886
Financial results					
Depreciation and amortization	(7,973,532)	–	10,133	–	(7,963,399)
Impairment of property and equipment	(211,554)	–	–	–	(211,554)
Finance costs	(1,363,551)	–	–	–	1,363,551
Finance income	1,073,160	–	2,291	–	1,075,451
Share in loss of associates	–	326,575	–	–	326,575
Allowance for impairment	(264,967)	–	–	–	(264,967)
Segment profit/(loss) before tax	20,183,385	326,575	5,646	–	20,515,606

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (continued)

For the nine months ended 30 September 2018 (unaudited)

In thousands of tenge	Fixed line	GSM and LTE telecommunication	Other	Eliminations and adjustments	Group
Revenue					
Sales to external customers	161,173,367	–	385,701	–	161,559,068
Inter-segment	13,466	–	160,173	(173,639)	–
Total revenue	161,186,833	–	545,874	(173,639)	161,559,068
Financial results					
Depreciation and amortization	(28,431,631)	–	(85,059)	–	(28,516,690)
Finance costs	(3,767,905)	–	–	–	(3,767,905)
Finance income	2,842,398	–	1,778	–	2,844,176
Share in profit of associates	–	4,081,725	117,972	–	4,199,697
Allowance for impairment	(4,159,763)	–	(38)	–	(4,159,801)
Segment profit/(loss) before tax	49,041,612	4,081,725	(63,843)	(891,268)	52,168,226

For the nine months ended 30 September 2017 (unaudited)

In thousands of tenge	Fixed line	GSM and LTE telecommunication	Other	Eliminations and adjustments	Group
Revenue					
Sales to external customers	157,046,853	–	–	–	157,046,853
Inter-segment	–	–	156,718	(156,718)	–
Total revenue	157,046,853	–	156,718	(156,718)	157,046,853
Financial results					
Depreciation and amortization	(23,814,691)	–	(21,741)	–	(23,836,432)
Impairment of property and equipment	(981,322)	–	–	–	(981,322)
Finance costs	(4,148,315)	–	–	–	(4,148,315)
Finance income	3,076,134	–	3,935	–	3,080,069
Share in loss of associates	–	(2,743,525)	–	–	(2,743,525)
Allowance for impairment	(731,066)	–	(531)	–	(731,597)
Segment profit/(loss) before tax	44,464,976	(2,743,525)	(2,629)	–	41,718,822

4. SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2018 and 31 December 2017:

In thousands of tenge	Fixed line	GSM and LTE telecom-munication	Other	Eliminations and adjustments	Group
Operating assets					
As at 30 September 2018 (unaudited)	**421,031,189**	**72,408,740**	**2,223,890**	**(697,298)**	**494,966,521**
As at 31 December 2017 (audited)	401,862,495	68,327,015	1,614,407	(489,725)	471,314,192
Operating liabilities					
As at 30 September 2018 (unaudited)	**114,560,820**	**–**	**275,514**	**(37,177)**	**114,799,157**
As at 31 December 2017 (audited)	111,850,809	–	354,742	704	112,206,255

5. PROPERTY AND EQUIPMENT

During the nine months period ended 30 September 2018, the Group acquired property and equipment for KZT 9,736,324 thousand (unaudited) (during nine months period ended 30 September 2017: KZT 8,922,070 thousand (unaudited)). During the nine months period ended 30 September 2018, the Group disposed property and equipment with net book value of KZT 290,175 thousand (unaudited) (during nine months period ended 30 September 2017: KZT 339,746 thousand (unaudited)).

Construction-in-progress is mainly represented by network construction and telecommunication equipment for installation.

During the nine months period ended 30 September 2018, the Group recognized depreciation expense amounting to KZT 26,353,249 thousand (unaudited) (during nine months period ended 30 September 2017: KZT 21,546,094 thousand (unaudited)).

During the nine months ended 30 September 2018, the Group did not recognize an impairment loss (during nine-months period ended 30 September 2017, the impairment loss was equal to 981,322 thousand tenge).

As at 30 September 2018, the net book value of equipment used by the Group under finance leases and included in property and equipment was equal to KZT 29,991,515 thousand (unaudited) (as at 31 December 2017: KZT 32,142,707 thousand). Additions during the nine months period ended 30 September 2018 and 30 September 2017, the Group had no additions of telecommunication equipment held under finance leases. Leased assets were pledged as collateral under the respective finance lease agreements.

As at 30 September 2018, property and equipment, amounting to KZT 149,418,388 thousand (unaudited), were fully amortized (as at 31 December 2017: KZT 135,390,566 thousand).

6. INTANGIBLE ASSETS

During the nine months period ended 30 September 2018, the Group acquired intangible assets for KZT 85,723 thousand (unaudited) (during nine months period ended 30 September 2017: KZT 10,188 thousand (unaudited)).

During the nine months period ended 30 September 2018, the Group recognized amortization expense amounting to KZT 2,184,653 thousand (unaudited) (during nine months period ended 30 September 2017: KZT 2,315,321 thousand (unaudited)).

As at 30 September 2018 intangible assets (mainly software) with cost amounting to KZT 7,978,776 thousand (unaudited), were fully amortized (as at 31 December 2017: KZT 8,372,440 thousand).

7. INVESTMENTS IN ASSOCIATES

The following associates have been included in these interim condensed consolidated financial statements:

			30 September 2018 (unaudited)		31 December 2017 (audited)	
In thousands of tenge	**Primary activities**	**Country of incorpo-ration**	**Carrying amount**	**Ownership share**	Carrying amount	Ownership share
Khan Tengri Holding B.V.	Telecommu-nication services	Netherlands	**72,408,740**	**51%**	68,327,015	51%
QazCloud LLP	IT services	Kazakhstan	**1,600,097**	**49%**	919,125	49%
			74,008,837		69,246,140	

Movements in investments in associates for the nine month periods ended 30 September 2018 and 2017 are as follows:

In thousands of tenge	**Khan Tengri Holding B.V.**	**QazCloud LLP**	**Total**
At 31 December 2016 (audited)	67,160,792	–	67,160,792
Share in loss of associates	(2,743,525)	–	(2,743,525)
Share in other comprehensive income of associates	–	–	–
Dividends declared	–	–	–
At 30 September 2017 (unaudited)	64,417,267	–	64,417,267
At 31 December 2017 (audited)	**68,327,015**	**919,125**	**69,246,140**
Additional contribution to the charter capital of the associate	**–**	**563,000**	**563,000**
Share in profit of associates	**4,081,725**	**117,972**	**4,199,697**
Share in other comprehensive income of associates	–	–	–
Dividends declared	–	–	–
At 30 September 2018 (unaudited)	72,408,740	1,600,097	74,008,837

Investments in Khan Tengri Holding B.V.

On 29 February 2016, the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V. rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. The Group's interest in Khan Tengri Holding B.V. is recorded in the interim condensed consolidated financial statements using the equity method.

The table below provides a summarized financial information on the Group's investment in Khan Tengri Holding B.V. on the basis of an assessment of the fair value:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Current assets	**34,453,528**	39,906,159
Non-current assets	**151,273,645**	153,137,417
Current liabilities	**(47,301,849)**	(46,052,692)
Non-current liabilities	**(109,872,243)**	(126,441,186)
Equity	**28,553,081**	20,549,698
Share of the Group in equity – 51%	**14,562,071**	10,480,346
Goodwill	**57,846,669**	57,846,669
Carrying amount of investment of the Group	72,408,740	68,327,015

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN AN ASSOCIATE (continued)

Investments in Khan Tengri Holding B.V. (continued)

In thousands of tenge	For three months ended 30 September 2018 (unaudited)	2017 (unaudited)
Revenue	**31,609,509**	26,663,160
Operating expenses	**(26,592,088)**	(23,195,873)
Non-operating expenses	**(2,193,770)**	(2,820,650)
Profit/(loss) before tax	**2,823,651**	646,637
Income tax benefit	**852,262**	–
Profit/(loss) for the period	**3,675,913**	646,637
Total comprehensive income/(loss) for the period	**3,675,913**	646,637
Share of the Group in profit/(loss) for the period	**1,874,716**	329,785

In thousands of tenge	For nine months ended 30 September 2018 (unaudited)	2017 (unaudited)
Revenue	**87,300,086**	75,633,453
Operating expenses	**(74,184,029)**	(73,226,812)
Non-operating expenses	**(7,012,887)**	(7,786,101)
Profit/(loss) before tax	**6,103,170**	(5,379,460)
Income tax benefit	**1,900,213**	–
Profit/(loss) for the period	**8,003,383**	(5,379,460)
Total comprehensive income/(loss) for the period	**8,003,383**	(5,379,460)
Share of the Group in profit/(loss) for the period	**4,081,725**	(2,743,525)

Options to acquire interest in an associate

According to the agreement between the Group and Tele2, the Group has an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after 29 February 2016 (call option). The closing date of the transactions was 29 February 2016. Similarly, Tele2 has an unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. at any time, after three years after 29 February 2016 (put option).

The price of an options expressed in US dollars and should be equal to the fair market value of the shares transferred as of the day of its determination.

The Group estimated the fair value of the options and as at 30 September 2018 the fair value of the options is nil (31 December 2017: nil).

Investments in QazCloud LLP

Based on the decision of the Board of Directors of Kazakhtelecom JSC, on 17 of August 2016, Kazakhtelecom JSC and Samruk-Kazyna Business Service LLP signed the agreement of purchase and sale of 51% interest of Kazakhtelecom JSC in the charter capital of Kazakhtelecom Industrial Enterprises Services LLP.

On 4 October 2017, Kazakhtelecom Industrial Enterprises Services LLP was re-registred with name being changed to QazCloud LLP.

On 25 July 2017, the Board of Directors of Kazakhtelecom JSC approved a decision to make an additional investment contribution to the charter capital of QazCloud LLP in the amount of KZT 1,973,960 thousand.

7. INVESTMENTS IN AN ASSOCIATE (continued)

Investments in QazCloud LLP (continued)

On 15 November 2017 and 27 April 2018, the Group made contributions to the charter capital of QazCloud LLP, in the amount of KZT 986,980 thousand and KZT 563,000 thousand, respectfully. The additional contributions to the charter capital of QazCloud LLP did not lead to the change in share of interest of the Group as the second participant, Samruk-Kazyna Business Service LLP, also made the contributions to the charter capital of QazCloud LLP according to its share.

The table below provides summarized financial information on QazCloud LLP:

	For three months ended 30 September	
In thousands of tenge	2018 (unaudited)	2017 (unaudited)
Revenue	1,028,170	–
Operating expenses	(956,076)	(8,380)
Non-operating incomes	(10,993)	191
Profit/(loss) before tax	61,101	(8,189)
Income tax (expense)/benefit	(12,220)	1,638
Profit/(loss) for the period	48,881	(6,551)
Total comprehensive income/(loss) for the period	48,881	(6,551)
Unrecognized accumulated losses	–	(3,210)
Share of the Group in profit for the period	23.952	–

	For nine months ended 30 September	
In thousands of tenge	2018 (unaudited)	2017 (unaudited)
Revenue	2,108,009	–
Operating expenses	(1,855,672)	(20,335)
Non-operating incomes	41,530	191
Profit/(loss) before tax	293,867	(20,144)
Income tax (expense)/benefit	(53,108)	4,029
Profit/(loss) for the period	240,759	(16,115)
Total comprehensive income/(loss) for the period	240,759	(16,115)
Unrecognized accumulated losses	–	(15,884)
Share of the Group in profit for the period	117,972	–

Unrecognized accumulated loss for 2016 was amounted to KZT 7,988 thousand.

8. IMPAIRMENT TESTING OF GOODWILL

Goodwill is tested by the Group for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

As at 30 September 2018, no goodwill impairment indicators were identified.

9. OTHER NON-CURRENT FINANCIAL ASSETS

As at 30 September 2018 and 31 December 2017 other non-current financial assets comprised:

In thousands of tenge	30 September 2018 (unaudited)	31 December 2017(audited)
Long-term accounts receivable	**3,572,470**	3,326,666
Long-term bank deposits	**–**	3,323,300
Loans to employees	**2,718,615**	2,603,464
Other	**240,051**	203,876
	6,531,136	9,457,306
Less: allowance for impairment	**(135)**	–
	6,531,001	9,457,306

As at 30 September 2018, the long-term receivables represent amounts due from Mobile Telecom Service LLP. On 29 February 2016 the Company and Mobile Telecom Service LLP agreed to extend the maturity of the Company's receivables from Mobile Telecom Service LLP until 2031. These receivables were discounted at the date of restructuring using 10% rate.

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 12.2% per annum to 22% (2017: from 12.2 to 22% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

10. TRADE RECEIVABLES

As at 30 September 2018 and 31 December 2017 trade receivables comprised:

In thousands of tenge	30 September 2018 (unaudited)	31 December 2017(audited)
Trade receivables	**48,214,271**	34,370,423
	48,214,271	34,370,423
Less: allowance for impairment	**(3,600,044)**	(2,276,195)
	44,614,227	32,094,228

The movements in the allowance for doubtful receivables were as follows during the nine months ended 30 September:

In thousands of tenge	2018	2017
Allowance for doubtful receivables at 1 January (audited)	**(2,276,195)**	(2,224,485)
Change in accounting policy due to application of IFRS 9 *(Note 3)*	**(870,289)**	–
Allowance for doubtful receivables at 1 January (restated)	**(3,146,484)**	(2,224,485)
Charge for the period	**(817,880)**	(707,827)
Write-off for the period	**364,320**	681,658
Allowance for doubtful receivables at 30 September (unaudited)	**(3,600,044)**	(2,250,654)

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER CURRENT FINANCIAL ASSETS

As at 30 September 2018 and 31 December 2017 other current financial assets comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Bank deposits	**38,357,585**	58,864,522
Loans to employees	**2,030,660**	2,060,217
Restricted cash	**446,198**	446,198
Reimbursement of fee for using radio frequencies	**–**	205,709
Due from employees	**170,645**	114,825
Other accounts receivable	**2,058,129**	1,133,807
	43,063,217	62,825,278
Less: allowance for impairment	**(4,449,001)**	(691,591)
	38,614,216	62,133,687

Bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months have been placed with local banks and earned income at interest rates of 1 to 10.5% per annum (as at 31 December 2017: from 1 to 13% per annum).

As at 30 September 2018, bank deposits include a deposit with Eximbank Kazakhstan JSC in the amount of KZT 3,293,500 thousand, with a maturity period of up to 2019 and an interest rate of 2.5% per annum. As a result of initial application of IFRS 9, the Group recorded the provision for expected credit losses on this bank deposit in the amount of KZT 311,627 thousand as at 1 January 2018. During 9 months of 2018, the Group recognized additional provision on deposit placed in Eximbank Kazakhstan JSC in the amount of KZT 3,319,073 thousand in profit and loss due to default rating of the bank.

The movements in the allowance for impairment were as follows during the nine months ended 30 September:

In thousands of tenge	**2018**	2017
Allowance for doubtful receivables at 1 January (audited)	**(691,591)**	(660,721)
Change in accounting policy due to application of IFRS 9 *(Note 3)*	**(590,354)**	–
Allowance for doubtful receivables at 1 January (restated)	**(1,281,945)**	(660,721)
Charge for the period	**(3,191,131)**	(24,703)
Write-off for the period	**24,075**	3,310
Allowance for doubtful receivables at 30 September (unaudited)	**(4,449,001)**	(682,114)

12. CASH AND CASH EQUIVALENTS

As at 30 September 2018 and 31 December 2017 cash and cash equivalents comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Cash in current bank accounts	**64,346,755**	14,909,487
Deposits with less than 90 days' maturity from the date of opening	**125,062**	1,071,989
Cash on hand	**3,343**	4,467
	64,475,160	15,985,943
Less: allowance for impairment	**(553,986)**	–
	63,921,174	15,985,943

As at 30 September 2018, the allowance for impairment includes the provision for expected credit loss on cash and cash equivalents on the initial application date of IFRS 9 in amount of KZT 20,240 thousand.

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 9% per annum (2017: from 0.1% to 10% per annum). As 30 September 2018 cash on current bank accounts included an amount of KZT 125,062 thousand placed on overnight deposits with a rate of up to 7% (as at 31 December 2017, an amount of KZT 74,999 thousand placed on "overnight" deposits).

12. CASH AND CASH EQUIVALENTS (continued)

At 30 September 2018 and 31 December 2017 cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
US dollars	**54,847,960**	8,654,970
Tenge	**8,946,533**	7,200,660
Russian rubles	**126,642**	98,540
Other	**39**	31,773
	63,921,174	15,985,943

13. EQUITY

Authorised and issued shares

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total issued shares
At 31 December 2016	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2017	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 30 September 2018	**10,922,876**	**1,213,653**	**10,922,876**	**1,213,653**	**12,136,529**

Treasury shares

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total
At 31 December 2016 (audited)	215,553	893,097	2,966,250	3,498,124	6,464,374
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 30 September 2017 (unaudited)	215,553	893,097	2,966,250	3,498,124	6,464,374
At 31 December 2017 (audited)	215,553	893,097	2,966,250	3,498,124	6,464,374
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 30 September 2018 (unaudited)	**215,553**	**893,097**	**2,966,250**	**3,498,124**	**6,464,374**

Shares issued less reacquired shares

As at 30 September 2018, number of common and preferred shares issued net of reacquired shares was 10,707,323 and 320,556 shares, respectively (31 December 2017: 10,707,323 and 320,556 shares, respectively).

Preferred shares

Holders of preferred shares are entitled to receive annual cumulative dividends of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 30 September 2018 in the amount of KZT 874,244 thousand (31 December 2017: KZT 874,244 thousand). This liability has been included in non-current liabilities as a debt component of preferred shares. Preferred shareholders receive the right to vote if the general meeting of shareholders considers decisions restricting rights of preferred shareholders, decisions on reorganization or liquidation of the Company and if dividends on preferred shares are not paid within 3 (three) months after a specified payment date.

13. EQUITY (continued)

Dividends

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends in the amount of KZT 72,125 thousand were accrued as at 30 September 2018 (at 30 September 2017: KZT 72,125 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income.

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 May 2018, the Company declared dividends on preferred shares based on 2017 results in the amount of KZT 415,373 thousand and dividends on common shares in the amount of KZT 17,086,639 thousand (2017: KZT 33,520 thousand and KZT 4,331,862 thousand, respectively). Dividends per share (common and preferred) as at 30 September 2018 were equal to KZT 1,595.79 (as at 31 December 2017: KZT 404.57 per common share).

As at 30 September 2018 and 30 September 2017 movements in dividends payable were as follow:

In thousands of tenge	**2018**	2017
Dividends payable at 1 January (audited)	**1,628,625**	1,547,439
Dividends declared on common shares	**17,086,639**	4,331,862
Dividends declared on preferred shares in excess of the obligatory amount	**415,373**	33,520
Interest on debt component of preferred shares	**72,125**	72,125
Withholding tax	**(319,565)**	(81,017)
Dividends paid on common and preferred shares	**(16,909,725)**	(4,208,512)
Other	**122,491**	–
Dividends payable at 30 September (unaudited) ***(Note 15)***	**2,095,963**	1,695,417

Other reserves

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital as at 30 September 2018 and 31 December 2017.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these interim condensed consolidated financial statements in accordance with the accounting policy of the Group.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Parent (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

The following tables reflects profit and share data used in the basic and diluted earnings per share computations.

	For nine months ended 30 September	
In thousands of tenge	**2018 (unaudited)**	2017 (unaudited)
Net profit	**40,412,081**	32,337,856
Interest on preferred shares	**72,125**	72,125
Net profit for calculating of basic and diluted earnings per share	**40,484,206**	32,409,981
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	**11,027,879**	11,027,879
Basic and diluted earnings per share, tenge	**3,671.08**	2,938.91

13. EQUITY (continued)

Earnings per share (continued)

The above presentation includes both ordinary and preferred shares as preferred shareholders equally share distributable profits, which results in identical earnings per share for both classes of shares.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of preparation of these the interim condensed consolidated financial statements.

Book value per ordinary share

Book value of the ordinary shares in accordance with requirements of KASE:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Total assets	**494,966,521**	471,314,192
Less: intangible assets *(Note 6)*	**13,564,331**	15,592,544
Less: total liabilities	**114,799,157**	112,206,255
Less: the amount of preferred shares	**320,556**	320,556
Net assets for calculation of book value per ordinary share	**366,282,477**	343,194,837
Number of ordinary shares	**10,707,323**	10,707,323
Book value per ordinary share *(in tenge)*	**34,209**	32,052

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by number of preferred non-voting shares. As at 30 September 2018 this ratio was equal to KZT 8,893 (as at 31 December 2017: KZT 8,538).

14. BORROWINGS

As at 30 September 2018 and 31 December 2017 borrowings comprised:

In thousands of tenge	**Weighted average interest rate (unaudited)**	**30 September 2018 (unaudited)**	Weighted average interest rate	31 December 2017(audited)
Fixed interest rate borrowings with range between 7% and 9% p.a.	**8.00%**	**26,844,875**	8.13%	27,325,554
		26,844,875		27,325,554

As at 30 September 2018 and 31 December 2017 borrowings were denominated in tenge.

Borrowings are repayable as follows:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Current portion of borrowings	**4,513,293**	2,357,864
Maturity between 1 and 2 years	**4,065,248**	4,065,248
Maturity between 2 and 5 years	**12,177,556**	12,177,556
Maturity over 5 years	**6,088,778**	8,724,886
Total non-current portion of borrowings	**22,331,582**	24,967,690
Total borrowings	**26,844,875**	27,325,554

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current financial liabilities

As at 30 September 2018 and 31 December 2017 other non-current financial liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Guarantees issued	**926,351**	258,551
Non-current accounts payable	**1,661**	1,880
	928,012	260,431

Other non-current liabilities

As at 30 September 2018 and 31 December 2017 other non-current liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Asset retirement obligations	**148,255**	145,985
Deferred income from operators	**–**	2,758,768
Deferred connection income for connection of subscribers	**–**	1,444,644
Other	**31,405**	1,012,450
	179,660	5,361,847

Asset retirement obligations

Provision for asset retirement obligations is provided at the present value of expected costs to settle the obligation using estimated cash flows and is recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability.

Contract liabilities

As at 30 September 2018 and 31 December 2017 non-current contract liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Contract liabilities from operators	**3,496,684**	–
Contract liabilities for connection of subscribers	**1,322,574**	–
Contract liabilities on fixed assets received free of charge	**1,069,499**	–
	5,888,757	–

Other current financial liabilities

As at 30 September 2018 and 31 December 2017 other current financial liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Payable to Khan Tengri Holding B.V.	**4,842,282**	4,842,282
Payables to employees	**2,995,304**	6,239,349
Dividends payable (*Note 13*)	**2,095,963**	1,628,625
Guarantees issued	**43,174**	82,150
Other	**438,779**	563,655
	10,415,502	13,356,061

15. OTHER NON-CURRENT AND CURRENT LIABILITIES (continued)

Other current liabilities

As at 30 September 2018 and 31 December 2017 other current liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Taxes payable other than income tax	**4,099,575**	2,600,717
Payable to pension funds	**424,356**	718,267
Deferred connection income for connection of subscribers	**–**	586,369
Deferred income from operators	**–**	412,170
Other	**192,639**	504,137
	4,716,570	4,821,660

At 30 September 2018 and 31 December 2017, other current liabilities were not interest bearing and were primarily denominated in tenge.

Contract liabilities

As at 30 September 2018 and 31 December 2017 current contract liabilities comprised:

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017(audited)
Advances received	**2,879,021**	–
Contract liabilities from operators	**904,911**	–
Contract liabilities for connection of subscribers	**506,934**	–
Contract liabilities on fixed assets received free of charge	**474,436**	–
	4,765,302	–

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided to three major groups: individuals, private firms and legal firms under government sector.

16. REVENUE

Revenue for the three and nine months period ended 30 September comprised:

	For three months ended 30 September 2018 (unaudited)		
In thousands of tenge	**Fixed line**	**Other**	**Total**
Data transfer services	**27,985,476**	**–**	**27,985,476**
Rendering of fixed line and wireless phone services	**11,428,205**	**–**	**11,428,205**
Rent of channels	**4,652,066**	**–**	**4,652,066**
Interconnect	**3,623,232**	**–**	**3,623,232**
Other	**5,456,575**	**152,536**	**5,609,111**
	53,145,554	**152,536**	**53,298,090**
B2C*	**25,390,546**	**147,967**	**25,538,513**
B2B**	**8,718,333**	**4,569**	**8,722,902**
B2O***	**10,700,630**	**–**	**10,700,630**
B2G****	**8,336,045**	**–**	**8,336,045**
	53,145,554	**152,536**	**53,298,090**

ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. REVENUE (continued)

In thousands of tenge	For three months ended 30 September 2017 (unaudited) Fixed line	Other	Total
Data transfer services	26,518,789	–	26,518,789
Rendering of fixed line and wireless phone services	11,944,132	–	11,944,132
Rent of channels	4,004,291	–	4,004,291
Interconnect	3,963,562	–	3,963,562
Other	4,593,702	–	4,593,702
	51,024,476	–	51,024,476
B2C*	25,076,652	–	25,076,652
B2B**	7,543,872	–	7,543,872
B2O***	11,223,474	–	11,223,474
B2G****	7,180,478	–	7,180,478
	51,024,476	–	51,024,476

In thousands of tenge	**For nine months ended 30 September 2018 (unaudited) Fixed line**	**Other**	**Total**
Data transfer services	**83,568,577**	**–**	**83,568,577**
Rendering of fixed line and wireless phone services	**34,052,872**	**–**	**34,052,872**
Rent of channels	**13,949,340**	**–**	**13,949,340**
Interconnect	**10,253,876**	**–**	**10,253,876**
Other	**14,711,018**	**385,701**	**15,096,719**
	156,535,683	**385,701**	**156,921,384**
B2C*	**77,568,963**	**368,636**	**77,937,599**
B2B**	**23,895,502**	**17,065**	**23,912,567**
B2O***	**31,247,587**	**–**	**31,247,587**
B2G****	**23,823,631**	**–**	**23,823,631**
	156,535,683	**385,701**	**156,921,384**

In thousands of tenge	For nine months ended 30 September 2017 (unaudited) Fixed line	Other	Total
Data transfer services	79,113,866	–	79,113,866
Rendering of fixed line and wireless phone services	36,606,842	–	36,606,842
Rent of channels	13,741,597	–	13,741,597
Interconnect	11,839,680	–	11,839,680
Other	10,659,458	–	10,659,458
	151,961,443	–	151,961,443
B2C*	75,857,861	–	75,857,861
B2B**	21,532,731	–	21,532,731
B2O***	33,398,056	–	33,398,056
B2G****	21,172,795	–	21,172,795
	151,961,443	–	151,961,443

**B2C (Business-to-Consumer) – services rendered to private end consumers (individuals).*

***B2B (Business to Business) – services rendered to the corporate sector, including large enterprises and SMEs.*

****B2O (Business-to-Operator) – services rendered to communication operators.*

*****B2G (Business-to-Government) – services rendered to the state sector.*

Generally, revenue of the Group is recognized over time given that the customers simultaneously receive and consume the benefits provided by the Group.

17. COMPENSATION FOR RENDERING UNIVERSAL SERVICES IN THE RURAL AREA

According to the Resolution of the Government of the Republic of Kazakhstan No. 451, dated 31 March 2009, *"On the approval of subsidies for telecommunication operators losses related to the provision of universal telecommunication services in rural areas"*, the Group receives government subsidies as compensation for operators' losses for the provision of telecommunication services to socially important destinations. There are no unfulfilled conditions or contingencies attached to these subsidies. The compensation received for the period ended 30 September 2018 was equal to KZT 4,637,684 thousand (2017: KZT 5,085,410 thousand).

18. COST OF SALES

Cost of sales for the three and the nine months period ended 30 September comprised the following:

In thousands of tenge	For three months ended 30 September **2018 (unaudited)**	2017 (unaudited)	For nine months ended 30 September **2018 (unaudited)**	2017 (unaudited)
Personnel costs	**11,566,152**	11,960,574	**36,236,727**	36,179,292
Depreciation and amortization	**9,299,220**	7,909,223	**28,371,456**	23,667,462
Rental of channels	**2,298,342**	1,837,020	**6,321,678**	5,469,603
Interconnect	**1,959,666**	1,616,525	**4,783,191**	4,694,950
Fees for usage of GSM radiofrequencies of Mobile Telecom Services LLP	**1,314,188**	1,765,767	**3,960,395**	4,159,087
Content	**1,345,819**	1,219,273	**3,888,402**	3,785,865
Repair and maintenance	**1,514,778**	2,063,082	**3,582,020**	5,119,842
Inventories	**1,100,689**	1,707,449	**3,044,887**	4,095,311
Fee to provide telecom services	**735,233**	707,952	**2,205,702**	2,123,854
Electricity	**704,448**	690,553	**2,146,616**	2,073,950
Utilities	**294,992**	337,218	**1,203,657**	1,186,383
Security and safety	**605,001**	594,657	**1,353,563**	1,593,559
Rental of equipment	**541,455**	(253,081)	**1,316,263**	714,120
Fees for radiofrequencies use	**321,626**	305,193	**939,821**	898,023
Business trip expenses	**216,951**	186,205	**541,595**	516,407
Rent of transponders related to satellite communications	**199,382**	171,931	**499,711**	530,540
Insurance	**69,660**	141,643	**285,595**	378,682
Fees for usage of billing system of Mobile Telecom Services LLP	**54,757**	65,294	**165,016**	173,295
Other	**1,130,237**	707,869	**2,625,554**	1,963,814
	35,272,596	33,734,347	**103,426,849**	99,324,039

19. INCOME TAX EXPENSE

Income tax expense for the three and the nine months period ended 30 September comprised the following:

In thousands of tenge	For three months ended 30 September **2018 (unaudited)**	2017 (unaudited)	For nine months ended 30 September **2018 (unaudited)**	2017 (unaudited)
Current corporate income tax expenses	**4,930,590**	3,896,253	**12,207,177**	8,764,680
Deferred income tax (benefit)/expenses	**(47,965)**	496,644	**(451,032)**	616,286
	4,882,625	4,392,897	**11,756,145**	9,380,966

20. NON-CASH TRANSACTIONS

These transactions have been excluded from the interim condensed consolidated statement of cash flows:

During the nine months period ended 30 September 2018, KZT 4,635,188 thousand (unaudited) was paid for property and equipment purchased in the preceding year (during the nine months period ended 30 September 2017: KZT 4,514,785 thousand (unaudited)). Property and equipment of KZT 1,648,296 thousand (unaudited) were purchased during the nine months period ended 30 September 2018 but not paid by 30 September 2018 (purchased, but not paid by 30 September 2017: KZT 1,243,646 thousand (unaudited)).

21. RELATED PARTY TRANSACTIONS

The category 'entities under control of the Parent' include entities controlled by the Parent Company. Transactions with such entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to the Parent and entities controlled by the Parent.

Related party transactions (including transactions with Khan Tengri Holdings B.V. and its subsidiary Mobile Telecom Service LLP) were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

As at 30 September 2018 and 31 December 2017 the Group has not any impairment of accounts receivable relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Sales and purchases with related parties during the periods of three and nine months period ended 30 September 2018 and 2017 and the balances with related parties at 30 September 2018 and 31 December 2017 were as follows:

	For three months ended 30 September		For nine months ended 30 September	
In thousands of tenge	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Sales of goods and services				
Parent	**81,927**	109,880	**286.132**	271,115
Parent-controlled entities	**183,947**	1,073,903	**1.910.708**	3,141,415
Associate (Khan Tengri Holding B.V.) [1]	**5,963,629**	4,345,234	**17.694.120**	13,878,050
Associate (Qaz Cloud LLP)	**695,157**	–	**695.850**	–
Government institutions	**7,896,151**	10,295,654	**22.902.882**	21,839,025
Purchases of goods and services				
Parent	**86**	–	**735**	–
Parent-controlled entities	**849,153**	435,059	**2,296,276**	1,367,040
Associate (Khan Tengri Holding B.V.) [1]	**3,001,143**	2,269,004	**7,891,927**	6,712,570
Associate (Qaz Cloud LLP)	**206,111**	–	**206,111**	–
Government institutions	**1,191**	241,826	**5,898**	676,821
Interest incurred on borrowings				
Entities under state control (Development Bank of Kazakhstan JSC)	**507.828**	1,105,689	**1.537.432**	3,232,648
Average interest rate on borrowings	**8,00%**	8.15%	**8,00%**	8.15%

21. RELATED PARTY TRANSACTIONS (continued)

In thousands of tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Cash and cash equivalents		
Entities under state control		
(Development Bank of Kazakhstan JSC)	**124**	172
Borrowings		
Entities under state control		
(Development Bank of Kazakhstan JSC)	**26,838,698**	27,319,491
Trade and other receivables		
Parent	**132,216**	56,378
Parent-controlled entities	**528,762**	797,881
Associate (Khan Tengri Holding B.V.)	**17,353,248**	14,949,354
Associate (Qaz Cloud LLP)	**113,729**	71
Government institutions	**14,277,550**	7,078,905
Accounts payable		
Parent-controlled entities	**261,056**	172,879
Associate (Khan Tengri Holding B.V.)	**11,857,376**	9,370,735
Associate (Qaz Cloud LLP)	**292,961**	–
Government institutions	**351,490**	477,877
Other non-current assets		
Long-term loans to key management personnel	**14,157**	27,294
Long term deposits with Eximbank JSC	–	3,323,300

22. FINANCIAL INSTRUMENTS

Impairment losses on financial assets

Impairment losses on financial assets for nine months ended 30 September 2018 consists from other non-current financial assets charge for the period of KZT 135 thousand (Note 9), from trade receivable charge for the period of KZT 817,880 thousand (Note 10), from other current financial assets charge for the period of KZT 3,191,131 thousand (Note 11), from cash and cash equivalents charge for the period of KZT 533,746 thousand (Note 12), from long-term advance paid charge of KZT 5,578 thousand and recovery from advances paid in the amount of KZT 51,459 thousand.

23. COMMITMENTS AND CONTINGENT LIABILITIES

Operating environment

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 September 2018 the Group had contractual commitments totaling KZT 8,451,978 thousand including Value Added Tax (VAT) (unaudited) (as at 31 December 2017: KZT 3,582,193 thousand) related mostly to the purchase of telecommunication equipment and construction of telecommunication network.

License commitments

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of the Group's network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

Options to acquire a interest in an associate

According to the agreement between the Group and Tele2, the Group has an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time during three years after 29 February 2016 (call option). Similarly, Tele2 has an unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. at any time during three years after 29 February 2016 (put option).

The price of options is expressed in US dollars and should be equal to fair market value of the shares transferred as of the day of its determination.

The Group estimated the fair value of the options. As of 30 September 2018 and 31 December 2017, the fair value of the options equals zero.

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 September 2018. Management believes that as at 30 September 2018 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

24. CALCULATION OF BOOK VALUE PER COMMON SHARE

1. Book value per common share is calculated by the following formula:

BVCS = NAV / NOCS, where

BVCS – book value per common share as of the date of calculation, in KZT;

As at 31 December, 2017:

BVCS = (343,194,837 / 10,707,323) x 1,000 = 32,052

As at 30 September, 2018:

BVCS = (366,282,477 / 10,707,323) x 1,000 = 34,209

NAV – net asset value for common shares as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – 343,194,837
As at 30 September, 2018 – 366,282,477

NOCS – number of outstanding common shares as of the date of calculation;
As at 31 December, 2017 – 10,707,323
As at 30 September, 2018 – 10,707,323

2. Net asset value for common shares is calculated by the following formula:

NAV = (TA – IA) – TL – PS, where

As at 31 December, 2017:
NAV = (471,314,192 – 15,592,544) – 112,206,255 – 320,556= 343,194,837 in thousands of KZT

As at 30 September, 2018:
NAV = (494,966,521 – 13,564,331) – 114,799,157 – 320,556 = 366,282,477 in thousands of KZT

TA – total assets in the statement of issuer's financial position as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – 471,314,192
As at 30 September, 2018 – 494,966,521

IA – intangible assets in the statement of issuer's financial position as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – 15,592,544
As at 30 September, 2018 – 13,564,331

TL – total liabilities in the statement of issuer's financial position as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – (42,080,061+ 70,126,194) = 112,206,255

As at 30 September, 2018 – (48,149,407+ 66,649,750) = 114,799,157

24. CALCULATION OF BOOK VALUE PER COMMON SHARE (continued)

PS – preferred stock, i.e. balance of the account "authorized capital stock, preferred shares" in the statement of issuer's financial position as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – 320,556

As at 30 September, 2018 – 320,556

3. Book value per preferred share of the first group is calculated by the following formula:

BVPS1 = (EPC + DCPS1) / NOPS1, where

BVPS1 – book value per preferred share of the first group as of the date of calculation, in KZT;

As at 31 December, 2017:

BVPS1 = ((1,862,544 + 874,244) / 320,556) x 1,000 = 8,538

As at 30 September, 2018:

BVPS1 = ((1,976,620 + 874,244) / 320,556) x 1,000 = 8,893

NOPS1 – number of outstanding preferred shares of the first group as of the date of calculation;

As at 31 December, 2017 – 320,556

As at 30 September, 2018 – 320,556

EPC – equity with prior claims, i.e. equity owned by the holders of preferred stock of the first group as of the date of calculation, in thousands of KZT;

As at 31 December, 2017 – 1,862,544

As at 30 September, 2018 – 1,976,620

DCPS1 – debt component of preferred shares of the first group included in liabilities, in thousands of KZT;

As at 31 December, 2017 – 874,244

As at 30 September, 2018 – 874,244

4. Equity owned by the holders of preferred stock of the first group (equity with prior claims) is calculated by the following formula:

EPC = TDPS1 + PS, where:

As at 31 December, 2017:

EPC = 1,541,988 + 320,556 = 1,862,544 thousands of KZT

As at 30 September, 2018:

EPC = 1,656,064 + 320,556 = 1,976,620 thousands of KZT

TDPS1 – total dividends, i.e. the sum of accrued but not paid dividends on preferred shares of the first group (balance of the account "accounts payable to shareholders (dividends)") as of the date of calculation. Dividends on preferred shares of the first group not paid due to unavailability of actual information and details about such shareholders are not included, in thousands of KZT;

As at 31 December, 2017 – 1,541,988

As at 30 September, 2018 – 1,656,064