



Kazakhtelecom JSC

Consolidated financial statements

*For the year ended 31 December 2014
with independent auditors' report*

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Independent auditors' report

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Independent auditors' report

To the Shareholders of Kazakhtelecom JSC

We have audited the accompanying consolidated financial statements of Kazakhtelecom JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

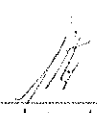
<i>In thousands of tenge</i>	Notes	2014	2013
Assets			
Non-current assets			
Property and equipment	8	308,471,725	289,230,439
Intangible assets	9	24,531,269	26,237,752
Advances paid for non-current assets	11	207,263	673,558
Deferred tax asset	38	1,679,830	352,200
Other non-current financial assets	13	11,884,667	10,807,868
Other non-current assets	14	4,916,543	4,450,873
		351,691,297	331,752,690
Current assets			
Inventories	15	5,934,046	5,339,214
Trade accounts receivable	16	20,764,872	16,192,756
Prepayments	17	992,346	1,063,692
Income tax prepaid		1,054,311	716,423
Other financial assets	18	21,362,797	12,146,401
Other current assets	19	6,213,467	6,571,279
Cash and cash equivalents	20	8,729,297	42,352,823
		65,051,136	84,382,588
Assets classified as held for sale	21	951,019	-
Total assets		417,693,452	416,135,278
Equity and liabilities			
Equity attributable to equity holders of the parent			
Charter capital	22	12,136,529	12,136,529
Treasury shares	22	(6,398,619)	(6,290,144)
Currency translation reserve	22	(69,350)	(12,208)
Other capital reserve	22	1,820,479	1,820,479
Retained earnings		263,644,674	257,903,737
		271,133,713	265,558,393
Non-controlling interests		(824,365)	(55,058)
Total equity		270,309,348	265,503,335

The accompanying notes on pages 8 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)


<i>In thousands of tenge</i>	Notes	2014	2013
Non-current liabilities			
Borrowings	23	56,426,152	36,028,656
Finance lease liabilities	24	10,629,340	10,689,177
Deferred tax liability	38	16,466,369	13,313,741
Employee benefit liability	25	5,055,066	4,600,737
Debt component of preferred shares	22	876,845	892,966
Other non-current liabilities	26	7,650,255	4,433,757
		97,104,027	69,959,034
Current liabilities			
Borrowings	23	5,762,823	9,117,411
Current portion of finance lease liabilities	24	7,519,979	6,994,294
Current portion of employee benefit liability	25	742,288	362,721
Accounts payable	27	21,401,773	21,939,224
Advances received		3,733,540	4,238,571
Income tax payable		110,742	1,546
Other current liabilities	28	11,008,932	38,019,142
		50,280,077	80,672,909
Total liabilities		147,384,104	150,631,943
Total equity and liabilities		417,693,452	416,135,278

Chief Financial Director



Nurkatov A.A.

Chief Accountant



Baishumirova G.Zh.

The accompanying notes on pages 8 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014


<i>In thousands of tenge</i>	Notes	2014	2013
Revenue	29	201,946,431	185,838,836
Compensation for universal services provision in rural areas	30	6,276,853	5,028,584
		208,223,284	190,867,420
Cost of revenue	31	(153,168,934)	(135,725,761)
Gross profit		55,054,350	55,141,659
General and administrative expenses	32	(26,333,923)	(20,833,393)
Selling expenses	33	(6,471,858)	(5,350,930)
Operating profit		23,248,569	28,957,336
Finance costs	35	(7,315,110)	(11,173,578)
Finance income	35	2,598,605	4,214,185
Foreign exchange loss, net	36	(7,629,945)	(481,103)
Loss from disposal of property and equipment		(574,218)	(150,832)
Other income	37	3,700,489	3,151,564
Other expenses	37	(786,044)	(1,010,793)
Profit before tax		13,242,346	23,506,779
Income tax expense	38	(6,517,996)	(3,945,859)
Profit for the year		6,724,350	19,560,920
Attributable to:			
Owners of the parent		7,483,619	19,614,067
Non-controlling interests		(759,269)	(53,147)

The accompanying notes on pages 8 to 56 are an integral part of these consolidated financial statements.


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of tenge</i>	Notes	2014	2013
Other comprehensive loss			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(57,142)	(7,632)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(57,142)	(7,632)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial losses on defined benefit plan		(1,035,850)	(80,029)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(1,035,850)	(80,029)
Other comprehensive loss for the year, net of tax		(1,092,992)	(87,661)
Total comprehensive income for the year, net of tax		5,631,358	19,473,259
Attributable to:			
Owners of the parent		6,390,627	19,526,406
Non-controlling interest		(759,269)	(53,147)
		5,631,358	19,473,259
Earnings per share			
Basic and diluted, profit for the year attributable to owners of the parent, tenge	22	686.52	1,783.99

Chief Financial Director


 Nurkatov A.A.

Chief Accountant


 Baishumurova G.Zh.


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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

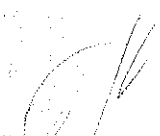
For the year ended 31 December 2014

In thousands of tenge	Attributable to owners of the parent					Total	Non- controlling interests	Total equity
	Charter capital	Treasury shares	Foreign currency translation reserve	Other capital reserves	Retained earnings			
Notes	22	22	22	22				
At 1 January 2013	12,136,529	(6,019,715)	(4,576)	1,820,479	268,816,693	276,749,410	(1,911)	276,747,499
Profit/(loss) for the year	-	-	-	-	19,614,067	19,614,067	(53,147)	19,560,920
Other comprehensive loss	-	-	(7,632)	-	(80,029)	(87,661)	-	(87,661)
Total comprehensive (loss) / income	-	-	(7,632)	-	19,534,038	19,526,406	(53,147)	19,473,259
Treasury shares repurchased (Note 22)	-	(270,429)	-	-	-	(270,429)	-	(270,429)
Dividends (Note 22)	-	-	-	-	(30,446,994)	(30,446,994)	-	(30,446,994)
At 31 December 2013	12,136,529	(6,290,144)	(12,208)	1,820,479	257,903,737	265,558,393	(55,058)	265,503,335
Profit/(loss) for the year	-	-	-	-	7,483,619	7,483,619	(759,269)	6,724,350
Other comprehensive loss	-	-	(57,142)	-	(1,035,850)	(1,092,992)	-	(1,092,992)
Total comprehensive (loss) / income	-	-	(57,142)	-	6,447,769	6,390,627	(759,269)	5,631,358
Treasury shares repurchased (Note 22)	-	(108,475)	-	-	-	(108,475)	-	(108,475)
Financial guarantee issued for Parent (Note 26)	-	-	-	-	(663,900)	(663,900)	-	(663,900)
Changes in share ownership in a subsidiary, without loss of a control (Note 6)	-	-	-	-	(42,932)	(42,932)	(10,038)	(52,970)
At 31 December 2014	12,136,529	(6,398,619)	(69,350)	1,820,479	263,644,674	271,133,713	(824,365)	270,309,348

Chief Financial Director


 Nurkatov A.A.

Chief Accountant


 Baishumurova G.Zh.

The accompanying notes on pages 8 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT**For the year ended 31 December 2014**

<i>In thousands of tenge</i>	Notes	2014	2013
Operating activities			
Profit before tax		13,242,346	23,506,779
Adjustments for:			
Depreciation of property and equipment	31, 32	34,722,379	33,579,770
Amortization and impairment of intangible assets	31, 32	3,609,437	3,291,666
Change in deferred revenues		115,247	(715,883)
Change in employee benefit liability		(460,917)	(288,807)
Unrealized foreign exchange loss		7,328,189	927,113
Provision for doubtful debts	32	601,992	326,471
Reversal of NRV write down		1,562,830	179,328
Finance costs	35	7,315,110	11,173,578
Finance revenue	35	(2,598,605)	(4,214,185)
Impairment of P&E and intangible assets	32	2,442,170	-
Loss from disposal of P&E and intangible assets		574,218	150,832
Working capital adjustments:			
Change in trade accounts receivable		(5,157,181)	1,348,165
Change in inventories		(2,939,829)	(56,997)
Change in other current and non-current assets		1,699,742	1,240,422
Change in prepayments		67,410	(149,311)
Change in accounts payable		2,352,384	2,122,956
Change in advances received		(505,031)	577,350
Change in other current liabilities		2,568,589	504,786
Cash generated from operations		66,540,480	73,504,033
Dividends paid	22	(28,229,629)	(1,928,375)
Income taxes paid		(4,661,625)	(3,758,810)
Interest paid		(5,174,788)	(7,568,593)
Interest received		227,510	2,220,200
Net cash flows from operating activities		28,701,948	62,468,455
Investing activities			
Purchase of property and equipment		(49,865,160)	(49,786,150)
Purchase of intangible assets		(2,118,941)	(7,351,694)
Proceeds from sale of property and equipment		204,688	137,126
Purchase of subsidiaries, excluding acquired cash	5	-	(10,232,457)
Deposits placed		(19,481,507)	(4,142,347)
Refund on deposits		6,761,204	44,478,688
Long-term loans to employees		(2,834,680)	(3,737,679)
Loans repaid by employees		276,105	263,952
Restricted cash placed		(193,160)	(4,056,109)
Restricted cash returned		4,056,059	-
Financial aid returned		27,500	10,614
Net cash flows used in investing activities		(63,167,892)	(34,416,056)


The accompanying notes on pages 8 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

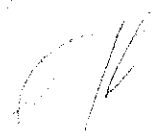
<i>In thousands of tenge</i>	Notes	2014	2013
Financing activities			
Proceeds from borrowings		26,238,065	11,375,291
Repayment of borrowings		(18,292,099)	(43,579,485)
Repurchase of treasury shares	22	(110,040)	(236,182)
Repayment of finance lease liabilities		(7,160,743)	(6,746,995)
Acquisition of non-controlling interests in a subsidiary	6	(52,970)	-
Financial aid returned		(41,943)	-
Net cash flows from / (used in) financing activities		580,270	(39,187,371)
Net decrease in cash and cash equivalents		(33,885,674)	(11,134,972)
Effects of exchange rate changes on cash and cash equivalents		262,148	21,594
Cash and cash equivalents at 1 January		42,352,823	53,466,201
Cash and cash equivalents at 31 December	20	8,729,297	42,352,823

Non-cash transactions are disclosed in *Note 39*.

Chief Financial Director


Nurkatov A.A.

Chief Accountant


Baishumurova G.Zh.