

**JOINT STOCK COMPANY
AIR ASTANA**

Condensed Consolidated Interim Financial Information
for the six-month period
ended 30 June 2023 (unaudited)

JOINT STOCK COMPANY AIR ASTANA

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

Management is responsible for the preparation and presentation of the condensed consolidated interim financial information of JSC Air Astana (the “Company”) and its subsidiary (the “Group”) as at 30 June 2023, the results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34).

In preparing the condensed consolidated interim financial information, management is responsible for:

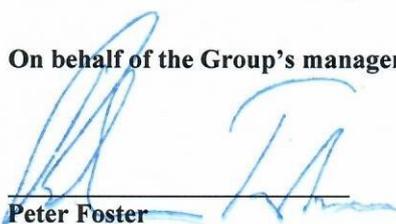
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS Standards as issued by the International Accounting Standards Board (“IFRS Standards”) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s financial position and financial performance; and
- making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial information of the Group comply with IAS 34;
- maintaining statutory accounting records in compliance with the legislation of Kazakhstan and IFRS standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The condensed consolidated interim financial information for the six-month period ended 30 June 2023 was authorised for issue on 28 July 2023 by management of the Group.

On behalf of the Group’s management:



Peter Foster

President

28 July 2023
Almaty, Republic of
Kazakhstan



Ibrahim Canliel

Chief Financial Officer

28 July 2023
Almaty, Republic of
Kazakhstan

Saule Khassenova

Chief Accountant

28 July 2023
Almaty, Republic of
Kazakhstan





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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of JSC Air Astana

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of JSC Air Astana (the "Company") and its subsidiary (the "Group") as at 30 June 2023, and the related condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Mukhit Kossayev
Engagement Partner
KPMG Audit LLC
Almaty, Republic of Kazakhstan
28 July 2023



JOINT STOCK COMPANY AIR ASTANA

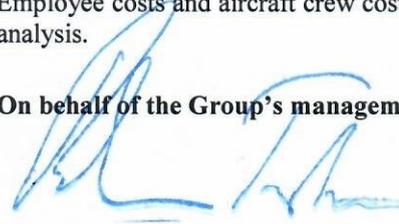
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Revenue and other income			
Passenger revenue	6	512,389	397,143
Cargo and mail	6	10,341	9,155
Other income	6	5,318	3,363
Total		528,048	409,661
Operating expenses			
Fuel		(122,967)	(83,604)
Employee and crew costs*	7	(89,366)	(63,412)
Depreciation and amortisation	11	(76,991)	(64,939)
Engineering and maintenance	7	(48,939)	(49,549)
Handling, landing fees and route charges	7	(46,942)	(37,256)
Passenger service	7	(44,124)	(34,642)
Selling costs	7	(19,737)	(14,507)
Insurance		(5,161)	(3,239)
Information technology		(3,126)	(2,882)
Consultancy, legal and professional services		(2,238)	(2,072)
Taxes, other than income tax		(2,109)	(234)
Aircraft lease costs		(2,071)	(2,491)
Property and office costs		(1,735)	(1,222)
Impairment loss		(9)	(8)
Other		(6,703)	(9,484)
Total operating expenses		(472,218)	(369,541)
Operating profit		55,830	40,120
Finance income	8	6,470	1,458
Finance costs	8	(24,170)	(19,723)
Foreign exchange loss, net		(7,308)	(8,497)
Profit before tax		30,822	13,358
Income tax expense	9	(7,322)	(3,872)
Profit for the period		23,500	9,486
Basic and diluted earnings per share (in USD)	19	1,382	558

* Employee costs and aircraft crew costs were combined as management believes it will make figures more relevant for analysis.

On behalf of the Group's management:


Peter Foster

President

28 July 2023
Almaty, Republic of
Kazakhstan


Ibrahim Canliel

Chief Financial Officer

28 July 2023
Almaty, Republic of
Kazakhstan


Saule Khassenova

Chief Accountant

28 July 2023
Almaty, Republic of
Kazakhstan



JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Profit for the period		23,500	9,486
Other comprehensive income to be reclassified into profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value	18	(1,483)	-
Corporate income tax related to cash flow hedges – effective portion of changes in fair value		297	-
Realised net loss from cash flow hedging instruments	24	6,163	5,999
Corporate income tax related to loss from hedging instruments	24	(1,233)	(1,200)
Other comprehensive income for the period, net of income tax		3,744	4,799
Total comprehensive income for the period		27,244	14,285

JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (UNAUDITED) (in thousands of USD)

	Notes	30 June 2023 (unaudited)	31 December 2022
ASSETS			
Non-current assets			
Property and equipment	10	794,393	817,585
Intangible assets		2,407	1,553
Prepayments for non-current assets	14	17,428	15,517
Guarantee deposits	12	30,578	29,520
Deferred tax assets	9	27,328	18,487
Trade and other receivables	15	1,760	1,300
		873,894	883,962
Current assets			
Inventories	13	62,723	49,175
Prepayments	14	21,430	21,011
Income tax prepaid		9,927	8,978
Trade and other receivables	15	35,812	21,307
Other taxes prepaid	16	10,293	8,378
Guarantee deposits	12	1,606	3,516
Cash and bank balances	17	300,234	252,888
Other financial assets	18	125	1,660
		442,150	366,913
Total assets		1,316,044	1,250,875
EQUITY AND LIABILITIES			
Equity			
Share capital	19	17,000	17,000
Functional currency transition reserve		(9,324)	(9,324)
Reserve on hedging instruments, net of tax		(21,654)	(25,398)
Retained earnings		176,714	169,990
Total equity		162,736	152,268
Non-current liabilities			
Loans	23	9,084	4,162
Lease liabilities	24	512,243	574,211
Provision for aircraft maintenance	21	157,634	117,958
Other non-current liabilities		3,092	2,268
		682,053	698,599
Current liabilities			
Loans	23	27,173	7,934
Lease liabilities	24	157,690	158,593
Deferred revenue	20	133,419	80,152
Provision for aircraft maintenance	21	62,832	71,685
Trade and other payables	22	90,141	81,405
Other financial liabilities		-	239
		471,255	400,008
Total liabilities		1,153,308	1,098,607
Total equity and liabilities		1,316,044	1,250,875

JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

(in thousands of USD)

	Notes	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
At 1 January 2022		17,000	(9,324)	(35,278)	91,576	63,974
Profit for the period (unaudited)		-	-	-	9,486	9,486
Other comprehensive income: Realised loss on cash flow hedging instruments, net of tax (unaudited)		-	-	4,799	-	4,799
Total comprehensive income for the period (unaudited)		-	-	4,799	9,486	14,285
At 30 June 2022 (unaudited)		17,000	(9,324)	(30,479)	101,062	78,259
At 1 January 2023		17,000	(9,324)	(25,398)	169,990	152,268
Profit for the period (unaudited)		-	-	-	23,500	23,500
Other comprehensive income: Realised loss on cash flow hedging instruments and effective portion of changes in fair value of fuel call options, net of tax (unaudited)		-	-	3,744	-	3,744
Total comprehensive income for the period (unaudited)		-	-	3,744	23,500	27,244
Dividends declared	19	-	-	-	(16,776)	(16,776)
At 30 June 2023 (unaudited)		17,000	(9,324)	(21,654)	176,714	162,736

JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
OPERATING ACTIVITIES:			
Profit before tax		30,822	13,358
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets	11	76,991	64,939
Gain on sale of property, equipment and inventory		(500)	(691)
Change in impairment allowance for prepayments, trade receivables, guarantee deposits and cash and bank balances	12, 14, 15,17	(92)	(46)
Change in write-down of obsolete and slow-moving inventories	13	(205)	3,051
Change in vacation accrual	22	883	(206)
Change in provision for aircraft maintenance	7, 21	39,400	30,676
Change in customer loyalty program provision	20	420	(128)
Foreign exchange loss, net		7,308	8,497
Finance income, excluding impairment	8	(6,120)	(1,326)
Finance costs, excluding impairment	8	23,964	19,637
Operating cash flow before movements in working capital		172,871	137,761
Change in trade and other accounts receivables		(14,643)	(20,495)
Change in prepayments		(2,422)	12,064
Change in inventories		(12,843)	112
Change in trade and other payables and provision of aircraft maintenance		(459)	459
Change in deferred revenue		52,847	54,509
Change in other financial assets		52	(6,279)
Cash generated from operations		195,403	178,131
Income tax paid		(18,245)	(3,439)
Interest received		5,881	1,326
Net cash generated from operating activities		183,039	176,018
INVESTING ACTIVITIES:			
Purchase of property and equipment		(25,555)	(14,068)
Proceeds from disposal of property and equipment		2,257	585
Purchase of intangible assets		(1,254)	(224)
Bank and Guarantee deposits placed		(3,659)	(16,421)
Bank and Guarantee deposits withdrawn		2,935	5,137
Net cash used in investing activities		(25,276)	(24,991)

JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (CONTINUED) (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
FINANCING ACTIVITIES:			
Repayment of lease liabilities	24	(95,875)	(70,761)
Interest paid	24	(20,940)	(19,669)
Repayment of borrowings and additional financing from sale and leaseback	24	(10,942)	(83,453)
Proceeds from borrowings	24	35,000	52,705
Dividends paid	19	(16,776)	-
Net cash used in financing activities		(109,533)	(121,178)
NET INCREASE IN CASH AND BANK BALANCES		48,230	29,849
Effect of exchange rate changes on cash and bank balances held in foreign currencies		(883)	(303)
Effects of movements in ECL on cash and bank balances		(1)	(2)
CASH AND BANK BALANCES, at the beginning of the period	17	252,888	226,357
CASH AND BANK BALANCES, at the end of the period	17	300,234	255,901

1. NATURE OF ACTIVITIES

JSC Air Astana (the “Company”) is a joint stock company as defined in the Civil Code of the Republic of Kazakhstan.

The Company was established as a closed joint stock company on 14 September 2001 by Resolution of the Government of the Republic of Kazakhstan #1118 dated 29 August 2001. Due to a change in legislation introduced in 2003, the Company was re-registered as a joint stock Group on 27 May 2005.

The Company has a subsidiary JSC “Aviation Company “Air Kazakhstan” (hereinafter – the “Subsidiary”) which was acquired in November 2019. Together they are referred to as the “Group”.

In November 2019 the Company obtained control of the Subsidiary by acquiring one hundred percent of the shares, which are 101,665 shares, and voting interests for KZT 2. At the time of the acquisition the Subsidiary had negative net assets of KZT 7 thousand (USD 18). Taking control of the Subsidiary will enable the Group to separate part of its business in the future. The Subsidiary did not operate during 2022 and the first half of 2023.

The Group’s principal activity is the provision of scheduled domestic and international air services for passengers. Other business activities include freight and mail transportation.

As at 30 June 2023 and 31 December 2022, the Group operated 44 and 43 turbojet aircraft that are acquired under lease.

The shareholders of the Group are JSC “National Welfare Fund “Samruk-Kazyna” (which holds the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which own 51% and 49% of the shares of the Group, respectively.

Regional geopolitical conflicts

Following the conflict between Russia and Ukraine at the end of February 2022, the Group (under both Air Astana and FlyArystan brands) suspended flights to and over Russia and Ukraine.

In 2021, the respective revenue shares of the Group on routes to Russia and Ukraine were at 8% and 2% respectively. The management believes that the impact of the conflict is limited, as the Group has reallocated vacant capacity from suspended routes to other destinations which resulted in revenue increase comparing to 2021.

2. BASIS OF PREPARATION

Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2022. This condensed consolidated interim financial information should be read in conjunction with those financial statements. This condensed consolidated interim financial information does not include all the information required for full annual financial statements prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (“IFRS Standards”).

Segmental Information

There are two main operating segments of the Group, full service brand Air Astana and low cost brand FlyArystan; these include information for the determination of performance evaluation and allocation of resources by the management. The Group management uses the operating profit calculated according to IFRS standards while evaluating the performance of the segments adjusted for the impact of inter-segments leases.

Functional currency

Even though the national currency of Kazakhstan is the Kazakhstani tenge (“tenge”), the Company’s functional currency is determined as the US Dollar (“USD”). The USD reflects the economic substance of the underlying events and circumstances of the Company and is the functional currency of the primary economic environment in which the Company operates. All currencies other than the currency selected for measuring items in the condensed consolidated interim financial information are treated as foreign currencies. Accordingly, transactions and balances not already measured in USD have been premeasured in USD in accordance with the relevant accounting standard requirements.

As requested by shareholders, the Group prepares two sets of financial statements with presentation currency Kazakhstani tenge and USD as shareholders believe that both currencies are useful for the users of the Group’s financial statements. This condensed consolidated interim financial information for the six-month period ended 30 June 2023 has been presented in USD. All financial information presented in USD has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the last annual financial statements.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing this condensed consolidated interim financial information.

The following amended standards and interpretations are not expected to have a significant impact on the Group’s condensed consolidated interim financial information:

- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1;*
- *Non-current Liabilities with Covenants – Amendments to IAS 1;*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;*
- *Definition of Accounting Estimate – Amendments to IAS 8;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12;*
- *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12;*
- *Lease liability in a Sale and Leaseback – Amendments to IFRS 16.*

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the Group’s annual financial statements for 2022 prepared in accordance with IFRS standards.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information and the information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 2 – Functional currency;
- Note 9 – Income tax expense;
- Note 21 – Provision for aircraft maintenance.

5. SEGMENT REPORTING

The Group’s management makes decisions regarding resource allocation to segments based upon the results and the activities of its full service brand Air Astana and Low Cost brand FlyArystan segments for the purpose of segments’ performance evaluation. The Group’s main activities can be summarized as follows:

Air Astana

The Group’s aviation activities consist of mainly domestic and international passenger and cargo air transportation as a full service brand.

FlyArystan

The Group’s aviation activities consist of mainly domestic and international passenger and cargo air transportation as a low cost brand.

The Group does not recognize right-of-use assets for the FlyArystan segment, as it does not analyze the financial position of the segments separately. Instead, the Group recognizes lease payments which FlyArystan would have to pay to lease an aircraft over a similar term and in a similar economic environment as for Air Astana leases. Those amounts are reflected in the inter-group elimination.

Operating results for the six-month period ended 30 June 2023 and 30 June 2022:

'000 USD	Six-month	Six-month	Inter-group	Total
	period ended	period ended		
	30 June 2023	30 June 2023	elimination	
	(unaudited)	(unaudited)		
Profit or loss statement	Air Astana	FlyArystan		
Revenue and other income				
Passenger revenue	398,309	114,080	-	512,389
Cargo and mail	9,603	738	-	10,341
Other income	4,598	720	-	5,318
Lease	37,165	-	(37,165)	-
Total revenue and other income	449,675	115,538	(37,165)	528,048
Operating expenses				
Fuel	(94,103)	(28,864)	-	(122,967)
Employee and crew costs	(70,275)	(19,091)	-	(89,366)
Depreciation and amortisation	(75,690)	(1,301)	-	(76,991)
Engineering and maintenance	(44,768)	(18,978)	14,807	(48,939)
Handling, landing fees and route charges	(37,178)	(9,764)	-	(46,942)
Passenger service	(38,089)	(6,035)	-	(44,124)
Selling costs	(17,599)	(2,138)	-	(19,737)
Insurance	(3,718)	(1,443)	-	(5,161)
Information technology	(2,417)	(709)	-	(3,126)
Consultancy, legal and professional services	(2,164)	(74)	-	(2,238)
Aircraft lease costs	(1,272)	(23,157)	22,358	(2,071)
Property and office costs	(1,611)	(124)	-	(1,735)
Other	(8,395)	(426)	-	(8,821)
Total operating expenses	(397,279)	(112,104)	37,165	(472,218)
Operating profit	52,396	3,434	-	55,830

'000 USD	Six-month period ended 30 June 2022 (unaudited) Air Astana	Six-month period ended 30 June 2022 (unaudited) FlyArystan	Inter-group elimination	Total
Profit or loss statement				
Revenue and other income				
Passenger revenue	312,450	84,693	-	397,143
Cargo and mail	8,562	593	-	9,155
Other income	3,209	154	-	3,363
Lease	28,881	-	(28,881)	-
Total revenue and other income	353,102	85,440	(28,881)	409,661
Operating expenses				
Fuel	(62,769)	(20,835)	-	(83,604)
Depreciation and amortisation	(63,947)	(992)	-	(64,939)
Employee and crew costs	(50,081)	(13,331)	-	(63,412)
Engineering and maintenance	(46,064)	(14,770)	11,285	(49,549)
Handling, landing fees and route charges	(29,033)	(8,223)	-	(37,256)
Passenger service	(29,810)	(4,832)	-	(34,642)
Selling costs	(13,586)	(921)	-	(14,507)
Information technology	(2,154)	(728)	-	(2,882)
Insurance	(2,152)	(1,087)	-	(3,239)
Aircraft lease costs	(2,383)	(17,704)	17,596	(2,491)
Consultancy, legal and professional services	(2,036)	(36)	-	(2,072)
Property and office cost	(1,162)	(60)	-	(1,222)
Other	(9,435)	(291)	-	(9,726)
Total operating expenses	(314,612)	(83,810)	28,881	(369,541)
Operating profit	38,490	1,630	-	40,120

6. REVENUE AND OTHER INCOME

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Passenger revenue		
Scheduled passenger flights	488,348	371,820
<i>including:</i>		
<i>Fuel surcharge</i>	49,767	36,224
<i>Airport services</i>	24,229	19,440
<i>Excess baggage</i>	3,160	2,868
Charter flights	24,041	25,323
	512,389	397,143

Passenger revenue increased by USD 115,246 thousand, or 29%, for the period ended 30 June 2023 as compared to the same period in 2022.

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Cargo and mail		
Cargo-Regular	9,353	7,534
Cargo-Charter	-	874
Mail	988	747
	10,341	9,155
'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Other income		
Gain on disposal of spare parts and other assets	2,757	691
Incidental income	899	1,562
Income from ground services	709	660
Advertising revenue	530	378
Penalties on agency contracts	258	69
Other	165	3
	5,318	3,363

During the six-months periods ended 30 June 2023 and 30 June 2022, passenger, cargo and mail revenue, representing total revenue from contracts with customers, were generated from the following destinations:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Domestic	197,707	153,421
Asia and Middle East	161,202	95,425
Europe	117,172	102,714
CIS	46,649	54,738
Total passenger, cargo and mail revenue	522,730	406,298

7. OPERATING EXPENSES

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Employee and crew costs		
Wages and salaries	67,749	47,289
Accommodation and allowances	7,957	5,576
Social tax	5,893	4,931
Training	3,802	2,878
Other	3,965	2,738
	89,366	63,412

The average number of employees during the six-month period ended 30 June 2023 was 6,332 (30 June 2022: 5,665).

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Engineering and maintenance		
Maintenance – provisions (Note 21)	39,400	30,676
Maintenance – variable lease payments	6,605	5,867
Spare parts	5,909	6,486
Technical inspection	1,185	1,410
Maintenance – components*	(4,160)	5,110
	48,939	49,549

* During the six-month period ended 30 June 2023 the Group received compensation amounts of USD 5,590 thousand from suppliers.

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Handling, landing fees and route charges		
Handling charge	19,810	15,530
Aero navigation	17,088	12,960
Landing fees	9,142	7,992
Other	902	774
	46,942	37,256

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Passenger service		
Airport charges	21,024	16,782
Catering	13,628	9,419
In-flight entertainment	2,406	2,584
Security	2,399	1,675
Other	4,667	4,182
	44,124	34,642

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Selling costs		
Reservation costs	10,574	9,151
Commissions	4,672	2,798
Advertising	4,094	2,273
Interline commissions	173	123
Other	224	162
	19,737	14,507

8. FINANCE INCOME AND COSTS

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Finance income		
Interest income on bank deposits	5,873	1,326
Other	597	132
	6,470	1,458

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Finance costs		
Interest expense on lease liabilities (Note 24)	21,161	16,778
Interest expense on bank loans (Note 24)	1,299	2,822
Other	1,710	123
	24,170	19,723

9. INCOME TAX EXPENSE

The Group’s income tax expense for the six-month period ended 30 June was as follows:

’000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Current income tax		
Current income tax	(18,923)	(7,179)
Adjustment recognised in the current year in relation to the current tax of prior years	1,824	-
	<u>(17,099)</u>	<u>(7,179)</u>
Deferred tax		
Deferred income tax benefit	9,777	3,145
Recognition of previously unrecognised tax losses	-	162
	<u>9,777</u>	<u>3,307</u>
	<u>(7,322)</u>	<u>(3,872)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In addition, as the Company has a functional currency that is different from the currency of the country in which it is domiciled, it recognises temporary differences on changes in exchange rates which lead to changes in the tax basis rather than the book basis.

The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at 30 June 2023 and 31 December 2022 is presented below.

’000 USD	30 June 2023 (unaudited)	31 December 2022
Deferred tax assets		
Lease liabilities	119,296	123,633
Provision for aircraft maintenance	44,093	37,929
Trade and other payables	3,617	3,843
Trade receivables	3,568	3,805
Other	1,131	1,172
Total	<u>171,705</u>	<u>170,382</u>
Deferred tax liabilities		
Right of use assets	(108,196)	(113,204)
Difference in depreciable value of property, plant and equipment and intangible assets	(32,119)	(34,074)
Inventories	(2,617)	(2,809)
Prepaid expenses	(284)	(768)
Other	(1,161)	(1,040)
Total	<u>(144,377)</u>	<u>(151,895)</u>
Net deferred tax assets	<u>27,328</u>	<u>18,487</u>

Movements in deferred tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 936 thousand related to carried forward corporate income tax losses, which were recognised in equity relating to the realised portion of deferred tax on cash flows hedge and effective portion of changes in fair value (six-month ended 2022: USD 1,200 thousand).

In accordance with the local tax legislation both hedged and unhedged foreign currency losses are treated as deductible expenses for the purpose of corporate income tax calculations. If such deductible expenses cannot be fully utilised in the year of origination the tax code permits an entity to carry forward the accumulated tax losses for the next ten years.

In accordance with the local tax legislation, if deductible expenses from derivative instruments cannot be fully utilized in the year of origination, the tax code permits an entity to carry forward the accumulated tax losses for the next ten years. In previous years, the probability of gain from derivative instruments was low and no deferred asset was recognized for tax losses from derivative instruments. During 2022 the Group earned a gain from derivative instruments and utilized tax losses accumulated in prior years.

The income tax rate in the Republic of Kazakhstan, where the Group is located, at 30 June 2023 and 31 December 2022 was 20%. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to profit or loss before income tax.

Below is a reconciliation of theoretical income tax at 20% (2022: 20%) to the actual income tax benefit recorded in the Group's condensed consolidated interim statement of profit or loss:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Profit before tax	30,822	13,358
Corporate income tax %	20%	20%
Income tax expense at statutory rate	(6,164)	(2,672)
Recognition of previously unrecognised tax losses	-	162
USD forex effect	67	(906)
Tax effect of non-deductible expenses	(1,225)	(456)
Income tax expense	(7,322)	(3,872)

10. PROPERTY AND EQUIPMENT

'000 USD	Rotable spare parts	Office and training equipment	Building, premises and land	Vehicles	Aircraft under lease	Equipment-in-transit and construction-in-progress	Total
Cost							
At 1 January 2022	79,514	9,107	38,049	2,781	1,083,420	184	1,213,055
Additions (unaudited)	3,083	678	32	84	41,701	349	45,927
Disposals (unaudited)	(6,085)	(81)	-	(42)	(3,127)	-	(9,335)
Transfers to inventory (unaudited)	(2)	-	-	-	-	-	(2)
At 30 June 2022 (unaudited)	76,510	9,704	38,081	2,823	1,121,994	533	1,249,645
At 1 January 2023	102,892	11,987	38,324	2,682	1,265,967	10,179	1,432,031
Additions (unaudited)	10,304	1,304	8,828	116	33,856	1,556	55,964
Disposals (unaudited)	(4,332)	(366)	(1,771)	(65)	(13,251)	-	(19,785)
Other transfers	-	8,312	2,106	-	-	(10,418)	-
At 30 June 2023 (unaudited)	108,864	21,237	47,487	2,733	1,286,572	1,317	1,468,210
Accumulated depreciation							
At 1 January 2022	36,722	6,861	10,444	1,505	435,323	-	490,855
Charge for the period (unaudited) (Note 11)	4,021	419	1,760	92	58,317	-	64,609
Disposals (unaudited)	(5,434)	(77)	-	(31)	(3,127)	-	(8,669)
At 30 June 2022 (unaudited)	35,309	7,203	12,204	1,566	490,513	-	546,795
At 1 January 2023	39,485	7,595	14,051	1,534	551,781	-	614,446
Charge for the period (unaudited) (Note 11)	6,017	708	1,918	96	67,877	-	76,616
Disposals (unaudited)	(2,514)	(361)	(1,276)	(49)	(13,045)	-	(17,245)
At 30 June 2023 (unaudited)	42,988	7,942	14,693	1,581	606,613	-	673,817
Net book value							
At 30 June 2022 (unaudited)	41,201	2,501	25,877	1,257	631,481	533	702,850
At 30 June 2023 (unaudited)	65,876	13,295	32,794	1,152	679,959	1,317	794,393

In determining the Group's geographical information, assets, which consist principally of aircraft and ground equipment are mainly registered in the Republic of Kazakhstan. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

The Group's obligations under leases are secured by the leased assets which have a carrying amount of USD 679,959 thousand (unaudited) (31 December 2022: USD 714,186 thousand) (Note 24). The total amount of Aircraft Under Lease as at 30 June 2023 includes 15 Airbus aircraft related to the FlyArystan division with a net book value of USD 199,989 thousand (2022: 11 Airbus aircraft with a net book value of USD 112,607 thousand).

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Technical Center (Hangar) in Astana with a carrying amount of USD 28,926 thousand was pledged in favor of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 23). In 2022 the land plot, where the above-mentioned Aviation-Technical Center is located, was divided into two separate parts. The main land plot where Aviation Technical Center is located will remain pledged in JSC Halyk Bank of Kazakhstan. The second part of the land was released from pledge.

In 2021 the Group has signed agreements for Full-flight simulator delivery and Simulator center construction in Astana. The simulator has been delivered to the airline in 2022. Full-flight simulator was installed and commissioned in 2023 (Note 26).

Rotable spare parts include aircraft modification costs.

The cost of fully depreciated items as at 30 June 2023 is USD 17,643 thousand (30 June 2022: 18,218 USD thousand).

11. DEPRECIATION AND AMORTISATION

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Depreciation of property and equipment (Note 10)	76,616	64,609
Amortisation of intangible assets	375	330
Total	76,991	64,939

12. GUARANTEE DEPOSITS

'000 USD	30 June 2023 (unaudited)	31 December 2022
<i>Non-current</i>		
Guarantee deposits for leased aircraft	30,347	29,311
Other guarantee deposits	652	481
Impairment allowances	(421)	(272)
	30,578	29,520
<i>Current</i>		
Other guarantee deposits	1,332	1,723
Guarantee deposits for leased aircraft	275	538
Guarantee deposits to secure Letters of Credit for maintenance liabilities	-	1,258
Impairment allowances	(1)	(3)
	1,606	3,516
	32,184	33,036

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Group. Guarantee deposits are denominated primarily in US Dollars. The Group assesses credit risk for such deposits as low mainly because almost all lessors are rated from AA to BBB in accordance with Standard and Poor's Global Ratings (S&P Global Ratings) credit quality grades. For those lessors who are not credit rated by international rating agencies, the management calculates the expected credit loss based on the assumption that such lessors are rated at CCC by S&P Global Ratings. The amount of deposits with such lessors is USD 2,812 thousand and USD 1,721 thousand as of 30 June 2023 and 31 December 2022, respectively.

In 2023 the Group re-issued two standby letters of credit with JSC Halyk bank of Kazakhstan (initially issued in Citibank Europe PLC and secured by cash) as a result, the cash collateral in the amount of USD 1,258 thousand was returned by Citibank Europe PLC to the Group's account.

Guarantee deposits for leased aircraft and maintenance liabilities are receivable as follows:

'000 USD	30 June 2023 (unaudited)	31 December 2022
Within one year	275	1,796
After one year but not more than five years	10,976	10,517
More than five years	19,410	18,842
	30,661	31,155
Fair value adjustment at initial recognition	(39)	(48)
	30,622	31,107

13. INVENTORIES

'000 USD	30 June 2023 (unaudited)	31 December 2022
Spare parts	38,028	36,980
Fuel	14,195	6,581
Goods in transit	3,972	2,277
Crockery	3,656	2,879
Uniforms	1,639	1,288
Promotional materials	1,626	670
De-icing liquid	1,255	1,791
Blank forms	290	269
Other	3,715	2,298
	68,376	55,033
Less: cumulative write-down for obsolete and slow-moving inventories	(5,653)	(5,858)
	62,723	49,175

14. PREPAYMENTS

'000 USD	30 June 2023 (unaudited)	31 December 2022
<i>Non-current</i>		
Advances for services	9,264	9,165
Prepayments for long-term assets	8,164	6,352
	17,428	15,517
<i>Current</i>		
Advances for services	10,268	8,138
Advances for goods	9,442	11,088
Prepayments of leases without transfer of legal title	1,931	2,003
	21,641	21,229
Less: impairment allowance for prepayments	(211)	(218)
	21,430	21,011

As at 30 June 2023 prepayments for long-term assets include prepayments to Boeing as pre-delivery payment for three aircraft (Note 26).

The impairment allowance includes advance payments made by the Group to suppliers which are currently subject to legal claims for recovery due to the suppliers' inability to complete the transactions.

15. TRADE AND OTHER RECEIVABLES

'000 USD	30 June 2023 (unaudited)	31 December 2022
<i>Non-current</i>		
Other financial assets	45,326	45,524
Due from employees and Ab-initio pilot trainees	1,760	1,300
	47,086	46,824
Less: impairment allowance	(45,326)	(45,524)
	1,760	1,300
<i>Current</i>		
Trade receivables	35,395	20,119
Due from employees and Ab-initio pilot trainees	1,379	1,337
Receivable from lessors – variable lease reimbursement	-	848
	36,774	22,304
Less: impairment allowance	(962)	(997)
	35,812	21,307

The movements in impairment allowance on trade and other receivables for the periods six-months ended 30 June 2023 and 30 June 2022 were:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
At the beginning of the period	(46,521)	(48,539)
Accrued during the period	(23)	(686)
Reversed during the period	360	677
Foreign currency difference	(104)	747
At the end of the period	(46,288)	(47,801)

In 2017, due to the defaults of JSC KazInvestBank and JSC Delta Bank, the management reclassified the deposits held with these banks in the amount USD 14,234 thousand and USD 44,785 thousand, respectively, from the bank deposit line item to non-current trade and other receivables and assessed them for impairment. Based on the assessment, management recognised an impairment allowance of approximately 90% for JSC KazInvestBank and JSC Delta Bank as at 31 December 2016.

As at 30 June 2023 the allowance for those banks comprises 100% of their gross balances.

Receivable from lessors represents the amount of variable lease reimbursement claimed by the Group as a result of maintenance performed that occurred prior to the reporting date.

Amounts due from trainees of the Ab-initio pilot program in respect of the portion of their initial training costs are classified as interest free loans. The remaining costs are classified by the Group as a prepayment of its expenses and are amortised over a period of seven years, during which period the Group has a right to oblige these expenses also to become payable by the pilot trainees should such pilot trainee terminate his/her employment. The alumni of the Ab-initio pilot program can either repay the remaining training cost by cash or defer for the future so that this amount becomes payable only if they leave the Company. Amounts due from those cadets who selected the option were reclassified to deferred expenses and are amortized using the straight-line method over the remaining amortization term.

The Group's net trade and other receivables are denominated in the following currencies:

'000 USD	30 June 2023 (unaudited)	31 December 2022
Tenge	23,138	8,161
US Dollar	6,924	8,353
Euro	1,676	1,232
Other	5,834	4,861
	37,572	22,607

16. OTHER TAXES PREPAID

'000 USD	30 June 2023 (unaudited)	31 December 2022
Value-added tax recoverable	10,285	7,826
Other taxes prepaid	8	552
	10,293	8,378

Value-added tax receivable is recognised within current assets as the Group annually applies for reimbursement of these amounts.

17. CASH AND BANK BALANCES

'000 USD	30 June 2023 (unaudited)	31 December 2022
Term deposits with an initial maturity of less than 3 months	206,750	155,476
Current accounts with foreign banks	82,328	82,254
Current accounts with local banks	10,691	14,712
Cash in hand	134	183
Accrued interest	341	272
	300,244	252,897
Impairment allowance	(10)	(9)
	300,234	252,888

Cash and bank balances are denominated in the following currencies:

'000 USD	30 June 2023 (unaudited)	31 December 2022
US Dollar	264,272	229,006
Tenge	23,393	12,766
Euro	5,805	4,634
Indian Rupee	2,679	2,705
British Pound	2,144	1,520
Other	1,941	2,257
	300,234	252,888

18. OTHER FINANCIAL ASSETS

The Group signed agreements and entered into transactions with various financial institutions to manage the risk of significant changes in aviation fuel prices. In accordance with the terms, the financial institutions agreed to compensate the Group the excess between the actual price of crude oil and the ceiling price specified in the agreements. The fair value has been determined using a valuation model with market observable parameters.

Loss on fuel options of USD 1,761 thousand was added to fuel costs during the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: gain of USD 16,296 thousand).

'000 USD	Call option (purchase)
At 1 January 2022	7,383
Gain included in "fuel costs"	16,296
Payments on exercised contracts	(10,017)
At 30 June 2022 (unaudited)	13,662
At 1 January 2023	1,660
Loss included in "fuel costs"	(1,761)
Acquisition of fuel options	1,709
Loss included in OCI - Net change in fair value	(1,483)
At 30 June 2023 (unaudited)	125

19. EQUITY

As at 30 June 2023 and 31 December 2022, share capital was comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of KZT 147,150 per share (equivalent to USD 1,000 per share) at the time of purchase.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS standards. A distribution cannot be made when equity is negative or if distribution would result in negative equity or the Company's insolvency. As at 30 June 2023 the Company had retained earnings, including the profit for the current period, of USD 176,714 thousand (31 December 2022: USD 169,990 thousand), and total equity of USD 162,736 thousand (31 December 2022: USD 152,268 thousand).

On 8 July 2022 the Company changed the number of authorised ordinary shares from 17,000 to 1,700,000 (not yet outstanding as at the date of approval of the condensed consolidated interim financial information). The ownership proportion of the shareholders remains the same: JSC "National Welfare Fund "Samruk-Kazyna" (which holds the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which own 51% and 49% of the shares of the Company, respectively.

On 31 March 2023, a general annual meeting of the Company's shareholders was held. The general meeting decided to distribute 20% of the Company's net profit for 2022 in the amount of KZT 7,516,580 thousand (equivalent of USD 16,776 thousand) between the Company's shareholders in proportion to their interests. The dividends were fully paid on 26 May 2023 (No dividends were declared during the six months ended 30 June 2022).

In 2023 dividends in the amount of KZT 442 thousand (equivalent of USD 0.99 thousand) per share were declared (2022: nil).

The calculation of basic earnings per share is based on profit or loss for the period and the weighted average number of ordinary shares outstanding during the period of 17,000 shares (2022: 17,000). The Company has no instruments with potential dilutive effect.

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Profit for the period	23,500	9,486
Number of ordinary shares	17,000	17,000
Earnings per share – basic and diluted (USD)	1,382	558

20. DEFERRED REVENUE

'000 USD	30 June 2023 (unaudited)	31 December 2022
Unearned transportation revenue	123,845	70,998
Customer loyalty program provision	9,574	9,154
	133,419	80,152

Unearned transportation revenue represents the value of sold but unused passenger tickets, the validity period of which has not expired, excluding recognized passenger revenue in respect of the percentage of tickets sold that are expected not to be used or refunded.

Deferred revenue attributable to the customer loyalty program refers to the Group's Nomad Club program.

21. PROVISION FOR AIRCRAFT MAINTENANCE

'000 USD	30 June 2023 (unaudited)	31 December 2022
Engines	183,566	155,955
D-Check	15,960	13,464
Landing gear	5,565	4,880
C-Check	5,246	5,683
Provision for redelivery of aircraft	5,137	4,963
Auxiliary Power unit	4,992	4,698
	220,466	189,643

The movements in the provision for aircraft maintenance were as follows for the six-month periods ended 30 June 2023 and 30 June 2022:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
At 1 January	189,643	127,166
Accrued during the period (Note 7)	40,933	31,800
Reversed during the period (Note 7)	(1,533)	(1,124)
Unwinding of the discount	1,457	-
Used during the period	(10,034)	(12,949)
At 30 June (unaudited)	220,466	144,893

Under the terms of certain lease agreements without transfer of title for aircraft, the Group is obliged to carry out and pay for maintenance based on use of the aircraft and to return aircraft to the lessors in a satisfactory condition at the end of the lease term. The maintenance cost estimates used for calculating the provisions are stated in US Dollars.

The planned utilisation of these provisions is as follows:

'000 USD	30 June 2023 (unaudited)	31 December 2022
Within one year	62,832	71,685
During the second year	48,717	38,651
During the third year	58,999	46,648
After the third year	49,918	32,659
Total provision for aircraft maintenance	220,466	189,643
Less: current portion	62,832	71,685
Non-current portion	157,634	117,958

Significant judgment is involved in determining the provision for aircraft maintenance. Management has engaged an independent specialist to assist in estimating the timing and cost of expected engine maintenance activities. The estimate by the independent specialist is prepared based on the current condition of aircraft, historical flight hours and cycles, expected future utilisation of the aircraft over the remaining life of the leases without transfer of title as well as requirements for returnable condition when the lease term is concluded.

The estimates are based on the following key assumptions:

- expected utilisation rate for flight hours and cycles is based on historical data and actual usage;
- market prices are used for services and parts;
- it is assumed that aircraft will be operated within standard norms and conditions; and
- and no provisions have been made for unscheduled maintenance.

22. TRADE AND OTHER PAYABLES

'000 USD	30 June 2023 (unaudited)	31 December 2022
Trade payables	50,946	47,425
Advances received	14,510	12,232
Deposits received from agents	8,114	6,844
Due to employees	6,798	5,071
Accrued bonuses	4,758	6,559
Vacation pay accrual	2,204	1,321
Taxes payable	1,901	1,065
Pension contribution	804	773
Other	106	115
	90,141	81,405

The Group's trade and other payables are denominated in the following currencies:

'000 USD	30 June 2023 (unaudited)	31 December 2022
Tenge	44,322	33,088
US Dollar	35,076	33,230
Euro	6,266	3,900
GBP	759	671
Other	3,718	10,516
	90,141	81,405

23. LOANS

'000 USD	30 June 2023 (unaudited)	31 December 2022
<i>Non-current</i>		
Bank loan	9,084	4,162
	9,084	4,162
<i>Current</i>		
Current portion of bank loan	27,025	7,889
Interest payable	148	45
	27,173	7,934

On 12 August 2019 the Group opened a Credit Line in JSC Halyk Bank of Kazakhstan for USD 40,000 thousand for 3 years, for the purpose of working capital financing. Later, during 2020 the credit line was increased up to USD 160,000 thousand and tenor extended until 10 September 2025. The loan with EBRD for the hangar and aviation technical centre in Astana was fully refinanced with JSC Halyk Bank of Kazakhstan's credit facilities on 20 September 2020. The credit line in JSC Halyk Bank of Kazakhstan allows to take borrowings both in KZT and USD. During 2022 the Group has fully repaid all the borrowed facilities from JSC Halyk Bank of Kazakhstan. In 2022, the land plot, where the above-mentioned Aviation Technical Center is located, was divided into two separate parts. The main land plot where Aviation Technical Center is located will remain pledged in JSC Halyk Bank of Kazakhstan till the end of availability of credit line in 2025.

On 31 August 2021 the Group entered into a multi-currency Loan Agreement with EBRD for the total amount of USD 50,000 thousand. Uncommitted Tranche 2 in the amount of USD 15,000 thousand is for the purpose of financing capital expenditures (flight simulation facility, which will be pledged to the EBRD) and Committed Tranche 1 in the amount of USD 35,000 thousand is for working capital needs (COVID-19 package). In February and March 2022 the Group withdrew USD 5,000 thousand and USD 10,000 thousand, respectively for working capital needs. In April 2022 EBRD upgraded status of Tranche 2 to committed. In March 2023 the Group received USD 20,000 thousand for working capital needs and USD 15,000 thousand for the reimbursement of capital expenditures related to purchase of the Flight Simulation Equipment. The Group partially repaid its loan from EBRD, according to the existing schedule.

As at 30 June 2023 and 31 December 2022 the Group's loans are fully denominated in US Dollar.

24. LEASE LIABILITIES

During the years from 2012 to 2014 the Group acquired ten aircraft under fixed interest lease agreements with transfer of title. The lease term for each aircraft is twelve years. The Group has an option to purchase each aircraft for a nominal amount at the end of the lease. Other aircraft lease contracts are concluded for eight years without repurchase options at the end of the lease terms.

As at 30 June 2023 the Group has five Airbus and three Boeing 767 aircraft under fixed interest lease agreements with transfer of title (2022: five Airbus and three Boeing 767 aircraft).

Loans provided by financial institutions to the lessors in respect of five new Airbus aircraft which were delivered during 2012 and 2013 were guaranteed by European Export Credit Agencies while three Boeing 767 aircraft which were delivered in 2013 and 2014 were guaranteed by the US Export Import Bank.

The Group’s leases with transfer of title are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain lease agreements with transfer of title include covenants as regards to change of ownership of the Group. These requirements have been met as at 30 June 2023 and 30 June 2022.

All other aircraft leases other than described above are contracted without the right for purchase at the end of the lease term.

The Group’s obligations under leases are secured by the lessors’ title to the leased assets. These assets have a carrying value of USD 679,959 thousand (31 December 2022: USD 714,186 thousand) (Note 10).

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2023 (unaudited)	31 December 2022	30 June 2023 (unaudited)	31 December 2022
'000 USD				
Not later than one year	193,142	196,804	157,690	158,593
Later than one year and not later than five years	491,992	537,167	421,912	463,293
Later than five years	96,874	119,600	90,331	110,918
	782,008	853,571	669,933	732,804
Less: future finance charges	(112,075)	(120,767)	-	-
Present value of minimum lease payments	669,933	732,804	669,933	732,804
Included in the financial information as:				
- current portion of lease obligations			157,690	158,593
- non-current portion of lease obligations			512,243	574,211
			669,933	732,804

The Group’s lease obligations are mainly denominated in US Dollars.

Reconciliation of movements of loans and lease liabilities to cash flows arising from financing activities

'000 USD	Loans (Note 23)	Lease liabilities	Total
Balance as at 1 January 2023	12,096	732,804	744,900
Changes from financing cash flows			
Repayment of borrowings	(10,750)	-	(10,750)
Proceed from borrowings	35,000	-	35,000
Repayment of lease liabilities	-	(95,875)	(95,875)
Interest paid	(1,196)	(19,744)	(20,940)
Repayment of additional financing	(192)	-	(192)
Total changes from financing cash flows	22,862	(115,619)	(92,757)
The effect of changes in foreign exchange rates	-	91	91
Other changes			
New leases and modifications	-	31,496	31,496
Interest expense (Note 8)	1,299	21,161	22,460
Total other changes	1,299	52,657	53,956
Balance as at 30 June 2023	36,257	669,933	706,190

'000 USD	Loans (Note 23)	Lease liabilities	Total
Balance as at 1 January 2022	62,286	726,893	789,179
Changes from financing cash flows			
Repayment of borrowings	(83,272)	-	(83,272)
Proceed from borrowings	52,705	-	52,705
Repayment of lease liabilities	-	(70,761)	(70,761)
Interest paid	(3,019)	(16,650)	(19,669)
Repayment of additional financing	(181)	-	(181)
Total changes from financing cash flows	(33,767)	(87,411)	(121,178)
The effect of changes in foreign exchange rates	1,729	(312)	1,417
Other changes			
New leases	-	36,844	36,844
Interest expense (Note 8)	2,822	16,778	19,600
Total other changes	2,822	53,622	56,444
Balance as at 30 June 2022	33,070	692,792	725,862

On 1 July 2015 the Group designated a portion of its US dollar lease obligations as hedges of highly probable future US Dollar revenue streams. The Group applied the cash flow hedge accounting model to this hedging transaction, in accordance with IAS 39.

In connection with the transition of the functional currency to US Dollar, this hedge ceased to be economically effective from 31 December 2017. At 30 June 2023, a foreign currency loss of 25,858 USD thousand (31 December 2022: USD 32,020 thousand), before income tax of USD 5,172 thousand (31 December 2022: USD 6,404 thousand) on the lease liabilities with transfer of title, representing an effective portion of the hedge, is deferred in the hedging reserve within equity. As a result of the change, the hedge relationship has been discontinued so that starting from 1 January 2018 no further foreign currency translation gains or losses are transferred from profit or loss to the hedge reserve, and the hedge reserve recognised in equity as at 31 December 2017 is reclassified to profit or loss in line with the forecasted hedge recognition which is expected to happen annually until 2025.

During the first half of 2023 the amount reclassified from the hedging reserve to foreign exchange loss in the condensed consolidated interim statement of other comprehensive income was USD 6,163 thousand (before income tax of USD 1,233 thousand) (six months ended 30 June 2022: USD 5,999 thousand (before income tax of USD 1,200 thousand)).

25. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, currency and commodity price risk arises in the normal course of the Group's business. The Group does not hedge its exposure to such risks, other than commodity price risk as discussed below.

Capital management

The Group manages its capital to ensure the Group will be able to continue as going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's current 10-year development Strategy was approved in 2017 and covers the years 2017-2026.

The capital structure of the Group consists of net debt (comprising loans and lease obligations in Notes 23 and 24) and equity of the Group (comprising issued capital, functional currency transition reserve, reserve on hedging instruments and retained earnings as detailed in Note 19).

The Group is not subject to any externally imposed capital requirements.

The Group does not have a target gearing ratio.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The maximum exposure to credit risk related to financial instruments, such as cash, guarantee deposits and accounts receivable, is calculated on basis of their book value.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

As at 30 June 2023 there was no significant concentration of credit risk in respect of trade accounts receivable (Note 15).

The Group uses reputable banks and has established a prudent cash investment policy which limits the credit risk related to bank accounts and deposits.

As a result of the increased credit risks on some of the banks, the Board of Directors of the Group approved its cash management policy in May 2019 and set required minimum credit ratings for banks to be added to the list of accredited banks of the Group and placed its main amounts due from banks in banks with ratings of BBB-, or higher. The carrying amounts of financial assets represent the maximum credit exposure.

As at 30 June 2023, the majority of current accounts with local banks are placed with top rated local Kazakhstan banks with a credit rating of BBB-, Fitch.

As at 30 June 2023 Management believes that there has been no significant increase in credit risk of major banks and debtors in comparison to the prior year end.

Interest rate risk

The Group is not exposed to significant interest rate risk because the Group mainly borrows funds at fixed interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the US dollar. The currency giving rise to this risk is primarily the Tenge. For amounts of assets and liabilities denominated in foreign currencies refer to Notes 15, 17 and 22.

The Group management believes that it has taken appropriate measures to support the sustainability of the Group business under the current circumstances in respect of foreign currency risk.

Foreign currency sensitivity analysis

The Group is mainly exposed to the risk of change of exchange rates of the USD against tenge.

The carrying value of the Group's monetary assets and liabilities in foreign currency as at the reporting date has been provided below. This disclosure excludes assets and liabilities denominated in other currencies as they do not have significant effect on the condensed consolidated interim financial information of the Group.

	Notes	30 June	30 June	31 December	31 December
		2023	2023	2022	2022
'000 USD		KZT	EUR	KZT	EUR
		(unaudited)	(unaudited)		
Assets					
Other taxes prepaid	16	10,293	-	8,378	-
Trade and other receivables	15	23,138	1,676	8,161	1,232
Income tax prepaid		9,927	-	8,978	-
Cash and bank balances	17	23,393	5,805	12,766	4,634
Guarantee deposits		178	307	177	306
Total		66,929	7,788	38,460	6,172
Liabilities					
Trade and other payables	22	44,322	6,266	33,088	3,900
Lease liabilities		4,410	-	3,260	-
Total		48,732	6,266	36,348	3,900
Net position		18,197	1,522	2,112	2,272

As at 30 June 2023 the following table details the Group's sensitivity of weakening of the US Dollar against the Tenge by 10% (31 December 2022: 21%) and Euro by 10 % (31 December 2022: 10.6%) and strengthening of the US Dollar against the Tenge by 10 % (31 December 2022: 21%) and Euro by 10 % (31 December 2022: 10.6%).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for above mentioned sensitivity ratios. The sensitivity analysis includes trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, financial assets and liabilities at fair value through profit or loss and lease liabilities.

A negative number below indicates a decrease in profit or loss and positive number would be an increase on the profit or loss.

'000 USD	Weakening of US Dollar		Strengthening of US Dollar	
	Tenge	Euro	Tenge	Euro
30 June 2023	10%	10%	(10%)	(10%)
Profit/(loss)	1,456	122	(1,456)	(122)
'000 USD	Weakening of US Dollar		Strengthening of US Dollar	
	Tenge	Euro	Tenge	Euro
31 December 2022	21%	10.6%	(21%)	(10.6%)
Profit/(loss)	355	193	(355)	(193)

The Group limits the currency risk by monitoring changes in exchange rates of foreign currencies in which trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, financial assets and liabilities at fair value through profit or loss, loans and lease liabilities are denominated.

Liquidity risk management

Liquidity risk is the risk that a Group will encounter difficulty in meeting the obligations associated with its liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Group's Management. The Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and assets. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

'000 USD	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
30 June 2023 (unaudited)					
Financial assets					
<i>Non interest bearing</i>					
Trade and other receivables	33,927	1,885	1,760	-	37,572
Guarantee deposits	211	1,395	11,192	19,425	32,223
Cash and bank balances	300,234	-	-	-	300,234
Financial liabilities					
<i>Non interest bearing</i>					
Trade and other payables	65,616	8,114	-	-	73,730
<i>Variable rate</i>					
<i>Loans</i>	9,631	18,875	9,044	-	37,550
<i>Fixed rate</i>					
Loans	106	317	211	-	634
Lease liabilities	45,846	147,296	491,992	96,874	782,008

'000 USD	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
31 December 2022					
Financial assets					
Trade and other receivables	20,117	1,190	1,300	-	22,607
Guarantee deposits	1,096	2,420	11,459	18,109	33,084
Cash and bank balances	252,888	-	-	-	252,888
Financial liabilities					
<i>Non-interest bearing</i>					
Trade and other payables	61,264	6,844	-	-	68,108
<i>Variable rate</i>					
<i>Loans</i>	2,082	6,057	3,890	-	12,029
<i>Fixed rate</i>					
Loans	96	294	412	-	802
Lease liabilities	49,099	147,705	537,167	119,600	853,571

Fair values

Cash and bank balances

The carrying value of cash and bank balances approximates their fair value as they either have short-term maturity or are interest-bearing and hence are not discounted.

Fuel call options

The Group uses options to hedge the risk of jet fuel price movement. The Group uses standard market instruments for fuel hedging purposes, such as “call option” (where the premium is paid in advance by the Group to cover the risk of increases of commodity price above the predetermined level). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased in domestic market, the Group hedges only the amount of fuel purchased outside the Republic of Kazakhstan by signing a general agreement with several international banks on the conclusion of derivative transactions. The management of the Group determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Company. The Group determines the economic relationship between the hedge instrument and the hedge item by analyzing the historic price movement of aviation fuel and Brent by performing a regression analysis. The resulting Beta coefficient is assessed for statistical significance and used as a hedge ratio.

The hedge ineffectiveness comes from the probability that due to constantly changing economic conditions the highly probable transaction, purchase of aviation fuel, might not occur.

These hedge items are highly probable future transactions planned for the second half of 2023. The hedge instrument is the crude oil call option with the strike prices of USD 85 per barrel. Based on the hedge ratio of 1.157, the Group hedged 201,736 barrels of fuel as of 30 June 2023 (31 December 2022: 274,096 barrels of fuel). Due to the short-term maturity the Group does not expect significant changes in the fair value of the instruments.

The fair values (FV) of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Level 2 fair values for financial assets and liabilities at fair value through profit or loss have been generally derived using the fair value valuation reports provided by the banks which participate in hedging transactions. The most significant input into this valuation approach are time left to maturity of the deal, implied volatility for Brent Crude Oil, forward and spot prices of crude oil.

The Group has no other financial and non-financial instruments that are measured subsequently to initial recognition at fair value, grouped into Levels 1 to 3 of fair value hierarchy.

Guarantee Deposits

Guarantee Deposits are recognised at amortised cost. Management believes that their carrying amounts approximate their fair value.

Trade and other receivables and payables

For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material. Ab-initio receivables are recorded at fair value at initial recognition and subsequently measured at amortised cost. Management believes that their carrying amounts approximate their fair value.

Loans

Loans are recognised at amortised cost. Management believes that their carrying amounts approximate their fair values.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Management believes that their fair values are lower than carrying amounts by approximately 3.3% (31 December 2022: lower by 3.6%).

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

In 2011 the Group finalized an agreement with Boeing to purchase three Boeing 787-8 aircraft (Note 14). The Group is committed to pre-delivery payments in accordance with the agreed payment schedule.

The terms of the Group's contract with the above suppliers precludes it from disclosing information on the purchase cost of the aircraft.

Future commitments

Aircraft

Aircraft leases are for terms of between 3 to 12 years. Lease contracts contain market review clauses in the event that the parties agree to renew the leases. The Group may not have an option to purchase the leased aircraft at the expiry of the lease period.

The fixed and variable lease payments are denominated and settled in US Dollars. This currency is routinely used in international commerce for aircraft operating leases.

Commitments for leases of aircraft to be delivered from the second half of 2023 to 2025:

'000 USD	30 June 2023 (unaudited)	31 December 2022
Within one year	26,460	14,070
After one year but not more than five years	417,358	406,869
More than five years	691,954	747,355
	1,135,772	1,168,294

In 2022 the Group signed operating lease agreements for twelve A320neo aircraft and for three A321neo with expected delivery dates in 2023-2025 both for expansion and replacement of retiring aircraft. Also, the Airline signed the operating lease for three B787-9 aircraft with deliveries in 2025-2026.

During 2022 three A320neo aircraft were delivered in September, November and December 2022, three 321neo aircraft were delivered in May, October and December 2022, and one A320ceo was delivered in May 2022, rest are expected during 2023 and 2024.

In 2023 the Group has signed agreement for one Airbus 320ceo which was delivered in June 2023, one Airbus 320ceo with delivery in the second half of 2023.

In 2021 the Group has signed agreements for Full-flight simulator delivery and Simulator center construction in Astana. The simulator has been delivered to the airline in 2022. Full-flight simulator was installed and commissioned in 2023 (Note 10).

Non-cancellable commitments related to the Simulator project:

'000 USD	30 June 2023	31 December 2022
Within one year	-	993
	-	993

Insurance

Aviation insurance

The Group puts substantial attention in conducting insurance coverage for its aircraft operations and hence hedges aviation risks in major international insurance markets (e.g. Lloyd's) with a high rating of financial stability through the services of an international reputable broker.

Types of insurance coverage are stated below:

- Aviation Hull, Total Loss Only and Spares All risks and Airline Liability including Passenger Liability;
- Aircraft Hull and Spare Engine Deductible;
- Aviation Hull and Spares "War and Allied Perils";
- Aviation War, Hi-Jacking and Other Perils Excess Liability.

Non – Aviation Insurance

Apart from aviation insurance coverage the Group constantly purchases non-aviation insurance policies to reduce the financial risk of damage to property and general liability, as well as covering employees from accidents and medical expenses, as follows:

- Medical insurance of employees;
- Directors, Officers and Corporate liability insurance;
- Property insurance;
- Comprehensive vehicle insurance;
- Compulsory insurance of employee from accidents during execution of labour (service) duties;
- Commercial general liability insurance (Public Liability);
- Pilot's loss of license insurance;
- Insurance of goods at warehouse;

- Cyber Insurance.

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS standards treatment of revenues, expenses and other items in the condensed consolidated interim financial information. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

The management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this condensed consolidated interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

The functional currency of the Company is US Dollar, as it best reflects the economic substance of the underlying events and circumstances of the Company. The Tax Code of the Republic of Kazakhstan does not contain provisions which would regulate questions arising from the application of functional currency in accounting books different from tenge. However, the Tax Code requires all taxpayers in Kazakhstan to maintain their tax records and to settle tax liabilities in tenge. Therefore, the Group also maintains records and conducts calculations in tenge for the purpose of taxation and settlement of tax liabilities and makes certain estimates in this respect. The management believes that such approach is the most appropriate under the current legislation.

Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The Group has an ongoing appeal with the Antimonopoly agency of the Republic of Kazakhstan regarding an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered during the period January 2021 – June 2022. The dispute was transferred to the court, which imposed a fine on the airline in the amount of KZT 6,806,138 thousand (USD 15,041 thousand). The Group believes that the claim does not carry legal merit, since fuel surcharges were collected in strict adherence to the current legislation and has not made provision as at 30 June 2023. Moreover, the court established that the Agency for Protection and Development of Competition of the Republic of Kazakhstan violated procedures prescribed by the Entrepreneur Code of the Republic of Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and geopolitical conflicts have also increased the level of uncertainty in the business environment. The condensed consolidated interim financial information reflect the management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from the management's assessment.

27. RELATED PARTY TRANSACTIONS

Control relationships

The shareholders of the Group are JSC "National Welfare Fund "Samruk-Kazyna" (which holds the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which own 51% and 49% of the shares of the Group, respectively.

Management remuneration

Key management that have authority and responsibility regarding management, control and planning of the Group's activity received the following remuneration during the year, which is included in employee costs:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Wages and salaries	4,246	3,911
Social tax	384	350
	4,630	4,261

Transactions with related parties

Related parties comprise the shareholders of the Group and all other companies in which those shareholders, either individually or together, have a controlling interest or significant influence.

The Group provides air transportation services to Government departments, Government agencies and State-controlled enterprises. The Group has established its buying and approval process for purchases and sales of products and services. Both sales and purchase transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

The following transactions require disclosure as related party transactions:

'000 USD	Six-month period ended 30 June 2023 (unaudited)	30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)	31 December 2022
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services received				
State-owned companies	74,025	(1,512)	13,913	(2,279)
Shareholders and their subsidiaries	34,305	(2,282)	4,604	(3,236)
	108,330	(3,794)	18,517	(5,515)

Services from related parties are represented by airport, navigation and meteorological forecasting services.

'000 USD	Six-month period ended 30 June 2023 (unaudited)	30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)	31 December 2022
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services provided by the Group				
Shareholders and their subsidiaries	663	115	660	205
	663	115	660	205

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

Transactions with government-related entities

The Group transacts with a number of entities that are controlled by the Government of Kazakhstan. The Group applies the exemption in IAS 24 *Related Party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities.

The Group transacts with a number of entities that are related to the Government of Kazakhstan. These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

28. SUBSEQUENT EVENTS

In July 2023 the Group fully repaid loan from EBRD ahead of schedule.

29. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved by management of the Group and authorised for issue on 28 July 2023.