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JOINT STOCK COMPANY AIR ASTANA

Condensed Interim Financial Information
for the six-month period
ended 30 June 2019 (unaudited)

JOINT STOCK COMPANY AIR ASTANA

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders and Board of Directors of JSC Air Astana

Introduction

We have reviewed the accompanying condensed interim statement of financial position of JSC Air Astana (the "Company") as at 30 June 2019, and the related condensed 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 interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed 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 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 interim financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Sergey Dementyev
Engagement Partner



KPMG Audit LLC
Almaty, Republic of Kazakhstan

13 August 2019

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 * (unaudited)
Revenue			
Passenger revenue	5	359,980	373,578
Cargo and mail	5	9,646	9,599
Other	5	3,030	3,377
Total revenue		372,656	386,554
Operating expenses			
Fuel		(96,765)	(115,616)
Handling, landing fees and route charges	6	(51,624)	(55,581)
Engineering and maintenance	6	(42,576)	(40,522)
Passenger service	6	(41,090)	(45,483)
Employee costs	6	(40,152)	(40,421)
Depreciation and amortisation	10	(35,114)	(12,466)
Selling costs	6	(20,337)	(21,347)
Aircraft crew costs	6	(16,756)	(18,366)
Aircraft operating lease costs	6	(8,900)	(33,859)
Insurance		(2,453)	(1,984)
Property lease cost		(2,048)	(2,179)
Information technology		(1,881)	(1,840)
Consultancy, legal and professional services		(1,667)	(1,665)
Taxes, other than income tax		(574)	(1,401)
Impairment loss on trade receivables		(182)	-
Other		(3,708)	(5,708)
Total operating expenses		(365,827)	(398,438)
Operating profit/(loss)		6,829	(11,884)
Finance income	7	1,718	1,320
Finance costs	7	(11,146)	(5,209)
Foreign exchange loss, net		(6,600)	(6,665)
Loss before tax		(9,199)	(22,438)
Income tax benefit	8	2,013	4,152
Net loss for the period		(7,186)	(18,286)
Basic and diluted loss per share (in USD)	17	(423)	(1,076)

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

On behalf of the Company's management:

		
Peter Foster	Ibrahim Canliel	Azamat Ospanov
President	Chief Financial Officer	Vice-president Finance Accounts, Chief Accountant
13 August 2019 Almaty, Republic of Kazakhstan	13 August 2019 Almaty, Republic of Kazakhstan	13 August 2019 Almaty, Republic of Kazakhstan

The notes on pages 11-40 form an integral part of this condensed interim financial information. The independent auditors' report on review of condensed interim financial information is on page 2.

JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 * (unaudited)
Net loss for the period		(7,186)	(18,286)
Other comprehensive income to be reclassified into profit or loss in subsequent periods:			
Realized net gain from cash flow hedging instruments	22	5,546	5,405
Corporate income tax related to gain from cash flow hedging instruments	22	(1,109)	(1,081)
Other comprehensive income for the period, net of income tax		4,437	4,324
Total comprehensive loss for the period		(2,749)	(13,962)

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

	Notes	30 June 2019 (unaudited)	31 December 2018 *
ASSETS			
Non-current assets			
Property and equipment	9	502,654	255,007
Intangible assets		1,892	2,164
Prepayments for non-current assets	13	12,825	14,622
Guarantee deposits	11	17,111	19,170
Trade and other receivables	14	5,044	4,059
		539,526	295,022
Current assets			
Inventories	12	46,271	44,965
Prepayments	13	27,014	25,166
Income tax prepaid		4,676	1,336
Trade and other receivables	14	39,988	26,633
Other taxes prepaid	15	28,177	22,665
Guarantee deposits	11	21,931	31,839
Cash and bank balances	16	143,232	132,826
Other financial assets		749	118
		312,038	285,548
Total assets		851,564	580,570
EQUITY AND LIABILITIES			
Equity			
Share capital	17	17,000	17,000
Functional currency transition reserve		(9,324)	(9,324)
Reserve on hedging instruments, net of tax		(58,333)	(62,770)
Retained earnings		112,091	143,746
Total equity		61,434	88,652
Non-current liabilities			
Loans	21	7,145	7,751
Lease liabilities	22	425,914	241,033
Deferred tax liabilities	8	7,147	16,455
Provision for aircraft maintenance	19	50,182	38,623
		490,388	303,862
Current liabilities			
Loans	21	1,413	1,405
Lease liabilities	22	98,880	40,494
Deferred revenue	18	85,796	52,731
Provision for aircraft maintenance	19	47,433	48,613
Trade and other payables	20	66,220	44,813
		299,742	188,056
Total liabilities		790,130	491,918
Total equity and liabilities		851,564	580,570

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
At 1 January 2018 (as previously reported)	17,000	(9,324)	(71,465)	150,552	86,763
Adjustments on initial application of IFRS 9 and IFRS 15	-	-	-	(482)	(482)
Adjusted balance at 1 January 2018	17,000	(9,324)	(71,465)	150,070	86,281
Loss for the period (unaudited)	-	-	-	(18,286)	(18,286)
Realised loss on cash flow hedging instruments, net of tax (unaudited) (Note 22)	-	-	4,324	-	4,324
Total other comprehensive loss for the period (unaudited)	-	-	4,324	(18,286)	(13,962)
Dividends declared (unaudited)	-	-	-	(11,676)	(11,676)
At 30 June 2018 (unaudited)	17,000	(9,324)	(67,141)	120,108	60,643
At 1 January 2019 (as previously reported)*	17,000	(9,324)	(62,770)	143,746	88,652
Adjustments on initial application of IFRS 16	-	-	-	(24,469)	(24,469)
Adjusted balance at 1 January 2019	17,000	(9,324)	(62,770)	119,277	64,183
Loss for the period (unaudited)	-	-	-	(7,186)	(7,186)
Realised loss on cash flow hedging instruments, net of tax (unaudited) (Note 22)	-	-	4,437	-	4,437
Total other comprehensive loss for the period (unaudited)	-	-	4,437	(7,186)	(2,749)
At 30 June 2019 (unaudited)	17,000	(9,324)	(58,333)	112,091	61,434

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

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CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

	Notes	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018* (unaudited)
OPERATING ACTIVITIES:			
Loss before tax		(9,199)	(22,438)
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets	10	35,114	12,466
Gain on sale of property, equipment and inventory		(305)	(444)
Loss on disposal of property, plant and equipment		1,234	-
Change in impairment allowance for prepayments, trade receivables, guarantee deposits		(182)	(129)
Change in write-down of obsolete and slow-moving inventories		(31)	64
Change in vacation accrual		176	(418)
Change in provision for aircraft maintenance	19	14,128	7,819
Reversal of loyalty provision		747	1,218
Foreign exchange loss, net		6,600	6,665
Finance income	7	(1,352)	(1,320)
Finance costs	7	11,123	5,209
Operating cash flow before movements in working capital		58,053	8,692
Change in trade and other accounts receivables		(14,480)	(12,611)
Change in prepaid expenses		(7,129)	(12,277)
Change in inventories		(968)	(8,830)
Change in trade and other payables and other current liabilities		16,253	8,324
Change in deferred revenue		32,318	33,357
Change in other financial assets		(1,291)	-
Cash generated from operations		82,756	16,655
Income tax paid		(5,505)	(1,548)
Interest received		1,328	-
Net cash generated from operating activities		78,579	15,107
INVESTING ACTIVITIES:			
Purchase of property and equipment		(22,215)	(9,927)
Proceeds from disposal of property, plant and equipment		23	3,328
Purchase of intangible assets		(199)	(85)
Bank and Guarantee deposits placed		(10,140)	(15,504)
Bank and Guarantee deposits withdrawn		22,170	12,226
Net cash used in investing activities		(10,361)	(9,962)

Continued on the next page

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED) (UNAUDITED) (in thousands of USD)

	Notes	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 * (unaudited)
FINANCING ACTIVITIES:			
Repayment of lease liabilities	22	(46,806)	(19,484)
Interest paid	22	(10,511)	(5,394)
Repayment of borrowings	22	(679)	(792)
Net cash used in financing activities		(57,996)	(25,670)
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		10,222	(20,525)
Effect of exchange rate changes on cash and bank balances held in foreign currencies		184	(179)
CASH AND BANK BALANCES, at the beginning of the period	16	132,826	148,181
CASH AND BANK BALANCES, at the end of the period	16	143,232	127,477

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

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JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) *(in thousands of USD)*

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 company on 27 May 2005.

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

The Company operated its maiden flight on 15 May 2002, a Boeing-737 service from Almaty to Kazakhstan’s national capital, Nur-Sultan (previously Astana). As at 30 June 2019 and 31 December 2018, the Company operated 35 turbojet aircraft that are acquired under lease.

The Company re-registered its office in 2010 from Nur-Sultan, Kazakhstan to Zakarpatskaya street 4A, Almaty, Kazakhstan as the Company’s main airport of operations is Almaty International Airport.

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

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statements have 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 Company since the last annual consolidated financial statements as at and for the year ended 31 December 2018. This condensed interim financial information should be read in conjunction with those financial statements. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This is the first set of the Company’s financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

Functional currency

Even though the national currency of Kazakhstan is the Kazakhstani tenge (“tenge”), the Company functional currency is determined as the US Dollar. The US Dollar 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 consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in US Dollar have been premeasured in US Dollar in accordance with the relevant accounting standard requirements.

As requested by shareholders, the Company prepares two sets of financial statements with presentation currency Kazakhstani tenge and US Dollar (“USD”) as shareholders believe that both currencies are useful for the users of the Company’s financial statements. These financial statements have been presented in USD for the six-month period ended 30 June 2019. All financial information presented in USD has been rounded to the nearest thousand.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

IFRS 16

The Company has initially adopted IFRS 16 "Leases" from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Also the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company leases many assets, including aircraft, engines and buildings.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company presents right-of-use assets in 'property and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of newly recognised right-of-use assets are as below.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. As a lessee (continued)

'000 USD	Property, plant and equipment		
	Buildings	Aircrafts and rotatable parts	Total
Balance at 1 January 2019	5,106	159,103	164,209
Balance at 30 June 2019	4,542	240,954	245,496

(i) Significant accounting policies

Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Company considers that enforceability of the lease is established by the written contract (including penalty clauses) in combination with applicable legislation related to renewal or termination rights (specifically the lessee's preferential rights to renew the lease). However, the Company determined that its preferential right to renew would not on its own be treated as substantive when the lessor can refuse to agree to a request from the Company to extend the lease. As a consequence, for the leases with short contractually stated term where the Company has a preferential right to renew in accordance with law, but the lessor can refuse to agree to a request from the Group to extend the lease, the Company determined that the lease term does not exceed the term stated in the contract.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Company elected not to recognise a right-of-use asset and a lease liability for leases with less than 12 months of lease term and leases for which underlying asset is of low value.

Accounting of the maintenance on leased aircraft

The restoration expenditures are generally segregated into the following types:

Overhaul and restoration works (not depending on aircraft utilization)

Costs resulting from restoration work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul are recognized as provisions as of the inception of the contract. The counterpart of these provisions is booked as a complement to the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Significant accounting policies (continued)*

Accounting of the maintenance on leased aircraft (continued)

Deferred maintenance asset

The Company considers that underlying assets under lease contract that allow the Company to obtain the legal title of the underlying at the end of the contract term are in substance owned by the Company. The deferred maintenance assets – which represent capitalised overhaul of engine restoration, engine limited life parts, auxiliary power units, maintenance of landing gear, C-Checks and D-Checks – are a separate complement to the right-of-use assets only when their useful lives differ from the useful lives of related right-of-use-assets. When maintenance events aimed at reconstituting these deferred assets take place, the costs incurred are capitalised. These assets are depreciated over the period of use of the maintenance assets (flight hours and flight cycles for the engine potentials component).

Provision

The Company is obligated to perform regular scheduled maintenance of aircraft under the terms of its lease agreements and regulatory requirements relating to air safety. The lease agreement also requires the Company to return aircraft to lessors in a satisfactory condition at the end of the lease term, which may require the performance of final return conditions.

The Company recognizes provisions in respect of the aircraft maintenance obligations of those leased aircraft which are accounted as leases without purchase options that would reasonably certain to be used. These return obligation provisions depend on the nature of maintenance obligations to be done before returning the aircraft to the lessors.

Due to contractual provisions the Company is obliged to either conduct a shop visit at the re-delivery date or pay lessors compensation for aircraft exploitation which is connected to the flight hours or flight cycles utilized or the time passed. The Company records a provision for the upcoming shop visit payments based on these drivers.

(ii) *Transition*

Previously, the Company classified property leases as operating leases under IAS 17. These include aircraft, engines, and other facilities. The leases typically run for a period of 6-10 years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to the aircraft leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to engines and other facilities.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied exemption to leases for which the underlying asset is of low value;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar, economic environment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Transition (continued)

- applied exemption to leases for which the lease term ends within 12 months of the date of initial application;
- used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of aircraft under finance lease term as classified under IAS 17. For these leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

'000 USD	1 January 2019
Right-of-use assets presented in property, plant and equipment	304,778
Accumulated depreciation	(140,569)
Deferred tax asset	6,168
Lease liabilities	194,846
Retained earnings	24,469

When measuring lease liabilities for leases that were previously classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is around 5-6%.

Presented below is the reconciliation of the lease commitments as at 31 December 2018 with the accrual of lease liabilities presented as at 1 January 2019:

'000 USD	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	238,472
Recognition exemption for leases with less than 12 months of lease term at transition	(9,041)
Effect on discounting	(34,585)
Lease liabilities recognised at 1 January 2019	194,846

(ii) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised USD 164,209 thousand of right-of-use assets and USD 194,846 thousand of lease liabilities as at 1 January 2019.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised USD 21,903 thousand of depreciation charges and USD 5,885 thousand of interest costs from these leases.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the Company's annual financial statements for 2018 prepared in accordance with IFRS, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, as described above.

5. REVENUE

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Passenger revenue		
Passenger transport	287,222	304,577
Fuel surcharge	49,373	45,577
Airport services	21,037	20,878
Excess baggage	2,348	2,546
	359,980	373,578
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Cargo and mail revenue		
Cargo	8,575	8,636
Mail	1,071	963
	9,646	9,599
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Other revenue		
Incidental revenue	911	749
Penalties on agency contracts	582	114
Income from ground services	463	428
Advertising revenue	325	365
Gain on disposal of spare parts and other assets	305	444
Other	444	1,213
	3,030	3,377

During the six-month periods ended 30 June 2019 and 30 June 2018, passenger, cargo and mail revenue, representing total revenue from contracts with customers, were generated from the following destinations:

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Domestic	100,991	100,545
Europe	78,819	82,276
Asia	68,057	77,038
Russia	54,535	59,351
CIS Regional (excluding Russia)	38,195	36,217
Middle East	29,029	27,750
Total passenger, cargo and mail revenue	369,626	383,177

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

6. OPERATING EXPENSES

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Handling, landing fees and route charges		
Aero navigation	21,930	23,368
Handling charge	18,278	19,182
Landing fees	10,651	11,995
Meteorological services	102	116
Other	663	920
	51,624	55,581
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Engineering and maintenance		
Maintenance – variable lease payments	14,181	15,934
Maintenance – provisions (Note 19)	14,128	7,819
Spare parts	6,943	6,456
Maintenance – components	6,125	9,183
Technical inspection	1,199	1,130
	42,576	40,522
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Passenger service		
Airport charges	20,278	22,491
Catering	10,792	13,604
In-flight entertainment	2,536	2,927
Security	2,410	2,163
Other	5,074	4,298
	41,090	45,483
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Employee costs		
Wages and salaries of operational personnel	25,703	25,092
Wages and salaries of administrative personnel	6,552	6,516
Social tax	3,774	3,793
Wages and salaries of sales personnel	2,323	2,169
Other	1,800	2,851
	40,152	40,421

The average number of employees during the six-month period ended 30 June 2019 was 5,312 (2018: 5,198).

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

6. OPERATING EXPENSES (CONTINUED)

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Selling costs		
Reservation costs	11,060	10,952
Commissions	5,184	6,092
Advertising	3,056	3,723
Interline commissions	182	329
Other	855	251
	<u>20,337</u>	<u>21,347</u>
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Aircraft crew costs		
Accommodation and allowances	7,366	7,788
Contract crew	6,453	7,094
Training	2,937	3,484
	<u>16,756</u>	<u>18,366</u>
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Aircraft lease costs		
Fixed lease charges of aircraft and engine	6,776	31,843
Leased engine on wing costs	1,300	1,204
Lease of engines and rotatable spare parts	689	618
Other	135	194
	<u>8,900</u>	<u>33,859</u>

Aircraft lease costs relating to lease engine on wing costs and lease of engines and rotatable spare parts for 6 months of 2019 are represented by the expense relating to short-term leases and leases of low-value assets.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

7. FINANCE INCOME AND COSTS

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Finance income		
Interest income on bank deposits	1,328	1,070
Reversal of impairment allowance on financial assets	366	204
Unwinding of discount on Ab-initio pilot trainees receivables	10	15
Revaluation of discount on guarantee deposits	8	29
Other	6	2
	<u>1,718</u>	<u>1,320</u>
	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Finance costs		
Interest expense on lease liabilities	9,979	4,678
Financial assets and liabilities held at FVTPL	660	-
Interest expense on bank loans	484	423
Impairment allowance on financial assets	-	108
Other	23	-
	<u>11,146</u>	<u>5,209</u>

8. INCOME TAX BENEFIT

The Company's income tax benefit for the six-month period ended 30 June was as follows:

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Current Income tax	2,233	-
Deferred income tax benefit	(4,246)	(4,152)
	<u>(2,013)</u>	<u>(4,152)</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. The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at 30 June 2019 and 31 December 2018 is presented below.

	30 June 2019 (unaudited)	31 December 2018
Deferred tax assets		
Lease liability	71,175	-
Provision for aircraft maintenance	23,661	17,273
Trade and other payables	7,397	3,473
Total	<u>102,233</u>	<u>20,746</u>
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(101,772)	(35,450)
Inventories	-	(1,106)
Intangible assets	(104)	(180)
Prepaid expenses	(7,504)	(465)
Total	<u>(109,380)</u>	<u>(37,201)</u>
Net deferred tax liabilities	<u>(7,147)</u>	<u>(16,455)</u>

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

8. INCOME TAX BENEFIT (CONTINUED)

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 10 years.

Movements in deferred income tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 1,109 thousand related to carried forward corporate income tax losses, which were recognized in equity (six months ended 30 June 2018: USD 1,081 thousand).

The income tax rate in the Republic of Kazakhstan, where the Company is located, at 30 June 2019 and 31 December 2018 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% (2018: 20%) to the actual income tax benefit recorded in the Company's statement of profit or loss:

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Loss before tax	(9,199)	(22,438)
Income tax (benefit) at statutory rate	(1,840)	(4,488)
USD forex effect	(644)	(41)
Tax effect of non-deductible expenses	471	377
Income tax benefit	(2,013)	(4,152)

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

9. PROPERTY AND EQUIPMENT

	Rotable spare parts	Office equipment and furniture	Building, premises and land	Vehicles	Leased aircraft	Equipment in transit and construction in progress	Total
Cost							
At 1 January 2018	48,579	6,348	3,432	3,527	289,324	20,625	371,835
Additions (unaudited)	4,276	409	997	373	885	-	6,940
Disposals (unaudited)	(2,137)	(32)	(170)	(19)	(485)	-	(2,843)
Transfers (unaudited)	-	-	19,091	-	-	(19,091)	-
At 30 June 2018 (unaudited)	50,718	6,725	23,350	3,881	289,724	1,534	375,932
At 1 January 2019, unadjusted	54,666	7,013	23,684	3,064	292,382	2,030	382,839
Opening balance adjustments due application of IFRS 16	3,013	-	5,106	-	296,659	-	304,778
At 1 January 2019, adjusted	57,679	7,013	28,790	3,064	589,041	2,030	687,617
Additions (unaudited)	8,833	495	280	180	109,381	170	119,339
Disposals (unaudited)	(1,273)	(11)	-	(7)	(7,204)	-	(8,495)
Transfers to inventory (unaudited)	(25)	-	-	-	-	-	(25)
Transfers (unaudited)	194	-	-	-	(194)	-	-
At 30 June 2019 (unaudited)	65,408	7,497	29,070	3,237	691,024	2,200	798,436
Accumulated depreciation							
At 1 January 2018	20,183	4,425	1,462	1,323	82,688	-	110,081
Charge for the period (unaudited) (Note 10)	3,061	332	241	182	8,181	-	11,997
Disposals (unaudited)	(215)	(32)	(170)	(8)	(485)	-	(910)
At 30 June 2018 (unaudited)	23,029	4,725	1,533	1,497	90,384	-	121,168
At 1 January 2019, unadjusted	25,906	4,967	1,845	1,467	93,647	-	127,832
Opening balance adjustments due application of IFRS 16	2,492	-	-	-	138,077	-	140,569
At 1 January 2019, adjusted	28,398	4,967	1,845	1,467	231,724	-	268,401
Charge for the period (unaudited) (Note 10)	3,807	354	879	122	29,480	-	34,642
Disposals (unaudited)	(322)	(10)	-	(7)	(6,944)	-	(7,261)
At 30 June 2019 (unaudited)	31,905	5,311	2,724	1,582	254,260	-	295,782
Net book value							
At 30 June 2018 (unaudited)	27,689	2,000	21,816	2,384	199,340	1,534	254,764
At 1 January 2019, unadjusted	28,760	2,046	21,839	1,597	198,735	2,030	255,007
At 30 June 2019 (unaudited)	33,503	2,186	26,346	1,655	436,764	2,200	502,654

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

9. PROPERTY AND EQUIPMENT (CONTINUED)

The Company's obligations under leases are secured by the lessors' title to the leased assets, which have a carrying amount of USD 436,764 thousand (unaudited) (2018: USD 198,735 thousand) (Note 22).

Rotable spare parts include aircraft modification costs.

10. DEPRECIATION AND AMORTISATION

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Depreciation of property and equipment (Note 9)	34,642	11,997
Amortisation of intangible assets	472	469
Total	35,114	12,466

11. GUARANTEE DEPOSITS

	30 June 2019 (unaudited)	31 December 2018
<i>Non-current</i>		
Guarantee deposits for leased aircraft	16,360	17,267
Other guarantee deposits	985	2,209
Impairment allowances	(234)	(306)
	17,111	19,170
<i>Current</i>		
Guarantee deposits to secure Letters of Credit for maintenance liabilities (Note 24)	16,064	28,564
Guarantee deposits for leased aircraft	5,234	1,854
Other guarantee deposits	684	1,460
Impairment allowances	(51)	(39)
	21,931	31,839
	39,042	51,009

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Company. Guarantee deposits are denominated primarily in US Dollars.

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

	30 June 2019 (unaudited)	31 December 2018
Within one year	21,298	30,418
After one year but not more than five years	2,613	2,112
More than five years	13,769	15,184
	37,680	47,714
Fair value adjustment	(22)	(29)
	37,658	47,685

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

12. INVENTORIES

	30 June 2019 (unaudited)	31 December 2018
Spare parts	28,231	28,150
Fuel	6,940	7,563
Crockery	4,942	3,388
Promotional materials	2,495	1,484
De-icing liquid	1,529	509
Goods in transit	1,234	2,001
Uniforms	1,186	1,237
Blank forms	292	199
Other	1,084	2,127
	47,933	46,658
Less: cumulative write-down for obsolete and slow-moving inventories	(1,662)	(1,693)
	46,271	44,965

13. PREPAYMENTS

	30 June 2019 (unaudited)	31 December 2018
<i>Non-current</i>		
Prepayments for non-current assets	6,924	8,242
Advances paid for services	5,933	6,412
	12,857	14,654
Impairment allowances	(32)	(32)
	12,825	14,622
<i>Current</i>		
Advances paid for services	15,686	13,084
Prepayments for leases with transfer of legal title	5,306	5,361
Advances paid for goods	3,546	3,304
Prepayments for leases without transfer of legal title	2,853	3,794
	27,391	25,543
Impairment allowances	(377)	(377)
	27,014	25,166

As at 30 June 2019 non-current prepayments include prepayments to Boeing as pre-delivery payment for the remaining three aircraft (Note 24).

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

Due to the implementation of IFRS 16 the lease liability was adjusted to the prepayments made for leases without transfer of legal title.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

14. TRADE AND OTHER RECEIVABLES

	30 June 2019 (unaudited)	31 December 2018
<i>Non-current</i>		
Due from employees and Ab-initio pilot trainees	3,193	2,224
Other financial assets	48,822	49,038
	52,015	51,262
Less: impairment allowance	(46,971)	(47,203)
	5,044	4,059
<i>Current</i>		
Trade receivables	31,443	24,431
Receivable from lessors – variable lease reimbursement	9,351	2,908
Due from employees and Ab-initio pilot trainees	942	848
	41,736	28,187
Less: impairment allowance	(1,748)	(1,554)
	39,988	26,633

The movements in impairment allowance on trade and other receivables for the periods ended 30 June 2019 and 31 December 2018 were:

	Six-month period ended 30 June 2019 (unaudited)	Year ended 31 December 2018
At the beginning of the period	(48,757)	(50,129)
Opening balance adjustments due to application of IFRS 9	-	(70)
Allowance for doubtful debts at the beginning of the year	(48,757)	(50,199)
Accrued during the period	(280)	(1,097)
Reversed during the period	399	587
Written off against previously created allowance	5	123
Unwinding of discount	-	261
Foreign currency difference	(86)	1,568
At the end of the period	(48,719)	(48,757)

In 2016, due to the significant credit quality deterioration of KazInvestBank JSC following the recall of its banking license, and Delta Bank JSC on 22 May 2017 following by the temporary suspension of its license for accepting new deposits and opening new accounts, 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 KazInvestBank JSC and Delta Bank JSC as at 31 December 2016.

At the end of June 2017 the temporary administration of KazInvestBank JSC transferred a portion of its assets and liabilities to SB Alfa Bank JSC (Alfa Bank) which acts as an intermediary, collecting funds from the borrowers under the transferred corporate loans and distributing the proceeds among depositors. The company has agreed to transfer part of its deposit claims to KazInvestBank JSC into Alfa-Bank JSC.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

On 24 January 2018 the court's decision on the forced liquidation of KazInvestBank JSC came into effect. Upon enforcement of the court decision, in accordance with the established process, on 19 March 2018 the Company filed a claim to the Liquidation Commission of KazInvestBank. The claim was reviewed and as a result, the Company's claims were partially recognized (in the amount of the principal debt and accrued interest but not penalties) in the amount of USD 12,264 thousand and the claims are included in the eighth queue of the register of creditors' claims. As at 30 June 2019 the Company received USD 182 thousand from the Liquidation Commission of KazInvestBank.

On 13 February 2018 the court decided on the forced liquidation of Delta Bank JSC. The decision became effective on 25 April 2018. The liquidation commission recognised the Company's claims in the amount of KZT 1,059,940 thousand and USD 27,718 thousand and included it in the eighth queue of the register of creditors' claims. The compensation of the claim will depend on the actions of the liquidation commission.

Receivable from lessors represents the amount of variable lease reimbursement claimed by the Company 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 50% of their initial training costs are classified as interest free loans. The remaining costs are classified by the Company as a prepayment of its expenses and are amortised over a period of seven years, during which period the Company 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.

At 30 June 2019, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 60% of the Company's trade and other receivables (at 31 December 2018: eight debtors comprised 51%).

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

	30 June 2019 (unaudited)	31 December 2018
Tenge	18,835	15,247
US Dollar	12,989	6,652
Euro	2,908	2,291
Russian Rouble	1,563	1,004
Other	8,737	5,498
	<u>45,032</u>	<u>30,692</u>

15. OTHER TAXES PREPAID

	30 June 2019 (unaudited)	31 December 2018
Value added tax recoverable	27,457	22,000
Other taxes prepaid	720	665
	<u>28,177</u>	<u>22,665</u>

Value added tax receivable is recognised within current assets as the Company annually applies for reimbursement of these amounts, which is usually successful.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

16. CASH AND BANK BALANCES

	30 June 2019 (unaudited)	31 December 2018
Current accounts with foreign banks	75,084	84,724
Term deposits with local banks with original maturity less than 3 months	52,506	38,067
Current accounts with local banks	15,458	9,879
Cash on hand	112	107
Accrued interest	74	51
	<u>143,234</u>	<u>132,828</u>
Impairment allowance	(2)	(2)
	<u>143,232</u>	<u>132,826</u>

At 30 June 2019, current accounts with banks in tenge earn interest in the range of 3% to 7% per annum (31 December 2018: 6% to 8% per annum), in USD in the range of 2% to 2.4% per annum (31 December 2018: 0.1% to 2.55%). As at 30 June 2019 short-term deposits with banks earn interest of up to 2.66% per annum (2018: up to 2.6%).

Cash and bank balances are denominated in the following currencies:

	30 June 2019 (unaudited)	31 December 2018
US Dollar	134,638	127,869
Indian Rupee	2,196	1,319
Euro	1,557	906
Tenge	1,257	310
Russian Rouble	1,067	708
Chinese Yuan	680	424
British Pound	510	280
Uzbek Som	377	83
Other	950	927
	<u>143,232</u>	<u>132,826</u>

17. EQUITY

As at 30 June 2019 and 31 December 2018, share capital was comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of KZT 147,150 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 Company.

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. 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 2019 the Company had retained earnings, including the loss for the current period, of USD 112,091 thousand (31 December 2018: USD 143,746 thousand), and total equity of USD 61,434 thousand (31 December 2018: USD 88,652 thousand).

In May 2018, based on the decision of the Annual General Meeting of Shareholders, the Company declared a dividend payment equivalent to 30% of the net profit of the Company for 2017. The total amount of the dividends was 3,845,505 thousand tenge (equivalent to USD 11,676 thousand as of announcement date), which was distributed and paid in accordance with their shareholdings in August 2018. No dividends were declared during the six months ended 30 June 2019.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

17. EQUITY (CONTINUED)

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 (2018: 17,000). The Company has no instruments with potential dilutive effect.

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Loss for the period	(7,186)	(18,286)
Number of ordinary shares	17,000	17,000
Loss per share – basic and diluted (USD)	(423)	(1,076)

18. DEFERRED REVENUE

	30 June 2019 (unaudited)	31 December 2018
Unearned transportation revenue	77,491	45,173
Customer loyalty program	8,305	7,558
	85,796	52,731

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 Company's Nomad Club program.

19. PROVISION FOR AIRCRAFT MAINTENANCE

	30 June 2019 (unaudited)	31 December 2018
Engines	75,771	68,946
D-Check	10,506	9,374
C-Check	4,072	2,677
Provision for redelivery of aircraft	3,592	2,409
Auxiliary Power unit	1,820	2,300
Landing gear	1,854	1,530
	97,615	87,236

The movements in the provision for aircraft maintenance were as follows for the six-month period ended 30 June 2019 and the year ended 31 December 2018:

	Six-month period ended 30 June 2019 (unaudited)	Year ended 31 December 2018
At 1 January	87,236	73,770
Recognised in property, plant and equipment	3,043	-
Accrued during the period (Note 6)	16,952	28,118
Reversed during the period (Note 6)	(2,824)	(5,373)
Used during the period	(6,792)	(9,279)
	97,615	87,236

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

19. PROVISION FOR AIRCRAFT MAINTENANCE (CONTINUED)

Under the terms of certain lease agreements for aircraft, the Company 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:

	30 June 2019 (unaudited)	31 December 2018
Within one year	47,433	48,613
During the second year	29,656	24,502
During the third year	14,345	7,269
After the third year	6,181	6,852
Total provision for aircraft maintenance	97,615	87,236
Less: current portion	47,433	48,613
Non-current portion	50,182	38,623

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 operating leases 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
- no provisions have been made for unscheduled maintenance.

20. TRADE AND OTHER PAYABLES

	30 June 2019 (unaudited)	31 December 2018
Trade payables	50,161	33,753
Deposits received	5,525	3,879
Advances received	4,839	2,372
Due to employees	3,601	2,547
Other taxes payable	961	936
Vacation accrual	550	374
Pension contribution	443	815
Other	140	137
	66,220	44,813

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

20. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2019 (unaudited)	31 December 2018
Tenge	24,032	12,159
US Dollar	23,873	18,741
Euro	8,937	6,403
Russian rouble	1,641	877
GBP	1,248	874
Other	6,489	5,759
	66,220	44,813

21. LOANS

	30 June 2019 (unaudited)	31 December 2018
<i>Non-current</i>		
Bank loan	7,145	7,751
	7,145	7,751
<i>Current</i>		
Current portion of bank loan	1,361	1,348
Interest payable	52	57
	1,413	1,405

On 3 December 2015 the Company concluded a loan agreement of USD 14,000 thousand (in Kazakhstani tenge equivalent) with the European Bank for Reconstruction and Development (EBRD) for 10 years for the purpose of construction of a Technical Center (Hangar) in Nursultan (previously Astana), which will be pledged to the EBRD under this loan. The interest rate is variable and defined based on a margin of 3.75% per annum plus EBRD's All-in Cost in Kazakhstani tenge. The All-in Cost is determined on a quarterly basis in conjunction with the National Bank of Kazakhstan base rate.

The loan is subject to certain financial covenants, which had been met as at 30 June 2019.

22. LEASE LIABILITIES

During the years from 2012 to 2014 the Company acquired eleven aircraft under fixed interest lease agreements. The lease term for each aircraft is twelve years. The Company has an option to purchase each aircraft for a nominal amount at the end of the lease.

Loans provided by financial institutions to the lessors in respect of six 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. Two Embraer aircraft delivered in 2012 and 2013 were guaranteed by the Brazilian Development Bank. The Company's obligations under leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 201,759 thousand (unaudited) (2018: USD 198,735 thousand) (Note 9).

The Company's leases 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 include covenants as regards to change of ownership of the Company. These requirements have been met during six-month period ended 30 June 2019.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

22. LEASE LIABILITIES (CONTINUED)

Due to the implementation of IFRS 16 the Company has recognised lease liabilities for eighteen aircraft and other assets as at 1 January 2019 in amount of USD 194,846 thousand. During the first six months of 2019 an additional three aircraft arrived and the Company has extended the lease term for another three aircraft.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2019 (unaudited)	31 December 2018	30 June 2019 (unaudited)	31 December 2018
Not later than one year	118,020	47,823	98,880	40,494
Later than one year and not later than five years	366,584	186,099	321,076	166,068
Later than five years	108,905	77,442	104,838	74,965
	593,509	311,364	524,794	281,527
Less: future finance charges	(68,715)	(29,837)	-	-
Present value of minimum lease payments	524,794	281,527	524,794	281,527
Included in the financial statements as:				
- current portion of lease obligations			98,880	40,494
- non-current portion of lease obligations			425,914	241,033
			524,794	281,527

The Company's lease obligations are denominated in US Dollars.

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

	Loans (Note 23)	Lease liabilities	Total
Balance at 1 January 2019	9,156	281,527	290,683
Adjustments on initial application of IFRS 16 (Note 3)	-	194,846	194,846
Balance as at 1 January 2019	9,156	476,373	485,529
Changes from financing cash flows			
Repayment of borrowings	(679)	-	(679)
Repayment of lease liabilities	-	(46,806)	(48,806)
Interest paid	(489)	(10,022)	(10,511)
Total changes from financing cash flows	(1,168)	(56,828)	(57,996)
The effect of changes in foreign exchange rates	86	(4)	82
Other changes			
Additions of lease	-	95,274	95,274
Interest expense (Note 7)	484	9,979	10,463
Total other changes	484	105,253	105,737
Balance at 30 June 2019	8,558	524,794	533,352

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

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

(in thousands of USD)

22. LEASE LIABILITIES (CONTINUED)

In connection with the transition of the functional currency to US Dollar, this hedge ceased to be economically effective from 31 December 2018. At 30 June 2019, a foreign currency loss of USD 72,916 thousand (31 December 2018: USD 78,463 thousand), before deferred corporate income tax of USD 14,583 thousand (31 December 2018: USD 15,693 thousand) representing an effective portion of the hedge, is deferred in the hedging reserve within equity. As a result of the functional currency change, the hedge relationship has been discontinued so that starting from 1 January 2018, no further foreign currency translation gains or losses is transferred from profit or loss to the hedge reserve, and the hedge reserve recognized in equity shall remain in equity until the forecasted revenue cash flows are received.

During the first half of 2019 the amount reclassified from the hedging reserve to foreign exchange loss in profit or loss statement was USD 5,546 thousand (before income tax of USD 1,109 thousand) (six months ended 30 June 2018: USD 5,405 thousand (before income tax of USD 1,081 thousand)).

23. FINANCIAL INSTRUMENTS

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

Capital management

The Company manages its capital to ensure the Company will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (comprising loans and lease obligations in Notes 21 and 22) and equity of the Company (comprising issued capital, functional currency transition reserve, reserve on hedging instruments and retained earnings as detailed in Note 17).

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

The Company reviews the capital structure on a semi-annual basis. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital. The Company does not have a target gearing ratio.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company 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 and accounts receivable, is calculated on a base 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.

The Company uses reputable banks and has established a cash investment policy which would limit the credit risk related to bank accounts and deposits.

As a result of the increased credit risks on some of the banks, management has reconsidered its cash management policy and the Company has reviewed the credit ratings of the main banks in Kazakhstan and placed its main amounts due from banks in banks with ratings of "BB" or higher, except for KazInvestBank and Delta Bank, which are disclosed in Note 14.

As at 30 June 2019 there were no significant changes in respect of estimated credit losses and credit risks of major banks and creditors in comparison to the prior year end.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

Excluding the loan from the EBRD, the Company is not exposed to interest rate risk because the Company borrows funds at fixed interest rates.

The Company's EBRD loan had variable interest rates with a fixed margin (Note 21). If the variable part of interest rate on the EBRD loan in six-month period of 2019 would have been 20% higher or lower than the actual for the period, the interest expense would not have changed significantly.

Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the US dollar. The currencies giving rise to this risk are primarily the Tenge. For amounts of assets and liabilities denominated in foreign currencies refer to Notes 14, 16, 20 and 21.

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

Foreign currency sensitivity analysis

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

The carrying value of the Company'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 interim financial information of the Company.

		30 June 2019 KZT (unaudited)	31 December 2018 KZT
Assets	Notes		
Guarantee deposits	11	21	29
Trade and other receivables	14	18,835	15,247
Other taxes prepaid	15	27,759	22,364
Income tax prepaid		4,130	1,336
Cash and bank balances	16	1,257	310
Total		52,002	39,286
Liabilities			
Trade and other payables	20	24,032	12,159
Loans	21	8,558	9,156
Total		32,590	21,315
Net position		19,412	17,971

As at 30 June 2019 and in 2018 the following table details the Company's sensitivity of weakening and strengthening of the US Dollar against the tenge by 13%. The mentioned sensitivity rates were used when reporting foreign currency risk internally to key management personnel.

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, loans and lease liabilities.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity analysis (continued)

A negative number below indicates a decrease in Profit or Loss, and, positive number would be an increase on the Profit or Loss.

	Weakening of US Dollar Tenge	Strengthening of US Dollar Tenge
30 June 2019	13%	13%
Profit/(loss)	2,015	(2,015)

	Weakening of US Dollar Tenge	Strengthening of US Dollar Tenge
31 December 2018	11%	11%
Profit/(loss)	1,581	(1,581)

The Company 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 company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the following:

- the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, and
- on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except the Company anticipates that the cash flow will occur in different period.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
30 June 2019 (unaudited)						
Financial assets						
<i>Non interest bearing</i>						
Trade and other receivables		39,233	755	4,132	912	45,032
Guarantee deposits		4,233	17,698	3,315	13,796	39,042
Cash and bank balances		143,232	-	-	-	143,232
<i>Fixed rate</i>						
Bank deposits		-	-	-	-	-
Financial liabilities						
<i>Non interest bearing</i>						
Trade and other payables		61,580	4,640	-	-	66,220
<i>Variable rate</i>						
Loans (tenge denominated)		578	1,673	7,487	1,843	11,581
<i>Fixed rate</i>						
Lease liabilities		30,439	87,582	366,584	108,904	593,509

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2018	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Financial assets					
Trade and other receivables	26,177	456	2,899	1,160	30,692
Guarantee deposits	38	31,801	3,589	15,581	51,009
Cash and bank balances	132,826	-	-	-	132,826
Financial liabilities					
<i>Non interest bearing</i>					
Trade and other payables	42,139	676	-	-	42,815
Variable rate					
Loans (tenge denominated)	525	1,691	7,641	2,612	12,469
Fixed rate					
Lease liabilities	11,790	36,033	186,099	77,442	311,364

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.

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 recorded at fair value at initial recognition and subsequently measured at amortised cost.

Loans

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

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

Lease liabilities

Lease liabilities are initially recognised at the lower of the fair value of assets received under lease and the present value of minimum lease payments. Management believes that their carrying amounts approximate their fair values.

Management categorises the fair value of the Company's financial assets and liabilities in level 3 of the fair value hierarchy.

24. COMMITMENTS AND CONTINGENCIES

Capital commitments

During 2012, the Company finalised an agreement with Boeing to purchase three Boeing-787 aircraft – under lease agreements. The Company is committed to pre-delivery payments in accordance with the agreed payment schedule. Delivery of the Boeing 787 is now deferred to the second half of 2019 with the last pre-delivery payments deferred to 2020.

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

Future lease commitments

Aircraft

Aircraft leases without transfer of title are for terms of between 5 to 10 years. All such lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does 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.

In 2015-2017 the Company signed operating lease agreements for seventeen Airbus A320neo and Airbus A321LR aircraft to replace some current leases on expiry and for future expansion. Four A320neo were delivered in 2016-2018, one aircraft was delivered at the end of June 2019 with the remaining twelve aircraft being delivered in the second half of 2019 and in 2020.

In the second half of 2017 the Company signed lease agreements for five aircraft of the Embraer E190-E2 family to replace some of the current lease agreements due to their expiration and expansion. One Embraer E190-E2 was delivered in November 2018, 2 Embraer E190-E2 were delivered in the first half of 2019 and the remaining 2 are expected in the second half of 2019.

Stand-by Letters of Credit as at 30 June 2019 were USD 39,564 thousand, of which USD 16,064 thousand were secured by deposits (Note 11). These Letters of Credit were obtained as security for Lessors to cover any unfulfilled maintenance liabilities on the return of aircraft to Lessors.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future lease commitments (continued)

Commitments for leases of aircraft to be delivered from the second half of 2019 to 2021:

	30 June 2019 (unaudited)	31 December 2018
Within one year	37,379	35,386
After one year but not more than five years	151,935	169,931
More than five years	229,822	122,378
	<u>419,136</u>	<u>327,695</u>

Insurance

Aviation insurance

Air Astana puts substantial attention in conducting insurance coverage for its aircraft operations and hence places 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 airline 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);
- Civil liability insurance to customs authorities;
- Pilot's loss of license insurance;
- Insurance of goods at warehouse.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) *(in thousands of USD)*

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised 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 treatment of revenues, expenses and other items in the financial statements. 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.

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 interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

The functional currency of the Company is the 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 a functional currency different from tenge in the accounting books. However, the Tax Code requires all taxpayers in Kazakhstan to maintain their tax records and to settle tax liabilities in tenge. Therefore the Company 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. 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 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.

In addition, the significant devaluation of the Kazakhstani tenge in 2015 has increased the level of uncertainty in the business 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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

25. RELATED PARTY TRANSACTIONS

Control relationships

The shareholders of the Company 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 Company, respectively.

Management remuneration

Key management that have authority and responsibility regarding management, control and planning of the Company’s activity received the following remuneration during the year, which is included in employee costs (Note 6):

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Salaries and bonuses	2,473	2,471
Social tax	220	229
	<u>2,693</u>	<u>2,700</u>

Transactions with related parties

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

The Company provides air transportation services to Government departments, Government agencies and State-controlled enterprises. These transactions are conducted in the ordinary course of the Company’s business on terms comparable to those with other entities that are not state-controlled.

The Company has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (in thousands of USD)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties, continued

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the condensed interim financial information, management is of the opinion that the following transactions require disclosure as related party transactions:

	Six-month period ended 30 June 2019 (unaudited) Transaction value	30 June 2019 (unaudited) Outstanding balance	Six-month period ended 30 June 2018 (unaudited) Transaction value	31 December 2018 Outstanding balance
Services received				
State-owned companies	11,089	(3,270)	14,954	(2,467)
Shareholders and their subsidiaries	2,207	(230)	2,337	(178)
	<u>13,296</u>	<u>(3,500)</u>	<u>17,291</u>	<u>(2,645)</u>

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

	Six-month period ended 30 June 2019 (unaudited) Transaction value	30 June 2019 (unaudited) Outstanding balance	Six-month period ended 30 June 2018 (unaudited) Transaction value	31 December 2018 Outstanding balance
Services provided by the Company				
Shareholders and their subsidiaries	632	170	686	218
	<u>632</u>	<u>170</u>	<u>686</u>	<u>218</u>

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.

26. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by management of the Company and authorised for issue on 13 August 2019.