JOINT STOCK COMPANY
AIR ASTANA

Condensed Interim Financial Statements
For the six months ended 30 June 2012

JOINT STOCK COMPANY AIR ASTANA

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2 and 3, is made with a view to distinguish the respective responsibilities of management from those of the independent auditors in relation to the condensed interim financial statements of Joint Stock Company Air Astana (the "Company").

Management is responsible for the preparation of the condensed interim financial statements that presents fairly the financial position of the Company as at 30 June 2012 and the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34: Interim Financial Reporting (IAS 34).

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed; and
- Preparing the condensed interim financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls in the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the condensed interim financial statements of the Company comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud, errors and other irregularities.

The condensed interim financial statements for the six months ended 30 June 2012 was authorized for issue on 16 August 2012 by management of the Company.

On behalf of management of the Company:

АО
«ЭЙР АСТАНА»

Peter Foster	**Alima Zamanbekova**
President	**Chief Accountant**
16 August 2012	16 August 2012
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC Air Astana:

We have audited the accompanying condensed interim financial statements of JSC Air Astana (the "Company"), which comprise the condensed interim statement of financial position as at 30 June 2012, and the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the condensed interim financial statements

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the condensed interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2012, and its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, Interim Financial Reporting.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice
Number 78586, Australia

Nikolay Demidov
Qualified auditor
Qualification certificate #0000573
dated 20 December 2004,
Republic of Kazakhstan

Deloitte, LLP

Deloitte, LLP
Audit license for Republic of Kazakhstan
#0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

16 August 2012
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(in thousands of USD)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Revenue			
Passenger revenue	5	376,484	331,906
Cargo and mail	5	11,301	9,402
Other revenue	5	7,651	6,310
Total revenue		395,436	347,618
Operating expenses			
Fuel		(118,823)	(75,287)
Handling, landing fees and route charges	6	(45,586)	(40,197)
Aircraft operating lease costs	6	(41,732)	(34,582)
Employee costs	6	(41,555)	(36,979)
Engineering and maintenance	6	(39,475)	(41,242)
Passenger service	6	(35,446)	(31,083)
Selling costs	6	(27,167)	(24,566)
Aircraft crew costs	6	(20,382)	(18,871)
Depreciation and amortisation	10	(3,418)	(2,808)
Taxes		(3,389)	(3,311)
Insurance	6	(2,613)	(2,717)
Property lease cost		(2,521)	(2,541)
Information technology		(1,542)	(1,201)
Consultancy, legal and professional services		(926)	(1,588)
Other		(3,546)	(2,364)
Total operating expenses		(388,121)	(319,337)
Operating profit		7,315	28,281
Finance income	7	2,071	5,991
Finance costs	7	(2,342)	228
Foreign exchange loss, net		(206)	(1,588)
Profit before tax		6,838	32,912
Income tax expense	8	(1,934)	(6,912)
Net profit for the period		4,904	26,000
Other comprehensive (loss)/income:			
Foreign currency translation (loss)/gain		(1,488)	2,033
Income tax	8	(45)	43
Other comprehensive (loss)/income for the period		(1,533)	2,076
Total comprehensive income for the period		3,371	28,076
Basic and diluted earnings per share (in USD)	17	288	1,529

On behalf of the Company's management:

АО «ЭЙР АСТАНА»

Peter Foster
President

16 August 2012
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

16 August 2012
Almaty, Republic of Kazakhstan

The notes on pages 9 to 33 form an integral part of these condensed interim financial statements. The independent auditor's report on the condensed interim financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012
(in thousands of USD)

	Notes	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	9	39,401	34,101
Intangible assets		2,807	3,152
Prepayments for long-term assets	13	128,967	68,666
Guarantee deposits	11	18,750	17,302
Deferred tax assets	8	6,876	7,984
Bank deposits	15	7,900	117,523
		204,701	248,728
Current assets			
Inventories	12	36,787	29,151
Prepayments	13	21,669	31,776
Income tax prepaid		7,760	3,197
Trade and other receivables	14	64,297	35,119
Financial assets at fair value through profit or loss		483	891
Other taxes prepaid		6,280	4,268
Guarantee deposits	11	1,368	1,410
Bank deposits	15	71,910	8,142
Cash and bank balances	16	26,390	23,995
		236,944	137,949
Total assets		441,645	386,677
EQUITY AND LIABILITIES			
Equity			
Share capital	17	17,000	17,000
Foreign currency translation reserve		(17,010)	(15,477)
Retained earnings		229,104	242,404
Total equity		229,094	243,927
Non-current liabilities			
Provision for aircraft maintenance	19	6,951	12,086
		6,951	12,086
Current liabilities			
Deferred revenue	18	89,875	61,075
Provision for aircraft maintenance	19	18,938	16,220
Trade and other payables	20	67,059	52,576
Short-term loans	21	28,105	-
Financial liabilities at fair value through profit or loss		1,623	793
		205,600	130,664
Total liabilities		212,551	142,750
Total equity and liabilities		441,645	386,677

On behalf of the Company's management:

Қазақстан Республикасы Алматы қ. Түрксіб ауд. «Эйр Астана» Акционерлік қоғамы
Республика Казахстан город Алматы, Турксибский р-н Акционерное общество «Эйр Астана»
АО «ЭЙР АСТАНА»

Peter Foster
President

16 August 2012
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

16 August 2012
Almaty, Republic of Kazakhstan

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(in thousands of USD)

	Notes	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2011		17,000	(13,628)	200,542	203,914
Net profit for the period (unaudited)		-	-	26,000	26,000
Other comprehensive income for the period (unaudited)		-	2,076	-	2,076
Total comprehensive income for the period (unaudited)		-	2,076	26,000	28,076
Dividends declared	17	-	-	(19,398)	(19,398)
At 30 June 2011 (unaudited)		17,000	(11,552)	207,144	212,952
At 1 January 2012		17,000	(15,477)	242,404	243,927
Net profit for the period		-	-	4,904	4,904
Other comprehensive loss for the period		-	(1,533)	-	(1,533)
Total comprehensive income/(loss) for the period			(1,533)	4,904	3,371
Dividends declared	17	-	-	(18,204)	(18,204)
At 30 June 2012		17,000	(17,010)	229,104	229,094

On behalf of the Company's management:

АО «ЭЙР АСТАНА»

Peter Foster
President

16 August 2012
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

16 August 2012
Almaty, Republic of Kazakhstan

The notes on pages 9 to 33 form an integral part of these condensed interim financial statements. The independent auditor's report on the condensed interim financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(in thousands of USD)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
OPERATING ACTIVITIES:			
Profit before tax		6,838	32,912
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	10	3,418	2,808
Gain on disposal of property, plant and equipment		(166)	(122)
Change in allowance for doubtful debts		3,137	-
Change in allowance for obsolete and slow-moving inventories		-	2
Foreign exchange loss		205	1,587
Finance income	7	(2,071)	(4,331)
Finance costs	7	649	-
Net unrealised loss/(gain) on financial assets and liabilities at fair value through profit or loss	7	1,236	(512)
Operating cash flow before movements in working capital		13,246	32,344
Change in accounts receivable		(29,301)	(4,075)
Change in other receivables and prepaid expenses		4,905	(10,944)
Change in inventories		(7,801)	(3,247)
Change in accounts payable, accrued expenses and other current liabilities		(5,935)	24,364
Change in deferred revenue		29,487	28,391
Cash generated from operations		4,601	66,833
Income tax paid		(5,496)	(7,896)
Interest paid		(541)	-
Net cash (used in)/generated by operating activities		(1,436)	58,937
INVESTING ACTIVITIES:			
Pre-delivery payments		(61,311)	(22,731)
Purchase of property, plant and equipment	9	(8,811)	(3,532)
Proceeds from disposal of property, plant and equipment		305	207
Purchase of intangible assets		(102)	(684)
Proceeds from disposal of intangible assets		-	64
Bank term deposits placed		(9,090)	(108,126)
Bank term deposits withdrawn		52,664	64,286
Interest received		2,628	2,387
Net cash used in investing activities		(23,717)	(68,129)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(in thousands of USD)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
FINANCING ACTIVITIES:			
Proceeds from borrowings		45,000	-
Repayment of borrowings		(17,000)	-
Net cash received from financing activities		28,000	-
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		2,847	(9,192)
Effect of exchange rate changes on cash and bank balances held in foreign currencies		(452)	(117)
CASH AND BANK BALANCES, at the beginning of the period	16	23,995	41,545
CASH AND BANK BALANCES, at the end of the period	16	26,390	32,236

On behalf of the Company's management:

АО «ЭЙР АСТАНА»

Peter Foster
President

16 August 2012
Almaty, Republic of Kazakhstan

Alima Zamanbekova
Chief Accountant

16 August 2012
Almaty, Republic of Kazakhstan

The notes on pages 9 to 33 form an integral part of these condensed interim financial statements. The independent auditor's report on the condensed interim financial statements is on pages 2 and 3.

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.

The Company operated its maiden flight on 15 May 2002, a Boeing 737 service from Almaty to Kazakhstan's national capital, Astana. As at 30 June 2012 the Company operated 26 aircraft comprising 5 short-haul turboprop aircraft, 4 short-haul and 17 long-haul aircraft (2011: comprising 6 short-haul turboprop aircraft, 3 short-haul and 17 long-haul aircraft).

The Company re-registered its office in 2010 from Astana, 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 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.

2. BASIS OF PRESENTATION

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. The condensed interim financial statements should be read in conjunction with the financial statements and with selective notes to the financial statements of the Company for the year ended 31 December 2011.

The condensed interim financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments according to IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39").

The preparation of the condensed interim financial statements in conformity with IAS 34 requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Company, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The condensed interim financial statements reflect all adjustments that, in the opinion of management of the Company, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the condensed interim financial statements are of a normal, recurring nature. Because the results from common operating activities are closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstani Tenge ("tenge"), which is the Company's functional currency, because it reflects the economic substance of the underlying events and circumstances of the Company. The US Dollar ("USD") is the presentation currency for these condensed interim financial statements since management believes that this currency is more useful for the users of these condensed interim financial statements. All financial information presented in USD has been rounded to the nearest thousand.

The tenge is not a readily convertible currency outside Kazakhstan and, accordingly, any conversion of tenge to USD should not be construed as a representation that the tenge amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

In preparing the condensed interim financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Financial results and financial position of the Company are translated into the presentation currency using the following procedures:

a) assets and liabilities for each reporting date presented (i.e. including comparatives) are translated at the closing rate at the date of that reporting date;
b) income and expenses for the reporting period (i.e., including comparatives) are translated at average exchange rates during the six months; and
c) all resulting exchange differences are recognised as foreign currency translation reserve within other comprehensive income.

The following table summarises tenge exchange rates at 30 June and for the six months then ended:

	Average rate		**Reporting date spot-rate**	
	Six months ended 30 June 2012	**Six months ended 30 June 2011**	**30 June 2012**	**31 December 2011**
US dollar (USD)	148.15	146.00	149.42	148.40
Euro (EUR)	192.21	204.92	187.90	191.72
British Pound (GBP)	233.49	235.81	233.27	228.80

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim financial statements the Company has applied the same accounting policies and methods of computation as those applied in the annual financial statements of the Company for the year ended 31 December 2011. There were no changes in accounting policies during the six months ended 30 June 2012.

4. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by management and authorised for issue on 16 August 2012.

5. REVENUE

Passenger revenue	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Passenger transportation	311,525	292,355
Fuel surcharge	45,052	23,650
Airport services	15,745	12,988
Excess baggage	4,162	2,913
	376,484	331,906

Cargo and mail revenue	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Cargo	10,451	9,111
Mail	850	291
	11,301	9,402

Other revenue	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Penalties on agency contracts	3,555	3,123
Government subsidies	1,796	1,030
Advertising revenue	886	753
Income from ground services	312	445
Gain on disposal of spare parts and other assets	208	133
Spare parts received free of charge	7	-
Other	887	826
	7,651	6,310

Passenger and cargo revenue were generated from the following destinations:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Domestic	154,216	137,310
Europe	146,618	131,422
Asia	86,951	72,576
Total passenger and cargo revenue	387,785	341,308

6. OPERATING EXPENSES

Engineering and maintenance	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Maintenance – variable lease payments	23,183	22,143
Maintenance – components	8,195	10,177
Spare parts	5,641	4,311
Technical inspection	1,602	927
Maintenance (Note 19)	854	3,684
	39,475	41,242

Aircraft operating lease costs	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Fixed lease charges	39,696	35,669
Leased engine on wing costs	1,117	(1,865)
Lease of engines and rotable spare parts	582	778
Operating lease return costs	337	-
	41,732	34,582

Handling, landing fees and route charges	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Aero navigation	14,997	12,891
Handling charge	14,920	13,539
Landing fees	14,302	12,628
Meteorological services	922	837
Other	445	302
	45,586	40,197

Employee costs	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Wages and salaries of operational personnel	28,261	25,922
Wages and salaries of administrative personnel	5,557	5,626
Social tax	2,918	1,927
Wages and salaries of sales personnel	2,461	2,045
Other	2,358	1,459
	41,555	36,979

The average number of employees during six months ended 30 June 2012 was 3,720 (2011: 3,358).

Passenger service	**Six months ended 30 June 2012**	**Six months ended 30 June 2011 (unaudited)**
Airport charges	14,633	12,776
Catering	15,765	13,564
In-flight entertainment	1,121	1,046
Security	1,101	827
Other	2,826	2,870
	35,446	31,083

Selling costs	**Six months ended 30 June 2012**	**Six months ended 30 June 2011 (unaudited)**
Commissions	17,089	15,244
Reservation costs	6,844	6,492
Advertising	2,125	1,818
Interline commissions	501	319
Other	608	693
	27,167	24,566

Aircraft crew costs	**Six months ended 30 June 2012**	**Six months ended 30 June 2011 (unaudited)**
Contract crew	8,163	6,871
Accommodation and allowances	6,586	6,326
Training	5,633	5,674
	20,382	18,871

Insurance	**Six months ended 30 June 2012**	**Six months ended 30 June 2011 (unaudited)**
Hull insurance	1,122	1,182
Legal liability insurance	1,020	1,080
Medical insurance	343	345
Other	128	110
	2,613	2,717

7. FINANCE INCOME AND COSTS

Finance income	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Finance income on bank deposits	2,044	4,242
Realised gain on financial assets and liabilities held at fair value through profit or loss	-	1,660
Other	27	89
	2,071	5,991

Finance costs	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Net unrealised loss/(gain) on financial assets and liabilities at fair value through profit or loss	1,236	(512)
Interest expense on bank loans	649	-
Bank commissions	457	284
	2,342	(228)

8. INCOME TAX EXPENSE

Income tax expense for the six months ended 30 June is accrued using the tax rate that would be applicable to expected total annual earnings - that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.
The Company's income tax expense was as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Current income tax expense	(871)	(8,997)
Deferred income tax (expense)/benefit	(1,063)	2,085
	(1,934)	(6,912)

The Company's income tax recognized in other comprehensive income was as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Current income tax	-	-
Deferred income tax	(45)	43
	45	(43)

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 2012 and 31 December 2011 is presented below:

	30 June 2012	31 December 2011
Deferred tax assets		
Provision for aircraft maintenance	5,178	5,662
Trade and other payables	2,299	2,147
Remuneration payable	-	1,071
Trade and other receivables	949	640
Intangible assets	85	53
Total	8,511	9,573
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(1,316)	(1,242)
Prepaid expenses	(319)	(347)
Total	(1,635)	(1,589)
Net deferred tax assets	6,876	7,984

During the six months ended June 30, 2012 deferred tax expense of 1,063 thousand tenge was recognized in profit or loss and 45 thousand tenge in other comprehensive income (six months ended June 30, 2011: 2,085 thousand tenge was recognized in profit or loss and 43 thousand tenge in other comprehensive income).

The income tax rate in the Republic of Kazakhstan, where the Company is located, at 30 June 2012 and 31 December 2011 was 20%. The taxation charge for the period is different from that which would be obtained by applying the statutory income tax rate to profit before income tax. Below is a reconciliation of theoretical income tax at 20% (2011: 20%) to the actual income tax expense recorded in the Company's condensed interim statement of comprehensive income:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Profit before tax	6,838	32,912
Income tax at statutory rate	1,368	6,582
Tax effect of non-deductible expenses	566	330
Income tax expense	1,934	6,912

9. PROPERTY, PLANT AND EQUIPMENT

	Rotable spare parts	Office equipment and furniture	Building, premises and land	Vehicles	Equipment to be installed	Total
Cost						
At 1 January 2011	30,922	7,356	5,494	2,874	1,866	48,512
Additions	-	-	-	-	6,749	6,749
Disposals	(4,896)	(175)	-	(188)	-	(5,259)
Transfers from intangible assets	-	-	-	-	(883)	(883)
Transfers to inventory	(1)	(4)	-	-	(1,572)	(1,577)
Transfers from inventory	1	4	-	-	6,569	6,574
Transfers	7,317	1,239	-	465	(9,021)	-
Foreign currency translation difference	(238)	(61)	(37)	(23)	(34)	(393)
At 31 December 2011	33,105	8,359	5,457	3,128	3,674	53,723
Additions	-	-	-	-	8,811	8,811
Disposals	(147)	(0)	-	(83)	-	(230)
Transfers to inventory	-	-	-	-	(102)	(102)
Transfers	6,675	1,374	-	26	(8,075)	-
Foreign currency translation difference	(282)	(69)	(37)	(21)	(30)	(439)
At 30 June 2012	39,351	9,664	5,420	3,050	4,278	61,763
Accumulated depreciation						
At 1 January 2011	11,987	3,122	728	1,138	-	16,975
Charge for the year	3,087	1,394	187	451	-	5,119
Disposals	(2,017)	(155)	-	(153)	-	(2,325)
Foreign currency translation difference	(94)	(36)	(7)	(10)	-	(147)
At 31 December 2011	12,963	4,325	908	1,426	-	19,622
Charge for the period (Note 10)	1,975	702	92	221	-	2,990
Disposals	(30)	-	-	(60)	-	(90)
Foreign currency translation difference	(105)	(35)	(7)	(13)	-	(160)
At 30 June 2012	14,803	4,992	993	1,574	-	22,362
Net book value						
At 30 June 2012	24,548	4,672	4,427	1,476	4,278	39,401
At 31 December 2011	20,142	4,034	4,549	1,702	3,674	34,101

As at 30 June 2012, the book value of fully depreciated property, plant and equipment that is still in use was USD 2,887 thousand (as at 31 December 2011: USD 1,360 thousand).

10. DEPRECIATION AND AMORTISATION

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Depreciation of property, plant and equipment	2,990	2,422
Amortisation of intangible assets	428	386
Total	3,418	2,808

11. GUARANTEE DEPOSITS

	30 June 2012	31 December 2011
Non-current		
Guarantee deposits for leased aircraft	18,267	16,780
Other guarantee deposits	483	522
	18,750	17,302
Current		
Guarantee deposits for leased aircraft	550	550
Other guarantee deposits	818	860
	1,368	1,410
	20,118	18,712

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 are receivable as follows:

	30 June 2012	31 December 2011
Within one year	550	550
After one year but not more than five years	16,833	14,311
More than five years	1,702	2,757
	19,085	17,618
Fair value adjustment	(268)	(288)
	18,817	17,330

12. INVENTORIES

	30 June 2012	31 December 2011
Spare parts	19,829	17,144
Fuel	9,772	5,676
Goods in transit	2,411	2,001
Crockery	2,026	1,684
De-icing liquid	1,076	699
Promotional materials	907	954
Blank forms	606	567
Uniforms	271	296
Other	352	596
	37,250	29,617
Less: allowance for obsolete and slow-moving inventories	(463)	(466)
	36,787	29,151

13. PREPAYMENTS

	30 June 2012	31 December 2011
Non-current		
Prepayments for non-current assets	127,461	68,666
Advances paid for services	1,506	1,537
	128,967	70,203
Less: allowance for non-recovery	-	(1,537)
	128,967	68,666
Current		
Advances paid for services	8,977	15,313
Advances paid for goods	13,137	11,308
Prepayments for operating leases	4,303	6,868
	26,417	33,489
Less: allowance for non-recovery	(4,748)	(1,713)
	21,669	31,776

The movements in the allowance for non-recovery were:

	Six months ended 30 June 2012	Year 2011
At the beginning of the period	(3,250)	(3,350)
Accrued during the period	(3,092)	(35)
Written-off against previously created allowance	1,559	113
Foreign currency translation difference	35	22
At the end of the period	(4,748)	(3,250)

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.

14. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
Trade receivables	44,085	18,966
Receivable from lessors – variable lease reimbursement	14,427	12,687
Due from employees	4,328	3,335
Subsidies receivable (Note 24)	735	443
Other	1,260	185
	64,835	35,616
Less: allowance for doubtful debts	(538)	(497)
	64,297	35,119

At 30 June 2012, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 46% of the Company's trade and other receivables (2011: eight debtors comprised 29%).

Receivable from lessors represents the amount of variable lease reimbursement applied for by the Company as a result of maintenance events that occurred prior to reporting date.

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

	30 June 2012	31 December 2011
Tenge	30,650	6,622
US Dollar	19,720	18,633
Euro	6,369	4,751
Russian Rouble	2,267	1,036
Other	5,829	4,574
	64,835	35,616

15. BANK DEPOSITS

	30 June 2012	31 December 2011
Current		
Term deposits with local banks	64,408	-
Guarantee deposits	21	26
Interest receivable	7,481	8,116
	71,910	8,142
Non-current		
Term deposits with local banks with original maturity more than 1 year	7,900	117,523
	79,810	125,665

Term deposits with local banks (with an original maturity of more than three months and more than one year) earn interest in the range from 4.1% to 8.2% per annum (31 December 2011: 3.5% to 8.2%). Bank deposits have no restrictions on early withdrawal.

Guarantee deposits made to meet the requirements of Kazakhstan legislation relating to foreign employees are denominated in tenge and earn interest from 0% to 4.5% per annum (31 December 2011: 4.5%).

Bank deposits are denominated in the following currencies as at 30 June 2012 and 31 December 2011:

	30 June 2012	**31 December 2011**
US Dollar	78,307	118,627
Euro	1,481	7,011
Tenge	22	27
	79,810	125,665

16. CASH AND BANK BALANCES

	30 June 2012	**31 December 2011**
Current accounts with local banks	18,099	9,074
Current accounts with foreign banks	8,068	6,867
Cash on hand	223	85
Term deposits with local banks with original maturity less than 3 months	-	7,969
	26,390	23,995

As at 30 June 2012, current accounts with banks earn interest in the range of 0.2% to 0.3% (30 June 2011: 0.2% to 2%).

Cash and bank balances are denominated in the following currencies:

	30 June 2012	**31 December 2011**
Tenge	13,056	7,138
Uzbek Soms	3,194	4,822
Euro	2,977	2,954
US Dollar	2,143	5,679
Chinese Yuan	1,214	521
Russian Rouble	1,086	1,059
GBP	1,067	1,227
Indian Rupee	572	339
Other	1,081	256
	26,390	23,995

17. EQUITY

As at 30 June 2012 and 31 December 2011, share capital comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of USD 1000 per share.

Dividends payable on ordinary shares are determined by the shareholders at the annual meeting.

In June 2011, the shareholders declared a dividend payment equivalent to 25% of profit for 2010. The total amount of the dividend of USD 19,398 thousand was distributed and paid to each shareholder in accordance with their shareholdings.

In May 2012, the shareholders declared a dividend payment equivalent to 30% of profit for 2011. The total amount of the dividend is USD 18,204 thousand.

The calculation of basic earnings per share is based on profit for the six months ended 30 June 2012 and 30 June 2011 and the weighted average number of ordinary shares outstanding for the same periods in the quantity of 17,000 shares. The Company has no instruments with the potential dilutive effect.

	Six months ended 30 June 2012	**Six months ended 30 June 2011 (unaudited)**
Net profit	4,904	26,000
Number of ordinary shares	17,000	17,000
Earnings per share – basic and diluted (USD)	288	1,529

18. DEFERRED REVENUE

	30 June 2012	**31 December 2011**
Unearned transportation revenue	74,516	47,704
Customer loyalty program	15,359	13,371
	89,875	61,075

Unearned transportation revenue represents the value of sold but unused passenger tickets, the validity period of which has not expired.

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

19. PROVISION FOR AIRCRAFT MAINTENANCE

	30 June 2012	**31 December 2011**
Engines	20,440	23,645
C-Check	3,802	2,670
Fokker-50 redelivery provisions	1,647	1,991
	25,889	28,306

The movements in the provision for aircraft maintenance were as follows for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
At 1 January	28,306	24,732
Accrued during the period (Note 6)	6,021	14,507
Reversed during the period (Note 6)	(5,167)	(6,617)
Used during the period	(3,095)	(4,105)
Foreign currency translation difference	(176)	(211)
At period end	25,889	28,306

Under the terms of its operating 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 provisions are in US Dollars.

The planned utilisation of these provisions is as follows:

	30 June 2012	31 December 2011
Within one year	18,938	16,220
During the second year	3,464	7,349
During the third year	2,189	2,466
After the third year	1,298	2,271
Total provision for aircraft maintenance	25,889	28,306
Less: current portion	(18,938)	(16,220)
Non-current portion	6,951	12,086

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;
- 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 2012	31 December 2011
Trade payables	33,898	31,666
Dividends payable (Note 17)	18,033	-
Operating lease payables	3,780	4,417
Wages and salaries payable to employees	3,156	3,320
Advances received	2,804	1,817
Employee unused vacation and remuneration payable	2,680	8,558
Taxes payable	1,010	639
Other	1,698	2,159
	67,059	52,576

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

	30 June 2012	31 December 2011
Tenge	33,769	23,418
US dollar	21,627	17,971
Euro	6,953	7,201
GBP	1,842	1,547
Russian roubles	898	664
Other	1,970	1,775
	67,059	52,576

21. SHORT-TERM LOANS

	Interest rate	30 June 2012	31 December 2011
Secured bank loans	4.5% - 7.25 %	28,000	-
Interest payable		105	-
		28,105	-

Under the loan agreement # KS 01-12-06 dated 16 March 2012 JSC Halyk Bank of Kazakhstan provided renewable credit line of USD 45,000 thousand for 1 year. The credit line was provided for the replenishment of working capital in order to meet current liabilities and not to incur interest penalties on early termination of bank deposits. Interest rate is fixed depending on loan terms from 4.5% to 7.25% per annum. The loan is secured by cash kept on the Company's current accounts. The loans are denominated in USD.

22. 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, other than commodity price risk as discussed below.

Capital management

The Company manages its capital to ensure the Company will be able to continue as going concerns while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Company overall strategy remains unchanged from 2011.

The capital structure of the Company consists of net debt and equity of the Company (comprising issued capital, foreign currency translation reserve and retained earnings as detailed in Note 17).

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

Credit risk

Credit risk refers to the risk that counterparty 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. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

As at 30 June 2012 there was no significant concentration of credit risk in respect of prepayments to travel agencies (Note 13) and trade accounts receivable (Note 14).

Interest rate risk

Changes in interest rates impact primarily obtained loans by changing their fair value (fixed rate debt). Management does not have a formal policy for determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

As at the reporting date the interest rate profile of the Company interest-bearing financial instruments was as follows:

	Carrying amount	
	30 June 2012	**31 December 2011**
Financial liabilities with fixed interest rate	28,000	-
	28,000	-

Management believes that interest rate risk does not have significant affect for the Company due to fact that loans were received with fixed interest rate.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, changes in which are reflected in the statement of comprehensive income for the period and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss for the period.

Fair value

Management believes that fair value of financial assets and liabilities of the Company approximates their carrying value at the reporting date.

Commodity price risk

The Company uses options to economically hedge the exposure to movements in the price of aviation fuel. Financial instruments are acquired being call options (where a premium is paid upfront by the Company for covering the risk of increases of commodity price above a predetermined level) and a zero cost collar (where no premium is paid by the Company unless the price of the commodity decreases below a predetermined level). Since aviation fuel derivative financial instruments are not quoted or available in Kazakhstan, management signed economic hedge agreements with reference to changes in the crude oil price per barrel. The quantity of aviation fuel to be covered by such instruments is assessed on a quarterly basis by management as part of its risk management strategy. Economic hedging is conducted in accordance with the policy for hedge of fuel price changes approved by the Company's directors and shareholders.

Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the tenge. The currencies giving rise to this risk are primarily the USD and Euro. For amounts of assets and liabilities denominated in foreign currency refer to Notes 14, 15, 16, 20 and 21.

Foreign currency sensitivity analysis

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

The book 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 statements of the Company.

		US dollar		Euro	
	Notes	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Assets					
Trade and other receivables	14	19,720	18,633	6,369	4,751
Bank deposits	15	78,307	118,627	1,481	7,011
Cash and bank balances	16	2,143	5,679	2,977	2,954
Total		100,170	142,939	10,827	14,716
Liabilities					
Loans	21	28,105	-	-	-
Trade and other payables	20	21,627	17,971	6,953	7,201
Total		49,732	17,971	6,953	7,201
Net currency position		50,438	124,968	3,874	7,515

The following table details the Company's sensitivity to 10.72% increase of tenge against USD and 16.33% increase of tenge against Euro at 30 June 2012 and 31 December 2011. 10.72% and 16.33% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. Management of the Company believes that given the current economic conditions in Kazakhstan that 10.72% for USD and 16.33% for Euro increase is a realistic movement in the tenge exchange rates against foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10.72% and 16.33% change in rates of USD and EUR, respectively, as at 30 June 2012 and 31 December 2011. The sensitivity analysis includes trade and other receivables, cash and bank balances, bank term deposits, loans and trade account payable.

A negative number below indicates a decrease in profit and equity where the tenge strengthens by 10.72% and 16.33% against USD and EUR, respectively. For a 10.72% and 16.33% weakening of the tenge against USD and EUR, respectively, on 30 June 2012 and 31 December 2011, there would be an equal and opposite impact on the profit and equity, and the balances below would be positive.

	Currency USD impact		Currency Euro impact	
	30 June 2012 10.72%	31 December 2011 10.72%	30 June 2012 16.33%	31 December 2011 16.33%
Profit or (loss)	(5,407)	(13,397)	(633)	(1,227)

The Company limits the currency risk by monitoring changes in exchange rates of foreign currencies in which cash and bank balances, bank term deposits, accounts receivable and accounts payable and loans are denominated.

Liquidity risk management

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.

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
30 June 2012					
Financial liabilities					
Interest free					
Trade and other payables	-	-	42,532	-	42,532
Financial liabilities at fair value through profit or loss	-	-	1,623	-	1,623
Bank loans	7.25%	9,416	19,243	-	28,659
31 December 2011					
Financial liabilities					
Interest free					
Trade and other payables	-	-	41,562	-	41,562
Financial liabilities at fair value through profit or loss	-	-	793	-	793

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
30 June 2012					
Financial assets					
Interest free					
Trade and other receivables	-	-	64,297	-	64,297
Financial assets at fair value through profit or loss	-	-	483	-	483
Cash and bank balances	-	26,390	-	-	26,390
Fixed rate					
Bank deposits	6.02%	4,671	69,002	8,311	81,984
2011					
Financial assets					
Interest free					
Trade and other receivables	-	-	35,119	-	35,119
Financial assets at fair value through profit or loss	-	-	891	-	891
Cash and bank balances	-	23,995	-	-	23,995
Fixed rate					
Bank deposits	5.68%	112	10,681	120,483	131,276

Fair values

The fair values of financial assets and financial liabilities of the Company 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.
The following methods and assumptions are used by the Company to estimate the fair value of these financial instruments:

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.

Trade and other receivables and payables

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. Average market borrowing rates were as follows:

	Six month ended 30 June 2012 (% per annum)	**31 December 2011 (% per annum)**
Tenge		
For 1 to 5 years	11.5%-13.1%	11.4%-12.4%
Foreign currency		
For 1 to 5 years	8.5%-10.3%	6.8%-11.6%

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed interim financial statements approximate their fair values.

Financial instruments at fair value through profit or loss

Valuation of financial instruments recognised at fair value through profit or loss is based on inputs for which all significant inputs are observable, either directly or indirectly and valuations are based on one or more observable quoted prices for orderly transactions in markets that are not considered active and represent Level 2 of the fair value hierarchy.

Trade and other receivables and payables

For receivables and payables with a maturity of less than twelve months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

Provisions

For provisions which meet the definition of financial liabilities the fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Aircraft

Aircraft operating leases are for terms of between 5 to 10 years. All operating 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.

Operating lease commitments include fixed lease payments and variable lease payments which vary according to flying hours and cycles.

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.

Non-cancellable operating lease commitments are payable as follows:

	Six months ended 30 June 2012	31 December 2011
Within one year	106,304	111,239
After one year but not more than five years	212,555	165,075
More than five years	105,664	75,732
	424,523	352,046

Engine

During 2010, the Company purchased a spare engine and subsequently entered into a sale and leaseback transaction for the engine. The lease term is 10 years with an extension period of 5 years at the agreement of the lease agreement parties.

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

Non-cancellable operating lease commitments are payable as follows:

	Six months ended 30 June 2012	31 December 2011
Within one year	1,427	1,457
After one year but not more than five years	6,157	6,319
More than five years	2,473	3,015
	10,057	10,791

Insurance

The Company has the following insurance coverage provided and underwritten to international standards:

- aviation all risks hull, spares and equipment, and airline legal liability insurance, which includes passenger liabilities;
- aviation hull deductible insurance;
- aviation hull war risks (including spares) and allied perils insurance;
- aviation excess war, hi-jacking and other perils liability insurance;
- computer and communications equipment insurance;
- employer's legal liability for all employees of the company.

The Company has not yet obtained coverage for business interruption.

Capital commitments

During 2008 the Company signed an agreement with Airbus to purchase six Airbus narrow-body aircraft. The Company is committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2008 and the last payment is due in 2013. The terms of the Company's contract precludes it from disclosing information on the purchase cost of the aircraft.

During 2011 the Company signed an agreement with Embraer to purchase two Embraer-190 narrow - body aircraft. The Company is committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2011. The terms of the Company's contract precludes it from disclosing information on the purchase cost of the aircraft.

During 2012, the Company signed an agreement with Boeing to purchase three Boeing-787 and four Boeing-767 aircraft. The fourth Boeing 767 is subject to purchase reconfirmation by the Company in September 2012. The Company is committed to pre-delivery payments in accordance with the agreed payment schedule.

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by numerous taxes and frequent changes in legislation, official pronouncements and court decisions. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during 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 these condensed interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstani economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Company's access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

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 which has fluctuated significantly during six months 2012 and 2011.

24. 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.

In 2007 the shareholders appointed two independent directors; one is from JSC "National Welfare Fund "Samruk-Kazyna", and another from BAE System Kazakhstan Limited. An agreement with the independent directors was signed in 2007 and total remuneration paid during six months ended 30 June 2012 to independent directors was USD 42 thousand (six months ended 30 June 2011: USD 4 thousand).

Management remuneration

Key management (on 30 June 2012: 23 persons, 30 June 2011: 21 persons) received the following remuneration, which is included in personnel costs (see Note 6):

	Six months ended 30 June 2012	**Six months ended 30 June 2011 (unaudited)**
Salaries and bonuses	2,200	1,762
Termination benefits	-	1
	2,200	1,763

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.

In accordance with the resolution of the Government of the Republic of Kazakhstan #915 dated 17 August 2002, the Government provides subsidies to companies rendering passenger and air cargo services on unprofitable routes. The Government subsidies for 30 June 2012 amounted to USD 1,796 thousand (30 June 2011: USD 1,030 thousand) (Note 5). As at 30 June 2012 the outstanding amount due to the Company for subsidies was USD 735 thousand (31 December 2011: USD 443 thousand) (Note 14).

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 statements, management is of the opinion that the following transactions require disclosure as related party transactions:

Services received	**Six months ended 30 June 2012** **Transaction value**	**30 June 2012** **Outstanding balance**	**Six months ended 30 June 2011 (unaudited)** **Transaction value**	**31 December 2011** **Outstanding balance**
State-owned companies	14,739	(399)	14,662	(477)
Shareholders and their subsidiaries	5,080	(254)	2,103	(430)
	19,819	(653)	16,765	(907)

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

Services provided by the Company	**Six months ended 30 June 2012** **Transaction value**	**30 June 2012** **Outstanding balance**	**Six months ended 30 June 2011 (unaudited)** **Transaction value**	**31 December 2011** **Outstanding balance**
Shareholders and their subsidiaries	716	114	443	112
	716	114	443	112

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.

25. SUBSEQUENT EVENTS

In July 2012 dividends declared for 2011 (Note 17) were fully paid to each shareholder in accordance with their shareholdings.

In July 2012 the Company negotiated the financing with the Brazilian Development Bank for the purchase of up to four Embraer aircraft.

The Company selected the manufacturer of engines on up to four new Boeing 767 aircraft to be delivered commencing September 2013.

The Company also concluded agreement to get an interest-bearing funding for a portion of each Boeing 767 aircraft predelivery payment, with the principal amount funded being repaid by the Company on the delivery date of each aircraft.