

JOINT STOCK COMPANY AIR ASTANA

Condensed Interim Financial Information

For the six-month period
ended 30 June 2016 (unaudited)

JOINT STOCK COMPANY AIR ASTANA

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

Management is responsible for the preparation of the condensed interim financial information that present fairly the financial position of JSC Air Astana (the "Company") as at 30 June 2016, the results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

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

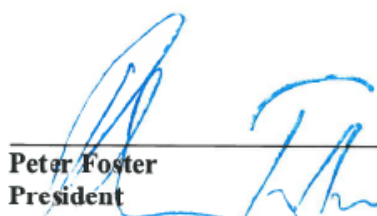
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient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

Management is also responsible for:

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

The condensed interim financial information for the six-month period ended 30 June 2016 were authorised for issue on 29 July 2016 by management of the Company.

On behalf of management of the Company:


Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan




Alima Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan



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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 2016, 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 International Financial Reporting Standard 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 2016 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC


29 July 2016

JOINT STOCK COMPANY AIR ASTANA
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Revenue			
Passenger revenue	5	262,148	374,306
Cargo and mail	5	6,842	9,887
Other	5	6,789	7,481
Total revenue		275,779	391,674
Operating expenses			
Fuel		(55,386)	(87,437)
Handling, landing fees and route charges	6	(42,212)	(54,254)
Employee costs	6	(33,734)	(45,225)
Passenger service	6	(31,189)	(39,866)
Engineering and maintenance	6	(29,601)	(36,481)
Aircraft operating lease costs	6	(28,871)	(30,048)
Depreciation and amortisation	10	(14,278)	(28,387)
Selling costs	6	(14,201)	(18,779)
Aircraft crew costs	6	(13,969)	(14,675)
Insurance	6	(2,251)	(2,593)
Property lease cost		(2,099)	(2,839)
Taxes, other than income tax		(1,963)	(1,311)
Information technology		(1,576)	(1,798)
Consultancy, legal and professional services		(989)	(1,286)
Other		(2,669)	(3,824)
Total operating expenses		(274,988)	(368,803)
Operating profit		791	22,871
Finance income	7	3,512	4,658
Finance expenses	7	(7,143)	(9,315)
Foreign exchange loss, net		(3,772)	(7,348)
(Loss)/profit before tax		(6,612)	10,866
Income tax benefit/(expense)	8	44	(2,598)
(Loss)/profit for the period		(6,568)	8,268
Basic and diluted (loss)/profit per share (in USD)	17	(386)	486

On behalf of the Company's management:


Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan




Alima Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan

The notes on pages 9-36 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 ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

	Notes	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Net (loss)/profit for the period		(6,568)	8,268
Foreign currency translation loss, which will never be reclassified to profit or loss in subsequent periods		(912)	(5,597)
Other comprehensive income, net of tax, to be reclassified into profit or loss in subsequent periods:			
Result from cash flow hedging instruments	22	1,001	
Income tax related to result from cash flow hedging instruments	22	(200)	
Realised loss on cash flow hedging instruments	22	5,306	-
Income tax related to realised loss on hedging instruments	22	(1,061)	-
Other comprehensive income for the period, net of income tax		4,134	(5,597)
Total comprehensive (loss)/income for the period		(2,434)	2,671

On behalf of the Company's management:

Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan



Alima Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

	Notes	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	9	269,883	269,845
Intangible assets		2,502	693
Prepayments for non-current assets	13	10,517	10,351
Guarantee deposits	11	15,237	15,398
Deferred tax assets		955	2,072
Trade and other receivables	14	908	959
		<u>300,002</u>	<u>299,318</u>
Current assets			
Inventories	12	30,561	30,245
Prepayments	13	24,616	15,871
Income tax prepaid		771	757
Trade and other receivables	14	23,298	20,880
Other taxes prepaid		9,286	7,471
Guarantee deposits	11	31,398	28,398
Bank deposits	15	151,623	158,252
Cash and bank balances	16	66,517	52,471
Financial assets at fair value through profit or loss		11	91
		<u>338,081</u>	<u>314,436</u>
Total assets		<u>638,083</u>	<u>613,754</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	17,000	17,000
Foreign currency translation reserve		(182,371)	(181,459)
Reserve on hedging instruments, net of tax		(116,669)	(121,715)
Reserve fund	17	6,120	-
Retained earnings		343,922	365,816
Total equity		<u>68,002</u>	<u>79,642</u>
Non-current liabilities			
Loans	21	12,616	-
Finance lease liabilities	22	355,721	375,789
Provision for aircraft maintenance	19	35,725	31,379
		<u>404,062</u>	<u>407,168</u>
Current liabilities			
Loans	21	1,233	-
Finance lease liabilities	22	40,938	40,640
Deferred revenue	18	55,365	32,876
Provision for aircraft maintenance	19	20,262	16,496
Trade and other payables	20	48,221	36,752
Financial liabilities at fair value through profit or loss		-	180
		<u>166,019</u>	<u>126,944</u>
Total liabilities		<u>570,081</u>	<u>534,112</u>
Total equity and liabilities		<u>638,083</u>	<u>613,754</u>

On behalf of the Company's management:


Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan




Alima Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan

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JOINT STOCK COMPANY AIR ASTANA

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)


	Notes	Share capital	Foreign currency translation reserve	Reserve on hedging instruments	Reserve fund	Retained earnings	Total equity
At 1 January 2015		17,000	(73,859)	-	-	326,456	269,597
Net profit for the period (unaudited)		-	-	-	-	8,268	8,268
Translation difference (unaudited)		-	(5,597)	-	-	-	(5,597)
Total comprehensive income for the period (unaudited)		-	(5,597)	-	-	8,268	2,671
Dividends declared (unaudited)	17	-	-	-	-	(9,381)	(9,381)
At 30 June 2015 (unaudited)		17,000	(79,456)	-	-	325,343	262,887
At 1 January 2016		17,000	(181,459)	(121,715)	-	365,816	79,642
Loss for the period (unaudited)		-	-	-	-	(6,568)	(6,568)
Cash flow hedging instruments, net of tax (unaudited)		-	-	801	-	-	801
Realised loss on cashflow hedging instruments, net of tax (unaudited)		-	-	4,245	-	-	4,245
Translation difference (unaudited)		-	(912)	-	-	-	(912)
Total comprehensive loss for the period (unaudited)		-	(912)	5,046	-	(6,568)	(2,434)
Dividends declared (unaudited)	17	-	-	-	-	(9,206)	(9,206)
Reserve fund (unaudited)	17	-	-	-	6,120	(6,120)	-
At 30 June 2016 (unaudited)		17,000	(182,371)	(116,669)	6,120	343,922	68,002

On behalf of the Company's management


Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan




Alma Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan

The notes on pages 9-36 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 CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

(in thousands of USD)

	Notes	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
OPERATING ACTIVITIES:			
(Loss)/profit before tax		(6,612)	10,866
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	10	14,278	28,387
Gain on disposal of property, plant and equipment		(399)	(357)
Change in allowance for doubtful debts		121	401
Change in allowance for obsolete and slow-moving inventories		15	(597)
Change in vacation reserve		(346)	(66)
Change in provision for aircraft maintenance		10,719	11,170
Reversal of loyalty provision		(77)	(138)
Foreign exchange loss, net		3,772	7,348
Finance income	7	(3,417)	(1,120)
Interest expense on finance lease	7	6,210	6,885
Interest expense from revaluation of fair value of guarantee deposits	7	147	-
Net realised loss on financial assets and liabilities at fair value through profit or loss	7	353	1,958
Net unrealised gain on financial assets and liabilities at fair value through profit or loss	7	(95)	(3,537)
Operating cash flow before movements in working capital		24,669	61,200
Change in trade and other accounts receivables		(1,460)	8,756
Change in prepaid expenses		(9,601)	713
Change in inventories		(357)	1,828
Change in financial assets and liabilities at fair value through profit or loss		(353)	(3,145)
Change in trade and other payables and other current liabilities		410	(3,963)
Change in deferred revenue		22,175	15,623
Cash generated from operations		35,483	81,012
Income tax paid		(11)	(187)
Interest paid		(6,489)	(6,894)
Net cash generated from operating activities		28,983	73,931
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	9	(13,682)	(11,540)
Proceeds from disposal of property, plant and equipment		996	708
Purchase of intangible assets		(2,550)	(199)
Bank and Guarantee deposits placed		(159,993)	(87,494)
Bank and Guarantee deposits withdrawn		162,910	113,683
Interest received		3,208	1,303
Net cash (used in)/generated from investing activities		(9,111)	16,461

**JOINT STOCK COMPANY AIR ASTANA
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (CONTINUED) (UNAUDITED)**

(in thousands of USD)

	Notes	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
FINANCING ACTIVITIES:			
Correction of withholding tax on dividends		-	(703)
Proceeds from borrowings		13,809	-
Repayment of finance lease		(19,406)	(19,323)
Net cash used in financing activities		(5,597)	(20,026)
NET INCREASE IN CASH AND BANK BALANCES			
		14,275	70,366
Effect of exchange rate changes on cash and bank balances held in foreign currencies		1,783	1,152
Foreign currency translation loss		(2,012)	(1,832)
CASH AND BANK BALANCES, at the beginning of the period	16	52,471	70,866
CASH AND BANK BALANCES, at the end of the period	16	66,517	140,552

On behalf of the Company's management:


Peter Foster
President

29 July 2016
Almaty, Republic of Kazakhstan




Alima Zamanbekova
Chief Accountant

29 July 2016
Almaty, Republic of Kazakhstan

The notes on pages 9-36 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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (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.

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 2016 and 31 December 2015, the Company operated 30 turbojet aircraft, of which 9 short-haul and 21 long-haul aircraft representing 11 aircraft acquired under finance lease and 19 aircraft leased under operating lease.

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 PREPARATION

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The condensed interim financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. Management believes that the disclosures in this condensed interim financial information are adequate to make the information presented not misleading if this financial information is read in conjunction with the Company’s annual financial statements for 2015 prepared in accordance with IFRS.

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. As requested by shareholders, the Company prepared two sets of financial information with presentation currency US Dollar (“USD”) and Kazakhstan Tenge as shareholders believe that both currencies are useful for the users of this condensed interim financial information. This condensed interim financial information has been presented in USD. 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 2016 (UNAUDITED) (in thousands of USD)

2. BASIS OF PREPARATION (CONTINUED)

Functional and presentation currency (continued)

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 information, 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 reporting date;
- b) income and expenses for the reporting period (i.e., including comparatives) are translated at average monthly exchange rates during the six-month period; and
- c) all resulting exchange differences are recognised as foreign currency translation reserve within other comprehensive loss/income.

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

	Average rate		Reporting date spot-rate	
	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	30 June 2016	31 December 2015
US dollar (USD)	327.66-383.91	185.25	338.66	339.47
Euro (EUR)	369.46-418.23	206.79	377.2	371.31
British Pound (GBP)	450.05-544.3	282.23	455.33	503.3

3. SIGNIFICANT ACCOUNTING POLICIES

This condensed interim financial information has been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The same accounting policies, presentation and methods of computation have been followed in this condensed interim financial information as were applied in the preparation of the Company's financial statements for the year ended 31 December 2015.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (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 applied to the Company's annual financial statements for 2015 prepared in accordance with IFRS.

5. REVENUE

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Passenger revenue		
Passenger transport	218,044	299,803
Fuel surcharge	27,890	53,048
Airport services	14,612	18,983
Excess baggage	1,602	2,472
	262,148	374,306
Cargo and mail revenue		
Cargo	6,275	8,796
Mail	567	1,091
	6,842	9,887
Other revenue		
Penalties on agency contracts	3,395	4,308
Income from ground services	511	501
Gain on disposal of spare parts and other assets	399	357
Advertising revenue	374	889
Spare parts received free of charge	59	83
Other	2,051	1,343
	6,789	7,481

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

5. REVENUE (CONTINUED)

During the six-month period ended 30 June 2016 and 30 June 2015, passenger, cargo and mail revenue were generated from the following destinations:

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Domestic	78,623	136,526
Asia	59,374	79,674
Europe	59,823	77,568
Russia	37,655	51,720
CIS Regional	20,421	21,385
Middle east	13,094	17,320
Total passenger, cargo and mail revenue	268,990	384,193

6. OPERATING EXPENSES

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Handling, landing fees and route charges		
Aero navigation	18,056	20,136
Handling charge	13,344	16,614
Landing fees	10,173	15,838
Meteorological services	63	918
Other	576	748
	42,212	54,254
Employee costs		
Wages and salaries of operational personnel	21,551	29,665
Wages and salaries of administrative personnel	4,875	6,904
Social tax	3,400	4,314
Wages and salaries of sales personnel	2,236	2,278
Other	1,672	2,064
	33,734	45,225

The average number of employees during the six-month period ended 30 June 2016 was 4,676 (2015: 4,583).

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

6. OPERATING EXPENSES (CONTINUED)

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Passenger service		
Airport charges	14,337	17,920
Catering	10,477	14,907
In-flight entertainment	1,881	1,699
Security	1,396	1,348
Other	3,098	3,992
	31,189	39,866
	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Engineering and maintenance		
Maintenance – variable lease payments	12,209	12,407
Maintenance – provisions (Note 19)	10,720	11,171
Spare parts	3,219	5,171
Maintenance – components	2,439	6,613
Technical inspection	1,014	1,119
	29,601	36,481
	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Aircraft operating lease costs		
Fixed lease charges	27,867	28,509
Lease of engines and rotatable spare parts	514	587
Leased engine on wing costs	443	660
Operating lease return costs	47	292
	28,871	30,048
	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Selling costs		
Reservation costs	7,890	7,353
Commissions	3,538	7,115
Advertising	2,300	3,735
Interline commissions	261	311
Other	212	265
	14,201	18,779

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

6. OPERATING EXPENSES (CONTINUED)

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Aircraft crew costs		
Accommodation and allowances	6,712	7,198
Contract crew	3,979	3,980
Training	3,278	3,497
	13,969	14,675
Insurance		
Hull insurance	1,140	1,183
Legal liability insurance	711	871
Medical insurance	262	367
Other	138	172
	2,251	2,593

7. FINANCE INCOME AND EXPENSES

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Finance income		
Interest income on bank deposits	3,098	879
Unwinding of discount on Ab-initio pilot trainees receivables	166	231
Net unrealised income on financial assets and liabilities at fair value through profit or loss	95	3,537
Income from revaluation of fair value of guarantee deposits	-	2
Other	153	9
	3,512	4,658
Finance expenses		
Interest expense on finance lease	6,210	6,885
Bank commissions	432	472
Net realised loss on financial assets and liabilities at fair value through profit or loss	353	1,958
Finance expense on guarantee deposits	148	-
	7,143	9,315

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

8. INCOME TAX BENEFIT/(EXPENSE)

The Company's income tax expense was as follows:

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Adjustment for deferred income tax of prior periods	(472)	(122)
Deferred income tax benefit/(expense)	516	(2,476)
	<u>44</u>	<u>(2,598)</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 2016 and 31 December 2015 is presented below.

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.

	30 June 2016 (unaudited)	31 December 2015
Deferred tax assets		
Carried forward tax losses	11,708	13,840
Provision for aircraft maintenance	11,197	9,575
Trade and other payables	3,467	3,176
Intangible assets	50	96
Total	<u>26,422</u>	<u>26,687</u>
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(25,456)	(24,592)
Prepaid expenses	(11)	(23)
Total	<u>(25,467)</u>	<u>(24,615)</u>
Net deferred tax assets	<u>955</u>	<u>2,072</u>

The income tax rate in the Republic of Kazakhstan, where the Company is located, at 30 June 2016 and 31 December 2015 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 before income tax. Below is a reconciliation of theoretical income tax at 20% (2015: 20%) to the actual income tax expense recorded in the Company's statement of profit or loss and other comprehensive income:

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
(Loss)/profit before tax	(6,612)	10,866
Income tax (benefit)/expense at statutory rate	(1,322)	2,173
Tax effect of non-deductible expenses	806	425
Adjustment for deferred income tax of prior periods	472	-
Income tax (benefit)/expense	<u>(44)</u>	<u>2,598</u>

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

9. PROPERTY, PLANT AND EQUIPMENT

	Rotable spare parts	Office equipment and furniture	Building, premises and land	Vehicles	Aircraft under finance lease	Equipment in transit and construction in progress	Total
Cost							
At 1 January 2015	55,549	9,573	5,406	3,185	538,950	7,842	620,505
Additions (unaudited)	-	-	-	-	-	11,540	11,540
Disposals (unaudited)	(3,688)	(404)	-	(37)	(1,212)	-	(5,341)
Transfers (unaudited)	10,616	301	53	1,322	3,028	(15,320)	-
Foreign currency translation difference	(1,184)	(197)	(112)	(73)	(11,153)	(143)	(12,862)
At 30 June 2015 (unaudited)	61,293	9,273	5,347	4,397	529,613	3,919	613,842
At 1 January 2016	34,956	5,108	3,183	2,463	290,969	2,767	339,446
Additions (unaudited)	-	-	-	-	-	13,678	13,678
Disposals (unaudited)	(460)	(152)	(61)	(133)	(371)	-	(1,177)
Transfers (unaudited)	5,252	321	56	140	800	(6,569)	-
Foreign currency translation difference	289	17	11	13	707	335	1,372
At 30 June 2016 (unaudited)	40,037	5,294	3,189	2,483	292,105	10,211	353,319
Accumulated depreciation							
At 1 January 2015	20,738	6,305	1,260	1,852	53,613	-	83,768
Charge for the period (unaudited) (Note 10)	5,586	972	183	228	21,066	-	28,035
Disposals (unaudited)	(3,444)	(379)	-	(30)	(1,136)	-	(4,989)
Foreign currency translation difference	(441)	(134)	(27)	(39)	(1,210)	-	(1,851)
At 30 June 2015 (unaudited)	22,439	6,764	1,416	2,011	72,333	-	104,963
At 1 January 2016	12,500	3,534	895	1,126	51,546	-	69,601
Charge for the period (unaudited) (Note 10)	2,613	216	159	149	10,816	-	13,953
Disposals (unaudited)	(147)	(51)	(43)	(133)	(206)	-	(580)
Foreign currency translation difference	86	12	5	6	353	-	462
At 30 June 2016 (unaudited)	15,052	3,711	1,016	1,148	62,509	-	83,436
Net book value							
At 30 June 2015 (unaudited)	38,854	2,509	3,931	2,386	457,280	3,919	508,879
At 1 January 2016	22,456	1,574	2,288	1,337	239,423	2,767	269,845
At 30 June 2016 (unaudited)	24,985	1,583	2,173	1,335	229,596	10,211	269,883

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of USD 229,596 thousand (unaudited) (2015: USD 239,423 thousand) (Note 22).

Rotable spare parts include aircraft modification costs.

For the six-month period ended 30 June 2016 USD 325 thousand interest of the EBRD loan (unaudited) was capitalised into property, plant and equipment (2015: nil) (Note 21).

The decrease in the equivalent US dollar book cost is the reflection of IFRS translation method when converting the functional Tenge currency to the reporting US dollar currency.

Balance Sheet of the Company is translated into the reporting currency at the closing foreign currency rate prevailing at the reporting date. As a result of the devaluation of Kazakhstan Tenge to US dollar, the foreign currency exchange rate used for translating balances as at 30 June 2016 was higher than the respective rate used for translation of balances as at 30 June 2015, leading to decrease in the corresponding US dollar book values as at 30 June 2016.

10. DEPRECIATION AND AMORTISATION

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Depreciation of property, plant and equipment (Note 9)	13,953	28,035
Amortisation of intangible assets	325	352
Total	14,278	28,387

11. GUARANTEE DEPOSITS

	30 June 2016 (unaudited)	31 December 2015
<i>Non-current</i>		
Guarantee deposits for leased aircraft	14,642	14,779
Other guarantee deposits	595	619
	15,237	15,398
<i>Current</i>		
Guarantee deposits for maintenance liabilities	29,929	27,661
Guarantee deposits for leased aircraft	862	60
Other guarantee deposits	607	677
	31,398	28,398
	46,635	43,796

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

11. GUARANTEE DEPOSITS (CONTINUED)

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

	30 June 2016 (unaudited)	31 December 2015
Within one year	30,791	27,721
After one year but not more than five years	7,700	7,890
More than five years	7,159	6,956
	45,650	42,567
Fair value adjustment	(217)	(67)
	45,433	42,500

12. INVENTORIES

	30 June 2016 (unaudited)	31 December 2015
Spare parts	17,438	15,999
Fuel	5,262	4,487
Promotional materials	2,047	1,734
Crockery	1,816	1,591
Goods in transit	1,532	4,730
Uniforms	1,014	855
De-icing liquid	547	275
Blank forms	256	239
Other	1,084	749
	30,996	30,659
Less: allowance for obsolete and slow-moving inventories	(435)	(414)
	30,561	30,245

13. PREPAYMENTS

	30 June 2016 (unaudited)	31 December 2015
<i>Non-current</i>		
Prepayments for non-current assets	2,743	3,818
Advances paid for services	7,774	6,533
	10,517	10,351
<i>Current</i>		
Advances paid for services	13,455	5,615
Advances paid for goods	2,789	2,205
Prepayments for finance lease	6,090	5,777
Prepayments for operating leases	2,689	2,670
	25,023	16,267
Less: allowance for non-recovery	(407)	(396)
	24,616	15,871

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

13. PREPAYMENTS (CONTINUED)

As at 30 June 2016 prepayments for non-current assets 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.

14. TRADE AND OTHER RECEIVABLES

	30 June 2016 (unaudited)	31 December 2015
<i>Non current</i>		
Due from employees and Ab-initio pilot trainees	908	959
	<u>908</u>	<u>959</u>
<i>Current</i>		
Trade receivables	21,135	16,898
Receivable from lessors – variable lease reimbursement	2,776	3,965
Due from employees and Ab-initio pilot trainees	511	1,054
Other	7	-
	<u>24,429</u>	<u>21,917</u>
Less: allowance for doubtful debts	(1,131)	(1,037)
	<u>23,298</u>	<u>20,880</u>

At 30 June 2016, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 45% of the Company's trade and other receivables (at 31 December 2015: eight debtors comprised 33%).

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

Amounts due from trainees of 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 trainees terminate his/her employment.

However, in December 2015 within employee incentive scheme the management offered a new repayment option to Ab-initio pilot program trainees. Under this option, the obligations to repay training costs have been cancelled with the total amount only becoming due if they leave the Company. Amounts due from those cadets who selected the option were reclassified to deferred expenses and will be amortized using the straight line method over the remaining amortization term.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2016 (unaudited)	31 December 2015
Tenge	9,129	7,709
US Dollar	6,424	9,395
Euro	3,047	1,999
Russian Rouble	1,516	834
Other	5,221	2,939
	<u>25,337</u>	<u>22,876</u>

15. BANK DEPOSITS

	30 June 2016 (unaudited)	31 December 2015
<i>Current</i>		
Term deposits with local banks	150,240	156,985
Guarantee deposits	8	13
Interest receivable	1,375	1,254
	<u>151,623</u>	<u>158,252</u>

Short-term deposits with local banks (with an original maturity of more than three months and less than one year) earn interest in the range from 0.3% to 5% per annum (2015: 0.5% to 5%). 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 (2015: 0% to 4.5%).

Bank deposits are denominated in the following currencies:

	30 June 2016 (unaudited)	31 December 2015
US Dollar	144,365	146,731
Euro	7,250	11,505
Tenge	8	16
	<u>151,623</u>	<u>158,252</u>

16. CASH AND BANK BALANCES

	30 June 2016 (unaudited)	31 December 2015
Current accounts with local banks	29,482	22,612
Term deposits with local banks with original maturity less than 3 months	29,101	24,551
Current accounts with foreign banks	7,813	5,211
Cash on hand	121	97
	<u>66,517</u>	<u>52,471</u>

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

16. CASH AND BANK BALANCES (CONTINUED)

At 30 June 2016, current accounts with banks earn interest in the range of 0.3% to 13.5% per annum (31 December 2015: 0.3% to 8%). As at 30 June 2016 short-term deposits (overnight) with banks earn interest in the range from 13.5% to 15% per annum (2015: up to 42%).

Cash and bank balances are denominated in the following currencies:

	30 June 2016 (unaudited)	31 December 2015
US Dollar	43,439	37,261
Tenge	10,845	5,107
Euro	4,003	4,249
Chinese Yuan	3,464	1,308
GBP	1,632	1,503
Indian Rupee	758	594
Uzbek Soms	598	879
Russian Rouble	427	905
Other	1,351	665
	<u>66,517</u>	<u>52,471</u>

17. EQUITY

As at 30 June 2016 and 31 December 2015, share capital was comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of KZT 147,150 (equivalent to USD 1,000 per share at the time of purchase).

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 2016 the Company had retained earnings, including the profit for the current year, of USD 343,922 thousand (2015: USD 365,816 thousand).

In June 2016, 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 2015. The total amount of the dividends was 3,108,803 thousand tenge (USD 9,180 thousand equivalent as of announcement date) (Note 20).

Also at the Annual General Meeting of Shareholders of the Company held in June 2016 the decision was made to allocate an additional 20% of the net profit of the Company for 2015 in the amount of 2,072,536 thousand tenge (USD 6,120 thousand equivalent as of announcement date) to a Reserve Fund of the Company with the possibility of further distribution, subject to a further decision of General Meeting of Shareholders of the Company.

In May 2015, based on the decision of the Annual General Meeting of Shareholders, the Company declared a dividend payment equivalent to 50% of the net profit of the Company for 2014. The total amount of the dividend was 1,742,918 thousand tenge (USD 9,381 thousand equivalent as of announcement date), which was distributed and paid to each shareholder in accordance with their shareholdings. Dividends per share at 30 June 2016 were 182.9 thousand tenge or USD 0.5 thousand equivalent as of announcement date (2015: 102.5 thousand tenge or USD 0.5 thousand equivalent as of announcement date).

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

17. EQUITY, CONTINUED

The calculation of basic earnings per share is based on profit for the year and the weighted average number of ordinary shares outstanding during the year of 17,000 shares (2015: 17,000). The Company has no instruments with potential dilutive effect.

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Profit:		
(Loss)/profit for the period	(6,568)	8,268
Number of ordinary shares	17,000	17,000
(Loss)/profit per share – basic and diluted (USD)	(386)	486

18. DEFERRED REVENUE

	30 June 2016 (unaudited)	31 December 2015
Unearned transportation revenue	54,049	31,484
Customer loyalty program	1,316	1,392
	55,365	32,876

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.

The decrease in deferred revenue reflects the translation to US Dollar at devalued 2015 rate of exchange.

19. PROVISION FOR AIRCRAFT MAINTENANCE

	30 June 2016 (unaudited)	31 December 2015
Engines	44,870	37,414
D-Check	3,909	3,345
C-Check	2,964	3,344
Provision for redelivery of aircraft	1,699	1,641
Auxiliary Power unit	1,387	1,159
Landing gear	1,158	972
	55,987	47,875

During 2014 and 2015 the Company renegotiated certain operating lease agreements to replace the payments of variable lease by Letters of credit with further annual prolongation (Note 24). As a result a lessor signed an agreement to return variable lease payments which were fully received by the Company in 2016. The Company accepted the continuing obligations for aircraft maintenance and,

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(in thousands of USD)

19. PROVISION FOR AIRCRAFT MAINTENANCE, CONTINUED

therefore, increased provisions by the corresponding amounts in 2015 and continue to accrue provisions taking this into account in further years.

The movements in the provision for aircraft maintenance were as follows for the six-month period ended 30 June 2016 and the year ended 31 December 2015:

	Six-month period ended 30 June 2016 (unaudited)	Year ended 31 December 2015
At 1 January	47,875	23,074
Accrued during the period (Note 6)	11,712	52,344
Increase of provisions as a result of return of variable rent by a lessor (Note 24)	-	12,107
Reversed during the period (Note 6)	(992)	(589)
Used during the period	(3,005)	(10,961)
Foreign currency translation difference	397	(28,100)
	<u>55,987</u>	<u>47,875</u>
At period end	55,987	47,875

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 calculating the provisions are stated in US Dollars.

The planned utilisation of these provisions is as follows:

	30 June 2016 (unaudited)	31 December 2015
Within one year	20,262	16,496
During the second year	8,810	6,879
During the third year	12,153	4,557
After the third year	14,762	19,943
	<u>55,987</u>	<u>47,875</u>
Total provision for aircraft maintenance	55,987	47,875
Less: current portion	(20,262)	(16,496)
	<u>35,725</u>	<u>31,379</u>
Non-current portion	35,725	31,379

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

20. TRADE AND OTHER PAYABLES

	30 June 2016 (unaudited)	31 December 2015
Trade payables	26,885	27,608
Dividends payable	9,180	-
Wages and salaries payable to employees	5,765	2,210
Employee unused vacation	1,277	1,628
Operating lease payables	1,664	1,220
Deposits received	1,340	759
Taxes payable	1,613	2,829
Advances received	421	415
Other	76	83
	48,221	36,752

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

	30 June 2016 (unaudited)	31 December 2015
Tenge	25,651	12,683
US Dollar	13,498	15,668
Euro	5,005	3,777
Russian roubles	653	1,658
GBP	578	716
Other	2,836	2,250
	48,221	36,752

21. LOANS

	30 June 2016 (unaudited)	31 December 2015
<i>Non-current</i>		
Bank loan	12,616	-
	12,616	-
<i>Current</i>		
Current portion of bank loan	1,147	-
Interest payable	86	-
	1,233	-

On 16 March 2012, the Company entered into a renewable credit line agreement with JSC Halyk Bank for the amount of USD 45,000 thousand for the purpose of replenishment of working capital in order to meet current liabilities and not to incur interest penalties on early termination of bank deposits. Interest rate was fixed depending on loan terms from 4.5% to 7.25% per annum. The loan was secured by cash kept on the Company's current accounts and was fully repaid during August 2012. The extension period has not been used and the availability period has been renewed till 30 June 2014 with a new fixed interest rate from 4% to 6% per annum depending on loan terms. Approvals have been agreed to extend this credit line for a further 3-year period.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

21. LOANS (CONTINUED)

On 3 December 2015 the Company concluded a loan agreement of USD 14,000 thousand (equivalent in Kazakhstan Tenge) with the European Bank for Reconstruction and Development (EBRD) for 10 years for the purpose of construction of a Technical Center (Hangar) in Astana, which will also be pledged to EBRD under this loan. Interest rate is floating and defined, based on a margin of 3.75% per annum plus EBRD's All-in Cost in Kazakhstan Tenge. The All-in Cost will be determined on a quarterly basis in conjunction with the National Bank of Kazakhstan and/or the market. In April 2016 the Company obtained the funds from EBRD in the amount of 4,661,033 thousand tenge (USD 14,000 thousand equivalent as of receipt dates). This loan is subject to certain financial covenants which have been met during first half of 2016.

22. FINANCE LEASE LIABILITIES

For the years from 2012 to 2014 the Company acquired eleven aircraft under the fixed interest finance lease agreement. 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 (Note 24). Loans provided by financial institutions to the lessors in respect of six new Airbus 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 US Export Import Bank. Two Embraer aircraft were delivered in 2012 and 2013 were guaranteed by Brazilian Development Bank. The Company's obligations under finance leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 229,596 thousand (unaudited) (2015: USD 239,423 thousand) (Note 9).

The decrease in the equivalent US dollar book cost is the reflection of IFRS translation method when converting the functional Tenge currency to the reporting US dollar currency (please see Note 9 for additional information).

The Company's finance 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 finance 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 2016.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2016 (unaudited)	31 December 2015	30 June 2016 (unaudited)	31 December 2015
Within one year	52,833	53,181	40,938	40,640
After one year but not more than five years	203,752	203,115	168,663	164,096
More than five years	200,328	226,784	187,058	211,693
	456,913	483,080	396,659	416,429
Less: future finance charges	(60,254)	(66,651)	-	-
Present value of minimum lease payments	396,659	416,429	396,659	416,429
Included in the condensed interim financial information as:				
- current portion of finance lease obligations			40,938	40,640
- non-current portion of finance lease obligations			355,721	375,789
			396,659	416,429

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

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) *(in thousands of USD)*

22. FINANCE LEASE LIABILITIES (CONTINUED)

On 1 July 2015 the Company designated a portion of its US dollar finance lease obligations as hedges of highly probable future US Dollar revenue streams. The Company applies cash flow hedge accounting model to this hedging transaction, in accordance with IAS 39. At 30 June 2016, finance lease liabilities in the amount of USD 239,063 thousand are designated as hedging instrument denominated in US dollars of highly probable revenue forecasted for the period 2015 - 2025. The Company expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities being hedged match the future cash inflows of the expected revenue. At 30 June 2016, a foreign currency gain of USD 1,001 thousand (before deferred income tax of USD 200 thousand) on the finance lease liabilities, representing an effective portion of the hedge, is deferred in the hedging reserve in the equity. During the first half of 2016 the amount reclassified from the hedging reserve to foreign exchange loss in profit or loss statement was USD 5,306 thousand (before income tax of USD 1,061 thousand).

At each reporting date the Company translates its monetary assets and monetary liabilities denominated in foreign currencies to the reporting currency, while translation gains or losses are recorded in profit or loss. As a result of the cash flow hedge policy, the remaining net monetary foreign currency assets generated a currency loss of USD 1,534 thousand in the profit or loss. These net monetary foreign currency assets represent the excess of monetary foreign currency assets (including foreign currency cash) over the monetary foreign currency liabilities (including unhedged foreign currency loans).

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, 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 concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2015.

The capital structure of the Company consists of net debt (comprising loans and finance lease obligations in Note 21 and 22) 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.

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 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) *(in thousands of USD)*

23. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

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

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

As at 30 June 2016 there was no significant concentration of credit risk in respect of trade accounts receivable (Note 14).

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

Interest rate risk

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

In April 2016 Company's EBRD loan has fixed and variable interest rates (Note 21). If the variable part of interest rate on EBRD loan in 2016 was 20% higher or lower than the actual for the period, the interest expense would not have changed significantly.

Commodity price risk

The Company uses options to economically hedge the risk of jet fuel price movement. The Company uses standard market instruments for fuel hedging purposes, such as "call option" (where the premium is paid in advance by the Company to cover the risk of increases of commodity price above the predetermined level) and zero cost collar (where the premium is equal to zero, and where the Company simultaneously buys the "call option" and sells the "put option"). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from local suppliers, the Company hedges only the amount of fuel purchased outside the Republic of Kazakhstan signing the general agreement with several international banks on the conclusion of derivative transactions. The management of the Company determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Company.

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.

On 11 February 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the KZT exchange rate. As a result, the official exchange rate of KZT to US Dollar fell to KZT 184.55 per US Dollar as at 12 February 2014, i.e. by approximately 19%.

In August 2015, the National Bank of the Republic of Kazakhstan implemented a floating exchange rate policy for tenge. As a result, tenge devalued immediately by some 30% against the USD. The exchange rate has continued to weaken and as of 30 June 2016, the KZT to US Dollar official exchange rate is 338.66.

The Company management believes that it has taken appropriate measures to support the sustainability of the Company business under the current circumstances. Company applies hedge policy to manage a part of the currency risk (Note 22).

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity analysis

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

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.

	Notes	US dollar		Euro	
		30 June 2016(unaudited)	31 December 2015	30 June 2016 (unaudited)	31 December 2015
Assets					
Guarantee deposits		44,921	43,091	180	335
Trade and other receivables	14	6,424	9,395	3,047	1,999
Bank deposits	15	144,365	146,731	7,250	11,505
Cash and bank balances	16	43,439	37,261	4,003	4,249
Financial assets at fair value through profit or loss		11	91	-	-
Total		239,160	236,569	14,480	18,088
Liabilities					
Finance lease liabilities	22	396,659	416,429	-	-
Trade and other payables	20	13,498	15,668	5,005	3,777
Financial liabilities at fair value through profit or loss		-	180	-	-
Total		410,157	432,277	5,005	3,777
Net position		(170,997)	(195,708)	9,475	14,311

As at 30 June 2016 the following table details the Company's sensitivity to 20% weakening of tenge against US Dollar and Euro and to 20% strengthening of tenge against US Dollar and Euro. In 2015 the following table details the Company's sensitivity to 60% weakening of tenge against US Dollar and Euro and to 20% strengthening of tenge against US Dollar and Euro. Mentioned sensitivity rates 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 a abovementioned 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 finance lease liabilities.

A negative number below indicates a decrease in Profit or Loss and Other Comprehensive Income, and, positive number would be an opposite impact on the Profit or Loss and Other Comprehensive Income taking into account cash flow hedge policy (Note 2).

	Currency US Dollar impact		Currency Euro impact	
	30 June 2016 (unaudited) 20%	31 December 2015 60%	30 June 2016 (unaudited) 20%	31 December 2015 60%
Profit or (loss)	10,890	26,413	1,516	6,869
Equity decrease	(38,250)	(120,353)	-	-

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

	Currency US Dollar impact		Currency Euro impact	
	30 June 2016 (unaudited)	31 December 2015	30 June 2016 (unaudited)	31 December 2015
	-20%	-20%	-20%	-20%
Profit or (loss)	(10,890)	(8,805)	(1,516)	(2,290)
Equity increase	38,250	40,118	-	-

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 finance lease liabilities 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.

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
30 June 2016 (unaudited)					
Financial liabilities					
<i>Interest free</i>					
Trade and other payables	42,122	643	-	-	42,765
<i>Floating rate</i>					
Loans	409	2,284	10,561	8,170	21,424
<i>Fixed rate</i>					
Finance lease liabilities	13,014	39,819	203,752	200,329	456,914
31 December 2015					
Financial liabilities					
<i>Interest free</i>					
Trade and other payables	34,164	545	-	-	34,709
Financial liabilities at fair value through profit or loss	-	180	-	-	180
<i>Fixed rate</i>					
Finance lease liabilities	13,076	40,105	203,115	226,784	483,080

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

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	Over 5 years	Total
30 June 2016 (unaudited)						
Financial assets						
<i>Interest free</i>						
Trade and other receivables	-	22,988	311	648	259	24,206
Financial assets at fair value through profit or loss	-	-	11	-	-	11
Guarantee deposits	-	209	31,189	8,078	7,159	46,635
Cash and bank balances	-	66,517	-	-	-	66,517
<i>Fixed rate</i>						
Bank deposits	3.55	66,024	85,599	-	-	151,623
31 December 2015						
Financial assets						
<i>Interest free</i>						
Trade and other receivables	-	19,983	312	1,103	441	21,839
Financial assets at fair value through profit or loss	-	-	91	-	-	91
Guarantee deposits	-	345	28,053	8,381	7,017	43,796
Cash and bank balances	-	52,471	-	-	-	52,471
<i>Fixed rate</i>						
Bank deposits	3.01	65,184	93,068	-	-	158,252

Fair values

The Company uses options to hedge the risk of jet fuel price movement. The Company uses standard market instruments for fuel hedging purposes, such as "call option" (where the premium is paid in advance by the Company to cover the risk of increases of commodity price above the predetermined level) and zero cost collar (where the premium is equal to zero, and where the Company simultaneously buys the "call option" and sells the "put option"). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from local suppliers, the Company hedges only the amount of fuel purchased outside the Republic of Kazakhstan signing the general agreement with several international banks on the conclusion of derivative transactions. The management of the Company determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Company.

The fair values (FV) 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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values (continued)

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

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

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.

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 not all significant inputs are observable, either directly or indirectly and valuations are based on one or more non-observable inputs. Such valuations represent Level 3 of the fair value hierarchy.

Guarantee Deposits

Guarantee Deposits are recognised at amortised cost and accordingly it approximates 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 recognized at amortized cost and accordingly it approximates their fair values.

Finance lease liabilities

Finance lease liabilities are recognized at lower of fair value of assets received under finance lease and present value of minimum lease payments and accordingly it approximates their fair values.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

24. COMMITMENTS AND CONTINGENCIES

Capital commitments

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

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

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.

During 2015 management has revised its estimations of operating lease commitments, which include only non-cancellable fixed lease payments and fixed part of variable lease payments.

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

Commitments for leases of aircraft currently in operation:

	30 June 2016 (unaudited)	31 December 2015
Within one year	55,965	57,986
After one year but not more than five years	121,371	146,034
More than five years	6,531	9,505
	<u>183,867</u>	<u>213,525</u>

Commitments for leases of aircraft to be delivered from the second half of 2016 to 2019:

	30 June 2016 (unaudited)	31 December 2015
Within one year	5,803	3,043
After one year but not more than five years	163,650	130,938
More than five years	293,403	336,504
	<u>462,856</u>	<u>470,485</u>

In September 2015 the Company signed operating lease agreements for four Airbus A320neo family aircraft being delivered in 2017 and 2018.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (in thousands of USD)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating lease commitments (continued)

In June 2015 the Company signed operating lease agreements for seven Airbus A320neo family aircraft to replace some current leases on expiry and for future expansion. One A320neo is deferred for delivery in the second half of 2016, with the remaining six aircraft being delivered in 2018 and 2019.

Stand-by Letters of Credit as of 30 June 2016 were USD 35,055 thousand. These Letters of Credit were obtained as security for Lessors to cover any unfulfilled maintenance liabilities on the return of three Embraer E190 and five Airbus aircraft to Lessors.

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:

	30 June 2016 (unaudited)	31 December 2015
Within one year	1,199	1,199
After one year but not more than five years	<u>4,149</u>	<u>4,149</u>
	<u>5,348</u>	<u>5,348</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) having high rating of financial stability through a service of 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 purchase 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:

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Insurance (continued)

- Medical insurance of employees;
- Directors, Officers and Corporate liability insurance;
- Property insurance;
- Comprehensive vehicle insurance;
- Compulsory insurance of employee from accidents during execution of labor (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.

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 this condensed interim financial information, 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. 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 recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have 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.

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.

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 the total remuneration paid during six-month period ended 30 June 2016 to independent directors was USD 35 thousand (during six-month period ended 30 June 2015: USD 20 thousand).

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(in thousands of USD)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Management remuneration

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

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Salaries and bonuses	1,950	2,535
Social tax	209	270
	<u>2,159</u>	<u>2,805</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.

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 2016 (unaudited) Transaction value	30 June 2016 (unaudited) Outstanding balance	Six-month period ended 30 June 2015 (unaudited) Transaction value	31 December 2015 Outstanding balance
Services received				
State-owned companies	9,926	(893)	23,264	(1,509)
Shareholders and their subsidiaries	2,103	(111)	3,683	(213)
	<u>12,029</u>	<u>(1,004)</u>	<u>26,947</u>	<u>(1,722)</u>

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

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) *(in thousands of USD)*

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Services provided by the Company	Six-month period ended 30 June 2016 (unaudited) Transaction value	30 June 2016 (unaudited) Outstanding balance	Six-month period ended 30 June 2015 (unaudited) Transaction value	31 December 2015 Outstanding balance
Shareholders and their subsidiaries	407	168	613	111
	<u>407</u>	<u>168</u>	<u>613</u>	<u>111</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 31 July 2016.