FlyArystan

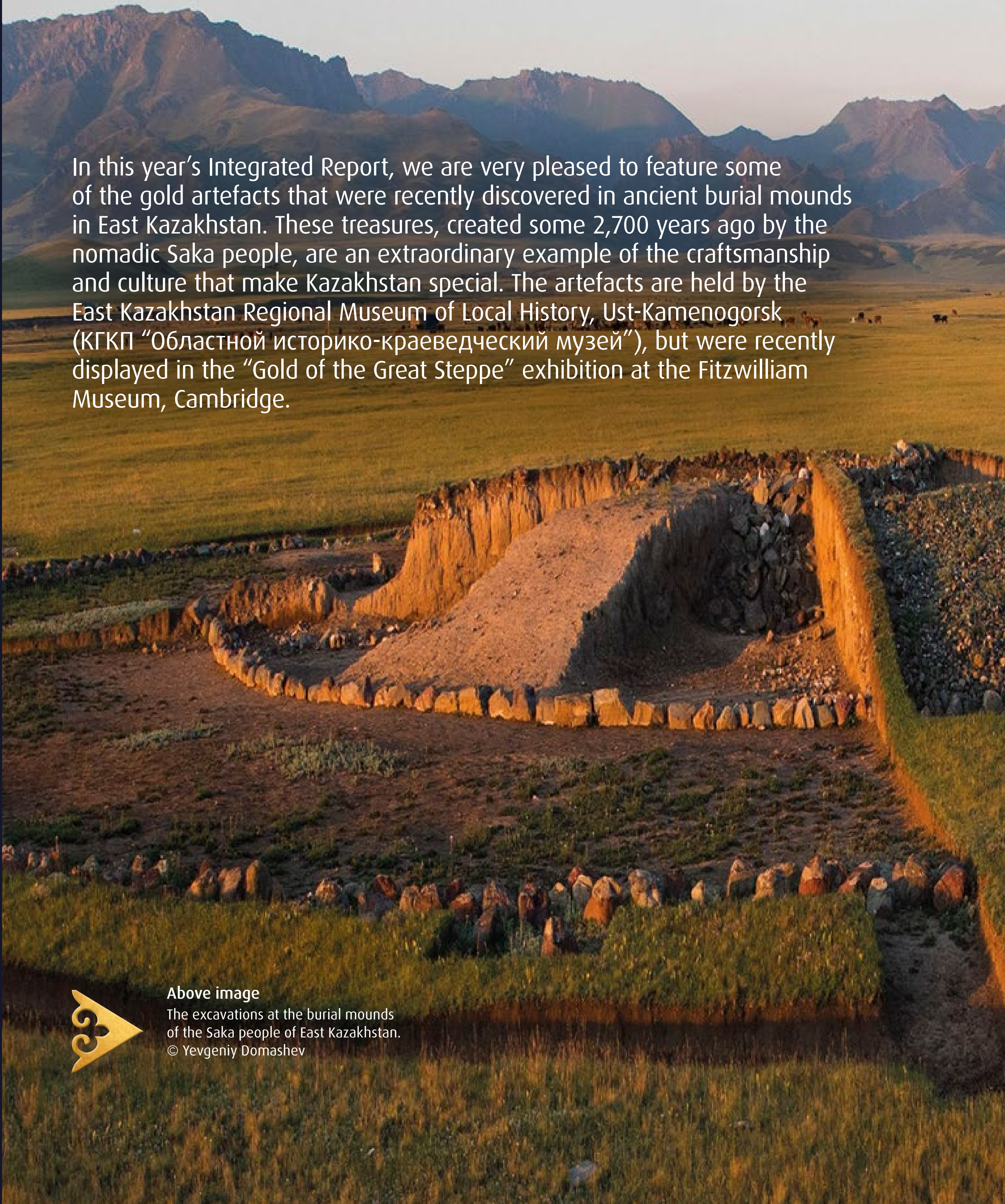
air astana

Agility, Efficiency, Excellence

Integrated Report 2021

At Air Astana, we are proud of our Kazakh heritage and the contribution that we have made and continue to make to our country’s development, reputation and prosperity.

In this year’s Integrated Report, we are very pleased to feature some of the gold artefacts that were recently discovered in ancient burial mounds in East Kazakhstan. These treasures, created some 2,700 years ago by the nomadic Saka people, are an extraordinary example of the craftsmanship and culture that make Kazakhstan special. The artefacts are held by the East Kazakhstan Regional Museum of Local History, Ust-Kamenogorsk (КГКП “Областной историко-краеведческий музей”), but were recently displayed in the “Gold of the Great Steppe” exhibition at the Fitzwilliam Museum, Cambridge.



Above image
The excavations at the burial mounds of the Saka people of East Kazakhstan.
© Yevgeniy Domashev

To explore further artefacts, please see the following pages

Making domestic travel more accessible

Kazakhstan has one of the world's most vibrant domestic markets – and we've only just started to realise the opportunities.

FlyArystan

Kazakhstan has become the world's fastest growing domestic market, expanding by 46% since FlyArystan launched in 2019. Greater frequency of flights and more destinations have boosted the airline's domestic passenger numbers to 3 million in less than 3 years. Starting with 2 aircraft serving 4 routes and operating 14 flights per day, today FlyArystan operates with 10 aircraft that serve 41 routes and make over 60 daily flights with further expansion planned. Combined with Air Astana, we currently command 71% of the total domestic market and believe that there is more potential to be unlocked in this landlocked land.

Read more in route network on page 04

Read more in the market overview on page 14

Read more in our strategy on page 20

39%

FlyArystan's domestic market share

+40%

Domestic propensity to travel since the launch of FlyArystan

Above image

A gold stag inlaid with turquoise found in the burial mounds of the Saka people of East Kazakhstan.

© Fitzwilliam Museum/East Kazakhstan Regional Museum of Local History, Ust-Kamenogorsk.

The world's largest landlocked country

Covering an area of 2.725 million km^2, with the vast grasslands of the Kazakh Steppe occupying one-third of that, Kazakhstan is the world's largest landlocked country. To put this into perspective: it takes over 33 hours to travel by train from Aktobe in the west to Almaty in the east. Making journeys by air more accessible with our low-cost carrier, FlyArystan, is rapidly changing the domestic travel market.

19.1m

Population of Kazakhstan in 2021*

* Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Focusing on customer experience

Our award-winning level of customer satisfaction is driven by excellence. Our modern fleet of aircraft enables us to provide comfort and punctuality. Our passengers are treated to a world-class cabin experience and treated like special guests.

Setting new standards of service

Air Astana's investment in modern, new aircraft ensures safe, reliable and comfortable travel for our passengers, but the airline is also renowned for its high levels of hospitality, a tradition of the Kazakh culture. This differentiation, promoted by the warm welcome and world-class cabin experience provided by our crews, is not only rewarded by passenger satisfaction and loyalty but has earned us consistent accolades in global travel ratings. We have also taken extra care to protect our passengers during the pandemic and were awarded Diamond status in Airline Passenger Experience Association (APEX) Health Safety audit for minimising the spread of COVID-19 during flights.

Read more in our Operating review on page 26

Service excellence

- Best Airline in Central Asia by Skytrax World Airline Awards – last 9 years
- 5-Star COVID-19 Airline Safety Rating by Skytrax
- Diamond status at Apex Health Safety audit
- Platinum Award by Amenities Initiatives for Sustainable Packaging Initiative

Above image

A piece of gold headdress found in the burial mounds of the Saka people of East Kazakhstan. © Fitzwilliam Museum/East Kazakhstan Regional Museum of Local History, Ust-Kamenogorsk.

"Konak keldi – irisyn ala keldi"

Hospitality sits at the heart of Kazakh culture, borne out of the nomadic traditions of its people over the centuries. Visitors would be welcomed into the homes of villagers as they travelled the vast steppes of the country. Greeting guests with warmth and kindness epitomises the generous nature of the Kazakh people and is embodied in the saying, which translates as "The guest comes and brings happiness to the home".

Hospitality is synonymous with Kazakh culture

Transforming travel across the region

Air Astana is one of the few airlines to return to profitability in 2021. It has achieved this partly through its strong management ethic, prudent liquidity measures and cost control, but also through its ability to adapt to the changing market situation. We are also uniquely positioned to capture growth in our near home markets of Asia, Europe and the CIS.

Open to opportunities

From Kazakhstan's unique position at the centre of the major markets of Asia, Europe and the CIS, Air Astana is itself in a unique position to take advantage of the burgeoning opportunities for growth and expansion as the world begins to open up again. Rated the best airline in Central Asia by Skytrax, we are also redefining our offering with a strategic switch to "lifestyle" travel. Identifying new tourist destinations has been key to our success with a substantial increase in international passenger numbers to 1.3 million in 2021 following a drop during the pandemic.

Read more in our Operating review on page 26

1.3m

International passengers in 2021

+69%

Planned increase in fleet 2021-2026

Above image

A gold dove headdress plaque found in the burial mounds of the Saka people of East Kazakhstan.
© Fitzwilliam Museum/East Kazakhstan Regional Museum of Local History, Ust-Kamenogorsk.

Kazakhstan on the Silk Road

Kazakhstan's location at the centre of the Eurasian continent has played a huge part in the successful commercial and economic development of the country. The Silk Road led merchants from China across the Kazakh Steppe for many centuries, who brought with them all manner of goods including silk, gold, medicines, spices, rice and ivory.

Today, many of the oases that welcomed these travelling caravans have become prosperous settlements and cities. Kazakhstan celebrated 30 years of independence in 2021 and now has a key role to play in the Silk Road in the sky with its unique position, sitting at the mid-way point between Europe, China and the Middle East.

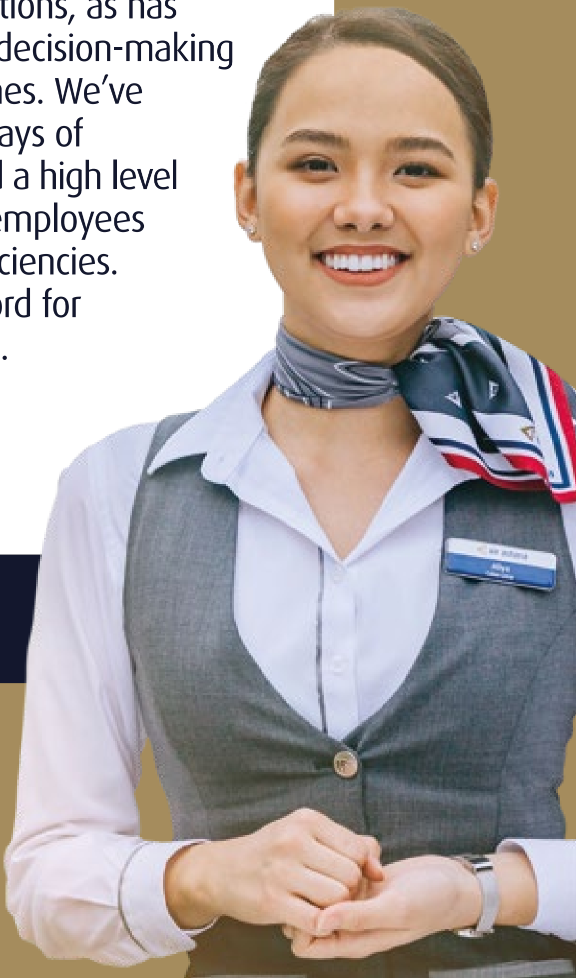
Located at the heart of Eurasia

Agility, Efficiency, Excellence

From the heart of Eurasia, we are building one of the finest airlines in the world.

Maintaining our growth trajectory is central to our ability to develop and expand our business for the long term. The strength of our financial base has been a major contributor to the resilience of our operations, as has our agile approach to decision-making during challenging times. We've introduced low-cost ways of working and promoted a high level of engagement with employees to help us achieve efficiencies. Excellence is the byword for everything that we do.

Read more at
airastana.com



Our strategic framework

Our purpose: why we exist

Connecting Kazakhstan and the rest of Eurasia with true Kazakh hospitality

Air Astana is a major economic and social enabler, helping to connect Kazakhstan with its prosperous neighbours. Since the launch of FlyArystan, we have also been stimulating mobility and growth in the world's largest landlocked country – where previously fewer than 50% of the local population had flown domestically.

What we do

We provide scheduled and chartered domestic and international passenger flights as well as freight and mail transportation. We have an absolute commitment to safety and service delivery, providing our employees and customers the best possible experience.

How we achieve this

Responding with agility

Our world-class management team's agile decision-making was vital to the airline's ability to adapt to the fluctuating pandemic circumstances, by significantly expanding its share of the domestic market and promoting new "lifestyle" destinations.

Harnessing efficiency

Our strategy to create a fleet of modern aircraft is supported by our investment in developing in-house engineering capabilities and innovative digital technology for improved efficiency and effectiveness.

Focused on service excellence

Already recognised internationally for our award-winning levels of service, we continue to build on the quality of our welcoming hospitality and onboard offering, and meet and exceed our customers' expectations.

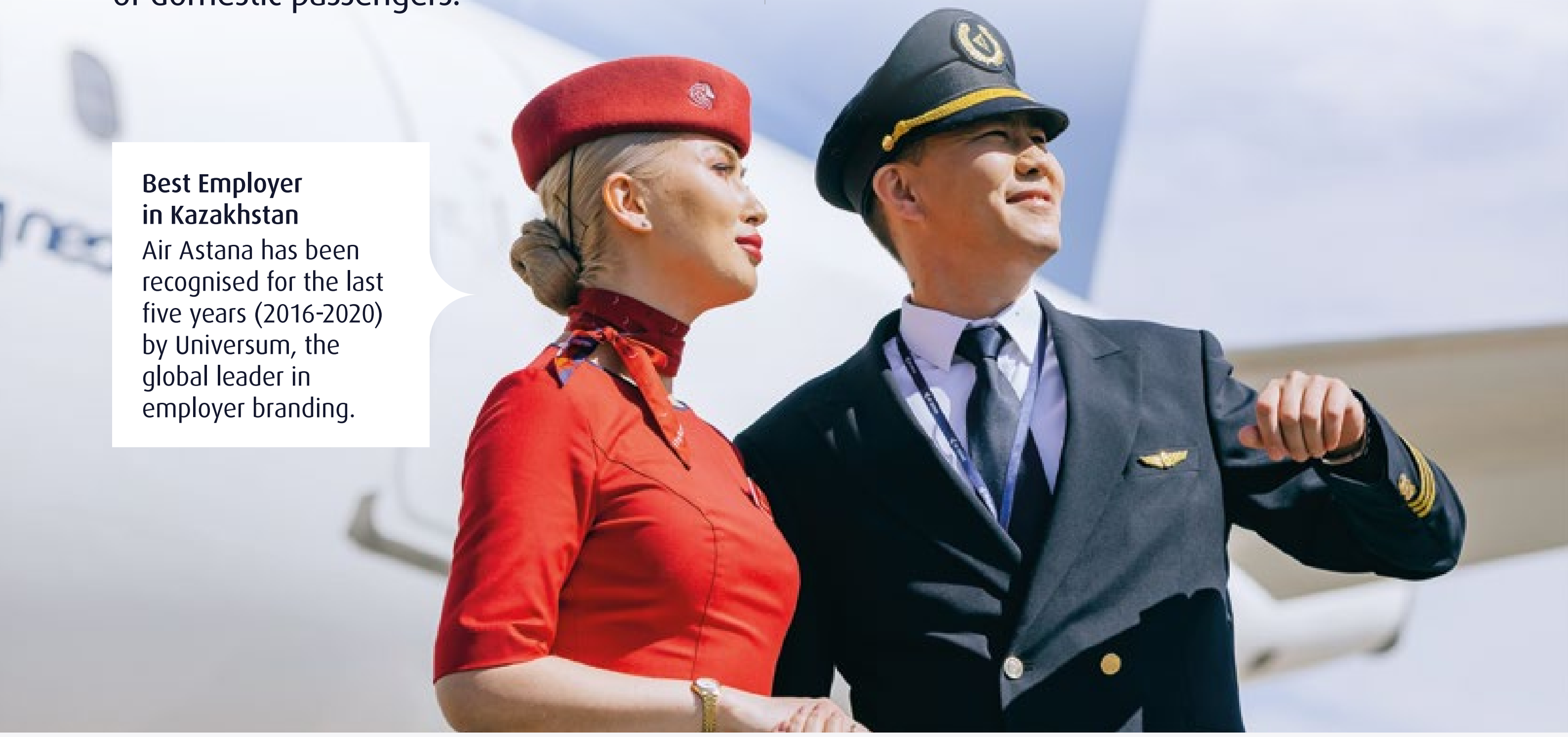
Underpinned by our strong culture of excellence and clear values

Hospitable | Efficient | Active | Reliable | Trustworthy

A strong track record of value creation

We returned to winning ways in 2021, exceeding our forecasts and opening up new opportunities within the international tourist market while increasing our share of domestic passengers.

20 Countries	**4.7** Average fleet age (years)
5,551 Employees	**6.6m** Passengers
84 Routes	**36** Aircraft in the fleet



Best Employer in Kazakhstan
Air Astana has been recognised for the last five years (2016-2020) by Universum, the global leader in employer branding.

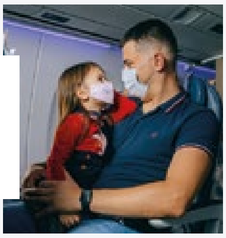
20-year snapshot

2001
Foundation of Air Astana
A joint venture between the Government of the Republic of Kazakhstan and BAE Systems

2002
Air Astana first flight from Almaty to Astana
First international flight from Almaty to Dubai

2003
First JAR/EASA 145 certification for Engineering and Maintenance

2004
Over 1m
passengers carried since the first flight operation



2007
First airline in the CIS to successfully pass the IOSA operational flight safety audit
Launch of Frequent Flyer Programme

2008
Launch of the ab-initio pilot training programme

2009
Achievement of 3-star overall Skytrax rating

Highly efficient, fast-growing, high-value branded international airline

- **5,500+** high-value jobs created
- Major component of the region's transport infrastructure
- Total taxes paid to date: **over USD 504m**
- Capital invested by both Shareholders: **USD 17m**
- Dividends paid to both Shareholders: **over USD 140m**
- Total aggregate net profit to December 2021: **USD 457m**

Own technical expertise

Our engineering and maintenance teams ensure the highest level of aircraft safety, airworthiness and reliability, and are expanding their in-house C-checks to increase our capabilities and make considerable cost savings.

Own training programmes

Nurturing and motivating our own internal talent is vital to our continued success. The Air Astana Training Academy has been recognised for its employee engagement, creativity, innovation and people development.

Our ab-initio training programme

>250 graduates

+12 Students in 2021

+30 Students planned in 2022

2010 — Start to develop Air Astana's own EASA certified maintenance capabilities

2012 — First airline in the CIS and Eastern Europe to be awarded a 4-star rating in the Skytrax World Airline Awards. First own aircraft delivery

2014 — Full membership in the Association of Asia Pacific Airlines (AAPA)

2016 — Launch of Part 66 technical training programme

2018 — Opening of Air Astana Technical Centre in Nur-Sultan

2019 — Start of new low-cost operations with FlyArystan

2021 — **6.6m** A record number of 6.6m passengers carried

Serving changing needs

While it remains a challenging time for the airline industry generally, our agile and flexible approach enabled both Air Astana and FlyArystan to bounce back during 2021, with total passenger numbers rising to 6.6 million and up 79% compared with 2020. While the performance of both airlines has vastly improved against 2020, the recovery of our international business overall is still slow. As we move into 2022, however, the prospects look more optimistic for the coming year, with more countries easing restrictions and passengers eager to travel further afield after months of lockdowns. The domestic market, on the other hand, is already booming and we have taken advantage of this by progressing our plans to add capacity through more frequency and new destinations. As a result, our total domestic traffic increased to 5.3 million passengers in 2021 and our total share of the domestic market to 71%, with FlyArystan holding the majority at 39% and Air Astana with the second largest share at 32%.

These figures represent a strong recovery from the COVID-19-affected 2020. Total carriage of more than 6.6 million customers is the highest ever recorded in the history of the airline. In large part this was driven by the strong performance of FlyArystan, which in only its second full year of operation carried almost as many customers as Air Astana, driven by low fares, mainly on routes within Kazakhstan, as a result of its ultra-competitive cost structure. FlyArystan is therefore on track to fulfil its core mission of increasing mobility by air across the country for Kazakhstan's citizens."

Peter Foster
President and CEO

Domestic routes

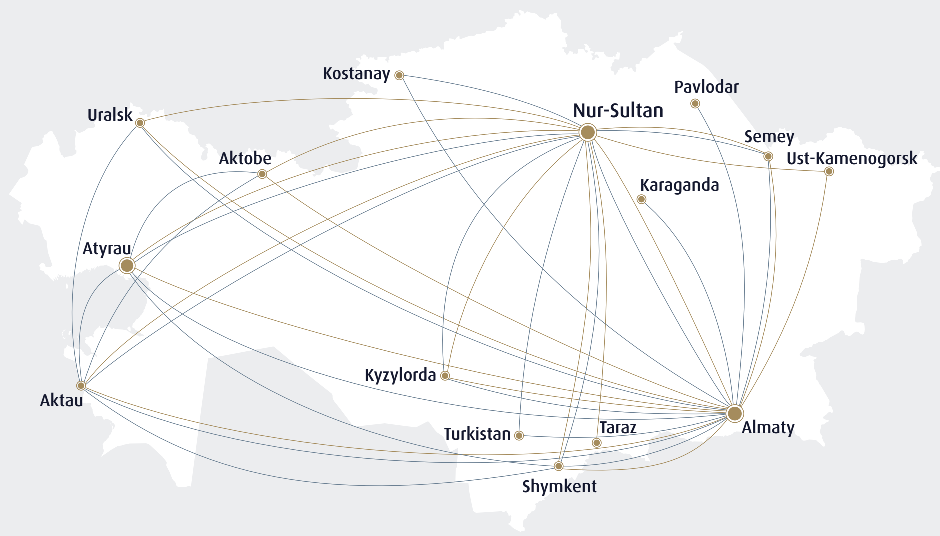
The total number of domestic routes operated remained at 30 in 2021, with FlyArystan increasing its share of routes from 21 to 24. But, more importantly, the total number of flights rose to 37,183 and the number of domestic passengers carried was up 89% on pre-COVID levels. Since the launch of FlyArystan in 2019 and even during the 2020 pandemic, domestic passenger traffic has risen exponentially year-on-year and totalled 5.3 million passengers in 2021.

Read more about Operating review on page 26

30
Domestic routes operated by the Company as at the end of 2021*

24
Domestic routes operated by FlyArystan

18
Domestic routes operated by Air Astana



* Where Air Astana and FlyArystan fly the same route, this has been counted as one.

Making the most of opportunities through our ability to see the potential in changing markets has supported our return to profitability.

International routes

Our international business bore the brunt of the travel restrictions imposed in 2020 with international passenger traffic cut by 72%, falling to 0.66 million. We are now seeing signs of recovery, with an increase to 1.3 million in 2021, since turning our focus to "lifestyle" travel and identifying new destinations. During 2021, in addition to resuming scheduled flights to Male, London, Delhi, Tblisi in Georgia and Dushanbe in Tajikstan, we also made direct flights to a number of tourist destinations including Sri Lanka, Montenegro, Thailand and Turkey, and FlyArystan made its inaugural flights to Kutaisi (Georgia) from three cities in Kazakhstan.

Read more about Operating review on page 26

54
International routes operated in 2021 (including regular charter flights)

15
International routes operated by FlyArystan

39
International routes operated by Air Astana

FlyArystan's Atyrau-Sharm El Sheikh and Shymkent-Kutaisi international flights were cancelled in 2021 but will be restored from March 2022.

A year of strong recovery

Air Astana has shown its mettle during the continuing COVID-driven uncertainties and delivered a strong set of results overall in 2021.

6.6m
Customers in 2021

+46%
Domestic market growth

By adapting to the fluctuating market situation, not only have we demonstrated the agility and ingenuity that underpin Air Astana's success, we have produced record passenger numbers for the Group."

Nurzhan Baidauletov
Chairman of the Board of Directors

I am very pleased to report that, while there has not yet been a return to business as usual, Air Astana has shown its mettle during the continuing COVID-driven uncertainties and delivered a strong set of results overall in 2021, including total carriage of more than 6.6 million customers, the highest Air Astana has ever recorded. This was largely due to the uptake in domestic flights as internal travel restrictions across the country.

Kazakhstan has now become the world's fastest growing domestic market, expanding by 46% since we launched FlyArystan in 2019. This, allied with our strategy to increase domestic capacity through more destinations and greater frequency, has proved very astute. Passenger numbers have risen dramatically over the last 2 years to 6.6 million in 2021: we now command a 71% total share of the domestic market and firmly believe that there is still untapped potential for future growth.

International flights were further impacted during the year and indications are that they will be slow to recover. Restrictions obviously played their part in this but the pandemic has had major and more long-term consequences on business travel. Historically, this is slow to recover after any crisis and likely to impact international flights for the foreseeable future. Predictions are that business travel may only ever return to 80% of pre-pandemic levels and certainly not before 2024.

However, this has not phased us; rather we have seen this as an opportunity to diversify our offer. Business travel may be off the agenda but, conversely, lockdowns have whetted the appetite for leisure travel. Having introduced winter flights in 2020 to Dubai, Egypt and the Maldives, in 2021 we added scheduled flights to a number of other tourist destinations in Sri Lanka, Montenegro, the Red Sea, Turkey and Thailand. Redefining Air Astana as a "lifestyle" airline has certainly proved an effective strategy and helped to boost our international passenger numbers to 1.3 million, a massive 99% increase on 2020. This is still significantly below 2019 levels of 2.3 million but is a strong indicator that we are on the right trajectory.

The conversion of a Boeing 767 into a semi-freighter in 2020 certainly proved both operationally and financially successful. It was returned to full passenger configuration in 2021 after its 15-month cargo assignment, when it undertook 270 charter flights and generated USD 26.3 million. Our total cargo volume for 2021 increased to 18,772 tons, up 35% year-on-year. We will be reviewing our position on further developing our cargo business as we see how the market settles down in 2022.

We have made further progress with our strategy to create a fleet of modern and fuel-efficient aircraft. This makes good economic sense for the business, for the comfort of our passengers and for minimising our impact on the environment. At the end of 2021, our fleet stood at 36 aircraft with an average age of 4.7 years, giving us one of the youngest fleets in the global airline industry. Our fleet expansion plans will see the delivery of several new Airbus aircraft during 2022.

We have been vigilant in taking every precaution to protect our employees and passengers throughout the pandemic, including pre-flight sanitising of aircraft, pre-departure testing of both passengers and crew and inflight mandatory sanitary procedures. We were, therefore, proud to be the first airline in the CIS and Southeast Asia to be awarded Diamond status for minimising and preventing the spread of COVID-19 during flights, as the result of an APEX audit in collaboration with SimpliFlying.

"Excellence – every day, every time, everyone" underpins the care and attention that we pay to our passengers. We were, therefore, also delighted that Air Astana was once again named "Best Airline in Central Asia" in the Skytrax World Airline Awards for the ninth time in recognition of the quality of our onboard service.

Since my appointment, I have had nothing but admiration for the Management and employees of Air Astana, and how they have risen to the daily challenges thrown at them by the fluctuations of the ongoing COVID crisis. Along with my fellow Board members, I would like to publicly extend my sincere thanks to them for their hard work, commitment and loyalty to the Company.

Air Astana's fully integrated corporate strategy will be finalised in 2023, encompassing our operational, financial and sustainability objectives. I very much hope that my 30 years' experience within Kazakhstan's transportation industry will enable me to bring a broader perspective to Company's strategic development as we move the business forward.

Governance priorities

Corporate strategy

Overseeing the progress of Air Astana's corporate strategy, which is due to be launched in coming years, is key. Decisions about its operational, financial and sustainability objectives will inform both the direction in which the business develops and its future growth.

Engaging with stakeholders

Interacting with our many and varied stakeholders – from Shareholders and employees to suppliers, business partners, Government and, ultimately, passengers – is essential to our role of governance. A clear understanding of our stakeholders enables us to factor the potential impact of strategic decisions into Boardroom discussions.

Five-year Business Plan

In the light of the continuing impact of COVID-19 on operations, the updated five-year Business Plan is instrumental to the proposed development and growth of the Group. The Board has been actively involved in reviewing the long-term strategy for the business and approving the 2022-2026 Business Plan.

Adapting to changing markets

In this its 20th year, there is no doubt that the group has firmly established itself as the clear leader in both the full service and low cost market space, in this vast region which makes up our geographical footprint.

USD 36.1m
net profit in 2021

+90%
total revenues increase

"To say that the last two years have been challenging would be an understatement. Nonetheless we remain confident in the long term future."

Peter Foster
President and Chief Executive Officer

In 2021, The Air Astana Group recorded a net profit of USD 36.1 million, on revenues of USD 761.8 million, broken down as follows compared to 2020: Total revenues increased by 90%; Air Astana passenger revenue increased by 86%; FlyArystan revenue increased by 174%, and cargo revenue increased by 37%. The number of passengers carried increased by 79% to 6.62 million, broken down as follows compared to 2020: Air Astana passenger numbers increased by 59% to 3.56 million; FlyArystan passenger numbers increased by 109% to 3.06 million. Total capacity increased by 61%. EBITDAR increased by 556% to USD 216.9 million. At the end of the year the Group operated 36 aircraft with an average age 4.7 years.

The performance represents a significant recovery from losses incurred in 2020 as a result of the COVID-19 pandemic, during the course of which Air Astana was one of a very small number of global airlines not to have required shareholder or government financial support.

Our recovery was due to an ongoing multi-vector restructuring from March 2020, summarised as follows:

1. The fleet was simplified and renewed by the early retirement of the entire Embraer 190 and Boeing 757 fleets, the last of which departed in early 2021. The Boeing 757s were replaced by Airbus 321 neo Long Range ("LR") aircraft. Simplification resulted in lower maintenance cost and more efficient use of crews, and the newer aircraft delivered significant fuel savings.
2. FlyArystan's ultra low cost model delivered high passenger growth on domestic routes, and on its growing international network. Air Astana also grew its domestic passenger traffic, resulting in Kazakhstan becoming the fastest growing domestic aviation market in the world, recording growth of 37% over 2019, the last pre-pandemic year.
3. Higher yields were recorded on regional routes to Central Asia, the Caucasus and other points within the CIS, driven by high demand coupled with suppressed supply, as many routes continued to be capacity-limited due to continued COVID-19 restrictions.
4. The continued introduction of "lifestyle" routes, reflecting the propensity to travel to leisure destinations for longer stays and outside traditional holiday periods, often coupled with remote work and children's education, resulted in high demand on routes to The Maldives, the Turkish Riviera, Montenegro's Adriatic coast, The Red Sea, Sri Lanka, the Indian coast, Georgian Black Sea resorts, and southern Thailand.
5. Of the longer haul routes, Frankfurt and Amsterdam recorded strong growth on limited capacity increases. Seoul and Chengdu recorded high yields, albeit with limited services due to continued capacity restrictions to and from Korea and China.
6. The conversion of part of the Boeing 767 fleet for "semi-freighter" use continued to deliver high air cargo growth, driven by the global reduction in belly capacity due to passenger long haul service reductions.

The Group therefore entered 2022 with a high degree of optimism, with COVID-19 travel restrictions in retreat, and with extra lines of commercial credit and aircraft operating and finance lease deferrals taken out during the pandemic partially or fully repaid ahead of schedule. However, events of a different nature have continued to throw up new challenges. The tragic events of early January in Kazakhstan, caused by civil and political unrest, resulted in a partial shutdown of the network for several weeks, and the total cessation of flights from 6-10 January. In business terms this was nonetheless a "V-shaped" event, and traffic returned to expected levels by the beginning February. Russia's invasion of Ukraine on 24 February is however likely to have significantly longer term impact. Due to sanctions and restrictions imposed on the Russian Federation affecting key partners as a result of the war in Ukraine, the Group was obliged to cease all flights to, from and over Russian territory on March 11, in addition to the loss of flights to Kyiv as a result of the closure of Ukrainian airspace to commercial aircraft. The combined effect of the loss of Russian and Ukrainian routes represents a network reduction of 11%. Flight paths to Europe must avoid Russia and the Black Sea, resulting in approximately 90 minutes' extra flying to Frankfurt and Amsterdam, and an intermediate stop at Aktau on the eastern Caspian coast on flights to London.

To say that the last two years have been challenging would be an understatement. Nonetheless we remain confident in the long term future. The Group swiftly moved to replace the lost flights with extra capacity deployment on domestic, Central Asian/ Caucasus and lifestyle routes, where demand remains strong. Restrictions on flights to India and Asia are gradually being lifted, and we are in the process of restoring South, Southeast and Northeast Asian hubs at Delhi, Bangkok and Seoul respectively. 3 more A321 LR aircraft will be delivered in 2022 and 2023 and FlyArystan, which continues to expand rapidly, will increase its fleet from 10 to 17 aircraft by mid 2023. The Group has to some extent mitigated the effects of higher inflation through oil price hedges taken out in 2020 and 2021, covering approximately 40% of expected fuel consumption for 2022. In this its 20th year, there is no doubt that the Group has firmly established itself as the clear leader in both the full service and low cost market space, in this vast region which makes up our geographical footprint.

We cannot allow ourselves to be thrown off course by macro-economic and geopolitical events, however grim the prognoses for these may appear at the time of writing. The Air Astana Group has a fundamentally sound business model which continues to be executed with style, efficiency, and flexibility. We have an experienced and resilient management team of the highest calibre. Our 5,500 colleagues across the world are focussed and well-trained professionals, all of whom contribute to and rapidly execute changing plans with urgency and enthusiasm. In spite of the challenges of the last 2 years, we have never lost sight of the imperative to deliver the highest standards of safety and customer service. As we enter our 3rd decade, those commitments remain inviolate.

I would like to take this opportunity to thank the various governments and their agencies with whom we work, and our shareholders Samruk Kazyna and BAE Systems PLC, for their continued and steadfast support.

Efficiency and agility open up opportunities

Our inputs

Financial capital
Air Astana operates with one of the lowest cost structures in the industry. Its strict financial discipline enables the Company to preserve cash and liquidity, with no requirement for Government assistance.

Natural capital
We operate our business in a sustainable manner, responsibly and transparently, taking into account the needs and expectations of all our stakeholders.

Manufactured capital
We operate using modern and fuel-efficient aircraft, namely Airbus A320/A321 CEO/NEO and Embraer E190-E2 on domestic, regional and some international passenger flights, with Boeing 767 and A321LRs for longer range. We are developing our cargo services.

Social capital
We are both an economic and social enabler and a global ambassador for Kazakhstan. Our international flights facilitate leisure and business travel, while domestic traffic, through FlyArystan, is helping to stimulate local enterprises, communities and infrastructure.

Human capital
Our 5,551 employees are a core asset and strength; our long-term sustainable success depends on their expertise, skills and motivation. Our Training Academy provides education and training to support our future development.

Intellectual capital
We are focused on and invest in developing IT and e-Business initiatives that will help us achieve competitive advantage, improve customer service, reduce costs and increase operational efficiency, which together will also boost our revenue streams.

Relationship capital
Continued code-sharing agreements with other international airlines, predominately on trunk routes and selected third country routes, gives us access to a wider network, improves efficiency and provides greater choice for passengers.

Our purpose

In addition to connecting Kazakhstan with its Eurasian neighbours, we stimulate mobility and growth in the world's largest landlocked country – where previously fewer than 50% of the local population had flown domestically.

What makes us different

- Strict financial discipline and strong cash position
- Full service and LCC offer
- Modern, fuel-efficient fleet
- Rigorous focus on operational efficiency
- Positive corporate culture
- Award-winning customer service

Air Astana is the leading airline in Central Asia, offering full-service and low-cost carrier (LCC) options with one of the lowest global cost structures. By promoting a culture of excellence, we have developed an extremely efficient platform and an award-winning level of service operated through our dual branded operations: Air Astana and FlyArystan.

Operating model

We are uniquely set up to capture significant growth and to offer Air Astana passengers high quality from a low-cost base, while servicing more price-sensitive domestic passengers through FlyArystan, the first truly low-cost carrier in Central Asia.

Underpinned by sustainability

Sustainability – delivered through our corporate values, HEART (Hospitable, Efficient, Active, Reliable and Trustworthy) – is core to our interactions with all our stakeholders and enables us to operate in a responsible and transparent manner.

For more information see page 36

Value created for stakeholders

Shareholders
As defined in our Dividend Policy, we allocate 30% of net income to dividends for our Shareholders, unless decided otherwise at the General Meeting of Shareholders.

> USD 140m
paid in dividends since the Company's inception

Our people
Competitive salaries and positive workplace environments help us attract and retain employees. We were named "Best Employer in Kazakhstan" for the sixth consecutive year (2016-2020) by Universum, the global leader in employer branding.

Learning Management System

25,705 e-training sessions

Passengers
Our passengers are the foundation of our business. We value each passenger and our teams work hard to provide safe and comfortable travel, which helps us achieve high levels of customer satisfaction.

Best Airline in Central Asia by Skytrax World Airline Awards

Suppliers and partners
We maintain long-term positive relationships with our suppliers and business partners on fair and mutually advantageous terms through a transparent and effective procurement process.

27%
Procurement spend on local suppliers (36% in 2020)

Government, regulators and local authorities
We contribute to the national wealth and are also a significant tax payer in our region of operation. We play an increasingly active role in the development of local economies and social projects.

USD 2,5m
Taxes paid in 2021

For Stakeholder engagement see page 12

Our stakeholder ecosystem

	Our people	Shareholders
Summary	Our people are one of our core assets and strengths; our long-term sustainable success depends on their expertise, skills and motivation. In return, we provide competitive remuneration packages and equal opportunities for men and women of different ages and nationalities in terms of training and opportunities to improve performance and develop careers. Moreover, we create a safe and healthy environment with an emphasis on business ethics and corporate values.	Shareholders benefit from a consistently sustainable performance and potential dividends over the lifetime of our operations.
How we engage	• Employee pulse surveys (to measure emotional concerns and identify worries) • Regular (weekly/monthly) communication from the CEO and President • Employee Social Stability Index surveys, conducted by the Centre for Social Co-operation and Communication, which measure labour relations, well-being and workplace satisfaction • Management conference with YouTube broadcast for non-managers • Face-to-face communication with management • Feedback platform for mutual recognition among employees • HEART Employee Recognition Programme (HEART Awards) • Mobile application for sharing ideas and communicating news and initiatives • Corporate magazine • Performance reviews • Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)	• Shareholders meeting(s) • Presentations, reports, publications • Conference calls • Site visits • Direct communication
Key issues discussed in 2021	• Health and safety • Internal communication • Training and education • Salaries and social benefit packages • Human rights • Performance and career development • Business ethics and corporate values • Workforce diversity and equal opportunities	• Strategy • Financial and operational performance • Dividends • Compliance with ESG[1] standards and best practice • Health and safety • Reputation

1 Environmental, Social and Governance

Specific stakeholder engagement channels used in 2021 are described in the table below.

Passengers	Suppliers and business partners	Government, regulators and local authorities
Our passengers are the foundation of our business. We value each passenger and their experience is the highest priority for us. Our teams work hard to provide our passengers with safe and comfortable travel.	The success of our business relies on both the prompt delivery and quality of goods and services. We maintain long-term, positive relationships with our suppliers and business partners on the basis of mutually advantageous terms.	Good relationships with the Government, regulators and local authorities enable us to maintain our licence to operate. We follow regulatory requirements, create jobs and contribute to social and economic development.
• Call centre • Customer Experience Service • Online customer service evaluation survey • Nomad Club Loyalty Programme • Codeshare and interline partnerships • Safety and regulatory audits • Inflight safety instructions and videos • “Tengri” inflight magazine • Expanding FlyArystan operations within Kazakhstan • Website • Social media • Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)	• Code of Conduct • Direct correspondence • Social media • Website • Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)	• Face-to-face communication • Working groups • Direct correspondence • Industry conferences and forums • Audits • Reports
• Customer satisfaction and service quality • Corporate safety • Flight security • Affordable air travel • On-time performance • Diversified route network • Innovative products and services	• Prompt payments • Compliance with contractual obligations • Business ethics • Long-term, positive partnerships • Short-term/medium-term strategy	• Compliance with regulatory requirements • Taxes • Labour issues • Health and safety • Environmental responsibility • Local employment • Social and economic development

Imbalance in global and domestic recovery

Because comparisons between 2021 and 2020 results show a great disparity due to the impact of COVID-19 and flight restrictions on all aspects of the business, we have chosen to refer to 2019 comparatives since these are more indicative of normal trading.

While overall airline performance in 2021 showed a marked improvement over the previous year, COVID-19 and stringent travel restrictions once again suppressed a return to business as usual. The traditional upturn in passenger numbers during the year-end holiday season was also hindered as the spread of the new Omicron variant caused a nervous ripple around the world. Global demand for the full year – measured in revenue passenger kilometres (RPKs) – fell by 58.4% compared with 2019, although up on 2020, when RPKs were down 65.8% on 2019.

The desire to travel has, however, not abated and vaccination programmes have certainly boosted passenger confidence. After a sluggish start to the year, from June onwards, the reopening of some short-haul routes brought a glimmer of hope for international travel. However, strict containment measures – particularly in Asia – still had a major impact on international RPKs, which for the full year were 75.5% of 2019 levels. Although, interestingly, this was actually on par with 2020's 75.4% of 2019 levels, when the industry had experienced a strong boost in international travel in January and February prior to the first COVID-19 lockdowns. Capacity in 2021 – measured in available seat kilometres (ASKs) – declined 65.3% and load factor fell 24.0 percentage points to 58.0%.

The picture in domestic markets was altogether different and recovery was at a much faster pace. This was in part due to the relaxing of regional travel controls, although there was some volatility during the year in larger domestic markets. Overall, global domestic RPKs finished 2021 at 28.2% down on 2019, ASKs contracted by 19.2% and load factors dropped 9.3 percentage points to 74.3%.

Regional markets

There is no doubt that the progress of vaccination programmes and better testing protocols have contributed to lifting domestic lockdowns and helped to reopen some international markets for the airline industry. But recovery across the regions has been patchy. In regions with large domestic and short-haul international markets, airlines have benefited from the relaxing of travel restrictions and experienced an uplift in their share of global RPKs. In contrast, where airlines are dependent on long-haul international traffic or rigorous travel restrictions were retained, recovery was slow and airlines experienced a drop in market share. As border controls are eased and more international routes reopen, this should be followed by a balancing of the regional distribution in global RPKs, but just how quickly this will happen remains to be seen.

Global ASKs were up 7.8 percentage points on 2020 as airlines focused on restoring capacity to meet recovering passenger demand. That said, seat capacity in 2021 was still down 48.8% compared with 2019 levels and passenger loads (PLFs) worldwide (apart from in Latin America) were well below pre-crisis level at 67.2%, 15.4 percentage points down on 2019.

Europe

For European airlines, 2021 was once again something of a rollercoaster as COVID-19 waves and travel restrictions in individual countries fluctuated, creating another year of uncertainty. Vaccination programmes and EU digital travel certificates boosted passenger confidence and summer holiday traffic, which held up at around 77% of pre-pandemic levels. But the arrival of the Omicron variant towards the end the year made a dent in the overall results for 2021, which finished at 44% of 2019 levels and represent some 5 million fewer flights and a further loss of €18.5 billion in revenue.

North America

Although initially bolstered by a large-scale vaccination programme, which paved the way for reopening US domestic routes, the resurgence of COVID through the Delta and Omicron strains caused staff shortages. Coupled with bad winter weather conditions, this saw domestic RPKs in 2021 down by 23.8% compared with 2019 levels. ASKs, on the other hand, were the highest globally at 70.1% of 2019 levels and largely due to traffic recovery on the US domestic and North-Central America routes.

China

2021 started optimistically for airlines given the seemingly successful suppression of the pandemic and, in April and May, domestic RPKs were above pre-crisis levels. However, this proved short-lived as the Chinese government introduced tough restrictions following each of several further outbreaks of COVID-19 across the country. This resulted in China recording the weakest share of domestic RPKs in the global market, down 24.4% on 2019 levels.

Middle East

With international travel experiencing little traction during the year, the Middle East role as a central hub was once again impacted. Annual passenger volumes in 2021 were down 71.6% on 2019 levels, capacity fell 57.7% and load factor dropped 25.1 percentage points to 51.1%.

Russia

The Russian market bucked the trend and was the only one where RPKs actually exceeded 2019 levels, up 24.2% on average. This was due almost entirely to the booming domestic tourism market during the summer months, when international flights were limited, with RPKs rocketing to 32-35% above 2019 figures. The prospects for 2022 may now be very different: the conflict with Ukraine at the start of the year and the ensuing global sanctions, including the banning of Aeroflot landings in some countries, is likely to have a significant impact on international flights overall.

Kazakh aviation market

There are 53 Kazakh air operators registered by Aviation Administration of Kazakhstan (AAK), covering all aspects of commercial air transport including regular and charter passenger flights and cargo operations. Air Astana is one of 6 operators eligible to fly to EU countries. A total of 29 international airlines perform regular flights to Kazakhstan – 24 passenger and 5 cargo operators (as of April 2019).

Kazakhstan boasts a total of 20 airports, 18 open to international commercial flights. These are either government-owned or privately-owned with the exception of Aktau International Airport, which is a public-private partnership.

Major projects are currently in progress to modernise the country's ground-based air transport infrastructure. At Ust-Kamenogorsk airport, extending the runway by 300 metres and replacement lighting and signalling equipment will provide better access for modern aircraft.

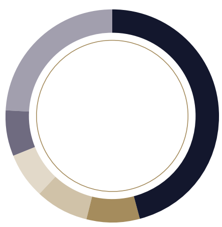
Kazakh aviation market

Air Astana's market share in Kazakhstan (%)

Domestic

Air Astana	32%
FlyArystan	39%
SCAT	20%
Qazaq Air	8%
Others	1%

International



Air Astana	46%
FlyArystan	8%
Aeroflot	8%
Turkish Airlines	7%
flydubai	7%
Others	24%

A new Shymkent airport terminal, funded by private investment, is also under construction. Covering 35,000 square metres, this will increase the capacity of the terminal from 150 to 2,000 passengers per hour. In western Kazakhstan, the terminal complex at Uralsk is being expanded to more than double its size and to increase capacity from 100 to 200 passengers per hour. At Lake Alakol, construction plans for a runway and terminal building in Urjar village will make this – one of Kazakhstan's most popular destinations – more accessible.

Following the latest independent audit conducted by ICAO Co-ordinated Validation Mission, the Aviation Administration of Kazakhstan (AAK) was pleased to report that Kazakhstan's safety record increased to 84%, 15% higher than the global average. The results of the audit highlighted how well the Kazakh aviation industry has adapted to the circumstances of the pandemic.

Domestic traffic has been fully restored and there has been a push to develop domestic tourism with flights now operating to Turkistan, Alakol, Balkhash and the Schuchinsk-Borovoe resort area. International flights are up to 66% of pre-pandemic levels, now operating to 23 countries on 65 routes, which include new destinations: Maldives, Qatar, Sri Lanka and Kuwait. During the year, an air services agreement to allow direct flights between Kazakhstan and the US was also approved by the Government.

Cargo

2021 was a particularly strong year for cargo with overall volume, measured in cargo tonne-kilometres (CTKs), up by 18.7% year-on-year and up 3.5% on previous peak year of 2018. This was the second-best yearly performance since 2010, and came on the back of a 9.9% drop in CTKs in 2020, the largest decline since IATA started recording CTKs.

Ironically, this record-breaking growth could have been even higher with greater capacity throughout the year as a whole. Available cargo tonne-kilometres (ACTKs) fell by 10.9% compared with 2019 levels due to a number of contributory factors, including capacity being insufficient or located in the wrong place, congestion at key airports, labour shortages and quarantined crews. That said, there was a gradual improvement during the year as increased international passenger traffic also meant increased cargo capacity on aircraft. Additionally, freighter deliveries and conversions grew to give an increase of 25.9% in dedicated freighter ACTKs compared with 2019. Demand for goods was high – particularly for vaccines and PPE towards the end of the year – and overall ACTKs in December 2021 were only 4.7% below those of 2019.

The world goods trade increased by around 9.8% year-on-year in 2021, following a surge in consumer spending. Air cargo growth exceeded this by 8.9% percentage points, as is often the case during economic upturns, with businesses eager to meet this demand as quickly as possible. Supply chain issues with maritime shipping schedules and the rise in container costs were also a contributory factor, despite air cargo rates being driven up by demand. These rose steadily throughout 2021 finishing 150% above 2019 levels at the year-end.

Sources
IATA press release 25 Jan 2022
IATA Air Cargo Market Analysis
IATA Economics
IATA Overview of air transport in 2021 and recent developments
IATA Passenger Market Analysis
Astana Times article, December 2021
Air Astana Government, Legal and Regulatory report
Argus Media
McKinsey article: Back to the future? Airline sector poised for change post-COVID-19
ARGS article: Aviation industry trends for 2021

Overall travel demand strengthened in 2021. That trend continued into December despite travel restrictions in the face of Omicron. That says a lot about the strength of passenger confidence and the desire to travel. The challenge for 2022 is to reinforce that confidence by normalising travel."

Willie Walsh
IATA's Director General

Predictions for 2021 fell well below general expectations and the spread of the Omicron strain of COVID-19 at the year end did little to raise hopes for a return to the heady pre-pandemic days of global travel any time soon.

As 2022 gets underway, those who gaze into crystal balls to foretell the future probably have as much chance of getting economic forecasts right as those who study the form astutely.

There are signs, however, that the world is cautiously waking up to the realisation that the COVID situation is evolving from pandemic to endemic. The combination of vaccines and boosters has been shown to reduce the impact of the virus generally and the Omicron variant, while more contagious, seems to be less virulent than first concerns had anticipated. Easier access to testing and digital COVID passports prompted more and more countries to open up their borders to international flights again in the first couple months of 2022.

An IATA Business Confidence Survey, conducted in January 2022, reported that airlines are optimistic about passenger recovery and probably realistic about cargo growth easing back from record highs but, nevertheless, remaining strong. There is no doubt that the pressures on operating costs will continue to rise with jet fuel prices at high levels and labour costs driven up amid labour shortages.

Market trends and their impact on our business

Domestic travel on a faster recovery trajectory

Implications for Air Astana

COVID-19 did not dampen the Kazakh population's propensity for domestic travel and may actually have prompted more people to fly rather than endure long rail journeys across this large land mass, with passenger numbers increasing by 28% since 2019.

The domestic market has expanded by 46% over the same period, making Kazakhstan the world's fastest growing domestic market today with the potential for further expansion.

How we are responding

Our strategy of increasing domestic capacity through more destinations and greater frequency, and the launch of our LCC FlyArystan in 2019, has certainly paid off.

Domestic passenger numbers continued to rise during the pandemic, increasing from 2.8 million in 2019 to 5.3 million in 2021. We now command a 71% total share of the domestic market with FlyArystan holding 39% and Air Astana 32%.

International business travel unlikely to return to pre-COVID levels

Implications for Air Astana

Historically, business travel has taken longer to recover to pre-crisis levels than its leisure counterpart. There is every likelihood that it will only return to around 80% of pre-COVID levels by 2024[1]. New technologies have made remote and flexible working the new norm and minimised the need for international business travel.

Conversely, lockdowns have actually stimulated an appetite for travelling further afield to leisure destinations and also provided the financial means to do so.

How we are responding

Identifying new destinations has been key to our strategic switch from business to "lifestyle" travel. With direct flights the preference of our customers, we introduced flights to Dubai, Egypt and the Maldives in winter 2020. In 2021, we expanded this to include tourist destinations such as Sri Lanka, Montenegro and Turkey.

International passenger numbers slumped to 0.66 million in 2020 but we are already seeing signs of recovery since adopting this strategy, with an increase to 1.3 million passengers in 2021.

Cargo volumes continue at record levels

Implications for Air Astana

For many airlines, cargo was a lifeline during the pandemic while the majority of passenger flights were grounded. Where previously it only accounted for some 12% of total airline revenue, in 2020 this figure tripled. This trend continued into 2021 with a surge in consumer demand allied with maritime supply chain issues and increased container costs contributing to an 18.7% increase year-on-year in overall air cargo volume[2].

Due to this demand, cargo rates rose steadily throughout 2021, finishing 150% above 2019 levels at the year end, which may impact decisions on distribution methods in the coming year.

How we are responding

The decision in 2020 to convert a Boeing 767 into a semi-freighter, initially to transport vital medical supplies but also to meet the demand for cargo capacity, proved operationally and financially successful. From May 2020 until its return to full passenger configuration in August 2021, it undertook 270 charter flights and generated USD 26.3 million. This largely covered routes from Beijing, Urumqi and Delhi to Almaty, Aktobe and Kiev and highlights the capabilities of Kazakhstan as a successful cargo and logistics hub.

Our total cargo tonnage in 2021 was up 35%, from 13,844 tons in 2020 to 18,772 tons. As 2022 unfolds, we will review the opportunities for cargo expansion carefully.

1 www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/back-to-the-future-airline-sector-poised-for-change-post-covid-19.
2 https://www.iata.org/en/pressroom/2022-releases/2022-25-01-01/

Delivering on our three strategic pillars

Growth Efficiency Excellence

Increased focus on sustainability

While quiet skies with aircraft grounded was bad news for the airline industry, together with fewer cars on the road and factory outputs at a virtual standstill, this was good news for the planet's air pollution levels. Stakeholders were already pushing for action on reducing greenhouse gas (GHG) emissions and, as the world begins to return to business as usual, the focus on green issues has increased dramatically, with some even choosing to fly less frequently.

While there is no question that flights are energy-intensive and rely on fossil fuels, airlines have taken steps to reduce their environmental impact by retiring old and less fuel-efficient aircraft. However, additionally committing to sustainability targets that make a meaningful impact on GHG emissions should now be a priority.

Air Astana is committed to investing in and developing its environmental protection management system, which also promotes the efficient use of resources across all its business practices, and includes employees in green initiatives to raise levels of environmental awareness.

The Company's strategy of creating a fleet of modern and fuel-efficient aircraft made good progress during 2021: the average age of Air Astana's fleet is now 4.7 years, making it one of the youngest fleets in the world. Pilots also receive training in fuel-efficiency practices to both optimise jet fuel usage and minimise greenhouse gas (GHG) emissions.

The future is digital

Ironically, the COVID-19 pandemic paved the way and, in many cases, propelled the adoption of digital applications given that social distancing and contactless protocols impacted every aspect of day-to-day living over the last couple of years. For airlines, this has prompted more investment and faster development to meet the needs of passengers online and boost their confidence in travelling again.

But successful businesses are also using digitalisation as a means to be more efficient and effective. The use of innovative management software has become crucial, whether for equipment management, ground handling operations or training, and will help to future-proof those airlines that embrace it.

Air Astana is renowned for its IT leadership in the region. We introduced our Airline Performance Excellence Programme (APEX) in 2019 to drive change and improve business processes through innovative software. This proved essential to our agility and ability to make decisions and take swift action during the pandemic. During this time, we maintained close communications with our customers, utilising app push notifications, SMS, WhatsApp and chatbot messaging, implementing a new call management system and increasing online payment abilities.

In 2022, we will be investing in major system implementations and new digital commerce initiatives. We will also be launching a self-service strategy with a view to progressively removing check-in desks at all domestic airports.

Consistent strategy and operational excellence

Building on our experience and agile response to the ever-changing business environment, we are focused on exploring the new opportunities that are opening up in the international market, while further expanding our domestic operations across Kazakhstan's underdeveloped market, and reviewing the options for our cargo business. This strategic approach will enable us to continue on a growth trajectory and deliver profitable returns for our Shareholders.

Our strategic pillars

Growth

Objectives

- Increase passenger numbers for the Group to 15.2 million by 2026.
- Maintain diversity of growth opportunities across domestic, regional and international routes.
- Support FlyArystan's growth trajectory.
- Capitalise on cargo and charter opportunities.

Grow our business at more than the market rate, due to FlyArystan development

Efficiency

Objectives

- Operate the most modern and fuel-efficient aircraft; expand the fleet to 61 by 2026.
- Maintain highly competitive CASK levels.
- Drive substantial improvement in productivity and operational efficiency through developing new technologies and engaging employees at all levels.

Drive substantial improvement in productivity and operational efficiency through developing new technologies and engaging employees at all levels

Excellence

Objectives

- Continued focus on improving customer experience.
- Attract the best talent from across Kazakhstan to help grow the business.
- Capitalise on the capabilities of our world-class training centre to maintain the highest standards possible.
- Launch our fully integrated corporate sustainability strategy in 2023, which encompasses our focus on ESG.
- Progress our Airline Performance Excellence Programme (APEX) and drive change across the Company.

Continued focus on excellence through maintaining high standards of service, attracting the best talent and improving customer experience

Growth

Adapting to a changing world

While there was a substantial recovery in direct flights, transfer traffic remained depressed. We focused on reshaping our network, through increased international leisure routes and share of the domestic market.

Highlights in 2021

- Total passenger numbers were up 79% at 6.6 million (2020: 3.7 million) but were also ahead of 2019's total of 5.1 million.
- Air Astana operated scheduled flights to Georgia, Montenegro, Sri Lanka and Thailand as well as resuming flights to the Maldives, UK, India and Tajikistan.
- Total domestic passenger traffic overall was up 89% on pre-COVID 2019 levels and total market share increased to 71% with FlyArystan holding 39% domestic share and Air Astana 32%.
- FlyArystan made inaugural flights to Georgia from 3 cities in Kazakhstan and launched 10 new domestic routes.
- Overall cargo tonnage increased by 35% to 18,772 tons with 184 cargo charters operated from China and India to Kazakhstan and beyond.

Read more on page 26

Priorities for 2022

- Further development of international flights in close co-ordination with the Intergovernmental Commission.
- Increase of direct flights to serve the leisure market.
- Further rapid expansion of FlyArystan to launch new international routes. FlyArystan intends to develop its international route network within a flight range of 3,000 km from cities in Kazakhstan.
- Continued operation of cargo flights.
- Utilising codeshare partnerships with key airlines operating from Air Astana's overseas hubs, particularly on routes where we can benefit from a partner airline's network and distribution capabilities.

KPIs

- Total revenue
- Net profit
- Passenger numbers
- Load factor

Stakeholders

- Our people
- Shareholders
- Government, regulators and local authorities
- Suppliers and business partners

Risks

- Human resources risk
- Service quality risk
- Credit risk
- Commercial risk
- Liquidity risk
- IT risk
- Jet fuel risk
- Operational risk

Efficiency

Taking effective action today

Our investment in a modern fleet and its maintenance, allied with the development of innovative digital solutions, reinforces our business efficiency and ultimately our long-term resilience.

Highlights in 2021

- Air Astana's fleet increased to 36 with the addition of 3 Airbus A321LR and 1 Airbus A320 and in line with our aim to operate with modern, fuel-efficient aircraft.
- Engineering & Maintenance (E&M) completed the technical redelivery of the Embraer and Boeing 757 fleets to lessors.
- E&M conducted 4 in-house C-checks on Airbus A320neo series aircraft.
- There was a strong recovery in CASK in 2021 at 5.11 cents (2020: 5.78 cents; 2019: 5.55 cents).
- Embarked on a major project with Nursultan Nazarbayev International Airport to integrate SCS ("Station Control System") and the airport operational database.
- Investment in major system implementations to enhance revenue management functions and support a new strategic vision on customer experience.
- Aspects of APEX fast-tracked with a particular focus on the unified automated BPS (Budgeting and Planning System) system.

Read more on page 29

Priorities for 2022

- FlyArystan has placed an order for the lease of 15 more A320 aircraft with delivery to commence from May 2022.
- Further enhance E&M's heavy maintenance capability at Nur-Sultan, through the addition of workshops for composite repairs, structural repairs, emergency equipment repair and testing, in-flight entertainment component repair and tooling calibration.
- Continued cost control and cash management.
- Purchase of Airbus A320 flight simulator to train pilots in-house for time and cost efficiency.

KPIs

- Operating profit
- CASK
- Net profit

Stakeholders

- Our people
- Suppliers and business partners

Risks

- H&S risk
- IT risk
- Operational risk

Excellence

Putting people at the centre

Our attention to detail, whether for the comfort of our passengers or to enhance the work experience of our employees, continues to win us international accolades for excellence.

Highlights in 2021

- Air Astana was named the best operator in Central Asia in the 2021 World Airline Awards; FlyArystan was 5th overall and the leading LCC in Central Asia.
- Achieved "Best Airline in Central Asia" rating from Skytrax for the 9th consecutive year.
- The global leader in the HR services industry, Randstad Employer Brand Research, named Air Astana as one of the most attractive employers in Kazakhstan.
- Air Astana initiated its first customer experience research project, targeted at 100,000 customers.
- The Company resumed its participation in the Gallup employee engagement survey.
- Air Astana Training Academy was awarded the Silver Trophy by HR Brand Central Asia.

Read more on page 30

Priorities for 2022

- We will continue to focus on operational reliability and service excellence.
- Follow-up from the Gallup employment engagement survey will be initiated to ensure open dialogue and better results.
- FlyArystan plans to launch its new self-service strategy in March 2022 and will progressively remove check-in desks at all domestic airports.
- A number of initiatives are planned to make the whole customer experience more seamless, including new concepts for check-in areas, automatic baggage drop-off and a common baggage handling system.
- Budgeting for new digital commerce initiatives including the corporate website, mobile apps and increased digital engagement with customers.

KPIs

- CO_2 emissions
- Net Promoter Score
- On-time performance

Stakeholders

- Our people
- Passengers
- Suppliers and business partners

Risks

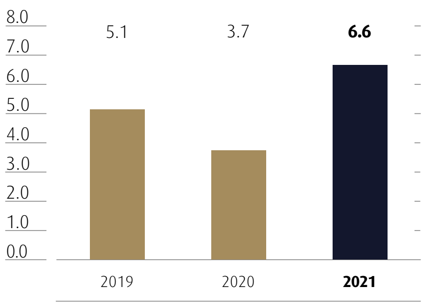
- Human resources risk
- Safety risk
- Service quality risk
- Aviation security risk
- Cyber and information security risk
- Compliance risk

Tracking our progress

Our key performance indicators (KPIs) provide an overview of our development over the last three years in areas that we believe are operationally important and also enable stakeholders to track the progress of the business.

Passenger numbers

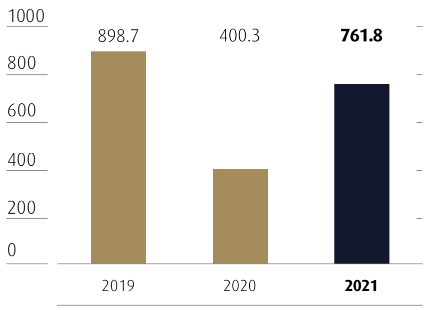
6.6m



The dramatic drop in passenger numbers in 2020 due to COVID flight restrictions has been followed by a bounce back to more than 6.6 million customers – a record for the airline.

Total revenue

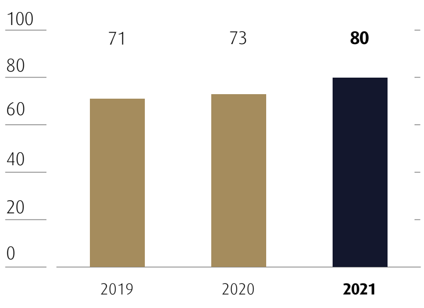
USD 761.8m



A top-line indicator covering overall income from sales. At USD 761.8 million in 2021, our total revenue is beginning to recover from the financial impact of lockdowns and flight restrictions during 2020.

Load factor

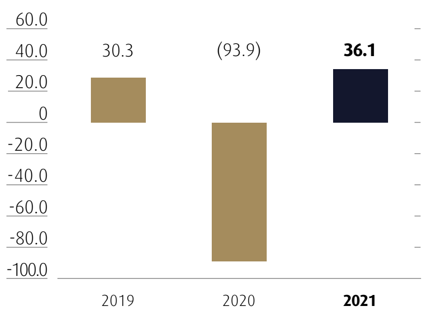
80%



Load factor is measured as the total number of passengers carried as a percentage of total seat capacity on all flights. We are pleased to have steadily improved our load factor in recent years.

Net profit/(loss)

USD 36.1m



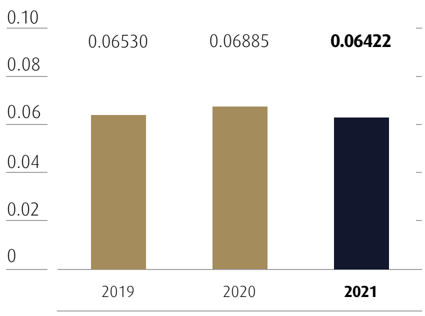
Net profit is the income remaining after all costs incurred in the period have been subtracted from revenue generated from sales. Our collective focus on cost reduction and efficiencies has enabled us to recover from last year's losses.

Link to strategy

Growth Efficiency Excellence

GHG emissions intensity (tonnes CO_2 per ASK)

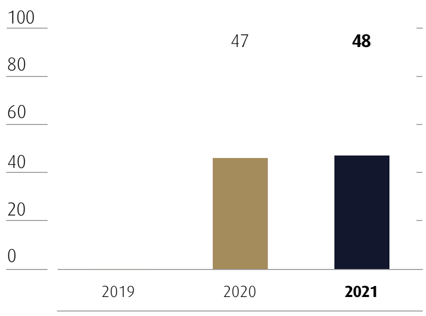
0.06422



We are committed to reducing our GHG emissions and disclosing our environmental impact. With seat kilometres up 61% on last year, there was a slight reduction in our GHG emissions intensity in 2021.

Net Promoter Score

48

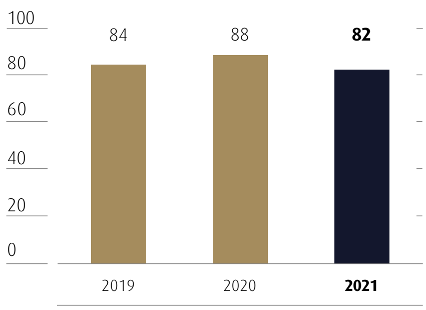


The Net Promoter Score (NPS) is a measurement of customer loyalty and satisfaction. Our NPS of 48 is above the industry average of 39 but below our own targets due to a number of COVID-related factors. Our first-ever customer experience research project is already providing insights to rectify this.

Note: NPS indicator was implemented by the Company at the end of 2020.

On-time performance

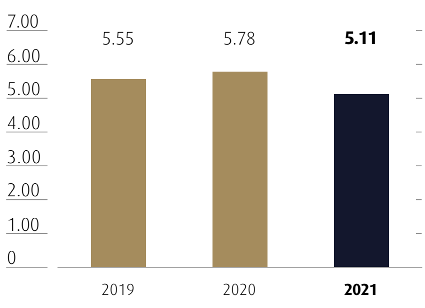
82%



Reliability (OTP) is measured by flights arriving within 15 minutes of schedule and is a key factor for our customers. While our OTP has dipped slightly, we are still above the industry average and striving to improve this.

CASK

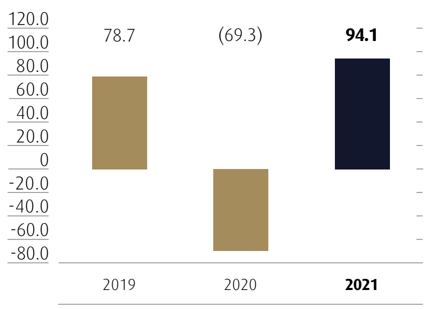
5.11¢



CASK (cost of available seat kilometre) represents the unit cost to operate each seat for every kilometre and therefore drive profit. We are determined to maintain our position as one of the most cost-effective airlines in the world.

Operating profit/(loss)

USD 94.1m



Operating profit is that remaining after all expenses are taken out except for the cost of debt, taxes and certain one-off items. Our 2021 operating profit of USD 94.1 million provides us with the platform to invest in our strategies for future growth.

Growth, Efficiency and Excellence are still our path to success

Growth

A business fit for the new reality

Since 2019, a large proportion of the Company's growth has been the result of adding domestic capacity – more frequency, more connections – albeit with relatively low yields. An increasing preference for flying instead of enduring long rail journeys has transformed Kazakhstan into the world's fastest growing domestic market and one which still offers further great potential for the future. Total domestic passenger traffic overall is up 89% on pre-COVID 2019 and total market share has increased to 71% with FlyArystan holding 39% domestic share and Air Astana 32%, well ahead of the competition.

Internationally, over the last two years, it has been a different story. The transit market has all but disappeared and with Air Astana's flights facing restrictions from the Intergovernmental Commission during both 2020 and 2021, identifying new destinations has been key. Customers still have an appetite to travel as well as money to spend, with direct flights their preference. Switching the focus from business to "lifestyle" routes – for those who were keen to escape after months of lockdown at home – has proved an effective strategy.

This entrepreneurial mindset also came to the fore when, for example, use was made of extra capacity at the height of the pandemic by converting a Boeing 767 to provide regular cargo charters. Since the demand for passenger flights has picked up, it has been converted back again.

While it has been a challenging time for both Air Astana and FlyArystan, the Company's agile and flexible approach during the pandemic enabled it not only to retain its independence, but also to declare a USD 36.1 million profit for 2021. That makes it a rarity among the world's airlines, many of whom have struggled financially and even gone out of business. For the Company, this is confirmation that a performance-driven culture is the key to powering Growth.

Despite the ongoing COVID-19 restrictions that were imposed into 2021, we are pleased to report that we have exceeded the budget and turned the business around. Building on this achievement requires a strategic focus by each and every one of us.

Over the last three years, our focus has very much been on Efficiency and making Air Astana more agile in ever changing environment. We have achieved this by developing new market opportunities, introducing low-cost ways of working, launching FlyArystan and promoting a high level of engagement among our employees. The resulting strong, agile and resilient business we now operate is ideally placed to take advantage of new opportunities in order to achieve further Growth. Our absolute commitment to Excellence is a key differentiator in the market place. Growth, Efficiency and Excellence remain our path to success."

Alma Aliguzhinova
Chief Planning Officer

Overall, during 2021, there was a positive trend with passenger numbers, ASK, RPK and load factor all increasing against 2020 figures, which were obviously depressed. Passenger numbers were up a healthy 79% at 6.6 billion (2020: 3.7 million) but were encouragingly also ahead of 2019's total of 5.1 million. ASK was still below 2019's 14.8 billion, although at 13.1 billion for the year, this was a substantial 61% increase over 2020 (8.1 billion), with domestic passengers accounting for 5.3 million during 2021. With pricing elasticity and a load factor of 80% (71% in 2019 and 73% in 2020), RPK made a strong recovery to 10.41 billion, almost equalling that of 2019: 10.45 billion. This was also reflected in the CASK figure for 2021 of 5.11 cents (2020: 5.78 cents; 2019: 5.55 cents).

Air Astana

3.6m

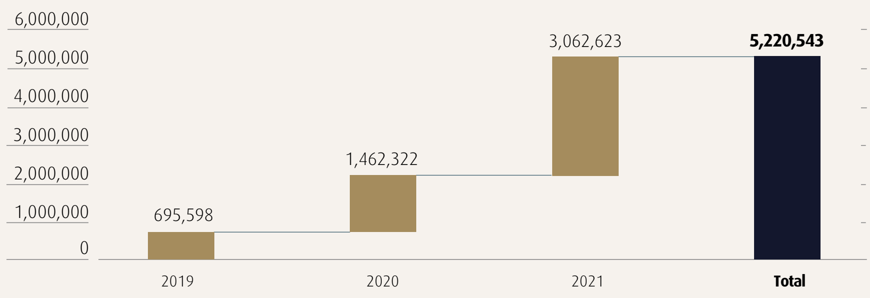
Passengers carried (59% increase)

Prior to the pandemic, no one could have predicted that government restrictions on flying would influence how companies do business in the future. With the adoption of online "meeting" applications and working from home still the norm for many industries, business travel has plummeted with the likelihood of a return to pre-pandemic habits still unpredictable and certainly not immediate.

Conversely, lockdowns have actually stimulated an interest in travelling further afield. Capitalising on this new appetite for so-called leisure destinations, Air Astana introduced winter flights to UAE, Egypt and the Maldives in late 2020 and has expanded its tourist flights during 2021. This included Sri Lanka, Montenegro and Hurghada on the Red Sea as well as continuing operations to Antalya and Bodrum in Turkey. Redefining Air Astana as a "lifestyle" airline has rewarded the airline with higher yields thanks to a business class load factor approaching 80%.

In a year of recovery mode, Air Astana's overall 2021 passenger numbers increased to 3.6 million, 59% up on 2020 figures (2.2 million) but were still well down the record number of 4.4 million carried in 2019. The airline's business was boosted by the burgeoning domestic market with 2.4 million of its passengers flying within Kazakhstan, while international passengers accounted for only 1.2 million.

Total FlyArystan passengers per annum 2019-2021



FlyArystan

3.1m

Passengers carried (109% increase)

FlyArystan, the Company's low-cost carrier (LCC), is flourishing and was among the fastest growing airlines in the world in 2021. Launched in May 2019 with 2 aircraft serving 4 routes and operating 14 flights per day, today FlyArystan has 10 aircraft serving 41 routes and operating over 60 flights per day. Based on passenger volume, routes served and ASKs, FlyArystan became the largest domestic airline in Kazakhstan with 39% market share. The LCC has stimulated significant market growth: the domestic Kazakhstan market, measured in available seats, has expanded by 46% since the airline's launch. Domestic propensity to travel increased by 82% over the same period from 0.22 to 0.40.

The 2020 pandemic year, and a subsequent 4-week halt in operations, resulted in the total domestic market recording a year-on-year capacity change of -1%; this compares favourably with up to -90% contraction experienced in most other markets. FlyArystan has created massive market growth, with the airline's passenger volumes doubling every year – from 696,000 in the 2019 calendar year; rising to 1.5 million passengers in 2020 despite the global market slowdown caused by the pandemic; passenger volume grew by 109% in 2021, with the airline carrying over 3.1 million passengers. FlyArystan will continue its growth and is forecast to carry over 4 million passengers in 2022.

Key cost advantages for the LCC business model include a standard fleet in a high-density (180-seat) layout and high aircraft utilisation. By consistently offering customers low fares, FlyArystan stimulates demand in its markets through the creation of new and more frequent travellers, who are attracted by this value proposition.

During 2021, FlyArystan began operating international flights, a further boost to growth. International markets provide significant benefits including a higher average fare, higher ancillary charges and greater aircraft utilisation.

In October 2021, FlyArystan placed an order for lease for 15 more A320 aircraft with delivery to commence from May 2022. FlyArystan's fleet will grow to 25 aircraft by 2026.

Cargo division

+35%

Cargo tonnage (2021: 18,772 tons; 2020: 13,884 tons)

Air Astana continues to give careful consideration to opportunities in cargo. FlyArystan's cargo capacity is efficiently used for cargo and mail without affecting on-time performance.

The Company returned 1x Boeing 767 back to a full passenger configuration in August 2021. Since its first flight in May 2020, the semi-freighter had performed 270 cargo charters and generated revenue of USD 26.3 million, largely covering routes from Beijing, Urumqi and Delhi to Almaty, Aktobe and Kiev.

This has highlighted the capabilities of Kazakhstan as a successful cargo and logistics hub. Since August 2021, Beijing and Urumqi airports no longer handle cabin loading on semi-freighters, resulting in a lack of aircraft cargo capacity from China to Kazakhstan. Air Astana has therefore continued operating cargo charters with lower deck loading from Beijing to Almaty twice a week on Boeing 767 passenger aircraft. However, the A321LR offers limited cargo capacity on routes such as Frankfurt-Nur-Sultan (1,000-1,100kg) and Seoul-Almaty (100-300kg) because of passenger baggage.

2021 saw an overall increase in cargo tonnage of 35%, up from 13,844 tons in 2020 to 18,772 tons. Air Astana operated 184 cargo charters from China and India to Kazakhstan and beyond, carrying a total of 5,230 tons of air cargo composed mainly of pharmaceuticals, electronic and textile products. In August, two cargo flights from Beijing delivered 24 tons of the Sinopharm COVID-19 vaccine to Almaty. During the year, regular passenger flights were utilised to distribute Sputnik and Pfizer vaccines across Kazakhstan. Meat exports to the Middle East have continued to increase with 428 tons of chilled lamb exported during 2021, up 78% over 2019.

Domestic cargo revenue in 2021 doubled compared with 2018 following the move to a flat rate per kilo charging structure and the promotion of direct cargo sales via the Company's retail offices, saving on commissions paid to cargo agents.

The Almaty cargo retail office has had 24/7 operations since September 2019; a new cargo retail office was opened in Nur-Sultan in May 2021, which has increased the cargo carried from Nur-Sultan station by 32%.

Air Astana successfully joined the Cargo Account Settlement System (CASS) in Russia in 2019, in India in 2021 and is considering joining CASS in Korea. The Company also joined Calogi (analogue of CASS) in UAE in 2021. Joining CASS and Calogi gives more transparency and motivates cargo handlers to sell at the highest rates.

Efficiency

Fleet

Air Astana's strategy to create a fleet of modern and fuel-efficient aircraft made good progress during 2021. At the start of the year, the Company had 34 aircraft in total, comprising Boeing 767 (3), Boeing 757 (2), Airbus A320/A321 series (24) and Embraer 190-E2 (5); in January 2021, the final 2 Boeing 757s in the fleet were returned to the lessor.

Fleet plans are based around operating the Airbus A320/A321 CEO/NEO and Embraer E190-E2 aircraft for some domestic and regional routes and for international routes that have lower traffic volumes. Longer range routes will utilise the Boeing 767 and Airbus A321LRs, which are all equipped with full-flat business class seats.

The average age of the Air Astana fleet is currently 4.7 years, making it one of the youngest fleets in the world. By the end of 2021, Air Astana operated a fleet of 36 aircraft including Airbus A320/A321 NEO (28), Boeing 767 (3) and Embraer E190-E2 (5). Ten of the Airbus aircraft are operated by FlyArystan.

Fleet expansion plans are to increase the total number of aircraft from 36 at the end of 2021 to 61 over the next five years. This currently includes 8 purchased aircraft and future deliveries will be acquired under operating lease agreements or finance leases. By the end of 2026, Air Astana's fleet will consist of 36 aircraft and FlyArystan's fleet of 25. Deliveries of additional A321LR aircraft will begin during 2022 – these are the long-range version of the A321 NEO with increased maximum take-off weight and optimised fuselage design. The dual-class layout has 16 seats in business class and 150 in economy equipped with individual monitors. In October 2021, FlyArystan placed an order for 15 more A320 CEO/NEO aircraft with delivery commencing from May 2022.

Aircraft maintenance and repair

Engineering and Maintenance (E&M) is one of the largest and most complex divisions of Air Astana, consisting of 800 employees across 6 departments.

The remit of E&M is to ensure the highest level of aircraft safety, continued airworthiness and aircraft reliability, which it carries out according to the aircraft manufacturer's maintenance programme. This is, in turn, approved and regularly audited by the European Aviation Safety Agency (EASA) to ensure compliance. The Company holds approval under EASA to perform aircraft maintenance at the Almaty and Nur-Sultan bases, with line stations at Atyrau, Shymkent and Aktau. To facilitate aircraft maintenance, Air Astana has hangars at Almaty and Nur-Sultan, with most support staff based in Almaty.

Air Astana also provides line maintenance services for external airline customers, including many foreign airlines, generating approximately USD 2 million in ancillary revenue each year.

E&M has also continued with plans to expand the in-house C-check project on Airbus A320 series aircraft. To date, 6 in-house C-checks have been performed, which represents a considerable cost saving compared to outsourcing while greatly increasing Air Astana's own capability and experience. Previously carried out in Almaty, the first C-check was performed at Nur-Sultan in November 2021, with a further 8 Airbus C-checks planned in-house during 2022.

E&M has gained a great deal of experience over the last year in reconfiguring aircraft cabins. As part of Air Astana's support to meet the demand for transporting medical equipment and supplies during the pandemic, E&M converted the Boeing 767 aircraft into an approved semi-freighter.

After a successful 15-month period, transporting cargo in the cabin, it was returned to E&M and restored to passenger operation. Work also included converting an Air Astana cabin configuration to the layout required for FlyArystan. Other reconfiguration plans included the conversion of five A320neo aircraft from all economy seating to dual-class layouts.

Air Astana implemented a project to transfer the registry of its aircraft from DCA Aruba to the Irish Aviation Authority (IAA) under EASA. Regulatory responsibility for continued airworthiness of these aircraft is delegated from the IAA to the Aviation Administration of Kazakhstan (AAK). The change to European registry marks a significant milestone in Air Astana's history, and will ensure even higher levels of safety and reliability in the future. This has been the biggest project ever undertaken by E&M, taking more than one year to complete the transfer of all aircraft.

The capital investment programme contains the second stage of a hangar construction in Nur-Sultan, scheduled for 2024, which will be developed to meet the need for planned heavy maintenance and daily operations due to the increase of the fleet. The increased capability will further support aircraft in operation, reduce reliance on vendors, save costs and attract third-party maintenance with associated customer revenue.

Excellence

Digital initiatives that create the future

Air Astana recognises that a focus on both innovative processes and digitalisation are the hallmark of any future, successful business. Major investment in the Company's IT and e-Business infrastructure has continued apace during 2021 with both new product launches and ongoing development projects. In addition to utilising the skills and experience of its employees, Air Astana has also co-operated and worked in conjunction with the Kazakhstan aviation authorities, airports and IATA to create and trial systems that enhance flight safety and efficiency, and also enhance and improve the overall customer experience.

APEX

Throughout the pandemic, Air Astana demonstrated its agility through its daily analysis of the ongoing situation and its ability not only to make decisions quickly but to follow through with appropriate actions. This bolstered the resilience of the business and ultimately placed the Company in a much stronger financial position than many of its competitors. It also triggered the acceleration of the Airline Performance Excellence Programme (APEX), which Air Astana introduced in 2019.

Fundamentally, APEX is aimed at creating tools to drive change across the Company by improving business processes through innovative software but also by continuing to encourage a new culture of thinking among employees. By enhancing processes, APEX will fast track the achievement of each department's goals while simultaneously evolving a workplace culture that focuses on achieving results that exceed the expectations of all customers.

The unified automated BPS (Budgeting and Planning System) system is one of APEX's priority tasks. The budget and forecast of the airline's resource usage will lead to improvement of overall efficiency and financial awareness at all levels of decision-making. As well as helping to control expenditure, it will also help improve supply chain and manpower processes by providing managers with ready access to more accurate data.

Self-service strategies

FlyArystan does not operate or maintain its own information technology systems, servers or datacentres but rather follows an outsourced model, using Software as a Service (SaaS) solutions. Its key SaaS partners have experience of working with other global LCC operators and also provide services for Air Astana.

The airline has launched an innovation division tasked with an end-to-end review of the passenger management experience in order to increase efficiency, reduce cost, and improve customer experience. The aim is to make FlyArystan the industry leader and innovator in self-service strategies.

FlyArystan's self-service strategy, launching in March 2022, will progressively remove check-in desks at all domestic airports. Passengers will need to check-in via the FlyArystan mobile app or pay to check-in using an airport kiosk. This will significantly increase airport efficiency while at the same time reducing the cost of operating and staffing check-in desks.

To complement this self-service initiative, FlyAystan will also be launching a membership programme. Membership will be accessed via a paid subscription that offers discounts on products and early access to sale fares. This strategy, used effectively by other leading LCCs, will improve customer engagement and reach while generating additional revenue for FlyArystan.

Baggage and passenger systems

Enhanced and new state-of-the-art baggage and check-in procedures – many of which had been developed in-house – were launched during 2021. As well as improving efficiency, these were also aimed at enhancing the customer experience and increasing passenger confidence in flying during the ongoing COVID-19 situation. Air Astana was among 70 airlines worldwide testing the IATA Travel Pass, integrating passenger testing and vaccination status. During 2022, Traveller ID will facilitate the opening up of online check-in options for international flights, which optimise the process and time required for check-in and also provide flight information and payment facilities. A Meet & Greet service was introduced from April 2021 for arrival and departures whereby Air Astana representatives assist passengers with the completion of the mandatory procedures currently required for international travel.

In co-operation with the Kazakhstan aviation authorities and airports, Air Astana took part in the EGOV ID project. Covered by Kazakh legislation, this allows passengers to use e-ID for air travel within Kazakhstan. This was trialled during the year and fully operational at all Kazakhstan airports at the end of 2021.

Air Astana is in the final stages of evaluating the results of a passenger weight project. Some 3,000 passengers were weighed in line with IATA rules and confidentiality requirements. The project will provide for more accurate data for flight safety and more effective use of commercial payload.

A baggage reconciliation system (BRS) contract has been signed with Nursultan Nazarbayev International Airport. The BRS is implemented to scan and track baggage, reducing the incidents of mishandled baggage, while also providing information about the actual amount of baggage on each flight.

Customer service par excellence

Maintaining a high level of customer satisfaction is integral to the Air Astana business model and evident in every service that it provides. The pandemic restrictions brought new challenges for the delivery of the high quality service for which the airline prides itself. Despite a dramatic increase in aircraft load factors in early 2021, – rising from an average of 65% to 85%, and reduced employee numbers due to COVID-related sickness, the Airline's Net Promoter Score (NPS) and Customer Satisfaction Ratings (CSAT) remained stable at an annual average of 48 and 79 respectively, higher than the industry averages recorded of 39 and 74.

However in order to continually improve these ratings, Air Astana launched a Customer Experience division and initiated its first research project in 2021. Targeted at 100,000+ customers, it revealed insights into every stage of the customer journey and highlighted the variations in customer requirements and needs. The knowledge gleaned from this analysis of our Blue, Silver, Gold and Diamond Nomad Club members demonstrated positive and negative trends in customer satisfaction and is already being used to improve the customer experience at each service touchpoint for example: extension of call centre opening hours, development of website and mobile application services, reviewing of pre-/post-flight airport experience, and changes to onboard products.

Keeping the skies COVID-free

While hospitality is part of the Air Astana DNA, the health and safety of passengers and crews is also paramount. This has been a particular focus during the pandemic with onboard cleaning and decontamination of every surface in the galley and cabin prior to every flight. Face masks and hand sanitising have become routine for flight attendants as well as ensuring that all passengers comply with mandatory sanitary rules.

As a result, Air Astana was the first airline from the CIS and Southeast Asia to successfully pass an APEX audit and was awarded Diamond status for minimising and preventing the spread of the COVID-19 virus during flights. The APEX audit was developed in collaboration with SimpliFlying and covers the pre-departure testing of passengers and crew, contact tracing of infected passengers, ground handling, precautions during flight and the quality of pre-flight cleaning.

Putting passenger safety first

In addition, risk mitigation plays an important part in ensuring the safety of flights. During 2021, Air Astana and Almaty International Airport conducted a joint simulated emergency exercise to ensure that both organisations have the right emergency procedures in place.

The event simulated was that of an A320 aircraft with 150 passengers and 8 crew on board, which has a "landing gear not locked" warning after take-off. The flight captain decides to return to the airport of departure and requests an emergency landing. During landing the right landing gear folds in and the aircraft touches down on the ground and veers off the runway, with a fire starting as it comes to rest. Conducted within the requirements and regulations of the International Civil Aviation Organization (ICAO), participants demonstrated a high level of interaction and communication at all stages of the exercise and confirmed the emergency preparedness of both the airport and the airline.

A number of initiatives are currently under development that will make the whole customer experience more seamless. These include new concepts for check-in areas, automatic baggage drop-off and the introduction of a common baggage handling system. As well as enhanced payment modules, passengers will have access to an additional range of chargeable services and the biometric airport project is to be expanded.

Strong recovery

Air Astana delivered a very strong set of results and a level of profitability in 2021 that exceeded pre-pandemic levels, despite the continued impact of the COVID-19 pandemic on global aviation.

We achieved a Group profit of USD 36.2 million during the year, on the back of a 90% increase in revenue to USD 761.8 million and a concerted effort to control costs. International and domestic routes did begin to reopen during the course of the year; however, given that lockdown restrictions were periodically imposed on certain routes due to COVID-19, our flexible operating model enabled the Group to focus on popular lifestyle routes and priority domestic and to maximise capacity and sustain our recovery.

The strength of our financial results in 2021 were underpinned by total carriage figures of 6.62 million passengers, the highest in Air Astana's history. The Group's full-service arm carried 3.56 million passengers during the year, whilst our low-cost subsidiary FlyArystan carried 3.06 million passengers in what is essentially its first full operating year, as the airline continues to gather significant momentum. Freight carriage meanwhile grew by 13%.

It is very pleasing to see the positivity generated at the beginning of 2020 finally come to fruition, despite sustained pressures of 2021. We have recovered from the COVID-19 pandemic far more quickly than expected, which is a testament to the resilience of Air Astana Group. Our strategic and operational teams have responded tremendously well to multiple macroeconomic shocks in recent years and we have a proven track record for managing to adjust to multiple new operating environments.

In 2021, year-on-year, domestic passenger traffic increased by 75% and international passenger traffic by 99%. The Government of the Republic of Kazakhstan launched a significant vaccination programme in March 2021, with further revaccination occurring later in the year. This provided the Company with sufficient confidence to focus efforts on the domestic market, buoyed by FlyArystan's early, pre-pandemic success. Our ability to adjust to reduced demand immediately after the pandemic was further helped by our focus on point-to-point "lifestyle" routes.

The Group continued to concentrate on financial liquidity in order to ensure that it remains well positioned for recovery and has introduced a number of measures, without compromising on the market-leading comfort and safety of its customers and employees across all its operations.

In terms of liquidity control, the Group took extensive measures to maintain its cash positive position by imposing rigorous cost control measures. It deferred all non-essential investment and negotiated the deferral of payments with major creditors at the start of the pandemic.

It should be remembered that, during 2020, the priority for all airlines was to secure cash sources and access to credit facilities. Many international airlines were forced to accept government bailouts or financial aid and state guarantees with conditions attached. Air Astana did not require any third-party support during the pandemic and also decided to de-lever by repaying part of the loan obtained from JSC Halyk Bank ahead of schedule. In order to provide liquidity for any other possible shock out of the Company's control, additional facilities were put in place with EBRD and the facility with Citibank has been restored.

The Company decided to further strengthen its financial position by taking following mitigating actions against liquidity risk:

- reducing expenditure burn by rigorous cost control, reducing subcontracted labour, extending leave and downtime;
- deferring all non-essential capital expenditure;
- reviewing heavy maintenance events and deferrals in accordance with utilisation limits recommended by the manufacturers;
- deferring lease payments from 3 to 12 months, then subsequently to 24 months;
- ensuring access to liquidity though loan facilities.

Financial highlights

USD '000	2021	2020	2019
Total revenue	**761,838**	400,264	898,729
Total operating expenses	**(667,678)**	(469,578)	(820,030)
Operating profit	**94,160**	(69,314)	78,699
Operating profit margin	**12.4%**	(17.3%)	8.8%
Finance costs	**(36,648)**	(34,649)	(24,155)
Foreign exchange loss, net	**(12,522)**	(12,673)	(12,749)
Profit before tax	**44,990**	(116,636)	41,795
Income tax (expense)/benefit	**(8,831)**	22,703	(11,763)
Profit for the year	**36,159**	(93,933)	30,032

Revenue

	2021		2020		2019	
USD '000	Total	% of total revenue	Total	% of total revenue	Total	% of total revenue
Passenger revenue	**715,794**	**94.0%**	358,413	89.5%	824,952	91.8%
Cargo and mail revenue	**33,570**	**4.4%**	24,561	6.1%	21,145	2.4%
Other revenue	**7,846**	**1.0%**	11,033	2.8%	47,952	5.3%
Gain from sale and leaseback transaction	**4,628**	**0.6%**	6,257	1.6%	4,680	0.5%
Total revenue and other income	**761,838**	**100%**	400,264	100%	898,729	100%

Currency

With more than two-thirds of our revenues denominated in currencies other than the Tenge, the US Dollar serves as Air Astana's functional currency since it better reflects the nature of underlying transactions, events and conditions. This protects the airline's net assets from KZT/USD currency fluctuations, which will increase overall financial profitability due to the elimination of negative effects from exchange differences from US Dollar-denominated assets and liabilities. The average exchange rate for January to December 2021 was 426.03 KZT/USD, 3.17% higher than the exchange rate of 412.95 KZT/USD during 2020.

> It is very pleasing to see the positivity generated at the beginning of 2020 finally come to fruition, despite sustained pressures of 2021. We have recovered from the COVID-19 pandemic far more quickly than expected."

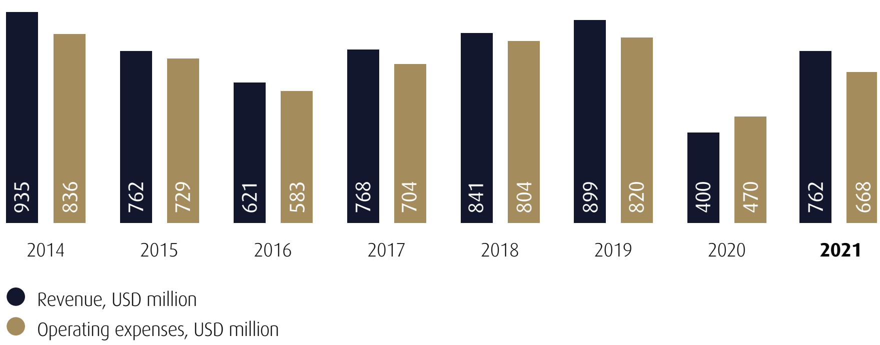
Ibrahim Canliel
Chief Financial Officer

Driving low-cost option via CASK

Air Astana's operations are underpinned by its low-cost base. A common measure of per unit costs in the airline industry is CASK, which is generally defined as total operating costs divided by ASKs. Maintaining the low CASK at which both airlines operate is a key competitive advantage for the business.

The CASK figure for 2021 of 5.11 cents is a significant reduction and puts us back on track (2020: 5.78 cents; 2019: 5.55 cents) with increased aircraft utilisation. The increase in CASK in 2020 was driven by the decrease in capacity (ASKs) due to COVID-19 combined with the fixed nature of a significant proportion of our operating expenses, a trend reversed in 2021. To a certain extent, it was also affected by a reduction in average sector length in that year, which decreased 19% compared with 2019.

In general, we target cost reduction through high aircraft utilisation, fleet transitioning to substantially all narrow-body and replacing older generation aircraft with more fuel-efficient aircraft, closely managing fuel costs with predominantly direct supply locally, optimal use of our maintenance programme (within limitations approved by the manufacturers) and maximising employee productivity. Future cost-efficiency measures at FlyArystan include high aircraft utilisation, negotiations with airports for reduced landing fees and handling fees, optimisation of operational staff and continued direct sales distribution.



Fuel

Fuel represents the biggest operating expense for any airline. As a result, fuel price volatility has a direct and significant impact on an airlines' total profit.

Jet fuel is a significant variable cost and has a material impact on our results and will continue to do so in the future. Jet fuel prices and availability are subject to market fluctuations, local and global refining capacity, periods of market surplus and shortage, as well as meteorological, economic and political factors and events occurring throughout the world, over which we have no control nor can accurately predict. Fuel prices of USD 548, USD 518 and USD 609 per ton in 2021, 2020 and 2019 respectively are reflected in the percentage of fuel costs accounted for in total operating expenses at 22%, 19% and 25%, respectively. In 2021, the Air Astana Group used approximately 261,929 metric tons of jet fuel and this amount will inevitably increase as the fleet size increases.

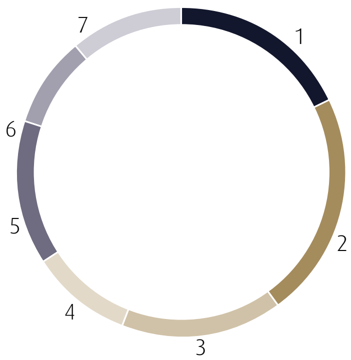
However, as a result of replacing our fleet with more fuel-efficient Airbus A320neo, Airbus A321neo, Airbus A321LR aircraft, our fuel consumption per block hour reduced from 2.46 tons in 2019 to 2.37 tons in 2021. In addition, we manage fuel costs closely through sourcing largely direct supplies from local refineries and by including skills for efficient fuel management within our pilot training include. We source our jet fuel at both local and international stations, with an approximate volume split of 75:25, respectively.

For locally sourced fuel, the Company negotiates prices on a competitive basis with Kazakhstani suppliers by agreeing stable contracts. Air Astana also maintains ongoing negotiations with suppliers regarding price reductions and monitors alternative suppliers for domestic and international stations.

Air Astana's high levels of operational efficiency means that it is able to extract maximum benefit when prices decrease, much in the same way that the Company has shown great resilience to fuel-related headwinds in the past thanks to the flexibility offered by its platform and route network.

In 2021, the Company took call options for all of its international uplift in 2022.

Breakdown of operating expenses, 2021 (%)



1. Depreciation and amortisation	18%
2. Fuel	22%
3. Employee costs	16%
4. Handling, landing fees and route charges	10%
5. Engineering and maintenance	14%
6. Passenger service	9%
7. Other	11%

Other operating expenses

Employee costs increased by 44% to USD 104.8 million, largely as a result of the downtime in 2020 during the depth of the pandemic. Costs associated with handling, landing fees and route charges increased by 48% to USD 70.1 million, while passenger services costs increased by 67% to USD 60.9 million. Engineering and maintenance costs increased by 119% to USD 94.6 due to the grounding of large parts of our fleet during the pandemic.

Operating profit

The Company generated an operating profit of USD 94.2 million, a significant upswing from an operating loss in 2020 but also an improvement on pre-pandemic operating profitability of USD 78.7 million in 2019. This was driven by the recovery in demand as COVID restrictions eased, as well as by the Group's prioritisation of key leisure routes and growth provided by the launch of FlyArystan.

The Company has substantial finance lease liabilities, denominated in US Dollars. At 31 December 2021, total finance lease liabilities amounted to USD 726.9million (up 3% year-on-year). The Company recognised USD 35.4 million as interest expense on finance leases in 2021.

USD '000	2021	2020	2019
Operating profit/(loss)	**94,160**	(69,314)	78,699
Net financing expense	**(36,648)**	(34,649)	(24,155)
Foreign exchange loss, net	**(12,522)**	(12,673)	(12,749)
Profit before tax	**44,990**	(116,636)	41,795

Net financing expense

The Company's total net finance expense for 2021 increased to USD36.6 million, compared with USD 34.6 million in 2020, mainly driven by an increase of interest expense related to loans and lease liabilities. At the same time increase of expenses was compensated by finance income received from fuel call-options.

Equity

USD '000	2021	2020	2019
Share capital	**17,000**	17,000	17,000
Functional currency transition reserve	**(9,324)**	(9,324)	(9,324)
Reserve on hedging instruments, net of tax	**(35,278)**	(44,686)	(53,845)
Retained earnings	**91,576**	55,417	149,350
Total equity	**63,974**	18,407	103,181

At 31 December 2021, share capital comprised 17,000 authorised, issued and fully paid ordinary shares with a par value of 147,150 Tenge per share (equivalent to USD 1,000 per share at the time of purchase).

Air Astana's approach to sustainability

Our core values, HEART (Hospitable, Efficient, Active, Reliable and Trustworthy), are central to our interactions with our stakeholders – and how we meet their needs and expectations. Our approach to sustainability encompasses these values and our mandate to operate our business in a responsible and transparent manner.

Our fully integrated corporate sustainability strategy is currently under development and we plan to launch it during 2023. It will encompass our sustainability objectives, covering all the environmental, social and governance (ESG) aspects of our business, and will be based on the principles of best practice and international standards. It will also take account of the requirements of the UK's Task Force on Climate-related Financial Disclosures (TCFD), which come into force next year.

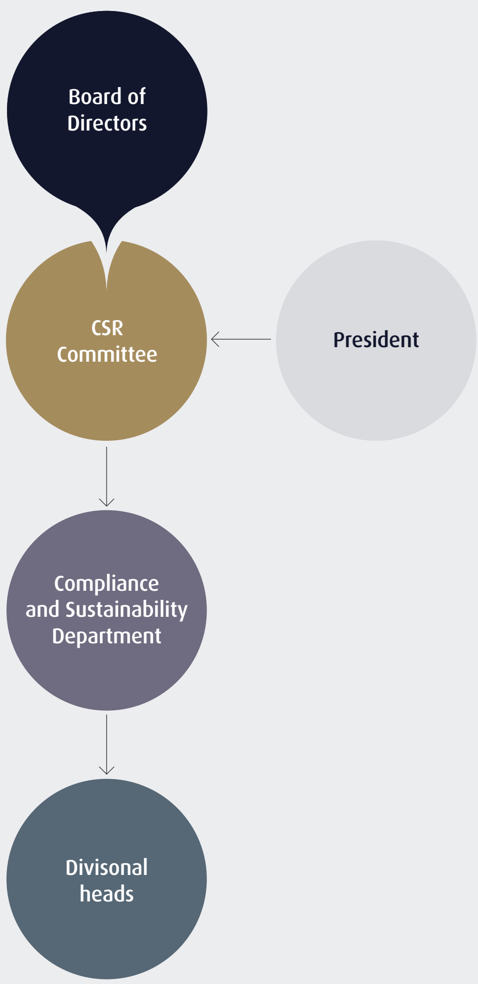
As such, ESG risks (including climate-related risks) and opportunities are very much on the agenda of the Air Astana Board while management is committed to assessing these and their impacts on the business. We will begin implementing the principles of TCFD from the start of next year, incorporating them into our strategic plans and risk management processes as well as introducing metrics and targets to support our long-term ambitions.

Sustainability governance structure

Responsibility for all sustainability issues is the remit of the Board of Directors, with stewardship assigned to the Corporate Social Responsibility (CSR) Committee, while day-to-day accountability falls to the President and CEO. Details about the terms of reference and activities of the CSR Committee are on page 76 of this Integrated Report.

Our sustainable development principles comprise openness, accountability, transparency, ethical behaviour, the interests of stakeholders, justice, human rights and zero tolerance of corruption.

Sustainability governance structure



These form the foundation of the Company's development strategy and decision-making, and are also fundamental in our approach to risk management, planning, human resources management, investment activities, reporting and operational activities. The implementation of our sustainable development principles is overseen by our Senior Management Team, who also have additional responsibility for creating action plans that include stakeholder interaction and progressing initiatives.

Reporting to the CSR Committee, our Compliance and Sustainability Department, established in May 2019, oversees the development and implementation of our sustainability objectives. Responsibility for the roll-out of sustainable action plans within business areas is delegated to divisional heads along with internal and external evaluations.

Ethics and compliance

We actively promote a culture of ethical behaviour and compliance as well as operating our business with honesty and integrity. This has helped Air Astana build longstanding relationships as a trusted business partner.

In 2021, we continued to follow our core HEART values, alongside the policies that constitute the Ethics and Compliance Framework of our Company:

- Code of Conduct
- Speak-Up Policy
- Corporate Fraud Prevention Policy
- Anti-Corruption Policy
- Policy for Prevention and Resolution of Conflicts of Interest

Information pertaining to these policies is supplied by the Compliance and Sustainability Department on a quarterly basis for review by the Board of Directors and the Audit Committee.

An online Code of Conduct training course was developed and access provided to all employees in 2021. Other supporting materials to improve the compliance culture are undergoing development and will be implemented during 2022.

Our whistleblowing line (Hotline)

We have operated a whistleblowing facility (Hotline) since November 2019 and now have four reporting channels, namely, telephone, email, internet portal and telegram bot (automated). The aim of this initiative is to quickly identify legislative and/or Code of Conduct violations relating to Air Astana's activities in order to prevent cases of fraud, corruption, discrimination, unethical behaviour and other breaches.

An independent external operator has been contracted to process messages received across all four channels. This provides both confidentiality and anonymity for those who use the Hotline, whether employees or third parties such as customers, business partners and other stakeholders. Consolidated daily reports are supplied to the Compliance and Sustainability Department for further investigation.

From a total of 1,958 Hotline messages received in 2021, only 35 were deemed relevant for investigation. The high percentage of irrelevant messages can be explained by passengers' misunderstanding about the purpose of the whistleblowing line.

Of the 35 investigations undertaken, just 6 messages were substantiated. All the investigations were conducted in accordance with approved procedures and followed up with the development of appropriate actions to mitigate further compliance risk.

In 2021, a variety of communication channels – including articles available through the Company's mobile app and in On Air (our internal magazine) – were used to maintain and strengthen the compliance culture within the Company and the minds of employees.

An internal analysis of corruption risks was carried out in order to identify and analyse the causes and conditions that contribute to the occurrence of corruption offenses in business processes most inherent to such risks, particularly: procurement, recruitment, appraisal, promotion and dismissal of employees, and finance. As a part of the analysis, risk factors, probability, potential damage in the event of a risk realisation, existing internal controls (risk management measures) and the effectiveness of control measures for each identified risk were evaluated. Based on the results of this analysis, a corruption risks map was compiled.

All new employees are now required to declare any conflicts of interest at the recruitment stage.

We also have access to an online service that allows us to check the reliability of (potential) counterparties who have been recommended by internal stakeholders.

Customer privacy

We respect the confidentiality of each customer and take responsibility for the protection of received personal data very seriously. We collect personal information about our customers that is necessary only for delivering and enhancing the quality of our service.

Our Privacy Policy is based on the requirements of the Personal Data Protection Law of the Republic of Kazakhstan (#94-V as of 21 May 2013; changed and amended as of 28 December 2017) and European Union and UK data protection law (General Data Protection Regulation 2016/679). General terms and conditions related to the protection of customer privacy are disclosed on our website: https://airastana.com/kaz/en-us/Information/Terms-and-Conditions/Privacy-Policy.

During 2021, there were no complaints concerning breaches of customer privacy or losses of customer data.

Our licence to operate and our ability to create the economic and social value for achieving long-term and sustainable success are intrinsically linked with meeting the needs and expectations of our stakeholders."

Sustainability risks

The best international practices in risk management, in line with the "COSO Enterprise Risk Management framework – Integrating with Strategy and Performance", are incorporated into Air Astana's Risk Management Policy and implemented across the Company's Corporate Risk Management System (CRMS). The CRMS is integral to all our business processes, including governance, performance management and internal controls, and to minimising risks to our sustainability, resilience and agility. This enables the Company to mitigate negative impacts and adapt the business to changing circumstances. Full details of Air Astana's risk management approach, with reference to our sustainability strategy, can be found in the Risk management section on pages 54-55.

Stakeholder engagement

Our licence to operate and our ability to create the economic and social value for achieving long-term and sustainable success are intrinsically linked with meeting the needs and expectations of our stakeholders. Our stakeholders are many and varied: local and international; those who are impacted by our activities; and those who influence the achievement of our strategic goals and objectives. With this in mind, we have worked hard to establish good relationships by communicating and collaborating in an open and transparent manner.

Details of our stakeholder engagement programme for 2021 can be found on page 12.

Materiality

We have based our sustainability reporting on an assessment of the most material topics. We use the Global Reporting Initiative (GRI) as our primary reference point in order to ensure that we disclose relevant data about our sustainability performance.

The most recent materiality assessment was performed in 2020. Our approach was based on a comprehensive analysis of external and internal resources. The results of this analysis served as filters to define the topics that influence our stakeholders' decision-making processes and, at the same time, have significant economic, environmental and social impacts for the Company. Based on the results, the materiality matrix identified 58 potential topics. In addition to those identified as economic, environmental and social topics, others were categorised as relating to governance and aviation to fully reflect the expectations of our stakeholders. The topics have been divided into 4 quadrants depending on the level of importance of each aspect and influence on stakeholders' decision-making.

These topics have been further prioritised and ranked using internal and external information sources.

Internal information sources

- Online survey of internal stakeholders
- Interviews with senior management

External information sources

- Online survey of external stakeholders
- Review of reports of peer companies
- Review of media publications
- Analysis of global trends (so-called "megatrends")

Based on the overall analysis, we have identified 20 material topics: those key areas that are the most important both to Air Astana and our stakeholders.

Our material topics

Governance

Strategy
Details of our strategy can be found on pages 20-23 of this Integrated Report

Ethics and compliance
Our approach is explained on page 37

Corporate governance
Our sustainability governance structure is outlined on page 36 and more information on Air Astana's overall commitment to corporate governance can be found on pages 60-84 of this Integrated Report

Stakeholder engagement
Our approach to stakeholder engagement is outlined on page 38 and more information can also be found in the Corporate Governance section on pages 70-71

Economic topics

Economic performance
See page 40 and in the Financial review on pages 32-35

Innovation and digitalisation
See page 40 and in the Operating review on page 30

Procurement practices
See page 41

Health and safety

Occupational health and safety
See page 48

Flight safety management systems
See page 48

Environment

Energy
See page 42

Emissions
See page 42

Effluents and waste
See page 43

Environmental compliance
See page 43

Aviation-specific topics

Service quality
See page 31 of the Operating review

Passenger turnover
See page 24

Customer privacy
See Ethics and compliance on page 37

On-time flight performance
See page 25

Fleet technological improvements
See page 29 of the Operating review

Employees

Employment
See page 44

Training and development
See page 46

Economic topics

Our approach

Our economic stability is underpinned by the business initiatives taken to reinforce our competitive strengths. Greater resilience has been achieved against financial crisis, demand or cost shock because of our focus on maintaining a strong cash position. This was evident in our ability to optimise and protect our assets during the COVID-19 pandemic in 2020 and the continuing situation during 2021.

Economic performance

Air Astana contributes to the local and national economy through its core activities and socio-economic investments wherever it operates. The Company also recognises the significance of conducting its business in a responsible, efficient and profitable manner that supports sustainable development:

- through direct business activity and a focus on improving efficiency and productivity;
- payment of taxes;
- creating direct and indirect employment opportunities;
- developing supply chains and procurement from local suppliers.

The audited Financial statements of the Company on pages 85 to 150 of this Integrated Report include detailed information about Air Astana's economic performance.

Innovation and digitalisation

Air Astana continues to focus on achieving competitive advantages, improved customer service, cost reduction and operational efficiency through its IT and e-Business initiatives. During 2021, this included a major undertaking with Nursultan Nazarbayev International Airport to integrate SCS and the airport operational database (AODB), which operates seamlessly across airport control systems, resource allocation and invoicing systems. An automated boarding process was the first stage to be implemented with new functions for ordering airport technical services and vehicle tracking following by the end of the year. Automisation of invoicing, working processes and airport services are also in the pipeline.

Another major digital project is under development to support Air Astana ground services. The database system will enable future forecast for flight handling, analysing current situation and real-time checking for gaps in the business. An upgrade of GSSmart – the ground service personnel assessment system – was also launched during the year.

The accrual management system (AMS) and SCS station control system are products created by Air Astana in order to transmit reliable and accurate operational

Economic value generated and distributed

(USD '000)	2021	2020
Direct economic value generated	**772,256**	401,691
Revenues	**772,256**	401,691
Economic value distributed		
Operating cash costs	**560,420**	392,770
Employee wages and benefits	**104,757**	72,650
Payments to providers of capital	**46,744**	34,744
Taxes paid	**2,501**	4,158
Community investments	**105,807**	2,624
Economic value retained	**(47,973)**	(105,255)

and financial information about the aircraft maintenance process. The AMS element is an automatic accrual system designed to control and manage the Company's expenses.

In 2022, Air Astana will benefit from certain major system implementations. Altea Active Valuation of Amadeus Passenger Services System will improve revenues and enhance revenue management functions. In addition, the new Customer Relationship Management function will be fully implemented to support the new strategic vision on customer experience with additional investment planned for innovations in passenger handling.

Several new digital commerce initiatives have been budgeted for 2022. The corporate website will be fully revamped and migrated to a new content management system. Investment will be made in the corporate website and mobile app to improve customer experience and usability, including a door-to-door delivery service. Increased digital engagement with customers with group shopping, social shopping and wallet programmes will also generate further revenue. In 2022 the internet booking engine (IBE) will be further developed, with a corporate booking application added. These initiatives will all help to significantly increase the digital commerce profile of Air Astana and FlyArystan over the next year.

Procurement practices

Air Astana has a transparent and effective procurement process, which is based on international best practice.

We have developed a broad-based supply chain to meet our operational needs of quality goods and services. Our suppliers range from start-ups and small businesses to large multinational companies and we have built long-term relationships with many of them.

Our procurement process adheres to the principles of transparency and providing equal opportunities to all potential suppliers within a framework that includes procurement procedures, management standards and rules. Procurement is conducted in strict compliance via an electronic procurement portal.

The Company had previously implemented anti-corruption clauses within some suppliers' contracts. In 2021, this was broadened to include ethical practices required from suppliers along with reliability clauses. For more information, see the Ethics and compliance section on page 37.

Since 2019, we have actively supported the Government's programme "Economics of simple things". This aims to create a competitive market of local suppliers rather than importing socially significant goods and services. We are keen to involve more local suppliers in our procurement process in order to promote national and regional economies.

In support of this, during 2021, our in-flight catering introduced organic jams from the Lepsinsk region, fruit chips and cider made by Kazakhstani companies locally in Almaty, and chocolates and desserts from well-known national brands. During 2022, we are planning to further supplement this with healthier options for our passengers including milk alternatives, nutritional snacks and herbal teas. A special menu is also being developed for the Nauryz Spring Celebrations, combining traditional Kazakh food with high cuisine trends.

However, while we are strongly committed to this national approach, it is sometimes necessary to source the required goods and services outside the domestic market. For example, the technical maintenance of our aircraft is mostly provided by foreign suppliers. The percentage of our procurement budget spent on local suppliers in 2021 decreased to 27% (2020: 36%).

We continued to enhance our procurement processes. In 2021, procurement participated in the Airline Performance Excellence Programme (APEX) and launched the budget planning system for those working from home. Two other procurement processes were also digitalised: compliance with technical specifications and the contract justification process.

Information on purchases from local suppliers

	2021	2020	2019
Total number of procurement contracts with local suppliers[1]	**1,394**	1,905	1,917
Total value of procurement contracts with local suppliers[2] (USD '000)	**226,664**	275,500	225,007
Percentage of the procurement budget used for significant locations of operation[3] that is spent on suppliers local to operations (percentage of products and services purchased locally)	**27%**	36%	21%

1 Domestic suppliers of goods and services that have a ST-KZ certificate indicating the percentage of local content share.
2 The reduction in the value of local contracts is due to the fact that some long-term contracts agreed in 2020 also covered 2021. There was also a recovery in international routes served by foreign suppliers.
3 The territory of the Republic of Kazakhstan.

Environment

Our approach

Reducing our environmental impact and developing initiatives to avoid or reduce manmade climate change sit at the heart of Air Astana's environmental management approach, alongside ensuring that we provide for the safety and health of our employees, customers and contractors.

We are committed to investing in and developing our environmental protection management system. This promotes the efficient use of resources within our business practices, as well as controlling and monitoring the ecological effect of the Company's activities. At the core of this, we are devising environmental protection plans that are in line with local and international standards as well as best practice.

Fuel efficiency practices enable us to both optimise jet fuel usage and minimise greenhouse gas (GHG) emissions. Across our operations – both in our offices and in flight – we have put in place efficient waste management procedures. Alongside this, we have developed an electronic document management system to reduce paper consumption, encouraging efficient use of resources. In line with this, we involve employees in green initiatives in order to raise their level of environmental awareness.

We are continuing to reduce the amount of plastic used onboard our flights by sourcing more eco-friendly or bio-degradable products. Reusable dishes and cutlery, paper cups and packaging are already in use and plastic covers will be replaced by paper ones. We are also planning to introduce a new tea brand with bio-degradable packaging.

Multi-use, rather than disposable, masks for business class passengers were launched in September 2021 on board on all international flights over 3 hours. New business class CLX branded amenity kits were introduced on all short-haul routes from August 2021. The inner items, such as dental kit and earplugs are wrapped with eco-friendly kraft paper. New business class long-haul and short-haul kits – branded Porsche and Boggi – planned for the second quarter of 2022, will be similarly wrapped.

New children amenity kits (Magician, Actor or Cosmonaut for 3-6 year olds and Skater or Photographer for 7-11 year olds) were launched in 2021. These will be packaged in bags made from recyclable materials (RPET) in March 2022.

We believe that educating the young is also important. Onboard educational materials about the environment have also been developed for children.

Energy consumption

	2021	2020	2019
Electricity (GJ)	**6,865**	6,463	9,869
Heating (Gcal)	**273**	335	292
Total	**7,138**	**6,798**	**10,161**

Energy

Reducing our energy consumption is another key area within our developing sustainability strategy. Electricity and heat are the two main forms of energy we use across the business and we are always looking for initiatives to optimise consumption. Under COVID-19 quarantine measures, our offices were closed and employees worked remotely from home from mid-March to mid-May 2020. This accounted for a 35% decrease in overall electricity consumption. The rise in heating Gcals is due to thermal power increases in an administration building following complaints from employees about the temperature in the building. Because of the unpredictable situation caused by the pandemic, planned projects aimed at reducing energy consumption were postponed. None were undertaken during 2021.

The Company does not use renewable energy sources.

Emissions

Greenhouse gas (GHG) emissions, a major contributor to climate change, are a byproduct of air travel. At Air Astana, however, we are taking measures to minimise our GHG emissions and reduce our carbon footprint. We are investing in a fleet of modern and fuel-efficient aircraft that emit less carbon: the average age of our aircraft is 4.7 years, making us one of the youngest fleets globally. But we go one step further, ensuring that all our pilots are trained in fuel-efficient flying, which further helps to reduce emissions.

While travel restrictions still played a part during 2021, increased domestic and international flights inevitably also increased our GHG emissions – by 54% – but still below 2019 levels. Conversely, with seat kilometres up 65% on 2020, there was a slight reduction in our GHG emissions intensity.
The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was launched by the International Civil Aviation Organization in 2019. Following

Greenhouse gas emissions

	2021	2020	2019
GHG emissions intensity (tonnes CO_2 per ASK)	**0.06403**	0.06885	0.06530
CO_2 emissions (tonnes of CO_2)	**836,429.0**	544,235.6	965,289.9
Company-specific metric (seat kilometres)	**13,063,678**	7,904,320	14,781,918

a successful pilot project in 2020, CORSIA and the requirements of the EU Emissions Trading System (EU-ETS) have both been fully integrated into our data flow management, analytical procedure and monitoring process.

Effluents and waste

Managing waste is a global environmental concern; one which we share and are addressing. Our waste management practices are centred around reduction, recycling and disposal, using third parties as necessary. We have also taken steps to raise awareness and involve both our employees and customers in waste reduction and recycling initiatives. We are particularly pleased that employees take responsibility for raising issues about waste management, both onboard our aircraft and in our offices.

Inflight waste

In 2021, we continued with our plans to transfer our inflight products to biodegradable materials: switching from plastic to wood for our drink stirrers and toothpicks; substituting onboard plastic cups with recyclable plastic ones. We have also changed the packaging of our amenity kits to bamboo and kraft paper, and are gradually replacing items in the kits with more eco-friendly products.

Other waste

In 2021, we continued the collection of PET bottles, used batteries and wastepaper for recycling from company offices in Almaty and Nur-Sultan. Following the introduction of our electronic document management and signing systems, we reduced the number of printed copies of our inflight and corporate magazines. Used tyres, filters, wastewater (from washing wheels and brakes), paint containers, oily rags and used petroleum products are sent to specialist organisations for recycling.

We are also developing initiatives to enable better sorting and recycling of inflight waste and replacing catering items with eco-friendly ones, as well as raising awareness so that employees and passengers only take what is needed. Each year, we run an environmental drawing competition for our employees' children. In 2021, the best drawings were used to create a desk calendar, printed on recycled paper and funded from some of the income from recycling wastepaper.

Environmental compliance

We aim to conduct our business in compliance with all applicable environmental laws and regulations, and have in place the appropriate measures in order to reduce our environmental impact. In 2021, Air Astana complied with all requirements of the Ecological Code of the Republic of Kazakhstan 2007. A new Ecological Code came into force from July 2021 and we have incorporated all new requirements into our environmental protection management system. During 2021, no significant fines and penalties were identified for non-compliance with environmental laws and regulations.

Recycling wastepaper and PET bottles

Amount of recycled waste in Almaty and Nur-Sultan (kg)	2021	2020	2019
Wastepaper	**45,492**	28,675	49,990
PET bottles	**456**	282	192

Income from recycling wastepaper and PET bottles

Waste type/base (Tenge)	2021	2020	2019
Wastepaper, Almaty	**725,005**	439,890	749,850
Wastepaper, Nur-Sultan	**59,890**	13,790	–
PET bottles, Almaty and Nur-Sultan	**20,877**	14,100	9,600

Waste disposal in Almaty and Nur-Sultan

Tonnes	Disposal method	2021	2020	2019
Hazardous waste	Third-party disposal	**5.39**	5.05	9.55
Non-hazardous waste	Recycling	**45.94**	35.65	50.18
Solid household waste	Waste dumping	**2,563**	2,221	2,731

Employees

Our approach

In 2021, we focused on the well-being of our employees, providing financial and emotional support during the pandemic. We also continued to develop internal communications, paying greater attention to two-way communication, encouraging employees to share their feedback through pulse and annual surveys as well as other channels.

The pandemic, and the resulting restrictions, cancelled flights and the introduction of additional sanitary requirements, increased stress levels across the Company as confirmed by the results of pulse surveys. Since February 2021, those operational teams who have come under the most stress have been offered a free psychological consultation. The feedback from these employees has been positive and we plan to offer this service more widely with the Company.

During this period, while stress was an issue, many employees were also concerned about vaccination against COVID-19. We teamed up with doctors, who were able to consult with and answer questions from employees; live broadcasts proved the most effective communication tool. At the end of the year, 92% of all employees had been fully vaccinated.

The Company takes care of every employee who has contracted the disease, sending each one a vitamin box containing fruits, honey and ginger along with a personalised postcard from the President and CEO, regardless of location. Over 900 boxes were delivered throughout Kazakhstan and around the world, including Turkey, Russia, Ukraine, Georgia, Uzbekistan and Kyrgyzstan.

As restriction were gradually lifted and fitness clubs began to open, we were able to resume offering discounted annual memberships as part of our benefits scheme. This was a long-awaited chance for our employees to enjoy exercise and sports once again.

> We recognise that the long-term sustainable success of our business depends on the expertise, skills and motivation of our employees."

Employment

Air Astana is a socially responsible organisation and we have adopted the highest standards of integrity and business ethics. We recognise that the long-term sustainable success of our business depends on the expertise, skills and motivation of our employees. With this in mind, we recruit, appraise and reward employees based on merit and enable them to develop to their maximum potential. We have created a workplace environment – based on our corporate HEART values – where recognition, development and equality all thrive and ensure that we attract and retain talented people.

This is also reflected in the transparency and fairness of our recruitment process, which in turn increases the level of trust among potential candidates.

In 2021, we resumed external recruitment and its volume reached the pre-pandemic levels of 2019. We continued to conduct the selection process in an online format, which helped to reduce recruitment costs.

With a particular need for fully trained pilots, we were able to bring on cadets from our Ab-initio training programme.

In 2021, the Company employed 5,551 people (2020: 5,385). Turnover has returned to pre-pandemic levels of 13% (2020: 6%) but overall retention remains high with the average length of service increasing to 7.2 years (2020: 7.06 years). We took on a total of 886 new employees during the year: 599 at Almaty International Airport; 278 across Kazakhstan's regions; and 9 at international stations. The gender split across new employees was 497 women and 389 men; the age profile of the Company remains relatively young with 91% of the new intake aged below 40 years and only 9% over 40.

Diversity and equal opportunities

At Air Astana, we provide equal opportunities for men and women regardless of age or nationality, creating a truly diverse workforce of highly skilled people across many countries and continents

We employ 3,354 women and 2,197 men, from different nationalities and ethnic groups with diverse backgrounds, faiths and beliefs. This, in turn, provides a stimulating and fair working environment for everyone.

While continuing to address any traditional peculiarities, we believe strongly that gender and diversity should not be barriers to career progression within the Company. Within the Company's senior management level, comprising 43 people, the gender split currently is 40% female and 60% male.

We are proud to provide equal opportunities for men and women regardless of their nationality and age. This includes entitlement to parental leave regardless of gender, although in practice more women than men exercise their right to parental leave.

During 2021, 54 men and 661 women took parental leave (this included 313 women on maternity leave).

Competitive salaries and benefits

In order to attract and retain a highly skilled and motivated workforce, Air Astana provides fixed and variable pay as well as short-term and long-term benefits that are competitive and merit-based. We also operate a corporate pension plan for our employees based in Kazakhstan. This helps to retain key employees but also to instil a responsible attitude towards personal financial security.

Our employee benefits package consists of:

- health and medical insurance;
- loss-of-licence insurance for pilots;
- discounts on flights with Air Astana or partner airlines;
- access to a corporate bus for commuting to and from work;
- coverage of communications costs;
- discounts for gym membership and in restaurants, bars and hotels;
- corporate pension plan for employees based in Kazakhstan.

The international agency Randstad Employer Brand Research named Air Astana as one of the most attractive employers within the transport and logistics sector in Kazakhstan in 2021.

Employee engagement

Since the beginning of the pandemic, the President and CEO has been particularly focused on communication with employees, regularly updating them on what is happening with the business, the dynamics of the main operating and financial indicators, industry trends and forecasts about our development. This has contributed not only to a better understanding of the situation and the Company's goals (as shown in the results of the employee engagement survey – see below), but also to maintaining team morale and strengthening confidence in the future.

The Annual Management Conference in 2021 was organised in a hybrid format, with some managers invited in person and others attending via Zoom. The aim of the conference was to inform managers at various levels about the results achieved and to share plans for the future. All other employees had the opportunity to watch the conference online via YouTube.

In 2021, the Company resumed the Gallup employee engagement survey. Significantly, the survey results showed that more than half of the employees fully support the actions taken by the Company's management during the crisis. And 90% of employees believe that the HEART values are the key to the Company's efficiency and growth.

However, it did show that, across the Company, the level of engagement has decreased slightly. This can be explained by the events of the last year and the level of operational uncertainty, but these results have identified priority areas that require attention by the Company as a whole and managers in particular. In 2022, there is urgent need for managers to have open dialogues with their teams about their specific roles and how to achieve better results. A pulse survey tool has also been launched to help managers explore the level of engagement within their teams in greater depth.

We continue to develop online communication channels, including the internal mobile application – KC App and Instagram channel #iampartofheart, which are fast becoming major information sources. The frequency of messages has increased and regular feedback from the audience has been set up. The In-flight and Ground Services departments are actively adopting internal Instagram pages. Heads of departments regularly broadcast live on pressing issues, involving fellow experts and other departments. Polls and information sessions are also organised via this medium.

Recognition culture

A culture of recognition and gratitude is especially important at times when we are looking for support from each other. On the online platform of daily thanks, KC Recognition, colleagues sent 14,441 thanks to each other during the year. Employees are awarded HEART coins for each thanks that they receive. At the beginning of 2021, an online store was launched on the platform, where these can exchanged for books, coffee vouchers or Company promotional products. This was very well received and 2,113 purchases have been made since it was set up.

> One of Air Astana's strategic goals is to attract, evaluate and reward employees on merit and provide everyone with the opportunity to realise their potential."

The HEART Awards programme is a special event in the Company's annual calendar, rewarding employees who best follow the HEART values in their work. Due to COVID-19 restrictions, the 2021 award ceremony itself could not take place. The winners were, however, announced at the Annual Management Conference and did receive their prizes.

Towards the end of 2021, the lifting of some restrictions allowed for mass events of up to 70 people. We took advantage of this opportunity to hold Breakfasts with the President during November; these celebrate an employee's 10th anniversary of working for the Company. This tradition, running since 2012 as part of the employee recognition programme, is an important milestone for employees and almost 300 have been honoured in this way in 2021.

Training and development

Air Astana Talents Programme

One of Air Astana's strategic goals is to attract, evaluate and reward employees on merit and provide everyone with the opportunity to realise their potential. To achieve these goals, the Company has implemented a talent management process, which is tasked with:

- ensuring the sustainable development of the Company by attracting and developing high-potential employees on an ongoing basis;
- identifying and developing individuals from among existing employees and, guided by our corporate leadership model, creating a tier to fulfil senior roles within the Company as the need arises.

Successfully implemented since 2010, the Air Astana Talents Programme is an initiative aimed at identifying and developing future leaders from among specialists and supervisors. Those with the right abilities, motivation and leadership qualities undergo training and development to prepare them for key management positions in the Air Astana Group. Since the start of the programme, more than 80% of participants have received promotions and, today, many head up key divisions and departments within the Company.
In 2021, a training programme with a focus on leadership development was developed by our Training Academy. Five Talents completed this modular programme in which some of the top managers participated as speakers and mentors.

Succession planning

Air Astana continues to develop its succession planning programme, focusing on developing and maintaining the Company's intellectual capital. Systematic work is underway within the Company's management to identify and develop potential employees to fill business-critical roles in the short and medium term.

Internship programmes

Air Astana supports initiatives to attract and develop young people through internship programmes. In 2021, we continued this practice taking interns into the Finance, IT and e-Business, HR and Administration and the Ground Services departments.

We actively participate in the development programmes for young professionals, "Zhas Orken" and "Digital Summer", where Company leaders are happy to be involved as mentors for young professionals.

In developing corporate training, we have continued to promote our e-learning and webinar options across all departments. This has resulted in an increase of almost 100%, up from 152 last year to 283 webinar days in 2021.

The performance appraisal system has been supplemented with a module that allows employees to generate individual development plans and offers development tools based on their performance evaluation. Our leadership training continues and a self-learning and personal development library has been created, which allows employees the freedom to access specific e-learning courses related to the HEART values and core competencies as required for skills improvement.

We were delighted that the Academy was awarded the Silver Trophy by HR Brand Central Asia in 2021.

Training Academy

During 2021, COVID-19 restrictions remained a challenge. Despite this, however, the Academy conducted: 454 Ticketing and Reservations, Ground Services and In-Flight Service courses for FlyArystan and Air Astana, covering both technical and customer service skills; over 45 Engineering & Maintenance (E&M) mandatory and technically specified courses; 110 Pilot training classroom courses, plus over 1,500 line checks, SIM and practical ground training courses, and up to 70 corporate skill development programmes. All departments used a blend of e-learning, webinars and classroom training. Our facilities were further enhanced with a new specialised cabin mock-up, which has all the working features of an aircraft galley, including cabin mood lighting, thus improving the standard and realism of our crew practical service training in line with international best practice.

From an operational perspective, we have retained our accredited Aviation Training Centre from the Aviation Administration of Kazakhstan (AAK) and successfully passed audits by IATA Operational Safety Audit (IOSA) and AAK in 2021. A second group completed E&M Part 66 training in August 2021 and is now working within our E&M team; in addition, we completed ab-initio pilot training for 22 recruits and A320 type training for new expatriate pilots to cover operational growth.

As part of customer service development, during 2021, a Customer Experience Division was set up within the Training Academy. This has responsibility for continually reviewing Net Promoter Scores/Customer Satisfaction results and analysis to enable responses to any positive and negative trends to be factored into training and on the front line.

454

Ticketing and Reservations, Ground Services and In-Flight Service courses for FlyArystan and Air Astana

110

Pilot training classroom courses

Health and safety

Occupational health and safety

Operating our business in a sustainable manner is a key strategy and the health and safety of our employees is central to this.

We have applied best practice and met the highest international standards in developing our occupational health and safety (OHS) systems, which also keep apace of changing legislation.

Our OHS practices comply with all aspects of the Labour Code of the Republic of Kazakhstan and other legislative documents. In April 2021, the Company's OHS system was successfully audited and complies fully with the international standard ISO 45001:2018.

OHS-related matters, including accidents, injuries and the results of internal/external audits, are discussed at the monthly meetings of operational department managers. In 2021, the HSE Division received 126 OHS incident reports, as well as being contacted about hazardous work conditions and with suggestions for improving working conditions. The number of reported incidents during the year increased by 36.95%, compared with 2020. This was the result of a substantial number of employees resuming work in the Company's offices, as well as an increase in the number of flights.

Our employees regularly undertake OHS training. During 2021, 176 employees took part in certified online training on health and safety, while 189 employees carried out training on industrial safety in hazardous conditions and 124 employees were trained to minimum fire technical standards.

We continued to raise awareness among employees about reporting occupational incidents and injuries. In 2021, investigations were carried out in relation to 25 industrial accidents of varying severity, including three serious cases. There were no fatal accidents and there were no cases of non-compliance with OHS laws and regulations that would have a significant impact on the Company.

Reported accidents

	2021	2020	2019
Number of incidents	**124**	92	175
Number of accidents	**25**	18	27
Number of employees	**5,551**	5,385	5,532
TAR	**4.50**	3.34	4.88
LTIFR	**55.17**	94.46	54.05
FIFR	**0**	0	0

Flight safety management system

Since the start of our operations in 2002, we have operated 596,324 sectors and carried 58 million passengers safely with no accident during passenger or cargo operations. However, this doesn't make us complacent: the implementation and maintenance of the highest safety standards remains one of the Company's top corporate goals. Our management approach is much more than simple compliance with safety requirements: we actively promote a culture of safety in our employees' mind and all internal processes with the aim of continually improving and leading on global safety standards.

Aligned with the highest international standards and best practice, our Safety Management System (SMS) encompasses every activity required to identify all potential hazards in relation to flight operations along with mitigating actions. The SMS covers all organisational tiers, operational environments and interactions. It also includes specific safety programmes that take account of the operating activities of flight operations, cabin crew, engineering and maintenance, and ground services. Each is implemented with a long-term predictive approach to handling hazards in order to ensure systematic sustainability.

Compliance with the highest safety standards

During 2021 the airline continued to demonstrate adherence to the highest international safety standards and best practice by successfully passing its 8th IATA Operational Safety Audit (IOSA), which is conducted once every 2 years. The next IOSA renewal audit will be in 2023.

The Company has had European Aviation Safety Agency (EASA) Part 145 approval to maintain its fleet in accordance with EASA requirements since 2003. The airline has also been certified as an EASA Part 147 Training Organisation since 2015.

In 2021, we successfully passed the annual on-site EASA Part 145 audit at our Nur-Sultan base. We also renewed the EASA Part 147 (Maintenance Training Organisation) after an online audit conducted by the Irish Civil Aviation Authorities. As a holder of an EASA Part 145 certificate, we continued to perform full maintenance services on our own aircraft and also provided line maintenance services to other 16 air carriers.

We were the first operator to be audited by EASA Third Country Operations (TCO) in December 2015 and the Company's authorisation remains in compliance with Part-TCO.

Our operations are in compliance with all the appropriate standards of safety and security regulated by the Aviation Administration Kazakhstan (AAK) as state of Operator and, under ICAO Article 83 bis agreement, the Irish Aviation Authority as state of registry that is responsible for Airworthiness from June 2022 (currently, Department of Civil Aviation (DCA), Aruba), as well as relevant international regulatory authorities.

In 2021, Air Astana underwent the following external regulatory inspections or renewals:

- Air Operator Certificate renewal audit conducted by AAK in March 2021
- Maintenance Repair Organisation renewal inspection at all of Air Astana's maintenance stations conducted by AAK in September 2021
- Scheduled General Inspection conducted by AAK in December 2021
- Approved Maintenance Organisation renewal by Turkish Directorate General of Civil Aviation, Bermuda Civil Aviation Authorities and Korean MOLIT
- Aircraft Certificate of Airworthiness renewals issued by DCA Aruba for all aircraft.

In October 2021, the European Commission inspected the airline as part of their safety assessment visit with CAC/AAK. They found our Safety Management and Compliance Monitoring Systems to be effective and robust, as well as positively commenting on crew training and maintenance-related qualifications.

Air Astana operations and aircraft underwent 16 European Civil Aviation Conference (ECAC), Safety Assessment of Foreign Aircraft (SAFA) and no ramp (non-ECAC) inspections. The airline's SAFA weighted average in 2021 was 0.20.

The Company actively participates in international industry developments and continues to contribute to international safety organisation forums. We are a permanent member of the IATA Accident Classification Technical Group, which determines trends and areas of concern related to operational safety and to the development of preventative strategies.

Within the internal compliance monitoring programme, nearly 210 compliance audits were conducted by Air Astana, based on IOSA SARPS and national regulations. Compliance monitoring is also supported by the Company's membership and active participation in IATA safety and quality audit programmes, the IATA Fuel Quality Pool (IFQP) and the IATA De-Icing/Anti-Icing Quality Control Pool (DAQCP). We follow a collaborative approach with the intent of fostering positive working relationships and developing best practices that are beneficial for all involved.

Safety programmes

In 2021, the Company's flight data monitoring process analysed more than 99% of flights with the purpose of identifying, measuring and assessing existing operational risks and taking relevant mitigation measures with an emphasis on trends and root causes. We also encourage the reporting of hazards and errors by operational employees as an important element of our safety culture. In 2021, we implemented a new Event Risk Classification to prioritise safety reports.

Air Astana's "Prevention of Use of Unauthorised Substances" programme was enhanced in 2021 by increasing the number of unauthorised substance tests on staff performing safety sensitive aviation activity (SSAA) and also expanding the programme to cover all Kazakhstan regions where Air Astana Group employees are based. The number of unauthorised substances tests increased in comparison with previous years, with an average of 300 alcohol and 73 drug tests performed each month; a highly experienced narcotics specialist joined the Company at the beginning of the year. Overall the programme has progressed in 2021: in addition to the above, a SSAA positions list was finalised and issued to all relative parties; a self-medication guide was developed in accordance with ICAO and other international practices; new equipment for drug checks was purchased and "Unauthorised Substances Checks" training was conducted for station managers in the regions.

Development of the Fatigue Risk Management safety programme also continued. 2021 marks the first official publication of the Fatigue Risk Management System (FRMS) manual, which was developed in accordance with international standards. Additionally, one of the FRMS projects – Crew Strain Application – initially implemented and specifically customised for Air Astana in 2019 but which had been on hold during the COVID-19 restrictions – has been re-instated.

99%

In 2021, the Company's flight data monitoring process analysed more than 99% of flights with the purpose of identifying, measuring and assessing existing operational risks and taking relevant mitigation measures

During 2021, a substantial amount of risk management work was carried out with more than 26 risk assessments on new charter destinations, cargo flights, operations to destinations reopened after the COVID-19 lockdown and after route changes, as well as risk assessments on special projects such as COVID vaccine transportation. Assessments were also required after resuming flights to Ust-Kamenogorsk after runway, taxiway and apron renovation and reopening operations to Male in the Maldives avoiding Afghanistan airspace. Risks associated with flights to Sharm El Sheikh were minimised in 2021 by continuing to implement additional pre-flight passenger profiling, which was contracted to an external supplier.

At Air Astana's invitation and organised with AAK, during 2021, UK experts on wildlife control visited Kazakhstan and audited two local airports to evaluate the on-aerodrome and off-airfield ornithological situation and the prevention measures that were in place. A workshop on birdstrike prevention was also organised and attended by 11 airport representatives, 2 operators and 1 ornithology training centre with recommendations provided for effective wildlife control measures. The project will continue in 2022.

To stay abreast of international developments, as a member of the IATA Global Aviation Data Management programme, we contribute to international safety organisation forums such as Incident Data Exchange (IDX) and Flight Data Exchange (FDX), which produce information used to improve safety performance and operational efficiency. The key features of FDX enable Air Astana to review its flight performance data and benchmark this against other IATA operators.

As member of the Association of Asia Pacific Airlines, the Company contributes to the safety and security workgroups, which allow the airline to stay abreast of the latest technology, innovations and processes. Similarly, membership of the Flight Safety Foundation (since 2004) and the International Society of Air Safety Investigators (since 2009) encourages improvement.

In order to raise levels of awareness on safety issues, we hold internal continuous improvement training sessions in compliance with international regulations. Within the annual Safety Promotion Programme, operational employees receive SMS training, which focuses on their responsibility to report safety issues. These issues are regularly highlighted and posted in the corporate magazine On Air or on the Air Astana app. A Safety Notice and Air Safety Information System keeps employees informed of reported hazards and events that have been investigated, highlighting the lessons learnt and the need to maintain risk awareness.

As member of the Association of Asia Pacific Airlines, the Company contributes to the safety and security workgroups, which allow the airline to stay abreast of the latest technology, innovations and processes.”

Outlook for 2022

Planned activities for further improving corporate safety compliance during 2022 are as follows:

- Enhance Fatigue Risk Management System (FRMS)
- Introduce Safety Management System (instead of QA) into Air Astana CAME (Development of CAME in accordance with EASA Part CAMO)
- Introduce Safety Management System (instead of QA) into Air Astana EASA Part 145 organisation in accordance with the provision of Commission Implementing Regulation (EU) 2021/1963.
- Develop education module for management staff to build a pro-active safety culture
- Continued improvement of Unauthorised Substances programme
- Continue close monitoring of surface conditions at Kazakhstan’s airports, in co-ordination with AAK, to prevent incidents of debris on runways
- Monitoring implementation of the ICAO Global Reporting Format for runway conditions at Kazakhstan’s airports.

Our communities

As a responsible corporate citizen, we consider that it is important to maintain strong relationships not only with our passengers and business partners, but also with the communities where we operate. In 2021 we continued focus on the following priorities:

- co-operation with local and national charitable organisations and other not-for-profit organisations;
- individual charities – providing targeted support to population groups most in need of assistance, including sick children and veterans of the Great Patriotic War;
- employee involvement in charitable activities through fundraising and volunteering opportunities.

Charities and funding projects are chosen on the basis of the value that they bring to communities and their alignment with the Group's activities and values.

We have made the dream of 11-year-old Madiyar from Tekeli come true. He tried on a pilot's uniform, flew in a flight simulator and visited the cockpit with an Air Astana pilot."

1,323

free tickets to veterans of the Great Patriotic War for travel around Kazakhstan and to the CIS

27

tickets were provided to severely ill children and their accompanying parents, travelling for medical purposes

KZT1.5m

was allocated to equip 8 "Mother and Child" rooms in Nur-Sultan, Shymkent and Atyrau airports

53

children from rehabilitation lyceum #9 were treated to a movie night and sweets as a New Year miracle

Projects implemented in 2021

Project focus	Description	Results
Veterans	Provision of flight tickets to the veterans of the Great Patriotic War	We provided 1,323 free tickets to veterans of the Great Patriotic War for travel around Kazakhstan and to the CIS.
Medicine	Provision of flight tickets to severely ill children and their accompanying parents	27 tickets were provided to severely ill children and their accompanying parents, travelling for medical purposes.
	Provision of modern equipment to children's intensive-care units at hospitals in Kazakhstan	KZT403,000 was raised through donation boxes installed in ticket offices in Almaty, Astana and Atyrau as part of a charity project run by the Ayala Foundation.
Sponsorship donations	Support of the National Board of Paralympics	KZT37.5 million was allocated as a sponsorship to Kazakhstan's National Paralympic team, who were participating in the Tokyo Paralympics 2020. Air Astana, as an official carrier of a national team, produced "Champions Among Us" videos and allocated free tickets to the team on INC-ALA route.
Employees volunteering in charity projects	Celebration of the Victory Day	We initiated a charity campaign to celebrate the Victory Day and congratulate veterans of the Great Patriotic War. Employees were involved as volunteers to visit veterans and congratulate them; the Company has allocated KZT3 million to support 216 veterans in Almaty, Aktobe, Atyrau, Kyzylorda and Pavlodar.
	Charity campaign dedicated to Women's International Day	In recognition of the Company's female employees and to celebrate International Women's Day, KZT800,000 was allocated to donate gifts for the women taking part in the corporate charity funded "Teen Challenge Kazakhstan – women rehabilitation programme" in Almaty, Akzhol-M shelter in Talgar and also at the women shelters in Kyzylorda, Pavlodar and Aktobe.
	Organisation of the charity donation of accessories for baby-care rooms in 3 Kazakhstani airports	KZT1.5 million was allocated to equip 8 "Mother and Child" rooms in Nur-Sultan, Shymkent and Atyrau airports to make our passengers' journey more comfortable.
	New Year celebrations	380kg of Rakhat New Year sweets were donated to the children from Turksib Community for the Disabled and Almaty city rehabilitation centre for children with disabilities. 53 children from rehabilitation lyceum #9 were treated to a movie night and sweets as a New Year miracle. The visit was organised in partnership with Ayala Foundation.
	Joint project with "Menin Armanym" charity foundation	We have made the dream of 11-year-old Madiyar from Tekeli come true. He tried on a pilot's uniform, flew in a flight simulator and visited the cockpit with an Air Astana pilot. Madiyar is a hero of Menin Armanym Foundation's project, which helps to fulfil the wishes of children serious health conditions, undergoing the treatment at Almaty oncology centre for children.

Risk management is key to achieving objectives

Risk management is key to achieving Air Astana's overall corporate objectives and the ultimate success of the business.

Our day-to-day activities are underpinned by the Company's Corporate Risk Management System (CRMS), which ensures that risk management is integrated into every aspect of our operations, including governance, performance management and internal control practices. This in turn improves the Company's sustainability and resilience as well as the agility to respond easily to changes in circumstance. The CRMS is employed by the Board of Directors and management to assist them in optimising outcomes that will enable them to enhance the Company's capabilities to create, preserve and realise value for its Shareholders.

Air Astana's Risk Management Policy was developed in line with the "COSO Enterprise Risk Management framework – Integrating with Strategy and Performance" to encompass the incorporation of international best practice in risk management within the CRMS. The Policy focuses on the need to consider risks in both strategy-setting and in driving performance across all departments and functions, as well as the integration of risk management into all business processes.

Risk management framework

The Board of Directors, Audit Committee, Company management and each employee have clearly defined roles and responsibilities within the CRMS to ensure adherence to the desired risk-averse behaviours and culture. This also drives the development and implementation of efficient risk management practices and procedures.

Top down

Bottom up

Board of Directors Primary responsibility for risk oversight in the Company and risk management functions	• Sets short- and long-term goals/objectives; • Approves the Risk Management Policy; • Approves other policies for managing specific risks; • Analyses the external Auditor's reports for improving internal control and risk management; • Reviews and approves the quarterly Risk Register and Risk Map; • Approves the Company's risk appetite and tolerance to risk; • Reviews reports from the head of the structural unit responsible for risk management with description and analysis of the Company's risks; • Reviews reports on the efficiency of the CRMS.
Audit Committee Acts in the interests of Shareholders and provides oversight support to the Board on the reliability and efficiency of the risk management system	• Reviews quarterly reports on changes to the Risk Map; • Reviews changes to the Risk Register; • Reviews reports on risks; • Reviews risk appetite annually; • Reviews quarterly reports on realised risks; • Reviews reports on any significant deviations from the standard risk management process; • Reviews reports on non-compliance with regulatory risk management requirements as necessary.
Risk Committee An advisory-consultative body to Air Astana's CEO and President, the Risk Committee provides preliminary reviews and makes recommendations for decision-making on risk management issues. It is responsible for the integrity and efficient functioning of the CRMS and the development of a risk control structure that ensures performance and compliance with the Company's policies.	• Approves the annual strategic plan for the CRMS; • Organises an efficient CRMS to enable the identification and assessment of potential risks; • Reviews and approves the quarterly Risk Register and Risk Map; • Reviews and provides preliminary approval of the annual risk appetite; • Reviews quarterly reports on realised risks; • Reviews and approves the Key Risk Indicator (KRI) panel annually and considers the status of KRIs; • Reviews and approves the risk management action plans on risks deemed "high" and "very high" at least annually; • Reviews risk management reports and whether adequate measures have been adopted; • Improves internal risk management procedures.

Risk responsibilities

The operating structure of the Company incorporates the three lines of accountability model that offers a balanced approach to managing risk.

First Line: Air Astana structural units and all employees

Within the risk management process, the main functions of the Company's structural units are:

- identification and assessment of risks, determination of a risk response strategy, development and implementation of risk management action plans, improvement of the CRMS within the scope of supervised/performed operations;
- implementation, monitoring and improvement of control procedures in the framework of entrusted business processes;
- compliance with the risk appetite within the competence;
- provision of reports on the implementation of risk management action plans on risks to the Risk Management Unit;
- maintenance of a database of realised risks and business incidents;
- provision of timely and complete information on risks to interested parties, including, but not limited to the Risk Management Unit.

Second Line: Risk Management Unit

The Risk Management Unit is responsible for ensuring and monitoring the implementation of effective risk management practices. The main functions of the Risk Management Unit include, but are not limited to:

- co-ordination of CRMS activities within the Company;
- notification to the Risk Committee and the Board of Directors of any substantial deviations in risk management processes;
- provision of regular reports on risks to the Shareholders;
- maintenance of a database of realised risks and external factors capable of substantial influence on the Company's risk profile;
- preparation of the strategic plan for the CRMS;
- control of the quarterly updates of the Risk Register, Risk Map and key risks management action plans;
- control of the implementation of risk assessment with the participation of the Company's experts;
- proposals on risk appetite for preliminary approval by the Risk Committee;
- preparation of consolidated reports on risks, submitted to the Risk Committee, Audit Committee and Board of Directors;
- development, implementation, and update (as appropriate) of the risk management methodological basis, policies, rules and risk monitoring procedures;
- provision for the integration of risk management within other business processes and development of the risk management culture within the Company;
- co-ordination of strategic investment projects in terms of sufficiency of disclosure and analysis of risks;
- provision of methodological and consulting assistance about risk management to employees;
- co-operation with the Internal Audit Department with regard to plan formation, discussion of audit inspections' results, exchange of knowledge and methods;
- identification of any possible risks, actual or potential, negative tendencies indicating increased risk, analysis of the factors causing the risk and assessment of any expected loss.

Third Line: Internal Audit Department

The Company's Internal Audit Department performs the following main functions relating to risk:

- audit of risk management procedures and risk assessment methods, and development of suggestions for enhancing the efficiency of risk management procedures;
- submission of evaluation reports on the efficiency of the CRMS to the Board of Directors;
- other functions in accordance with any approved regulations.

The Internal Audit Department performs regular inspections to analyse any gaps and shortcomings in the CRMS and these may involve independent external consultants.

Significant risks

Air Astana prioritises its risks according to their severity in relation to the achievement of the Company's strategic objectives. Significant risks have been identified that, if realised, could have a significant negative impact on successful outcomes for the business.

These have been classified as "low" to "very high" risk depending on the potential impact and are described in the table below along with any mitigating actions. Any changes in risk exposure in 2021 are highlighted and the assessment explained.

Risk name	Description	Mitigation
Safety risk Risk level Risk exposure trend ↔ Link to strategy	Effective safety management is critical to minimise the potential for incidents or accidents. The resulting effects of such events could have a significant adverse impact on the Company.	For the purpose of mitigating risks related to flight safety, the Company has established a safety management and compliance monitoring system, through which it conducts compliance and performance-monitoring audits, and sets and monitors safety performance indicators. The Company has an effective human factors training programme in place. There is a specific emphasis on procedural compliance. Specifically in the area of flight operations training, the Company has made a significant investment in training of instructors with a strong emphasis on standardisation. There are regular independent assessments by regulatory authorities, EASA, DCA Aruba, and CAC Kazakhstan as well as industry assessments (IOSA).
Aviation security risk Risk level Risk exposure trend ↔ Link to strategy	Consequences of aviation security risk could adversely affect any airline's performance and reputation. Effective aviation security risk management is, therefore, essential to the Company.	Air Astana has all required aviation security management policies and procedures in place. The Aviation Security Division reviews these policies on a regular basis. The Company provides training on aviation security to all required employees and for those whose duties require access to the secured airport area. Airport audits are performed on a regular basis for compliance with safety standards in terms of passenger and baggage checks and availability of appropriate equipment.
Commercial risk Risk level Risk exposure trend ↔ Link to strategy	The continued situation associated with the COVID-19 pandemic and the emergence of new strains of coronavirus, as well as strong negative spillovers from the pandemic, are all factors that continue to negatively impact the Company's business. Because of this, the commercial risk remains at a critical level as in 2020. In addition, other factors such as intensive market competition, government intervention into market conditions, overcapacities and geopolitical changes can create risks for the Company.	Air Astana has a complex risk response and closely monitors both the market and worldwide situation. The Company applies the following measures: network optimisation, frequency adjustment, fleet optimisation, operation of cargo flights, operation of charter flights and repatriation flights.

Risk level	Impact key	Link to strategy
Very high · High · Moderate · Low	↔ No change · ↑ Increase · ↓ Decrease	Growth · Efficiency · Excellence

Risk name	Description	Mitigation
Human resources risk Risk level: Moderate Risk exposure trend: ↔ Link to strategy: Growth, Excellence	Air Astana believes that it is essential to develop a workforce that meets the Company's objectives and shares its values, and considers its employees to be one of the Company's main assets. The risk position in 2021 remains unchanged due to the uncertainty associated with the ongoing pandemic and the emergence of the new Omicron strain.	In 2021, because of the mass vaccination of employees, the Company partially restored working in offices while still enabling working from home when and where required. An information campaign about the benefits of vaccination was carried out and support was provided to employees in the post-vaccination period. The Company's HEART values remain a priority as a vector of the working environment. Regular information sessions on a variety of topics are held for managers and employees.
Health and safety (H&S) risk Risk level: Moderate Risk exposure trend: ↔ Link to strategy: Efficiency	The H&S risk remained at the "medium" risk level in 2021. It should be noted, more than 90% of employees have been fully vaccinated. However, there is still a risk of infection of employees in the workplace or during flights, given the emergence of the new Omicrom strain of coronavirus, which is still a threat to all employees.	The Company has in place all the procedures to provide a high level of occupational safety. Employees are aware of all the procedures and are kept informed of any changes in instructions, which are regularly updated in line with Government guidelines. Those employees whose duties require it are provided with PPE.
Service quality risk Risk level: Low Risk exposure trend: ↔ Link to strategy: Growth, Excellence	A high level of service standards is at the core of Air Astana's activities. Failure to provide high-quality services could lead to damage to the Company's reputation along with the loss of customers and a reduction in the airline's Skytrax rating.	Air Astana offers extensive training programmes to ensure that all employees, who communicate and interact with clients, are fully trained and maintain their skills at a high level. New technologies available to improve service levels are constantly under review. The Company's manuals on the provision of services are regularly reviewed and improved as needed. The recruitment process focuses on hiring customer service-oriented persons as employees whose role is to interact with passengers. Employees undergo extensive training in accordance with Company standards. During the probation period, newly hired employees are monitored and assisted by experienced trainers. Daily assessments are carried out by the supervisor on duty, which helps to monitor the level of staff qualifications (including the quality of services provided) and to address any weaknesses.
Credit risk Risk level: Moderate Risk exposure trend: ↓ Link to strategy: Growth	The Company is exposed to credit risk from its counterparties. The default of a bank counterparty may adversely affect the Company's financial performance and stability. The risk severity was revised down from "high" to "medium" for 2021, based on quantitative risk assessment: the weighted average probability of default for credit counterparties is below 5%.	The Company's Cash Management Policy sets the limits and criteria for counterparty banks. The Policy also sets the standard procedures, such as monitoring bank limit utilisation, actual or forecasted exposure to accredited banks and reporting to the Chief Accountant, Chief Financial Officer, Treasury Committee and the Board of Directors as applicable. The new limits for each bank are reviewed by the Treasury Committee prior to approval by the Board of Directors. The Policy is reviewed annually to ensure that it is fit for purpose. To manage credit risk from other counterparties, Air Astana has policies and stringent procedures in place, which are regularly implemented and updated as necessary.

Risk name	Description	Mitigation
Liquidity risk Risk level ● Risk exposure trend ↔ Link to strategy	Due to external economic and force majeure factors, in this case the ongoing pandemic, inflation continues to have a significant negative impact on the airline industry. The international rating agency S&P has raised the inflation forecast in Kazakhstan for 2021 to 8.7%. At the same time, analysts expect a decrease in the consumer price index to 4-6%. The risk level for 2021 remained unchanged at "very high".	Air Astana closely monitors its liquidity position and continually seeks opportunities to obtain banking and other available products with the most favourable conditions. This enabled the Company to enter the global COVID-19 crisis in a relatively strong position in terms of liquidity, as well as being one of the airlines with the best cash position in the world. Additionally, the Company managed to maintain its strong cash position through ongoing discussions and negotiations with banks, lessors, and other major creditors and suppliers. The Company has implemented other measures to reduce its cash burn, enabling the maintenance of a strong cash balance throughout 2021, which is projected to be sufficient for the coming period should the worldwide situation not improve as quickly as anticipated.
Jet fuel risk Risk level ● Risk exposure trend ↑ Link to strategy	Fuel expenses are one of the major costs for the Company. Consequently, along with the whole industry, Air Astana is exposed to risks related to the high volatility of fuel prices and related costs. Jet fuel risk increased from "medium" to "high" due to the shortage of fuel supply in the local market and the recovery of the oil market following the pandemic. The smooth recovery period during 2021 had a positive impact on the Company's operations, in terms of both local and international flights. At the same time, fuel costs increased by 62% compared with 2020. The purchase of international fuel is hedged to mitigate the risk.	For locally sourced fuel, the Company negotiates prices on a competitive basis with Kazakhstani suppliers with agreed and stable contracts. Furthermore, Air Astana maintains ongoing negotiations with suppliers regarding price reductions. Another important aspect is the Company's monitoring of alternative suppliers for domestic and international stations. Where there are no restrictions, Air Astana also applies a fuel surcharge on domestic and international routes as an additional tool for reducing risk. The amount of surcharge depends on fuel prices and market conditions. To reduce its overall consumption of fuel, the Company has added new, more fuel-efficient aircraft to its fleet in recent years, including the Airbus A320neo, Airbus A321neo and Airbus A321LR (with a new engine option). Additionally, several of the Company's pilot training programmes include skills for efficient fuel management.
Operational risks Risk level ● Risk exposure trend ↔ Link to strategy	Risks that the Company could incur losses as a result of ineffective operation activities (i.e. excess or shortage of aircraft, low on-time performance or insufficient number of qualified pilots).	To manage the risks related to its fleet, the Company delivers and redelivers the aircraft in accordance with an approved fleet plan and market situation. The risk of not being able to carry out regular flight operations on time due to technical or external reasons can lead to significant costs and reputational damage. The Company undertakes regular delay analysis and delay meetings. The Company employs the required number of qualified pilots in accordance with the annual plan. An effective recruitment process has been put in place. Relevant training is provided to ensure the highest professional standards are maintained.
Cyber and information security risk Risk level ● Risk exposure trend ↔ Link to strategy	Cyber risks are a top priority in the airline sector as the use of technology is increasingly integrated into business processes. In growing the role of technologies, companies now are more exposed to cyber-attacks that could lead to data leakage and significant reputational and financial losses.	In order to manage these risks, Air Astana has robust cyber-security measures in place. The Company has developed processes to comply with the best industry practices and standards in information security. Employees undergo regular training on information security and familiarisation with the Information Security Policy to enhance their awareness of information security. During the extensive use of remote work that was caused by the global pandemic, the security of connection was ensured by use of VPNs and multi-factor authentication.

Risk level	Impact key	Link to strategy
Very high, High, Moderate, Low	↔ No change, ↑ Increase, ↓ Decrease	Growth, Efficiency, Excellence

Risk name	Description	Mitigation
The risk of the failure or severe degradation of mission-critical IT infrastructure Risk level: Moderate Risk exposure trend: ↔ Link to strategy: Growth, Efficiency	The core processes of the Company are dependent on IT services and infrastructure. Therefore, effective and resilient IT management is essential to the Company.	To mitigate this risk Air Astana uses a variety of required systems and equipment. Regular updates of operational systems and firewall software are conducted. All critical data is stored appropriately, and online and offline backups are created and monitored. In order to decrease the risk of virus and/or hacker attacks, the Company uses antivirus systems and firewalls, limits access to local and internet resources and regularly updates its security systems and applications. Regular external audits increase the Company's resilience to internal and external risk factors. IT infrastructure is fully geared to support business continuity within the best possible limits with redundancy and backup systems being in place.
Compliance risks Risk level: Moderate Risk exposure trend: ↔ Link to strategy: Excellence	The Company has compliance risks arising from legal and regulatory requirements as well as issues related to corruption, fraud and unethical behaviour.	These risks are thoroughly managed through the Compliance Management System that is in place. The Company regularly monitors all changes in relevant legislation. Air Astana updates and, if needed, develops new measures to ensure its compliance with regulatory requirements. In addition, the Company has in place internal and external channels (e.g. Hotline) for reporting potential and actual cases of corruption, fraud, unethical behaviour, etc. Employees are kept up-to-date with the corporate standards on fraud, corruption, conflicts of interest, unethical behaviour, discrimination, etc.

Insurance

One of the risk management tools implemented by Air Astana is insurance: by paying an advance premium, some risks are transferred to other counterparties. The Company arranges insurance agreements with insurance companies that comply with the both regulations and the Company's policies to ensure effective protection of the Company's interests. The Company ensures that insurance coverage is financially sound and purchased through a transparent process. All of the airline's insurance coverages are renewed annually.

Aviation insurance

Air Astana's aviation risks are placed in the world's leading insurance markets through internationally reputable brokers. The Company covers its aviation risks through the following policies:

- Aviation Hull, Total Loss Only, Spares All Risks and Airline Liability Cover;
- Aircraft Repair and Operational Support (Hull deductible) Cover;
- Aviation Hull and Spares "War and Allied Perils" Cover;
- Aviation War, Hijacking and Other Perils Excess Liability Cover.

Non-aviation insurance

In addition to aviation insurance coverage, Air Astana regularly purchases non-aviation insurance policies to reduce the financial risk of damage to its property, interruptions to its business and general liability, as well as to cover employees from accidents and medical expenses.

Adhering to international standards

Dear Shareholders,

I am pleased to have taken on the mantle of Chairman of your Board of Directors, representing the interests of Air Astana's major shareholder, the Samruk-Kazyna National Welfare Fund.

On behalf of the Board, I would like to thank my predecessor, Beibit Karymsakov, for his sterling efforts during the 2020 pandemic crisis. The responsibility of overseeing the corporate governance of the Company and ensuring that we adhere to the highest of international standards and best practice across all our operations is a fundamental part of my role.

The relaxing of COVID-19 restrictions during the year enabled the Board and its Committees to meet frequently. We were, however, very grateful for regular briefings from our very capable President and CEO, Peter Foster, who supported by his Senior Management Team, has successfully steered the business, its employees and its passengers through another year of uncertainty. We also continued with our increased focus on the Group's cash and liquidity as well as on risk management with more frequent reviews of the Risk Register.

Detailed reports of the activities of the Board and all its Committee are included on pages 65 and 68 to 83 but I would like to highlight some of these here. Significantly, we have considered a number of items that will impact the future development of Air Astana, including a report on the implementation of the Company's strategic plan, the fleet update and a proposal to invest further in the air cargo business.

Board composition and evaluation

The Company previously increased the number of Independent Directors on the Board in 2020 from 3 to 4 (45% of the membership) and is considering appointing a Senior Independent Director. These measures serve to mitigate against possible concerns about independence and are in line with corporate governance guidance.

There have been no further changes in Board membership this year and, in fact, 67% have already gained an in-depth understanding of the Company during their 3-5 year tenures. My own 35 years' experience within the transportation industry will, I believe, be a valuable addition to the combined set of knowledge and skills contained within your Board and in assisting with the development of Air Astana's integrated corporate strategy over the coming year.

Strengthening corporate governance

Each Board Committee has its own terms of reference and agrees key objectives for the year. Activities undertaken by each Committee are reviewed annually against set priorities and a report of this evaluation is then fed back to the Board as a whole. An external evaluation of the Board should take place every 3 years but due to the COVID-19 pandemic has had to be postponed for the last 2 years. This has been rescheduled to a later date in 2022.

During the year, as part of our watching brief, we made recommendations regarding the action plan to implement the Anti-corruption Law of the Republic of Kazakhstan for 2021. We reviewed the assessment report of the Company's business processes that are exposed to corruption risks and the appropriate mitigating actions and on conducting an external analysis of corruption risks. We have continued monitoring the effectiveness of the Company's Whistleblowing Policy.

Engaging with stakeholders

Air Astana's ability to operate successfully relies on its interaction with a wide range of stakeholders, from its Shareholders and employees to suppliers, business partners, Government and, ultimately, its passengers. In supporting the Company's strategy and objectives, it is vital that the Board has a clear understanding of interests of all stakeholders. We engage in dialogue with each stakeholder group in order to factor in the potential impact of strategic decisions on them into our Boardroom discussions.

Nurzhan Baidauletov
Chairman of the Board of Directors

Statement of compliance with applicable corporate governance codes

As a company incorporated in Kazakhstan, Air Astana has developed its Corporate Governance Code (the Code) in compliance with Kazakh legal requirements, the rules of the Astana International Financial Centre Market and the Company's own Charter. At the same time, to ensure that the Company maintains the highest standards of corporate governance, the Code is also aligned with the principles of the OECD and the UK Corporate Governance Code. The Code has been endorsed by the Board of Directors, whose role is to both provide guidance and safeguard the integrity of the business. It was approved by the Company's Shareholders at the 2019 AGM and full details of the Code are published on the Air Astana website at www.airastana.com.

The Company has an obligation to comply with the Code or, where the provisions of the Code have not been complied with, to provide appropriate explanations. During 2021, the Company was largely in compliance with all principles set out in the Code. However, where this was not the case, a detailed explanation has been provided on page 68.

The schedule of matters reserved to the Board and its Committees is reviewed annually. Terms of reference for the Board and its Audit, Treasury, Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees – in keeping with the requirement of the Code – are published in the Corporate Governance section on the Company's website at www.airastana.com.

Key principles of the 2018 UK Corporate Governance Code

Committed to governance with integrity

Nurzhan Baidauletov S

Chairman of the Board of Directors, Non-Executive Director
Appointed: April 2021

Qualifications and experience

Nurzhan Baidauletov graduated from Moscow State University of Railway Engineering and transportation Management in June 1986. He has built a distinguished career in Kazakhstan's transportation industry over a period of almost 30 years. Prior to joining the Samruk-Kazyna Sovereign Welfare Fund in 2008 as the Chief Director for Asset Management and later as the Managing Director, Mr. Baidauletov held the posts of Deputy Minister of Transport and Communications and Chairman of the Communication Lines Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan. During his work for Samruk-Kazyna JSC, he served as Chairman/ Member of the Board of Directors of such companies as Kazakhtelecom JSC, Kazpost JSC, National Company Kazakhstan TemirZholy JSC, Qazaq Air JSC.

Other appointments

Chairman of the Board of Directors of Kazakhtelecom JSC. Member of the Board of Directors of National Company Kazakhstan TemirZholy JSC.

Does not hold any shares in Air Astana.

Peter Foster

President and Chief Executive Officer
Appointed: August 2019

Qualifications and experience

Peter Foster entered the airline industry immediately after graduating from Cambridge University in 1982, as a management trainee of John Swire and Sons (HK) Ltd, the owners of Cathay Pacific Airways Ltd. From 1982 to 1999 he served in a variety of management and senior management positions with Cathay Pacific Airways in Hong Kong, Asia, Australia and Europe, and underwent business management training at INSEAD, France. Mr. Foster left Cathay Pacific Airways in 1999 to head up the rehabilitation team of Philippine Airlines Inc. He subsequently served as Chief Executive Officer of Royal Brunei Airlines from 2002 to 2005 prior to his appointment as President of Air Astana. In the 2015 UK New Year's Honours List, Peter Foster was awarded Officer of the Order of the British Empire (OBE) for his services to British aviation in Kazakhstan.

Other appointments

None

Does not hold any shares in Air Astana.

Eldar Abdrazakov C N A

Independent Director
Appointed: March 2020

Qualifications and experience

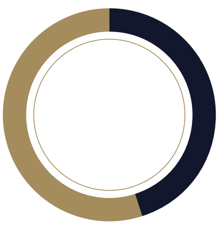
Eldar Abdrazakov holds a BA and MSc in Economics from the Akhmet Yassawi International Kazakh-Turkish University, Almaty and has also completed the General Management Programme 8 at Harvard Business School, Boston, USA. Mr. Abdrazakov has held senior roles in commercial and investment banking for over 27 years. He was Managing Director from 1995 to 2003 at Kazkommertsbank (KAZKOM); CEO from 2002 to 2004 at Kazkommerts Securities; and founder and CEO from 2004 at Centras Group. Eldar is a certified member of the international Institute of Directors (IoD).

Other appointments

Chairman of the Boards at Centras Securities, Centras Insurance and Kommesk-Omir; member of the Board of Directors of KASE and Forte Bank.

Does not hold any shares in Air Astana.

Board independence



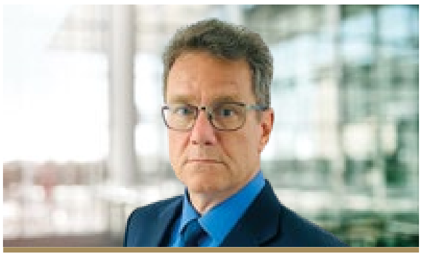
Independent Directors	45%
Non-independent Directors	55%

Board tenure

0-2 years	33%
3-5 years	67%

Key to Committee membership

■ Committee Chair
A Audit Committee
C Corporate Social Responsibility Committee
N Nomination and Remuneration Committee
S Strategic Planning Committee
T Treasury Committee



Keith Gaebel A T

Independent Director

Appointed: March 2020

Qualifications and experience

Keith Gaebel is a leading expert in financial reporting and corporate governance. During his 25 years' experience with large international chartered accounting firms, Mr. Gaebel held various positions including the Head of the Financial Reporting Group (FRG) for the Commonwealth of Independent States (PricewaterhouseCoopers – 2000 to 2004; Ernst & Young – 2004 to 2008) and was a Global Authority on various International Financial Reporting Standards. As Head of the FRG, he supported clients' public offerings by reviewing for compliance with financial reporting and corporate governance. Mr. Gaebel was the Ernst & Young Managing Partner for Central Asia and Caucasus from 2008 to 2013.

Other appointments

None

Does not hold any shares in Air Astana.

Janet Heckman N A C S

Independent Director

Appointed: January 2019

Qualifications and experience

Janet Heckman holds a Master of Science in Foreign Service from Georgetown University in Washington, D.C. Between 1980 and 2012 she held various positions at Citi with a focus on corporate banking; she was the Managing Director for Citi's corporate and investment banking activities in Algeria from 2008 to 2012. Ms. Heckman joined EBRD in 2012 as a Country Director for Kazakhstan. She was a Managing Director for Southern and Eastern Mediterranean (SEMED) for EBRD from January 2017 to December 2019.

Other appointments

AIX Board Member.

Does not hold any shares in Air Astana.

Garry Kingshott S N

Independent Director

Appointed: August 2019

Qualifications and experience

After a successful early career in various FMCG businesses from 1974 to 1990, Mr. Kingshott transitioned into Aviation joining Ansett Airlines (Australia) in 1990. He now has 30 years combined experience in the Aviation, Travel and Tourism and Airline industries, spanning three continents. Most recently Mr. Kingshott served Cebu Air Inc. as Chief Executive from 2008 to 2016, overseeing a successful IPO in 2010, and continues as a member of the Advisory Board at Cebu Air Inc. A Member of the Australian Institute of Company Directors (MAICD), Mr. Kingshott has served as a Company Director/Chairman for a variety of businesses including Airlines, Travel Agencies, National Tourism and Financial Services.

Other appointments

Member of the Advisory Board at Cebu Air Inc, Director.

Does not hold any shares in Air Astana.

Andrey Kravchenko N C T

Non-Executive Director

Appointed: January 2019

Qualifications and experience

Andrey Kravchenko graduated from the Kazakh State University named after S. Kirov with a degree in law. He also holds an MBA degree from Moscow Business School. Mr. Kravchenko has more than 30 years of corporate experience.

He began his career in 1983 with the judicial authorities and has worked in the tax service authorities since 1991. In 1994, Mr. Kravchenko joined the prosecution service. Between 2002 to 2011, he was Head of the Supervision of Legality Department in the Socio-Economic Sphere of the General Prosecutor's Office of the Republic of Kazakhstan. He took direct part in the establishment of institutions that support and protect small and medium sized businesses and financial monitoring. Between 2011 and 2017, he was Deputy Prosecutor General of the Republic of Kazakhstan. He was awarded the title "Honorary Lawyer" and "Honorary worker of the Prosecutor's office" of the Republic of Kazakhstan.

Other appointments

Managing Director for Legal Support and Risks of Sovereign Wealth Fund Samruk-Kazyna JSC, member of the Management Board at Samruk-Kazyna JSC, member of the Board of Directors at JSC "Kazakhstan Temir Zholy".

Does not hold any shares in Air Astana.

Myles Westcott S N

Non-Executive Director

Appointed: March 2018

Qualifications and experience

Myles Westcott is a Fellow of the Institute of Chartered Accountants in England & Wales, and a graduate of Bristol University. In 2001, Mr. Westcott joined BAE Systems plc and has since held a number of senior finance positions within the company, across both land and air sectors. During this period, his responsibilities have included the financial leadership of long-term, complex defence contracts, cost reduction programmes, systems implementations, business integrations, UK and international customer engagement. His early career was divided between accountancy roles and financial management across a variety of sectors, including consultancy, retail and hospitality.

Other appointments

Group Financial Controller for BAE Systems.

Does not hold any shares in Air Astana.

Simon Wood C T

Non-Executive Director

Appointed: January 2019

Qualifications and experience

Simon Wood has held a number of senior finance positions within BAE Systems across a number of sectors, including Military Aircraft, Maritime, Land and Commercial Aircraft. In addition to his functional role, Mr. Wood has also had responsibility for Strategy and Planning, Business Transformation and Improvement, Systems Implementation, Customer Relationship Management and Operational Business Delivery.

Other appointments

Finance Director of European and International Air Markets for BAE Systems since January 2018. Member of the Chartered Institute of Management Accountants.

Does not hold any shares in Air Astana.

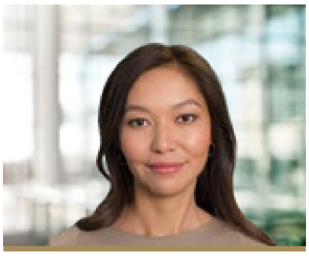
Board activities in 2021

Areas of focus	Progress made in 2021	
Strategic development	• Reviewed the implementation report on the Company's strategic development plan • Agreed the President's proposal to develop the air cargo business by adding two freighters to the fleet	• Reviewed the Company's fleet update • Preliminarily approved the Business Plan (Development Plan) for 2022-2026
Risk management and internal control	• Approved updated Risk Register, Risk Map and Risk Appetite of the Company • Reviewed reports on realized risks of the Company • Reviewed the report on the audit results over the business continuity plan • Considered regular reports on the activity of the Internal Audit Service • Approved the amended Audit Universe • Approved the IAS budget and Annual Audit Plan for 2022	• Preliminarily approved the nominee for appointment to the position of the Head of IAS • Compliance related issues (reports received via the hotline and internal investigations, selection of the hotline operator, reports on the conflicts of interest of the employees, report on assessment of business processes exposed to corruption risks and appropriate mitigation actions)
Financial and operational activities	• Reviewed the annual report on the Company's financial and operational activities in 2020 • Preliminarily approved the annual consolidated financial statements for 2020 • Preliminarily approved the Annual Budget for 2022 • Reviewed the annual bank review for 2021 and approved the Company's accredited banks credit limits • Reviewed proposals on the procedures for distributing net income for 2019-2020 • Reviewed updates on Airbus A320neo Simulator Project • Approved amendments to the Cash Management, Bank Risk and Treasury Reporting Policy	• Amended a previous Board decision concerning the operating lease of one Airbus A320ceo type aircraft • Agreed the proposal from the President regarding operating leases for two Airbus A330-300PF for cargo transportation • Reviewed a report on international charter flights and approved new flight destinations outside Kazakhstan • Reviewed the decision about the increase in the Company's obligations of an amount equal to 10% or more of its own capital when entering into transactions
Governance and legal	• Reviewed preliminary decisions on the composition and term of office of the Committees of the Board • Reviewed preliminary decisions on early termination of the authorities and election of the members of the Strategic Planning and Treasury Committees • Reviewed the annual report on the activities of the Board of Directors and its Committees during 2020	• Reviewed the claims (absence of claims) by the Stockholders of the Company against the actions of the Company and its officers for 2020 and the results thereof • Approved the plan of work and meeting schedule for the Board of Directors during 2022
Leadership and people	• Terminated the contract of the existing Chief Accountant and appointed a new Chief Accountant • Approved amendments to the Labour Contract with the President and CEO • Reviewed the terms of remuneration payments (Company Performance Bonus) for 2021 and 2022 for employees whose remuneration shall be determined by the Board of the Directors/Stockholders • Considered the recommendations of the Nomination and Remuneration Committee re implementing the President's 2019 bonus payment	• Assessed proposals and determined the amount of remuneration, compensation and 2021 year-end bonus payment for employees, where this is the remit of the Board of Directors/Stockholders • Annual approval of the remuneration system, provision of incentives and labour remuneration scheme for employees and procedures for compensation of expenses for employees travelling on business. Approved the amended Regulations of the Labour Remuneration System and Business Trips Rules
Safety	• Evaluated the operational safety review	

Strength in skills and experience

Peter Foster
President and CEO

See page 62

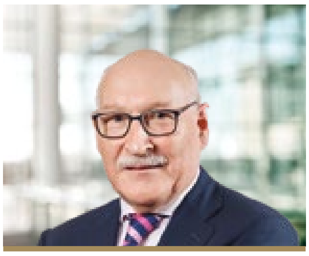


Alma Aliguzhinova
Chief Planning Officer

Alma Aliguzhinova was among the first employees to join Air Astana at its early stage of formation in 2001 before the commencement of commercial operations. Alma initially joined the Company as Corporate Development Manager and has been progressively promoted to Corporate Development Director, Vice President Planning, Senior Vice President Corporate Planning and now Chief Planning Officer. Alma is a Bolashak Alumni and graduated with an MBA degree from East Caroline University, USA. She also has an Aerospace MBA from the Toulouse Business School in France.

Ibrahim Canliel
Chief Financial Officer

Ibrahim Canliel has been with the Company since its early stages in 2003 and he has served the Company in a range of areas including the Commercial Group, Marketing & Sales, Commercial Planning and Commercial. He started his career in the travel industry over 30 years ago and has 23 years of aviation management experience. Prior to joining Air Astana, he worked for KLM/Northwest/Alitalia, briefly in the Middle East and thereafter based in Almaty in charge of the regional organisation of Central Asia and Caucasus. He is serving his fifth term as a Board member at EUROBAK. Ibrahim received his undergraduate degree in Economics from the Marmara University, MBA degree from Bogaziçi University, Istanbul and completed the Cranfield Directors Programme in 2017.



Anthony Regan
Chief Operating Officer

Anthony has over 35 years' experience in aviation. Prior to joining Air Astana in 2012, he was General Manager Operations and OPS post holder at Cityjet (Air France/KLM subsidiary) from 2001 with responsibility for all Operations functions. Prior to that he was a Director at CAE Parc Aviation. His early career was as a pilot with the Irish Air Corps, where he held a number of operational appointments including Chief Flying Instructor retiring with the rank of Commandant. He holds an EASA and FAA Air Transport Pilot Licence. He is a graduate of University College Dublin in Mathematics and Mathematical Physics.

Gerhard Coetzee
Senior Vice President Corporate Safety Compliance

Gerhard started his career as an Air Force navigator and is a qualified Accident Investigator with qualifications in Aviation Safety Programme Management, Crew Resource Management and Flight Procedure Design. He holds a Bachelor's degree in commerce and an Honours degree in transport economics from the University of South Africa. He has been actively involved in aviation safety management for the past 25 years including as a Managing Consultant with BAE Systems.

Yevgeniya Ni

Vice President, HR and Administration

Yevgeniya graduated from Karaganda State University with a degree in foreign languages and a degree in law. She started her career at Air Astana as an Executive Assistant to the President in 2002, and currently heads the Human Resources Department, responsible for overall HR function and services including Recruitment, Training, HSE, and Facilities Management. Under her leadership, the Company introduced a transparent system of recruitment and corporate training, as well as an employee performance appraisal and remuneration system. The Company holds numerous awards for its recent projects on the digitalisation of HR processes, development of internal communications, learning and development – WOW HR 2018-2019, Best HR brand in Central Asia in 2017-2019, Best HR Director 2018-2019 (Growth Forum Kazakhstan), and Best Employer 2016-2020 by Universum.

Yevgeniya is a certified Senior Professional in Human Resources – International, member of APDC (Airline People Directors Council) and regularly takes part in professional conferences as an expert and speaker.

Chamindra Lenawa

Vice President, IT and E-business

Chamindra joined Air Astana in January 2009. He is a professional in the airline business and IT, with management experience with three national carriers. Before joining the airline industry, Chamindra was employed in university research in electronics and telecommunications. Chamindra holds a Master's degree in Business Administration (University of Colombo), a Bachelor of Law degree (University of London) and a Bachelor of Science degree in Electronic and Telecommunication Engineering (University of Moratuwa). He is also a certified Project Management Professional (PMP, PMI – USA) and a Chartered Information Technology Professional (CITP) of the British Computer Society.

Chamindra holds certifications in different IT domains and is a professional in airline reservations, ticketing, departure control systems and business operations.

Bella Tormysheva

Vice President, Corporate Communications

Bella has a Master's degree in International Relations. She has over 20 years' experience in the field of public relations and information and culture. She has also taken part in numerous training courses outside of Kazakhstan. Before joining Air Astana, she worked in the Representative Office of the European Commission accredited in the Republic of Kazakhstan, the Kyrgyz Republic and the Republic of Tajikistan.

Yerdaulet Shamshiyev

Vice President, Strategy and Development

Yerdaulet was one of Air Astana's first employees and has over 20 years' experience in aviation. He joined the airline as Chief Representative in the Beijing office in 2002. In 2009 he was appointed Regional General Manager China and Mongolia of Air Astana. He currently holds the position of Vice President, Strategy and Development. Prior to joining Air Astana, Yerdaulet worked at the Almaty International Airport and Air Kazakhstan airline.
He graduated from the Beijing Language University and Academy of Civil Aviation, Almaty.

Board leadership and Company purpose

The Board of Directors sits at the heart of Air Astana's corporate governance framework and plays a fundamental role in ensuring that the Company operates safely, successfully and sustainably while generating long-term value for our Shareholders. Actively promoting a corporate culture that reflects our values and ambitions is key to achieving this.

Our purpose, values and culture

Air Astana is a major economic and social enabler. In addition to helping to connect Kazakhstan with its powerful neighbours, in 2019, we also stimulated mobility and growth in the world's largest landlocked country – where previously fewer than 50% of the local population had flown domestically – with the launch of FlyArystan. Despite continuing COVID-19 restrictions, passenger traffic across the country increased by 65% compared with 2020. Nevertheless, the social benefits and economic stimulation resulting from this emerging business are vast and capable of providing significant opportunities for employment, growth of small businesses, development of infrastructure and, more importantly, helping people move around the country and interact.

To achieve our mission of becoming one of the finest airlines in the world and a real domestic enabler, we are developing a corporate culture which reflects our values and ambitions. Excellence lies at the centre of all we do and, by embedding it into our culture, we build a happy, engaged and satisfied workforce that is fully invested in our core values.

Our HEART values (Hospitable, Efficient, Active, Reliable, Trustworthy) are rooted in all of our processes. We encourage and promote a flexible, family-oriented and ethical workplace in an environment that is rewarding, with equal opportunity for all.

Senior management leads campaigns and engagement sessions throughout the year to highlight our strategy, values and beliefs. This was of particular importance throughout the 2020 and 2021 COVID-19 pandemic. The President and CEO personally kept colleagues informed about the evolving situation and reported on the Company's continued progress.

Various indicators are used to provide insight into our culture, including employee engagement surveys, health, safety and well-being measures and diversity indicators. The results of a recent pulse survey indicate that most employees are positive and satisfied with the Company as a place to work.

As a Board, we regularly assess the state of our culture, through activities such as regular compliance reviews and engagement survey results. We also monitor levels of engagement with our internal pension programme, which was the first of its kind in Kazakhstan, designed to retain talent and improve engagement.

The role and responsibilities of the Board

The Board of Directors plays a fundamental stewardship role in ensuring that the Company operates safely, successfully and sustainably while generating long-term Shareholder value.

The Board is responsible for overseeing the activities of the executive body while managing risk and internal controls and maintaining Air Astana's corporate governance principles.

Air Astana has adopted a robust corporate governance framework that facilitates optimal decision-making to accomplish these priorities. The Board of Directors sits at the heart of this framework. The Board's duties include, but are not limited to:

Shareholders

Submitting matters for consideration and resolution by the General Meeting of Shareholders pursuant to the law and/or the Company's Charter.

Strategy

Determining the Company's development priorities and providing preliminary approval of the long-term development strategy.

Performance

Preliminary approval of the Company's short-term and medium-term business plans, development plan and annual budget as well as any amendments thereto, including capital expenditures not provided for in previously approved business plans. Preliminary approval of the Company's annual financial statements.

Expenditure
Decisions on entering into major transactions (25% or more of the total amount of the book value of the assets); and on the increase of the Company's obligations by an amount equal to 10% or more of its own capital.

Governance
Approval and overseeing Company policies relating to risk management and internal control systems, as well as compliance and sustainability.

Stakeholder engagement
Understanding and taking into account the interests of all stakeholders: Shareholders; employees; suppliers and business partners; government, regulators and local authorities; and passengers.

Conflict of interest
All Board members have an obligation to disclose any interest they have, on their own or on behalf of third parties, with respect to certain transactions or arrangements with the Company. Such conflicts of interest should be notified to the Corporate Secretary.

Board and Committee meetings and attendance in 2021
The following table shows the Directors' attendance at Board and Committee meetings during the period between 1 January and 31 December 2021.

	Board	Strategic Planning Committee	Audit Committee	Nomination and Remuneration Committee	Corporate Social Responsibility Committee	Treasury Committee
Total number of meetings	10	5	10	7	2	6
Nurzhan Baidauletov[1]	100%	100%	–	–	–	–
Beibit Karymsakov[2]	100%	100%	–	–	–	100%
Andrey Kravchenko	100%	–	–	100%	100%	100%
Myles Westcott	100%	100%	–	100%	–	–
Simon Wood	100%	–	–	–	100%	100%
Peter Foster	100%	–	–	–	–	–
Garry Kingshott	100%	100%	–	100%	–	–
Janet Heckman	100%	100%	100%	100%	100%	–
Keith Gaebel	100%	–	100%	–	–	100%
Eldar Abdrazakov	100%	–	100%	100%	100%	–

1. Since April 2021
2. Until April 2021

Engaging with our stakeholders

Shareholder engagement

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. It sets the Company's strategy and objectives, taking into account the interests of all its stakeholders. A clear understanding of our stakeholders enables us to better understand their perspectives, and to factor the potential impact of strategic decisions on each stakeholder group into Boardroom discussions.

Shareholders

We have a positive and long-term relationship with our Shareholders, to whom we continue to deliver strong returns. Our investors are involved in key strategic decisions through representation at Board level and they are kept closely appraised of material developments in the business. The Chairman of the Board of Directors manages the work of the Board of Directors, ensures the Board's effective performance in all areas of its responsibility, and ensures effective communication with Shareholders to achieve a balanced understanding of their issues and concerns.

Share ownership

51% of Air Astana is owned by the Samruk-Kazyna Sovereign Wealth Fund. The Company was created on 3 November 2008, by a presidential decree of the Republic of Kazakhstan dated 13 October 2008 and a government decree of the Republic of Kazakhstan dated 17 October 2008, with the intention of improving the competitiveness and stability of the national economy and to mitigate external risks to domestic economic growth.

BAE Systems (Kazakhstan) Limited owns 49% of Air Astana, and is a subsidiary of the British corporation BAE Systems PLC, which is engaged in the development, delivery and support of advanced defence, security and aerospace systems on land, at sea, in the air and in space.

Dialogue with Shareholders

The Company actively engages with Shareholders and seeks their feedback. Independent Directors facilitate the formulation of opinions and decisions independent of their relations with Shareholders or executive bodies, and inform decision-making with due account of the interests of different Shareholder groups.

Constructive use of the General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of Air Astana and has the authority to make decisions on all issues concerning the activities of the Company. Its functions and activities are defined by the legislation of the Republic of Kazakhstan, as well as the provisions of the Company's Charter and internal documents.

Additional materials such as annual and interim reports, presentations and other announcements are available via the Air Astana website at www.airastana.com/uk/enus/About-Us/Corporate-Governance.

Our people

The success of our business depends upon the dedication and skill of our people. We employ 5,551 people across our operations. Air Astana is recognised as the leading employer in Kazakhstan, offering a broad range of employment opportunities with high levels of training and the potential to develop careers. We focus on maximising engagement, increasing diversity, maintaining low levels of staff turnover and facilitating training and career development.

We also work hard to provide a safe working environment, competitive remuneration and social packages. Every year, we invite all employees to participate in our online Engagement Survey. The results of each survey are carefully considered and discussed with senior management and line managers so that employees' concerns and aspirations are highlighted and addressed. As a result, a number of new initiatives have been developed and implemented.

The Company places its HEART values (Hospitable, Efficient, Active, Reliable, Trustworthy) at the core of its activities. Our commitment to integrity and compliance is set out in the Code of Conduct and through the Company's policies and standards, including the Whistleblowing, Anti-Bribery and Corruption, and Conflict of Interest Policies.

Suppliers and business partners

We build stable, long-term relationships with our suppliers and business partners, enabling us to achieve fair and mutually beneficial contractual relationships and uninterrupted service. We collaborate closely with all our contractors to ensure integrity and compliance with ethics, anti-corruption, environmental and safety standards. Our supply chain consists of a broad base of suppliers from start-ups and small businesses to large multinational companies.

In order to meet the Company's operational requirements, we have developed a transparent and effective procurement process, which is conducted in strict compliance via an electronic procurement portal. Anti-corruption clauses are already implemented in some supplier contracts. In 2021, this was broadened to include ethical practices required from suppliers along with reliability clauses.

We are strongly committed to the Government's "Economics of simple things" programme, aimed at promoting the use of local suppliers for socially significant goods and services. The percentage of our procurement budget spent on local suppliers decreased to 27% in 2021. However, some goods and services, such as the technical maintenance of our aircraft, have to be sourced outside the domestic market.

Government, regulators and local authorities

As the National Flag Carrier of the Republic of Kazakhstan, we work very closely with the government, regulators and authorities to help set the framework within which the Company operates. Air Astana contributes to the national wealth, is a significant taxpayer in its regions of operation and plays an increasing role in the development of local economies and the development of social projects.

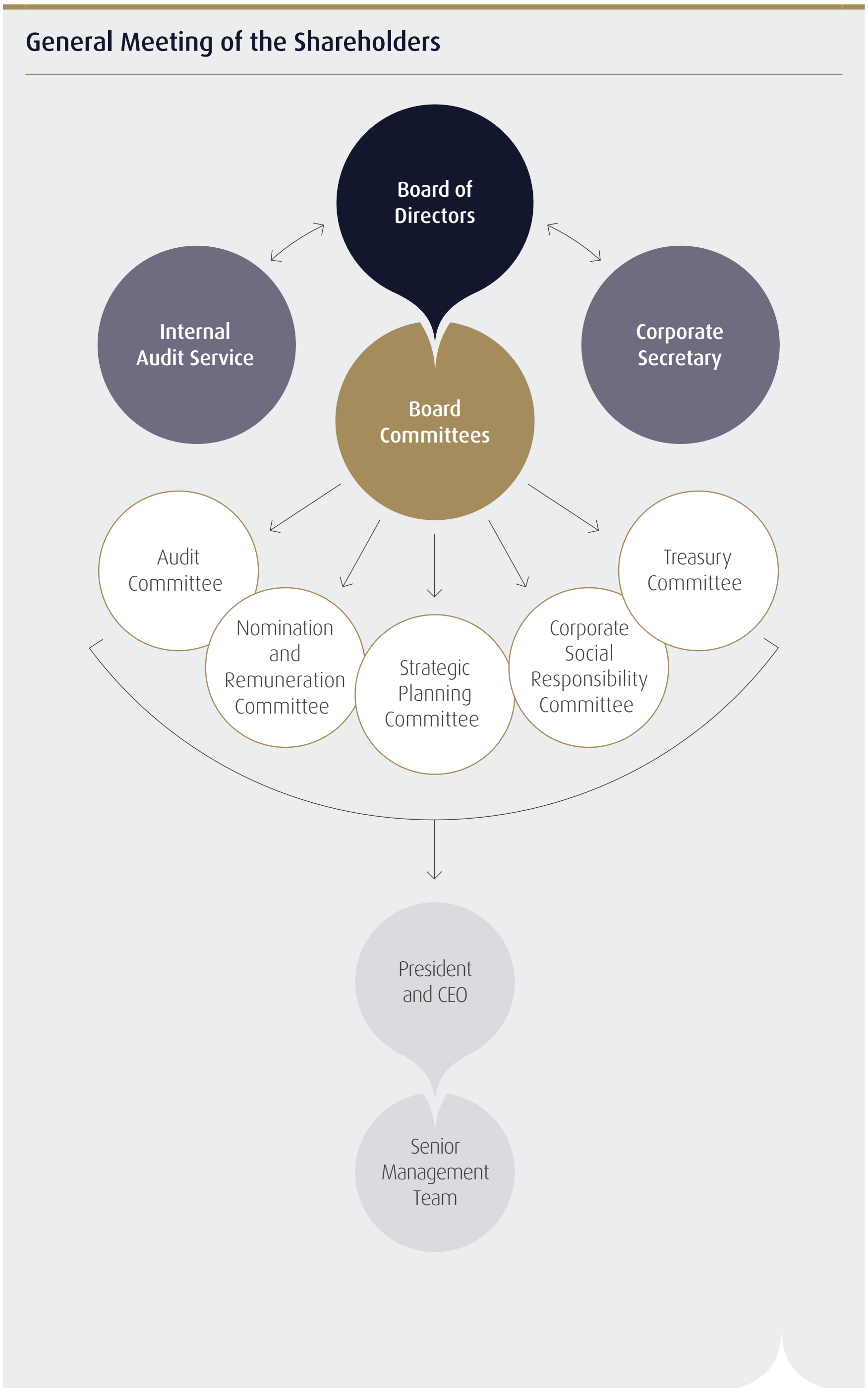
Passengers

We exist to serve our passengers and strive to meet and exceed their expectations. Our award-winning level of customer satisfaction is driven by excellence. We provide a world-class cabin experience, we are among the most punctual airlines in the world and our passengers are treated as special guests. We engage with customers across multiple touch points to listen to their needs. To read more about how we engage with our customers, please refer to page 30 of the Operating review section.

Division of responsibilities

The roles of Chairman and President are separate and clearly defined in the Charter and the Corporate Governance Code that have been approved by Shareholders.

Corporate governance framework



The Chairman

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders from among the members of the Board of Directors nominated by the Samruk-Kazyna Sovereign Welfare Fund. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role. The Chairman's role is supported by the Independent Directors. The Chairman of the Board of Directors manages the work of the Board of Directors, ensures the Board's effective performance in all areas of its responsibility, and ensures effective communication with Shareholders. The Chairman ensures that all Directors make an effective contribution to the Board's activities, including in terms of the Board's interaction with the Company's CEO. The Chairman ensures, together with the Corporate Secretary, the timely provision of reliable and accurate information to all Directors and determines the agenda for Board meetings.

Other Non-Executive Directors

Our Non-Executive Directors are nominated by the Samruk-Kazyna Sovereign Welfare Fund and BAE Systems, and elected by the General Meeting of Shareholders. They bring wide and varied financial and operational experience to the Board and Committees. With their diverse range of expertise Non-Executive Directors bring an external perspective and objectivity to the Board's decision-making. They constructively challenge the performance of management and assist with development, approval and review of strategy.

Independent Directors

Our Independent Directors are selected to complement the composition of the other Non-Executive Directors of the Board members in terms of skills, experience, age and diversity and to mitigate against any concerns about the Chairman's independence.

Corporate Secretary

The Corporate Secretary plays a key role in facilitating open dialogue among the Company's different governing bodies and ensuring their adherence to legislative and Company requirements. The Corporate Secretary ensures that the rights of all Shareholders are observed, Shareholder communications are given due consideration by the relevant body and that any disputes involving Shareholders' rights are resolved. Both the appointment and removal of the Corporate Secretary is a matter for the Board to approve.

President and CEO

The President is responsible for the successful planning and execution of the objectives and strategies agreed by the Board and Shareholders and ultimately responsible for the day-to-day running of the Company.

In accordance with the relevant laws and our Charter, the President is authorised to carry out the following activities on behalf of the Company:

- the implementation of the business plan and the resolutions of the Board of Directors, as well as the preparation, of proposed business plans, annual financial statements, and annual management reports, and their submission for further consideration;
- the conclusion and signing of agreements and contracts; acting on behalf of the Company in the conclusion of deals with other entities, organisations, companies and institutions, including government agencies; and
- issuing and approving documents governing internal activities for the purpose of workflow management, including orders and instructions related to production, engineering and technical maintenance; procurement of goods, works and services; accounting; commercial policies; labour and employment issues; and making amendments and/or additions to such documents and other functions.

The President's strategic capacity is strengthened by the Senior Management Team.

Composition, succession and evaluation

Composition and independence of the Board

As of 31 December 2021, the Board of Directors consisted of 9 members, with 2 members nominated by the Samruk-Kazyna Sovereign Wealth Fund, 2 members nominated by BAE Systems, 4 Independent Directors and 1 member representing the Senior Management Team. The Board is elected by cumulative voting at the General Meeting of Shareholders.

Mr. Baidauletov, Chairman of the Board, was re-elected in April 2021 on behalf of Samruk-Kazyna Sovereign Welfare Fund. To mitigate against any concerns about independence, we have 4 Independent Directors on the Board. As an additional mitigating measure, the Company is considering establishing and appointing a Senior Independent Director.

According to our own internal assessment, the composition of the Board continues to improve and is well balanced and optimal for our current stage of corporate governance in terms of both the competencies and age of Board members, and the representation of Shareholders' interests.

The Board is satisfied that each member of the Board of Directors is able to allocate sufficient time to discharge his or her duties to Air Astana's Board effectively.

Board evaluation

Each year, the individual Board Committees take time to review and evaluate activities undertaken during the year. These are measured against a number of criteria: firstly, the terms of reference and key objectives attributed to each Committee and, secondly, whether they have fulfilled the priorities agreed for the year. The outcomes of this process are fed back to the Board in an annual report.

External evaluation of Board performance has been delayed over the last two years due to ongoing COVID-19 restrictions and is planned to be performed at the end of 2022.

Board induction and training

We have developed a special orientation programme to ensure the most effective onboarding of new Directors within the first six months following their appointment. The programme's main function is to quickly acquaint new Directors with Air Astana and its key assets, representatives of its management bodies, existing practices and standards of corporate governance, specific features of the Company and the industry, and other information necessary to perform their duties as members of the Board of Directors.

Information and support

The Board of Directors is supplied with appropriate, clear and accurate information in a timely manner. The Chairman of the Board of Directors is responsible for the timely receipt by the Directors of accurate and clear information and ensures that the elected Directors are provided with all relevant information needed to enable them to perform their duties. The Executive Body and Internal Audit Service are obliged to provide such information and the Directors may request clarifications and explanations where necessary.

The Board of Directors and its Committees are entitled to use the services of external experts and consultants, in the established procedure, using funds allocated by the Company's budget for the relevant year, and they can also make use of additional resources to enable them to carry out their duties in full.

The Corporate Secretary facilitates the information flow within the Board of Directors, its Committees, and between the Senior Management Team and the Board of Directors. All Directors have access to the advice and services of the Corporate Secretary, who is responsible to the Board on matters of corporate governance and compliance with Board procedures.

The Corporate Secretary plays a key role in preparing and overseeing Board of Directors' meetings and the General Meeting of Shareholders.

The Corporate Secretary ensures that the disclosure and dissemination of information is done in compliance with the rights and interests afforded to Shareholders. The Corporate Secretary also facilitates the smooth coordination between the Company's bodies, according to the provisions of the Charter and other internal documents, while ensuring that the Company's officials are kept informed about the latest developments in corporate governance practices.

Re-election

The effectiveness and commitment of each of the members of the Board of Directors is reviewed annually in order to ensure fair and objective representation of the Shareholders' interests. Persons elected to the Board of Directors shall be re-elected on an annual basis with the term of office of one year. The Board has satisfied itself as to the individual skills, relevant experience, contributions and time commitment of all the Independent Directors, taking into account their other offices and interests held.

Strategic Planning Committee

Garry Kingshott
Chairman of the Strategic Planning Committee

Composition

- Garry Kingshott – Chair
- Janet Heckman
- Myles Westcott
- Beibit Karymsakov[1]
- Nurzhan Baidauletov[2]

1. Until 30 April 2021
2. Since 30 April 2021

The Strategic Planning Committee assists with the effective performance of the Board and develops recommendations for the Board on issues related to strategic development.

Responsibilities

The responsibilities of the Strategic Planning Committee include reviewing management reports on the implementation of the Company's long- and medium-term development strategy and budget, delivery of strategic KPIs and recommendations to the Board of Directors, including:

- Air Astana's priority areas of business activity and development
- Recommending potential amendments to the Company's long-term development strategy
- Reviewing the Company's performance against budget, business plan and 10-year Strategy
- Corporate governance issues
- Air Astana's strategy in view of changes in the economic, political, social and competitive environment
- Suggested improvements to the Company's long-term performance and competitiveness in the aviation transportation market.

Main activities in 2021

We began the year by reviewing a number of reports in relation to 2020, including the annual report on the Company's financial and operational activity. We also devoted time to considering the activities undertaken by the Strategic Planning Committee during the year.

We considered a number of items relating to the future development of the Company: namely, a report on the implementation of the Company's strategic plan, the fleet update and a proposal from the Company's President to invest further in the air cargo business by adding two freighters to the fleet.

There were a number of standing and regular items on the agenda for review during 2021, in particular, updated cash forecasts and quarterly reports on the results of the Company's financial and operational activity (implementation of the budget and development plan).

Looking forward, we gave our recommendations in relation to preliminary approval of the Annual Budget for 2022 and the Business Plan (Development Plan) for 2022-2026. We have also set out and approved a plan of work for the Strategic Planning Committee in 2022.

Priorities for 2022

In addition to the regular agenda items relating to strategic planning, the priorities for 2022 include:

- reviewing the annual Strategic Planning Committee report for 2021
- consideration of management's report on the implementation of long-term development strategy, medium-term business plan (development plan), annual budget and major investment projects
- reviewing updates on the Company's cash position
- assessing management's proposals for the distribution of net profit and the amount of dividend per one common stock for 2021
- consideration of the Company's draft Budget for 2023
- consideration of the draft five-year business plan (development plan) for 2023-2027
- planning the working of the Strategic Planning Committee for 2023.

Corporate Social Responsibility Committee

Eldar Abdrazakov
Chairman of the Corporate Social Responsibility Committee

Composition

- Eldar Abdrazakov – Chair
- Andrey Kravchenko
- Simon Wood
- Janet Heckman

The Corporate Social Responsibility (CSR) Committee is a consulting and advisory body of the Board of Directors on the issues of social responsibility, including occupational safety, health and environmental protection.

Responsibilities

The CSR Committee develops recommendations for the Board regarding issues of social responsibility, occupational safety, health and environmental protection, including:

- Air Astana's CSR strategy and its implementation
- Policies and action in the areas of occupational health and safety, social responsibility and environmental protection, and social and charitable projects and policies
- Significant risks related to corporate social responsibility and appropriate mitigation plans
- Approval of the Social Responsibility Report.

Main activities in 2021

We began the year by reviewing the Company's activities in the areas of safety at work, labour, health and environmental protection during 2020, as well as the Sustainability Report for 2019-2020. We also gave approval of the proposed annual plan of work for the CSR Committee during 2021.

We reviewed ongoing progress during the year of a number of employee-related issues: the implementation of the Corporate Pension Plan; the employees' engagement index; the employee engagement survey and the Company's social stability rating. Sustainable development issues covered included Instructions for the determination of material topics (aspects) and information on the measures/projects for the transition to low-carbon development within a sustainable development framework.

We set and approved the annual plan of work for the CSR Committee for 2022.

Priorities for 2022

In addition to the regular agenda items relating to corporate social responsibility, the priorities for 2022 include:

- reviewing the report on the Company's activities in the field of safety at work, labour, health and environmental protection for 2021
- assessing the Company's annual Sustainability Report (previously the Corporate Social Responsibility Report) for 2021
- reviewing updates on the Company's employee engagement index and social stability rating
- planning the work of the Corporate Social Responsibility Committee for 2023.

Treasury Committee

Keith Gaebel
Chairman of the Treasury Committee

Composition
Keith Gaebel – Chair
Andrey Kravchenko[1]
Simon Wood
Beibit Karymsakov[2]

1. Since April 2021
2. Until April 2021

Corporate Governance

The Treasury Committee assists the Board of Directors in monitoring and improving the effectiveness of Risk Management related to the Company's treasury functions.

Responsibilities

The Committee's activities are aimed at assisting the Board of Directors in:

- Verifying control mechanisms for the Company's treasury activities and ensuring the effectiveness and improvement of policies and procedures in the treasury function
- Monitoring treasury activities and notifying the Board of Directors of risks and opportunities associated with them, in all matters related to the treasury, in accordance with regulations and at the request of the Board of Directors.

Main activities in 2021

We began the year by reviewing the annual report of the activities undertaken by the Treasury Committee during 2020. During 2021, we had a busy schedule of matters to review and recommend on the issues of:

- Opening of a current bank account with Kaspi Bank JSC and recommendations regarding the credit limit with Kaspi Bank JSC.
- Increasing of the Company's obligations by an amount equal to 10% or more of its own capital in connection with the Company entering into an agreement with the European Bank for Reconstruction and Development on the provision of a credit line.
- Approval of amendments to the Cash Management, Bank Risk & Treasury Reporting Policy.
- Approval of the Company's accredited bank credit limits.

Standing items on the agenda for consideration during 2021 by the Treasury Committee included: quarterly treasury reports on placed deposits and bank exposure, monthly treasury reports, and updated cash forecasts.

We set and approved the plan of work for the Treasury Committee for 2022.

Priorities for 2022

In addition to the regular agenda items relating to treasury matters, the priorities for 2022 include:

- reviewing monthly and quarterly treasury reports
- reviewing the annual report of the Treasury Committee for 2021
- annual review of counterparty banks
- approval of accredited banks credit limits
- revision of the Cash Management, Bank Risk and Treasury Reporting Policy and Treasury Committee regulations as required
- planning the work of the Treasury Committee for 2023.

Audit Committee

Keith Gaebel
Chairman of the Audit Committee

Composition

Keith Gaebel – Chair

Janet Heckman

Eldar Abdrazakov

The Audit Committee supports the Board of Directors in supervising our financial and economic activities, the reliability and efficiency of internal control and the risk management system, the implementation of corporate governance standards, the independence of the external and internal audit process and compliance with the laws and regulations of the Republic of Kazakhstan.

Responsibilities

The following issues fall within the remit of the Audit Committee:

- Review and control the effectiveness of internal controls, compliance and risk management systems
- Control of independence of internal and external audits
- Developing recommendations for the Board of Directors on the appointment or change of the external Auditor, determining the amount paid to the external Auditor, evaluating the quality of services rendered by the external Auditor and obtaining related services from the external Auditor
- Developing recommendations for the Board of Directors on the appointment and dismissal of the Head and employees of the Internal Audit Service
- Holding meetings with internal and external Auditors without the presence of members of the Company management
- Investigating any other issues that fall within the Committee's remit.

Main activities in 2021

We began the year by reviewing the external Auditor's reports on the interim audit results for 2020 and the consolidated financial statements for 2020, which were confirmed and signed off. We also recommended the approval of the annual financial statements of Air Kazakhstan JSC (the legal entity whose stock is 100% owned by the Company) for 2020.

We reviewed the annual report on the Audit Committee's activities during 2020. During the year, our activities fell into a number of distinct categories:

External Auditor

Reviewing management reports on the annual, interim and half-yearly consolidated financial information.

Anti-corruption

We made recommendations re the approval of the action plan to implement the Anti-corruption Law of the Republic of Kazakhstan for 2021. We reviewed the report assessing the Company's business processes that are exposed to corruption risks and mitigating actions, and conducted an external analysis of corruption risks.

Internal Audit Service (IAS) reviews and approvals

Annual report on activities during 2020 as well as the results of the IAS audit of the Company's business continuity plan. Progress on the implementation of the Strategic Plan. Performance evaluation and amendments to evaluation procedures. Proposals by the Head of IAS re IAS staff changes. Amended Annual Audit Plan for 2021. IAS employees' training budget and remuneration. Amendments to IAS regulations. Preliminary approval of revised KPIs. Preliminary approval of the Annual Audit Plan for 2022. Preliminary approval of the Strategic Plan for 2022-2024.

Head of IAS

Recommendations re the amended job description and required qualifications for the Head of the IAS. Appraised of the search for candidates for the position. Recommendations re the nominee for the position.

Financial statements

Reviewed proposals to change the approach to the formal process and timing of approval of the annual financial statements. Preliminary approval of the amended Audit Universe.

Whistleblowing

Review of quarterly reports received via the Company's whistleblowing hotline and information on internal investigations undertaken by the Compliance and Sustainability Department. Reviewed the results for the selection of an external operator for the whistleblowing hotline in 2021.

Compliance reviews, recommendations and approvals

Annual report on compliance issues for 2021 and action plan for 2022. Amendments to the Regulations of the Compliance and Sustainability Department.

Risk management

Reviewing and approving quarterly updates for the Risk Register, Risk Map, and report on realised risks. Preliminary approval of the changes to the Methodology on Evaluation of the Effectiveness of the Risk Management System. Preliminary approval of amendments to the Risk Management Policy.

Other matters

Consideration of the report on litigations and inspections of the Company by public authorities in 2020, information on employees' actual conflicts of interest as well as a number of issues related to the Compliance and Sustainability Department.

Priorities for 2022

In addition to the regular agenda items, the priorities for 2022 include:

- review and recommended approval of the annual financial statements for 2021
- review of critical accounting policies and alternative treatments of financial information within IFRS
- assessing all aspects of the independent auditor relationship
- analysing internal controls and risk management
- monitoring and approving all aspects of the work of the Internal Audit Service, including the Annual Audit Plan, structure, appointments, remuneration and budgets
- evaluating the effectiveness of internal procedures on legal compliance
- assessing the adequacy of and actions relating to the Whistleblowing Policy

Integrity of financial statements

Through its activities, under the auspices of the Audit Committee, the Board focuses on maintaining the integrity and quality of our financial and business reporting, considering the significant accounting judgements made by management and the findings of the external Auditor. In doing so, the Company conducts financial and business reporting based on the following principles: transparency and accountability; completeness and reliability; impartiality and independence; professionalism and competence.

Please refer to:

- page 86 for management's statement on the annual report and Accounts being fair, balanced and understandable;
- page 87 for the Independent Auditor's report including disclosures about the audit scope and responsibilities of the Auditor; and
- the Strategic Report on pages 10-11 for an explanation of the Company's business model and pages 20-23 for the strategy for delivering the objectives.

Audit Committee continued

Long-term viability statement

The Board of Directors evaluates the Company's viability based on an assessment of the impact of significant risks on the Company's operational and financial performance, forecast on a consistent basis. The Business Plan and the Strategy are regularly reviewed by the management of the Company, the Strategic Planning Committee and the Board of Directors, and stressed against severe but plausible downside scenarios, which may occur during 1-5- and 1-10-year periods. Each scenario considers the impact of international oil markets, fuel price shocks, demand elasticity, devaluation of local currency, the ability to raise additional capital and access to credit facilities, epidemic diseases and other significant risks on the Company's performance. This analysis enables the Company to maintain and develop robust and resilient mitigating actions, designed to support the Company's viability and sustainability. The Company's Corporate Risk Management System enables the Board of Directors and management to ensure the detection of any events potentially affecting the Company's activities, as well as the control of such events within an acceptable level (detailed on pages 54-59). Responding to the COVID-19 global pandemic the Company has implemented complex measures to ensure the protection of its passengers and employees, and to maintain and support its financial viability under unprecedented conditions that saw many of its peers going bankrupt or bailed out by their governments. Based on the above, the Board of Directors has reasonable assurance in the Company's sustainability and ability to meet its obligations.

Risk management and internal control

The overall responsibility for Air Astana's systems of risk management and internal control and for reviewing their effectiveness rests with the Board. The Board conducts an annual review of the effectiveness of the systems of internal control during the year under the auspices of the Audit Committee.

The Board of Directors regularly reviews and evaluates the overall risk management systems and environment in the Company. Inevitably, many of the deliberations during 2020 were focused on the impact of the global pandemic on our overall risk profile. The COVID-related suspension of the vast majority of Air Astana's flights throughout the year, for example, made our commercial risk factor one of the most significant risks for the Company.

We have reviewed and fully support the COVID-19 Crisis Management and Recovery Plan, formulated and being effectively implemented by the Senior Management Team, with its actions mitigating against increased risk during continuing uncertain times.

Further information on the key risks and uncertainties and mitigation measures is available on pages 56-59 of this report.

The Audit Committee acts in the interests of Shareholders and provides oversight support to the Board of Directors concerning the reliability and efficiency of the risk management system through the following responsibilities:

- review of reports on changes to the Company's risk map on a quarterly basis;
- review of changes to the Risk Register on a quarterly basis;
- review of reports on key risks;
- annual review of the risk appetite and quarterly review of reports on realised risks; and
- review of reports on compliance with regulatory requirements and any significant deviations from the standard risk management process.

Internal audit

Mission and functions

Air Astana's Internal Audit Service (IAS) was created in December 2007 by a decision of the Board of Directors.

The IAS organises and carries out internal audits and reports directly to the Board of Directors. Supervision of the IAS is carried out by the Audit Committee in accordance with internal documents governing its activities.

The appointment and dismissal of the Head of the IAS falls within the remit of the General Meeting of Shareholders. The appointment and dismissal of IAS employees is within the remit of the Board of Directors.

The IAS's mission is to provide assistance to the Board of Directors and the Company President in performing their duties to achieve the Company's strategic goals through the provision of independent and objective assurance and consulting activities designed to add value and improve the effectiveness of the following areas:

- risk management system;
- internal control system;
- corporate governance system.

The IAS performs the following functions:

- evaluation of the adequacy and performance of internal controls within the Company's corporate governance framework, operational (production and financial) activities and information systems with regards to:
  - achievement of the Company's strategic objectives, efficiency of its activities and adopted programmes
  - reliability and completeness of information on the Company's activities
  - rational and efficient use of the Company's resources and methods of safeguarding the Company's assets
  - compliance of established control systems with the requirements of legislation, normative documents, internal documents and resolutions of authorised bodies and Company bodies (compliance control);

- evaluation of the Company's corporate governance system and principles, and their compliance with the Company's ethical standards and values;
- evaluation of fraud risk and the effectiveness of fraud risk management;
- evaluation of the implementation and efficiency of risk management methodologies and procedures;
- audit of the Company's information systems;
- verification of compliance with the legislation of the Republic of Kazakhstan, international agreements, internal documentation and the implementation of instructions from authorised bodies, resolutions of the Company's bodies and the evaluation of systems developed to follow these requirements;
- consulting the Board of Directors, the executive body and the Company's structural bodies on further improvement of internal control, risk management, corporate governance and the internal audit function;
- conducting unplanned audits;
- monitoring the implementation of the external Auditor's recommendations;
- follow-up oversight over the implementation of IAS recommendations;
- other functions assigned to the IAS within the limits of its remit.

Based on its evaluations and audits, the IAS issues recommendations (including those directed at the improvement of internal control systems, risk management systems, processes and principles of operations) and comments on any issues within its remit.

Audit process

The IAS operates in accordance with the Audit Plan approved by the Board of Directors. Its activities include assessments of the performance of the internal control system, risk management and corporate governance.

During its work, the IAS is guided by regulations on the IAS and methodological guidelines for the organisation of internal audits, as well as International Standards for the Professional Practice of Internal Auditing.

The IAS processes requests from various Company departments and publishes information on the Company's intranet. Requests can include the provision of consultations or advice on issues related to internal control systems, risk management, accounting, etc.

Compliance with standards

IAS activities conform with International Standards for the Professional Practice of Internal Auditing, which were confirmed by KPMG Tax and Advisory LLP, a qualified independent external consultant, in April 2016.

External assessments of IAS activities are performed in two areas of the standards (quality standards and performance standards) and best international practice. According to the most recent report, IAS activities fully comply with 48 international professional standards for internal audit.

In the framework of the most recent assessment, the maturity level of IAS activities in regard to international practice was characterised as "progressive", the highest level of maturity according to KPMG's methodology.

External audit

The external Auditor adheres to International Standards on Auditing and the International Financial Reporting Standards for rendering audit services.

The current practice of selecting an external Auditor for Air Astana involves a set of procedures for selecting an Auditor that precede the signing of an agreement for rendering audit services, in accordance with Air Astana Procurement Regulations approved by the Board of Directors. This procedure was developed in accordance with the laws of the Republic of Kazakhstan, as well as the Company's Charter, Procurement Regulations and other internal documents.

The Auditor is selected for a period not exceeding three years. The Auditor must develop a succession plan for achieving this result and submit the plan to the Audit Committee for consideration no later than one year before a new external Auditor is selected.

Air Astana's external Auditor for the period of 2020-2022 is KPMG Audit LLP, an independent audit organisation.

Nomination and Remuneration Committee

Janet Heckman
Chairman of the Nomination and Remuneration Committee

Composition

- Janet Heckman – Chair
- Garry Kingshott
- Myles Westcott
- Eldar Abdrazakov
- Andrey Kravchenko

The Nomination and Remuneration Committee develops recommendations for the Board of Directors regarding the appointment and remuneration of members of the Board of Directors, Executive Body, Head of the IAS, Corporate Secretary and other employees whose appointment/ remuneration requires the approval of the Board of Directors or Shareholders.

Responsibilities

The following issues fall within the remit of the Nomination and Remuneration Committee:

- The development of requirements for candidate qualifications and recommendations on election or nomination for the roles of Independent Directors, the President and CEO, the Corporate Secretary and the Head of the IAS
- The development of a succession planning policy for members of the Board of Directors and its Committees, the executive body, the Corporate Secretary and the Head of the IAS
- Recommendations on the policy and structure of remuneration, as well as annual individual remuneration for members of the Board of Directors, the executive body, the Head of the IAS, the Corporate Secretary and other employees whose remuneration falls within the remit of the Board of Directors or Shareholders
- Considering the payment of year-end remuneration to employees whose remuneration must be agreed by the Board of Directors or Shareholders
- Conducting comparative analyses of remuneration levels and the remuneration policy for members of the Board of Directors, the executive body, the Head of the IAS, the Corporate Secretary and other employees whose remuneration falls within the remit of the Board of Directors or Shareholders.

Main activities in 2021

We began the year by reviewing the annual report on activities undertaken by the Nomination and Remuneration Committee for 2020. Our busy agenda during 2021 fell into a number of distinct categories:

Board and Committees

Recommendations regarding both the composition of the overall Board and Committees (including changes to the Strategic Planning Committee) as well as the election and remuneration of the Chairman and members of the Board of Directors.

President and CEO

Recommendations with regards to the amendments to the Labour Contract with the President of the Company; with regards to the 2019 bonus payment; and educational allowance. Also, we issued recommendations with regards to the appointment of the President to a legal entity in which the Company owns stocks of 10% or more.

Terminations, election and appointments

We issued recommendations in relation to the early termination of the authorities and election of a member of the Board of Directors; termination of the authorities/ appointment of Head of the Internal Audit Service and Senior Compliance and Sustainability Officer. Additionally, we recommended for approval the required qualifications for the position of Head of the Internal Audit Service and reviewed an update of the succession planning process for senior executives.

Remuneration, compensation and incentive plans

We issued recommendations with regards to the terms of the remuneration payment (Company Performance Bonus) and compensation payments for 2021 to employees whose remuneration shall be determined by the Board of the Directors/ Stockholders of the Company. We reviewed the rules for the Company's Incentive Plans, the limits and norms of eligibility for company cars and reimbursable mobile expenses, as well as the amended Regulations of the Labour Remuneration System and Business Trips Rules.

We set and approved the plan of work for the Nomination and Remuneration Committee for 2022.

Priorities for 2022

In addition to the regular agenda items relating to remuneration and nomination matters, the priorities for 2022 include:

- reviewing the annual report of the Nomination and Remuneration Committee for 2021
- developing procedures for and reviewing the results of the Board performance evaluation
- recommending to the Shareholders potential candidates for nomination to the Board
- considering the amount and terms of remuneration and compensation for Independent Non-Executive Directors
- reviewing proposals re changing the amount of remuneration of officials and employees whose remuneration shall be agreed by the Board/Stockholders
- reviewing the Key Performance Indicators for the Long-Term Incentive Programme
- recommending the amount of the 2021 remuneration (annual bonus) for the President and CEO
- recommending the amount of the 2021 Company Performance Bonus payment to the employees, whose remuneration shall be agreed by the Board/Stockholders
- reviewing the 2023 annual bonus plan for senior executives
- planning the work of the Nomination and Remuneration Committee for 2023.

Remuneration policy

Procedures relating to remuneration and compensation payments to the members of the Board of Directors are determined by the Policy of Remuneration of the Board of Directors, developed in accordance with the current laws of the Republic of Kazakhstan and our Charter and Corporate Governance Code.

Remuneration is not paid to the members of the Board of Directors nominated on behalf of Shareholders. Independent Directors are remunerated, and the amount of remuneration is determined at the General Meeting of Shareholders, based on the recommendations of the Board of Directors and the Nomination and Remuneration Committee.

The amount to be paid to the executive body is also determined at the General Meeting of Shareholders, based on the recommendations of the Nomination and Remuneration Committee.

Independent Directors are paid as follows:

- an annual fixed remuneration, for participation in sessions of the Board of Directors;
- compensation of expenses associated with the performance of duties;
- travel benefits.

The amounts of annual fixed remuneration and compensation are determined in accordance with the contract agreed with each Independent Director on the basis of a decision of the General Meeting of Shareholders. In 2021, the Remuneration Policy was amended to include the remuneration and compensation paid to the Chairman of the Board of Directors.

Remuneration in 2021

In 2021, the total remuneration paid to Independent Directors was USD 221,929.69 including taxes.

We have particularly focused on determining the remuneration and compensation payments for employees as well reviewing and approving the rules for the Company's Incentive Plans."

Janet Heckman
Chairman of the Nomination and Remuneration Committee

Dividend policy

We have developed our Dividend Policy in accordance with the legislation of the Republic of Kazakhstan, our Charter and other internal documents. The Policy specifies a transparent process for determining both the size of dividends and the conditions under which dividends are paid, while aiming to achieve an appropriate balance between returning value to Shareholders and financing our continued growth.

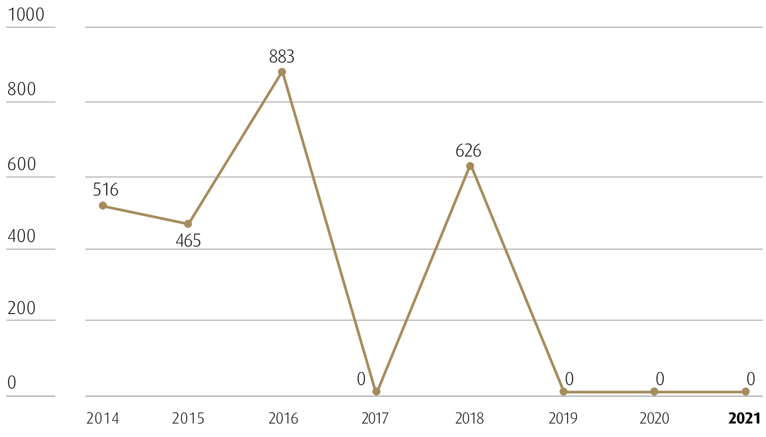
Terms for payment of dividends to Shareholders:

- The Company must have a net profit for the year.
- There must be no limitations on the payment of dividends.
- There has to be a recommendation from the Board of Directors on the size of the dividends.
- There has to be a decision by the General Meeting of Shareholders.

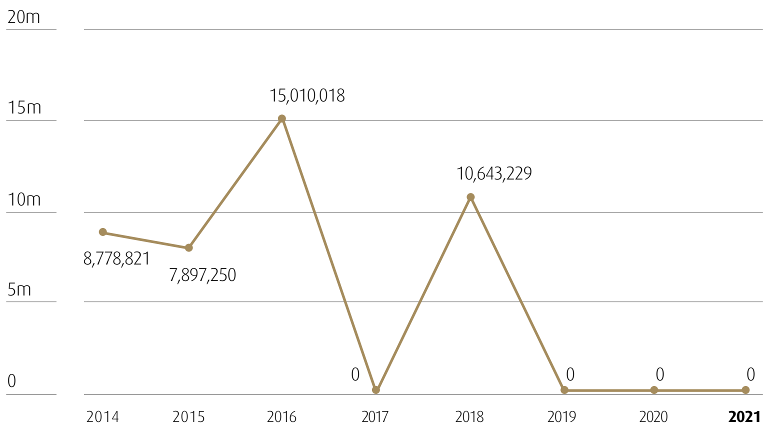
In accordance with the Dividend Policy, the Company allocates 30% of net income, as calculated in accordance with International Financial Reporting Standards, to a dividend, unless otherwise decided by the General Meeting of Shareholders.

The Company has placed 17,000 common shares, a number that has remained unchanged throughout the years, as presented above.

Amount of accrued and paid dividends per share (USD)



The total amount of accrued and paid dividends (USD)



	2015	2016	2017	2018	2019	2020	2021
Amount of accrued and paid dividends per share (USD)	465	883	–	626	–	–	**–**
Previous year net profit (USD '000)	19,453	48,741	(39,865)	39,318	5,352	30,032	**(93,933)**
Dividend pay-out ratio	50%	50%	–	30%	–	–	**–**

Consolidated Financial Statements

for the year ended 31 December 2021

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements

for the year ended 31 December 2021

The management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of JSC Air Astana and its subsidiary (the "Group") as at 31 December 2021, and the results of its consolidated operations, cash flows and changes in equity for the year then ended in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, the 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 Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2021 were authorised for issue on 25 February 2022 by the management of the Group.

On behalf of the management of the Group:

Peter Foster
President

Ibrahim Canliel
Chief Financial Officer

Saule Khassenova
Chief Accountant

25 February 2022
Almaty, Republic of Kazakhstan

Independent auditor's report

to the Shareholders and Board of Directors of JSC Air Astana

Opinion

We have audited the consolidated financial statements of JSC Air Astana (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2021, 2020 and 2019, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management of the Group and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Independent auditor's report continued

to the Shareholders and Board of Directors of JSC Air Astana

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

М. Косаев

Косаев Мухит Илесович
0558

Mukhit Kossayev
Certified Auditor of the Republic of
Kazakhstan Auditor's Qualification Certificate
No. 558 of 24 December 2003

KPMG Audit LLC
State Licence to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan
6 December 2006

KPMG

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

25 February 2022

Consolidated statement of profit or loss

for the year ended 31 December 2021

'000 USD	Notes	2021	2020	2019
Revenue and other income				
Passenger revenue	7	**715,794**	358,413	824,952
Cargo and mail revenue	7	**33,570**	24,561	21,145
Other income	7	**7,846**	11,033	47,952
Gain from sale and leaseback transaction	7	**4,628**	6,257	4,680
Total revenue		**761,838**	**400,264**	**898,729**
Operating expenses				
Fuel and oil costs		**(144,571)**	(89,212)	(207,599)
Depreciation and amortization	13	**(120,832)**	(101,035)	(81,355)
Employee costs	8	**(104,757)**	(72,650)	(103,139)
Engineering and maintenance	8	**(94,582)**	(43,198)	(94,407)
Handling, landing fees and route charges	8	**(70,097)**	(47,225)	(109,402)
Passenger service	8	**(60,894)**	(36,565)	(91,527)
Selling costs	8	**(25,075)**	(17,093)	(42,360)
Aircraft crew costs	8	**(12,448)**	(14,872)	(35,327)
Insurance		**(7,110)**	(5,784)	(9,104)
IT and communication costs		**(4,575)**	(4,223)	(3,893)
Aircraft lease costs	8	**(3,662)**	(3,401)	(13,760)
Consultancy, legal and professional services		**(3,392)**	(3,254)	(4,018)
Property lease cost		**(2,641)**	(2,425)	(2,485)
Taxes		**(2,501)**	(4,158)	(1,718)
Impairment loss on trade receivables		**(113)**	(117)	(738)
Other operating costs		**(10,428)**	(24,366)	(19,198)
Total operating expenses		**(667,678)**	**(469,578)**	**(820,030)**
Operating profit/(loss)		**94,160**	(69,314)	78,699
Finance income	9	**10,418**	1,427	2,221
Finance costs	9	**(47,066)**	(36,076)	(26,376)
Foreign exchange loss, net		**(12,522)**	(12,673)	(12,749)
Profit/(loss) before tax		**44,990**	(116,636)	41,795
Income tax (expense)/benefit	10	**(8,831)**	22,703	(11,763)
Profit/(loss) for the year		**36,159**	**(93,933)**	**30,032**
Basic and diluted earnings/(loss) per share (in USD)	21	**2,127**	**(5,525)**	**1,767**

On behalf of the Group's management:

Peter Foster
President

АО «ЭЙР АСТАНА»

Ibrahim Canliel
Chief Financial Officer

Saule Khassenova
Chief Accountant

25 February 2022
Almaty, Republic of Kazakhstan

The consolidated statement of profit or loss is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 95 to 150.

Financial Statements

Consolidated statement of other comprehensive income

for the year ended 31 December 2021

'000 USD	Notes	2021	2020	2019
Net income/(loss) for the year		**36,159**	**(93,933)**	**30,032**
Other comprehensive income to be reclassified into profit or loss in subsequent periods:				
Realised net loss from cash flow hedging instruments	26	**11,760**	11,449	11,156
Corporate income tax related to loss from hedging instruments	26	**(2,352)**	(2,290)	(2,231)
Other comprehensive income for the year, net of income tax		**9,408**	**9,159**	**8,925**
Total comprehensive income for the year		**45,567**	**(84,774)**	**38,957**

The consolidated statement of other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 95 to 150.

Consolidated statement of financial position

as at 31 December 2021

'000 USD	Notes	31 December 2021	31 December 2020	31 December 2019
ASSETS				
Non-current assets				
Property, plant and equipment	11	**722,200**	705,112	617,193
Intangible assets	12	**1,528**	1,646	1,695
Prepayments	16	**16,299**	12,353	12,069
Guarantee deposits	14	**17,974**	20,410	16,732
Deferred tax assets	10	**2,711**	8,771	–
Trade and other receivables	17	**3,611**	3,285	3,240
		764,323	**751,577**	**650,929**
Current assets				
Inventories	15	**51,555**	46,371	50,001
Prepayments	16	**26,534**	15,386	31,022
Income tax prepaid		**2,630**	3,266	895
Trade and other receivables	17	**14,134**	10,220	33,096
Other taxes prepaid	18	**7,709**	15,166	33,346
Guarantee deposits	14	**1,568**	5,814	16,629
Cash and bank balances	19	**226,357**	201,354	176,442
Other financial assets	20	**7,383**	–	234
		337,870	**297,577**	**341,665**
Total assets		**1,102,193**	**1,049,154**	**992,594**
EQUITY AND LIABILITIES				
Equity	21			
Share capital		**17,000**	17,000	17,000
Functional currency transition reserve		**(9,324)**	(9,324)	(9,324)
Reserve on hedging instruments, net of tax		**(35,278)**	(44,686)	(53,845)
Retained earnings		**91,576**	**55,417**	**149,350**
Total equity		**63,974**	**18,407**	**103,181**
Non-current liabilities				
Loans	25	**4,759**	53,004	6,430
Lease liabilities	26	**580,539**	572,322	495,286
Deferred tax liabilities	10	**–**	–	12,763
Provision for aircraft maintenance	23	**86,456**	45,537	53,849
Employee benefits		**1,625**	1,559	1,219
		673,379	**672,422**	**569,547**
Current liabilities				
Loans	25	**57,527**	111,009	10,395
Lease liabilities	26	**146,354**	132,340	111,216
Deferred revenue	22	**57,260**	38,112	67,918
Provision for aircraft maintenance	23	**40,710**	37,533	37,413
Trade and other payables	24	**62,989**	39,331	92,924
		364,840	**358,325**	**319,866**
Total liabilities		**1,038,219**	**1,030,747**	**889,413**
Total equity and liabilities		**1,102,193**	**1,049,154**	**992,594**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 95 to 150.

Consolidated statement of changes in equity

for the year ended 31 December 2021

'000 USD	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
Balance at 1 January 2019	**17,000**	**(9,324)**	**(62,770)**	**119,318**	**64,224**
Profit for the year	–	–	–	30,032	30,032
Other comprehensive income: Realised loss on cash flow hedging instruments, net of tax	–	–	8,925	–	8,925
Total comprehensive income for the year	–	–	8,925	30,032	38,957
At 31 December 2019	**17,000**	**(9,324)**	**(53,845)**	**149,350**	**103,181**
At 1 January 2020	**17,000**	**(9,324)**	**(53,845)**	**149,350**	**103,181**
Loss for the year	–	–	–	(93,933)	(93,933)
Other comprehensive income: Realised loss on cash flow hedging instruments, net of tax	–	–	9,159	–	9,159
Total comprehensive income for the year	–	–	9,159	(93,933)	(84,774)
At 31 December 2020	17,000	(9,324)	(44,686)	55,417	18,407
At 1 January 2021	17,000	(9,324)	(44,686)	55,417	18,407
Profit for the year	–	–	–	36,159	36,159
Other comprehensive income: Realised loss on cash flow hedging instruments, net of tax	–	–	9,408	–	9,408
Total comprehensive income for the year	–	–	9,408	36,159	45,567
At 31 December 2021	**17,000**	**(9,324)**	**(35,278)**	**91,576**	**63,974**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 95 to 150.

Consolidated statement of cash flows

for the year ended 31 December 2021

'000 USD	Notes	2021	2020	2019
OPERATING ACTIVITIES:				
Profit/(loss) before tax		**44,990**	**(116,636)**	**41,795**
Adjustments for:				
Depreciation and amortisation of property, plant and equipment and intangible assets	13	**120,832**	101,035	81,355
Gain on disposal of property, equipment and inventory		**(7,117)**	(6,257)	(5,901)
Change in impairment allowance for trade receivables, guarantee deposits and cash and bank balances	27	**(363)**	(464)	1,226
Change in write-down of obsolete and slow-moving inventories	15	**(139)**	(413)	427
Change in vacation accrual	24	**318**	(570)	528
Change in provision for aircraft maintenance	8	**60,818**	20,344	28,467
Change in customer loyalty program provision	22	**(1,415)**	826	1,223
Foreign exchange loss, net		**12,522**	12,673	12,749
Finance income, excluding impairment	9	**(9,802)**	(1,183)	(2,670)
Finance costs, excluding impairment	9	**46,813**	35,370	26,376
Effect of COVID-19 related rent concessions	8, 26	**881**	(1,986)	–
Gain from early return of engine/aircraft	26	**(490)**	(2,844)	–
Impairment of property, plant and equipment	11	**–**	14,722	–
Gain on insurance case	7	**–**	–	(24,406)
Operating cash flow before movements in working capital		**267,848**	**54,617**	**161,169**
Change in trade and other receivables		**(3,830)**	23,486	(4,762)
Change in prepaid expenses and prepayments		**(6,402)**	30,099	(16,435)
Change in inventories		**(3,515)**	4,043	(5,069)
Change in trade and other payables and provision for aircraft maintenance		**4,081**	(76,397)	16,163
Change in deferred revenue		**20,563**	(30,632)	13,964
Change in other financial assets		**–**	(308)	(1,639)
Cash generated from operations		**278,745**	**4,908**	**163,391**
Income tax paid		**(3,965)**	(3,517)	(12,120)
Interest received		**1,627**	1,170	2,651
Net cash generated from operating activities		**276,407**	2,561	153,922

Continued on the next page

Consolidated statement of cash flows continued

for the year ended 31 December 2021

'000 USD	Notes	2021	2020	2019
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		**(31,682)**	(30,287)	(35,525)
Proceed from sale and leaseback transaction		**8,719**	33,410	8,694
Purchase of fuel options	20	**(4,460)**	–	–
Proceeds from fuel options	20	**5,090**	–	–
Proceeds from insurance case	7	**–**	–	17,698
Proceeds from disposal of property, plant and equipment		**3,982**	2,967	3,276
Purchase of intangible assets		**(541)**	(828)	(429)
Bank and Guarantee deposits placed		**(4,115)**	(3,578)	(12,136)
Bank and Guarantee deposits withdrawn		**10,583**	6,788	29,729
Net cash (used in)/generated from investing activities		**(12,424)**	**8,472**	**11,307**
FINANCING ACTIVITIES:				
Repayment of lease liabilities	26	**(93,553)**	(100,020)	(103,931)
Interest paid	26	**(49,088)**	(29,587)	(24,904)
Repayment of borrowings and additional financing from sale and leaseback	26	**(106,794)**	(66,290)	(1,349)
Proceeds from borrowings and additional financing from sale and leaseback	26	**12,305**	210,958	9,000
Net cash (used in)/generated from financing activities		**(237,130)**	**15,061**	**(121,184)**
NET INCREASE IN CASH AND BANK BALANCES		**26,853**	**26,094**	**44,045**
Effect of exchange rate changes on cash and bank balances held in foreign currencies		**(1,849)**	(1,180)	(426)
Effects of movements in ECL on cash and bank balances		**(1)**	(2)	(3)
CASH AND BANK BALANCES, at the beginning of the year		**201,354**	176,442	132,826
CASH AND BANK BALANCES, at the end of the year	19	**226,357**	**201,354**	**176,442**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 95 to 150.

Notes to the consolidated financial statements

for the year ended 31 December 2021

1. Nature of activities

JSC Air Astana is a joint stock company (the "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 Parent Company was re-registered as a joint stock company on 27 May 2005.

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

In November 2019 the Company obtained control of the Subsidiary by acquiring one hundred percent of the shares, which are 101,665 shares, and voting interests for KZT 2. At the time of the acquisition the Subsidiary had negative net assets of KZT 7 thousand. Taking control of the Subsidiary will enable the Company to separate its division, a new low-cost airline, operating under the FlyArystan brand in the future. The Subsidiary did not have operations during 2020 and 2021.

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

The Group operated its maiden flight on 15 May 2002, a Boeing-737 service from Almaty to Kazakhstan's national capital, Nur-Sultan (Astana at the time). As at 31 December 2021, the Group operated 36 aircraft that are acquired under lease.

The Parent Company re-registered its office in 2010 from Nur-Sultan (Astana at the time), Kazakhstan to Zakarpatskaya Street 4A, Almaty, Kazakhstan as the Parent Company's main airport of operations is Almaty International Airport.

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

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). Functional and presentation currency

Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstani tenge ("tenge"), which until 31 December 2017 was the Company's functional currency, because it reflected the economic substance of the underlying events and circumstances of the Company.

During 2017, the management reassessed the indicators of the Company's functional currency, with particular focus on the Company's increasing international flight operations, and noted that an increasing part of the Company's operations are influenced by currencies other than tenge; predominantly the US Dollar. As a result, the management concluded that with effect from 31 December 2017 (the transition date, for the purpose of the financial reporting under International Financial Reporting Standards), that the Company's functional currency is the US Dollar.

As requested by shareholders, in addition to the consolidated financial statements presented in the Company's functional currency, US Dollar ("USD"), the Group also issues the consolidated financial statement in Kazakhstani tenge, which is a non-functional currency for the Company as shareholders believe that both currencies are useful for the users of the Group's consolidated financial statements. These consolidated financial statements have been presented in USD for the year ended 31 December 2021. All financial information presented in USD has been rounded to the nearest thousand, so minor discrepancies may arise from addition of these amounts.

Impact of COVID-19

The new coronavirus infection, COVID-19 has caused a pandemic since the first quarter of 2020, and continues to have a significant impact on the aviation industry particularly due to travelling restrictions as well as social distancing requirements and local lockdowns in different countries.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Basis of accounting continued

Impact of COVID-19 continued

The decline in demand and flight restrictions caused a material deterioration of revenue during the first three quarters of 2020. The trend changed substantially towards the end of the third quarter of 2020 for the Company. International flights restarted gradually and continued with additions through the current year. Besides a historically high demand in existing destinations such as Frankfurt, Amsterdam, Dubai, Istanbul, Tashkent and Moscow, the Company noted an increased demand for direct routes to leisure destinations. Antalya flights were extended through the winter 2020 for the first time, Sharm el Sheikh flights were restarted and direct flights were introduced to the Maldives. New destinations which were not included in the plan, but in fact have been opened, and influenced significantly on the revenue restoration, included Batumi, Phuket and Podgorica.

In 2021, both international and domestic routes continued further restoration and expansion. As a result, in 2021 domestic passenger traffic increased by 75%, and international passenger traffic increased by 84% in comparison with the same period of 2020. In March 2021 the Government of the Republic of Kazakhstan launched a massive vaccination programme. Moreover, in the first half of 2021 vaccinations started all over the world. At the end of the year revaccination had started in Kazakhstan and in other countries. The management expects that these measures will continue to contribute to improvement of the situation going forward. The Group reshaped its route network and introduced cost cutting policies to cope with the post-pandemic low-level demand by concentrating more on direct leisure routes internationally and growing its domestic routes. These actions greatly facilitated the recovery of the Group which is demonstrated by the fact that the 2021 profit of the Group exceeded its pre-pandemic level of 2019.

In response to the pandemic, the Group prioritized safety of its customers and employees across all touchpoints of its operations and concentrated on financial liquidity to ensure that it is well positioned for recovery. Actions under these priorities include:

- Protecting the health and safety of employees and customers;
- Encouraging vaccination and revaccination amongst employees;
- Adoption of new cleaning procedures on all flights, including disinfectant electrostatic spraying on aircraft and sanitizing high-touch areas before each flight;
- Taking steps to help employees and customers practice social distancing and stay safe, including requiring employees and customers to wear masks; and
- Strict office regulations including monitoring of each person, obligatory use of masks, social distancing, reporting of any health matters and immediate distancing, random testing. This was widely communicated to all staff using multiple communication channels including email and corporate mobile application. These measures are in addition to the distance working that reduced the risk of contracting COVID-19 significantly.

Liquidity

The Group took extensive measures to reduce the cash outflow by imposing rigorous cost control measures, deferral of all non-essential investment and negotiating deferral of payments with major creditors at the start of the pandemic.

In 2020 priority for all airlines was set at securing cash and access to credit facilities. While some airlines with better outlook secured such credit facilities with banks, a range of airlines had no option but to accept bailouts of their governments or accept financial aid or state guarantees with certain conditions attached. The Company was among a few airlines that successfully managed the crisis without needing government bailout.

As the demand both for international and domestic routes shows improvements, the Group's management decided to make repayments of the loan from JSC Halyk Bank ahead of schedule during the year of 2021.

In addition, the Company accomplished the following mitigation actions against liquidity risk:

- Reducing expenditures burn by rigorous cost control, reduction of subcontracted labour, extended leave and downtime;
- Deferral of all non-essential capital expenditures;
- Review of heavy maintenance events and deferrals in accordance with utilization limits recommended by the manufacturers;
- Deferring lease payments from three to twelve months, subsequently to 24 months; and
- Aggressively managing costs through lower capacity, reducing fuel expense and other cost initiatives including reduced work schedules and voluntary employee leaves of absence and eliminating nearly all discretionary spending.

Going concern

The management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. As at 31 December 2021 the Group's net current liabilities were USD 26,970 thousand.

As part of the Group's consideration of the appropriateness of adopting the going concern basis in preparing the year-end consolidated financial statements, a range of different scenarios has been reviewed. The assumptions modelled are based on the estimated potential impact of COVID-19 (and additional variants, latest Omicron) restrictions, along with the Group's proposed responses over the course of the next 12 months. These include a range of estimated impacts primarily based on the length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions on the demand for the Group's services. The management has sensitised the revenue, profit and cash flow impact of reduced trading activity and a negative impact of changes.

The scenarios are most sensitive to the assumptions made for the expected recovery period. A key judgement applied is the likely time period of restrictions on movement of people and social distancing. The Group analysed its actual performance and adjusted plans based on the actual situation. Forecast statistics takes into account restrictions on routes assumed in the scenarios and opening of new routes in order to cover part of available demand. The domestic traffic already exceeded pre-COVID-19 levels in 2020 and almost doubled 2019 levels in 2021. Under each scenario, mitigating actions are all within the management control and can be initiated as they are related to discretionary spending, and do not impact the ability to meet demand. These actions include cost cutting and stopping all non-essential and non-committed capital expenditures in the next 6-12 months. The management assumes no significant structural changes to the business will be needed in any of the scenarios modelled. As at 25 February 2022, the cash position of the Group remains strong. Under all the scenarios modelled, after taking mitigating actions as needed, the management's forecasts did not indicate a cash deficit within the next 12 months.

With regard to the new Omicron variant of COVID-19, the management believes that its impact would not be as significant compared to the impact of the first COVID wave in March-April 2020 when there was no vaccine availability at all in addition to a very limited experience – both conditions are significantly different today and so is the sentiment. The management has not observed and does not expect similar significant negative effects from possible travel restriction, since the Group's past experience showed that controlled capacity during the second, third and fourth waves on limited flights did not necessarily deliver a negative financial impact and the Group managed to re-shape the business to improve earnings before interest, taxes and depreciation. The most recent financial results for 2021 indicate that even with the limited international capacity, the Company managed to achieve an earnings before interest, taxes, depreciation, amortization and rent (EBITDAR) that was better, significantly, than the pre-crisis results. As such, being subject to some international capacity restrictions potentially for some time would not affect the management's conclusion that the Group is capable of operating as a going concern. Accordingly, the management has concluded that there is no material uncertainty regarding the Group's ability to continue as a going concern and the management considered it appropriate for the going concern assumption to be adopted in preparing the consolidated financial statements.

3. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets on the date of acquisition. The Group discloses other comprehensive income separately from its consolidated statement of profit or loss. The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Segmental Information

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

Revenue

Passenger revenue

The Group satisfies the performance obligations related to tickets sold and reports the sales as revenue when the transportation service performance obligation has been satisfied. The value of tickets sold and still valid but not used by the reporting date is reported as deferred (unearned) transportation revenue. This item is reduced either when the Group satisfies the performance obligation by completing the transportation service or when the passenger requests a refund. Based on historical data of previous years, the Group recognizes passenger revenue in proportion to the pattern of rights exercised by the customer in respect of a percentage of tickets sold that are expected not to be used or refunded.

The Group conducts sales through agents that act as intermediaries distributing tickets among customers. On average, accounts receivable are collected within a month from origination. The Group's sales do not contain significant finance components due to the short-term nature of airline tickets.

Passenger revenue includes revenue from code-share agreements with other airlines. Under these agreements, the Group sells seats on these airlines' flights and those other airlines sell seats on the Group's flights. Revenue from the sale of code-share seats on other airlines are recorded in net in the Group's passenger revenue in profit or loss, since the Group acts as an agent in these agreements. The revenue from other airlines' sale of code-share seats on the Group's flights is recorded in passenger revenue in profit or loss.

Revenue related to airport charges, such as fees and taxes, are presented gross of the related costs. This is due to the fact that the Group is exposed to changes in the actual costs, and these costs are assessed by the Group based on the volume of its operations, such that the Group acts as a principal in the transactions, not as an agent.

Cargo revenue

Cargo transport services are recognised as revenue when the Group satisfies the performance obligation by providing the air transportation. Cargo sales for which performance obligation to provide transportation service has not yet been discharged are shown as deferred (unearned) transportation revenue.

Other income

Compensation for insurance recoveries, including the loss or impairment of property, plant and equipment, is recognised in profit or loss when receivable.

Customer loyalty program

Sales of tickets that result in award credits for customers, under the Company's Nomad Club Loyalty Programme, are accounted for as two separate performance obligations embedded into one contract, the ticket. The transaction price is allocated between the transportation service and the award provided based on their stand-alone selling prices. The transaction price of credit award is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Company's performance obligations have been fulfilled.

Travel agents' commissions

Travel agents' commissions are recognised as an expense when the transportation service is provided.

Reservation commissions

Reservation commissions are recognised as an expense when incurred since the amortization period of the asset that the Group otherwise would have recognised is less than a year.

Leasing

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and lease liabilities separately in the consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Sale and leaseback transactions

If the Group transfers an asset to another entity and leases that asset back from this entity, the Group accounts for the transfer contract and the lease according to IFRS 16 *Leases*.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Leasing continued

The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 *Revenue from contracts with customers* to determine whether the transfer of an asset is accounted for as a sale of that asset.

If the transfer of an asset by the Group satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms shall be accounted for as a prepayment of lease payments; and
(b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

Guarantee deposits

Guarantee deposits represent amounts paid to the lessors of aircraft, which are held as security deposits by the lessors in accordance with the provisions of lease agreements without transfer of title. These deposits are returned to the Group at the end of the lease period. Lease deposits relating to the lease agreements without transfer of title are presented as assets in the consolidated statement of financial position. These deposits are interest-free and are recorded at amortised cost using an average market yield of 2.25% per annum (2020: 2.25%, 2019: 2.25%). At initial recognition the Group recognises a discount and a deferred asset (additional lease payment) simultaneously. The discount is amortised over the lease term using the effective interest method, and the deferred asset is amortised by equal amounts over the lease term.

Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the Group'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 that are measured at historical cost in a foreign currency are not retranslated.

The following table summarises US Dollar exchange rates at 31 December 2021, 31 December 2020 and 31 December 2019 and for the years then ended:

	Average rate			Reporting date spot-rate		
	2021	2020	2019	**31 December 2021**	31 December 2020	31 December 2019
1,000 Tenge (KZT)	**2.35**	2.42	2.61	**2.32**	2.38	2.61
Euro (EUR)	**1.18**	1.14	1.12	**1.13**	1.23	1.11
British Pound (GBP)	**1.38**	1.28	1.28	**1.35**	1.37	1.31

The following table summarises KZT exchange rates at 31 December 2021, 31 December 2020 and 31 December 2019 and for the years then ended:

	Average rate			Reporting date spot-rate		
	2021	2020	2019	**31 December 2021**	31 December 2020	31 December 2019
US Dollar (USD)	**426.03**	412.95	382.75	**431.8**	420.91	382.59
Euro (EUR)	**503.88**	471.44	428.51	**489.1**	516.79	426.85
British Pound (GBP)	**586.25**	529.91	488.46	**583.32**	574.88	499.99

Finance income and costs

Finance income comprises interest income on bank deposits and gain on financial instruments through profit and loss.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the carrying value and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs comprise interest expense, bank commissions, losses on financial instruments through profit and loss and other costs. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until those assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Employee benefits

Short-term employee benefit obligations are recognised as an expense in profit or loss as the related service is provided.

A provision is recognised for the amount expected to be paid under cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be realised. Such assets and liabilities are not recognised if the temporary difference arises in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses.

The financial interest attributed to pre-delivery payments made on account of aircraft and other significant assets under construction is capitalised and added to the cost of the asset concerned.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalised (e.g. maintenance on airframes and engines).

Aircraft

The purchase price of aircraft is denominated in US dollar.

Aircraft are depreciated using a straight-line method over their average estimated useful life of 25 years or over the lease terms, if the lease term is shorter than the 25-year period, assuming no residual value. During the operating cycle, the Group reviews whether the depreciable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognised.

Repairs for major airframes and engines of all aircraft are treated as a separate asset component with the cost capitalised and depreciated over the period between the date of acquisition and the next major overhaul.

Major overhaul expenditure, including replacement spares and labour costs, are capitalised and amortised over the average expected life between major overhauls based on flight hours and cycles.

All other replacement spares and other costs relating to maintenance of an aircraft are charged to profit or loss upon consumption or as incurred, respectively.

Rotable spare parts

Rotable spare parts are carried in property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Other property, plant and equipment

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Aircraft (excluding separate asset components)	25 years
Buildings and premises	14-50 years
Rotable spare parts	3-10 years
Office equipment and furniture	4-7 years
Vehicles	7-9 years
Other	5-10 years

Depreciation is recognised so as to write off the cost of assets (other than freehold land, properties under construction and separate asset component of the aircraft) less their residual values over their useful lives, using the straight-line method. Separate asset component of an aircraft is amortised over the average expected life between major overhauls which is based on flight hours or cycles.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful economic life of software for the current and comparative periods is from 7 to 10 years.

Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The Group identifies the recoverable amount as value in use of a CGU.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes to the consolidated financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis, except for fuel and de-icing liquid, which are determined on the weighted average cost basis. Fuel and de-icing liquid are written off upon actual consumption. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Expenditures incurred in acquiring the inventories such as customs duties, freight and broker's services are accumulated into a separate inventory account and allocated depending on use of relevant inventory.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for aircraft maintenance under lease agreement without transfer of title

The Group is obligated to perform regular scheduled maintenance of aircraft under the terms of its lease agreements without transfer of title and regulatory requirements relating to air safety. The lease agreements also require the Group to return aircraft to lessors in a satisfactory condition at the end of the lease term, which may require the performance of final return conditions. The Group's scheduled aircraft maintenance programs carried out through the lease periods are designed to reduce the incidence of final return costs. Major aircraft maintenance relates to airframes (referred to as the C-check, D-check and redelivery preparation program) and engines.
The C-check is heavy maintenance with approved performance intervals. It takes place the earliest of every 6,000-7,500 flight hours, 3,000-5,000 flight cycles and 18-24 months according to aircraft type.

The D-check (4C, 6YR, 12YR) is heavy maintenance connected with deep aircraft disassembly, structure inspection and anticorrosion prevention program. It takes place with an interval of not more than 72 months. Engine overhaul occurs after specified flight hours or cycles occur. Some of the lease agreements without transfer of title include a component of variable lease payments which is generally reimbursable to the Group by lessors as a contribution to engine maintenance costs after they are incurred.

The variable lease payments are recognised as an expense in profit or loss as incurred. In the case of other lease agreements without transfer of title variable lease payments are replaced (subject to certain conditions) by Letters of Credit as security for Lessors to cover any unfulfilled maintenance liabilities on the return of the aircraft, and amounts corresponding to the applicable variable lease amounts are included in provisions. For C-check maintenance, a provision is recorded on a progressive basis based upon the Group's estimate of future maintenance costs. For engine maintenance, a provision is recorded on a progressive basis based upon the Group's estimate of the excess of maintenance costs over the amount reimbursable by the lessors. The Group's aircraft maintenance liabilities are due in US Dollars.

Overhaul and restoration works (not depending on aircraft utilisation)

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

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Classification and subsequent measurement continued

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as “substantial modification”), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset is deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Modification of financial assets and financial liabilities continued

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies an accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the LIBOR, NBRK and other key rates. The Group treats the modification of an interest rate to a current market rate using the guidance on variable-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- guarantee deposits and bank balances that are determined to have low credit risk at the reporting date; and
- other guarantee deposits and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or if the external credit rating assigned to a financial asset by an international rating agency falls by six notches according to Standard and Poor's Global Ratings (S&P Global Ratings), Moody's or Fitch credit rating agencies.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per S&P Global Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the contractual life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

Impairment of financial assets continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

4. Application of new and revised international financial reporting standards

Amendments to IFRS 16 Leases

The Group adopted COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) issued in March 2021. Prior to this amendment IFRS 16 introduced an optional practical expedient with limited applicability period for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment in 2021 extended the availability of the practical expedient by one year. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2021.

Amendments to IFRS 9 Financial instruments

The Group has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2021, there is no impact on opening equity balances as a result of retrospective application.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Provisions

Provisions mainly consist of provision for aircraft maintenance (Note 23).

Recoverability of variable lease payments related to future maintenance

Under the lease agreements without transfer of title for its aircraft, the Group makes variable lease payments to lessors which are based upon the flight hours of engines, limited life parts of engines, auxiliary power units and major airframe checks. Such amounts are applied to the cost of maintenance services and are reimbursable by lessors upon occurrence of the maintenance event (APU and engine overhaul, replacement of the limited life parts and major airframe checks).

The reimbursement is made only for scheduled repairs and replacements in accordance with the Group's maintenance program agreed with the Kazakhstan Civil Aviation Committee ("CAC").

In case of a return of the aircraft after the scheduled maintenance event, but before the return condition specified in the lease agreement is triggered, the amounts of unapplied variable lease payments made to the lessors are not reimbursable and are retained by the lessors as a deposit transferrable to the next lessees of the aircraft. The management regularly assesses the recoverability of variable lease payments made by the Group. Unanticipated maintenance costs are expensed in profit or loss as incurred.

Compliance with tax legislation

Tax, currency and customs legislation of Kazakhstan are subject to frequent changes and varying interpretations. The management's interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional authorities enabled by law to impose fines and penalties. It is possible that the tax treatment of transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the five calendar years preceding the year of tax review.

Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

Determination of the functional currency

The functional currency of the Company is USD which, in the management's view, reflects the economic substance of the underlying events and circumstances of the Group at the reporting date. At each reporting date the management of the Group reassesses factors that may affect the determination of the functional currency based on circumstances at the reporting date. Significant judgment is required from the management when analysing indicators of the primary economic environment including the pricing policy, structure of revenues from international and domestic routes, costs structure as well as continued development in the strategy of the Group for further development of international routes. Future circumstances, therefore, may be different and may result in a different conclusion.

Due to the COVID-19 pandemic the revenue from the Company's international routes fell more than the domestic routes revenue. As a result, the share of dollar denominated sales in 2020 decreased significantly. In 2021, due to restoration of the market, demand for international routes increased in comparison with 2020. The management believes that recovery for international routes and related USD denominated sales will continue in 2022. Accordingly, the functional currency of the Company remains the US dollar.

Useful lives of property, plant and equipment

In reporting intangible assets and tangible assets, an assessment is made of the useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

5. Critical accounting judgments and key sources of estimation uncertainty continued

Allowances

The Group accrues allowances for impairment of accounts receivable. The Group calculated the probability of default of accounts receivable based on the lifetime approach. Changes in the economy and specific customer conditions may require adjustments of the probability of default and loss given default coefficient derived based on the historical information and thus adjustment of the allowances for doubtful accounts recorded in the consolidated financial statements. As at 31 December 2021, 2020 and 2019, allowances for doubtful accounts were equal to USD 1,935 thousand, USD 2,096 thousand and USD 2,253 thousand, respectively (Note 17).

Other financial assets are mainly credit rated by one or more international credit rating agencies: Moody's, Fitch, and S&P Global Ratings. The estimated credit loss is calculated for the entire useful life for those assets whose credit risk has increased significantly comparing to its level at the initial recognition date. Once the instrument is impaired the Group calculates allowances for doubtful accounts based on the expected future cash flows discounted at the original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account. When the Group believes that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When credit risk significantly decreases for those assets which previously have been classified in Stage 2, the Group performs an analysis to determine whether the current financial position of the borrower is stable enough to reclassify such assets back to Stage 1. As at 31 December 2021 impairment allowances were equal to USD 46,604 thousand as disclosed in Note 17 (31 December 2020: USD 47,538 thousand, 31 December 2019: USD 47,628 thousand).

The Group annually estimates the necessity of write-down for obsolete and slow-moving inventories based on annual stock count data conducted at the reporting date. As at 31 December 2021, the Group recognised a write-down for obsolete and slow-moving inventories in the amount of USD 1,568 thousand (2020: USD 1,707 thousand, 2019: USD 2,120 thousand) (Note 15).

Customer loyalty program

The Company's Nomad Club Loyalty program is an incentive program under which passengers are granted points for each flight. Once a passenger accumulates a certain number of points he or she can convert the points into a ticket. While calculating the customer loyalty program provision the Company uses critical judgements and estimates in regard to the value per point by Nomad club members.

The Company uses estimated ticket values to calculate the program's point value. Outstanding unutilised points as of each reporting dates are treated as deferred revenue. Points are valued based on the weighted average standalone prices of tickets redeemed by route and class. Based on the historical statistics the Company determines the amount of breakage with regards to those points whose usage is not probable.

Lease term

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Group considers that enforceability of the lease is established by a written contract (including broader interpretation of a penalty) in combination with applicable legislation governing the lease contract related to renewal or termination rights (specifically the lessee's preferential rights to renew or not to cancel the lease). The Group determined that its preferential right to renew or not to cancel would on its own be treated as substantive, when the Group has a preferential right to renew or not to cancel the lease through a negotiation mechanism under the Civil Code of Kazakhstan. Thus, considering the broader economics of the contract, and not only the contractual termination payments, the lease term may go beyond the contract term.

Deferred tax asset recoverability

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The tax code permits an entity to carry forward the accumulated tax losses for the next ten years. The management concluded that sufficient taxable income to utilize the deferred tax asset is probable by comparing the profit before tax forecasted in the 5-year business plan with the tax loss carried forward as of 31 December 2021.

6. Segment Reporting

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

Air Astana

The Group's aviation activities consist of mainly domestic and international passenger and cargo air transportation as full service airline.

FlyArystan

The Group's aviation activities consist of mainly domestic and international passenger and cargo air transportation as low cost service airline.

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

Operating results for the years ended 31 December 2021, 2020 and 2019:

Profit and loss statement

'000 USD	2021 Air Astana	2021 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	**562,393**	**153,401**	–	715,794
Cargo and mail revenue	**31,930**	**1,640**	–	33,570
Other revenue	**6,414**	**1,432**	–	7,846
Lease	**54,375**	**–**	(54,375)	–
Gain from sale and leaseback transaction	**4,628**	**–**		4,628
Total revenue	**659,740**	**156,473**	**(54,375)**	**761,838**
Operating expenses				
Depreciation and amortization	**(119,505)**	**(1,327)**	–	(120,832)
Fuel and oil costs	**(104,357)**	**(40,214)**	–	(144,571)
Employee costs	**(82,677)**	**(22,080)**	–	(104,757)
Engineering and maintenance	**(87,950)**	**(28,965)**	22,333	(94,582)
Handling, landing fees and route charges	**(54,341)**	**(15,756)**	–	(70,097)
Passenger service	**(52,649)**	**(8,245)**	–	(60,894)
Aircraft operating lease costs	**(3,432)**	**(32,272)**	32,042	(3,662)
Selling costs	**(23,130)**	**(1,945)**	–	(25,075)
Aircraft crew costs	**(10,269)**	**(2,179)**	–	(12,448)
Insurance	**(5,455)**	**(1,655)**	–	(7,110)
IT and communication costs	**(3,832)**	**(743)**	–	(4,575)
Consultancy, legal and professional services	**(3,334)**	**(58)**	–	(3,392)
Property lease cost	**(2,543)**	**(98)**	–	(2,641)
Taxes	**(2,501)**	**–**	–	(2,501)
Impairment loss on trade receivables	**30**	**(143)**	–	(113)
Other operating costs	**(9,720)**	**(708)**	–	(10,428)
Total operating costs	**(565,665)**	**(156,388)**	**54,375**	**(667,678)**
Operating profit	**94,075**	**85**	**–**	**94,160**

Continued on the next page

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

6. Segment Reporting continued

Profit and loss statement

'000 USD	2020 Air Astana	2020 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	302,511	55,902	–	358,413
Cargo and mail revenue	23,569	992	–	24,561
Other revenue	10,557	476	–	11,033
Lease	29,464	–	(29,464)	–
Gain from sale and leaseback transaction	6,257	–	–	6,257
Total revenue	**372,358**	**57,370**	**(29,464)**	**400,264**
Operating expenses				
Depreciation and amortization	(100,756)	(279)	–	(101,035)
Fuel and oil costs	(70,637)	(18,575)	–	(89,212)
Employee costs	(63,456)	(9,194)	–	(72,650)
Handling, landing fees and route charges	(39,908)	(7,317)	–	(47,225)
Passenger service	(33,371)	(3,194)	–	(36,565)
Engineering and maintenance	(40,913)	(12,871)	10,586	(43,198)
Selling costs	(16,489)	(604)	–	(17,093)
Aircraft crew costs	(14,221)	(651)	–	(14,872)
Aircraft operating lease costs	(3,297)	(18,982)	18,878	(3,401)
Insurance	(4,997)	(787)	–	(5,784)
IT and communication costs	(3,739)	(484)	–	(4,223)
Taxes	(4,158)	–	–	(4,158)
Consultancy, legal and professional services	(3,190)	(64)	–	(3,254)
Property lease cost	(2,400)	(25)	–	(2,425)
Impairment loss on trade receivables	115	(232)	–	(117)
Other operating costs	(24,091)	(275)	–	(24,366)
Total operating costs	**(425,508)**	**(73,534)**	**29,464**	**(469,578)**
Operating loss	**(53,150)**	**(16,164)**	**–**	**(69,314)**

Profit and loss statement

'000 USD	2019 Air Astana	2019 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	797,407	27,545	–	824,952
Cargo and mail revenue	20,801	344	–	21,145
Other revenue	47,702	250	–	47,952
Lease	6,870	–	(6,870)	–
Gain from sale and leaseback transaction	4,680	–	–	4,680
Total revenue	**877,460**	**28,139**	**(6,870)**	**898,729**
Operating expenses				
Fuel and oil costs	(198,550)	(9,049)	–	(207,599)
Handling, landing fees and route charges	(106,564)	(2,838)	–	(109,402)
Employee costs	(99,000)	(4,139)	–	(103,139)
Passenger service	(89,876)	(1,651)	–	(91,527)
Engineering and maintenance	(93,569)	(838)	3,296	(91,111)
Depreciation and amortization	(81,234)	(121)	–	(81,355)
Selling costs	(41,937)	(423)	–	(42,360)
Aircraft crew costs	(35,051)	(276)	–	(35,327)
Aircraft operating lease costs	(13,709)	(6,921)	3,574	(17,056)
Insurance	(8,870)	(234)	–	(9,104)
Consultancy, legal and professional services	(3,613)	(405)	–	(4,018)
IT and communication costs	(3,776)	(117)	–	(3,893)
Property lease cost	(2,483)	(2)	–	(2,485)
Taxes	(1,718)	–	–	(1,718)
Impairment loss on trade receivables	(738)	–	–	(738)
Other operating costs	(19,051)	(147)	–	(19,198)
Total operating costs	**(799,739)**	**(27,161)**	**6,870**	**(820,030)**
Operating profit	**77,721**	**978**	**–**	**78,699**

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

7. Revenue and other income

'000 USD	2021	2020	2019
Passenger revenue			
Scheduled passenger flights including:	**663,379**	340,599	809,288
Fuel surcharge	**60,764**	39,406	108,460
Airport services	**32,459**	16,845	47,158
Excess baggage	**5,718**	3,449	5,688
Charter flights	**52,415**	17,814	15,664
	715,794	358,413	824,952

Passenger revenue increased by USD 357,381 thousand during 2021 as compared to 2020 primarily due to the restoration in demand.

Passenger revenue decreased by USD 466,539 thousand during 2020 as compared to 2019 primarily due to the decrease in demand for air travel as a result of the worldwide spread of COVID-19 and the associated shelter-in-place directives and travel restrictions.

Passenger revenue of the Group includes USD 153,401 thousand (2020: USD 55,902; 2019: USD 27,545 thousand USD) thousand related to the FlyArystan division.

Charter revenue of the Group includes USD 2,719 thousand (2020 and 2019: nil) related to the FlyArystan division.

'000 USD	2021	2020	2019
Cargo and mail revenue			
Cargo – Regular	**17,910**	9,754	18,772
Cargo – Charter	**13,975**	13,511	–
Mail	**1,685**	1,296	2,373
	33,570	24,561	21,145

'000 USD	2021	2020	2019
Other income			
Other income	**3,183**	6,496	42,428
Gain on disposal of property, plant and equipment and other assets	**2,489**	1,458	1,221
Income from ground services	**1,281**	1,140	996
Advertising revenue	**606**	500	787
Penalties on agency contracts	**62**	717	1,645
Warranty returns	**–**	–	412
Sales of fuel	**–**	–	321
Other	**225**	722	142
	7,846	**11,033**	**47,952**

In November 2021 the Group purchased under a negotiation reached with manufacturer in 2015 a spare engine which was immediately sold as part of a sale and leaseback transaction for the purpose of obtaining additional financing. The Group measured the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, the Group recognized a net gain of USD 4,628 thousand which represents the excess of the sale proceeds over lease liabilities and the changes in engine's related assets. The Group has sold a spare engine for the total amount of USD 18,321 thousand and recognised a right-of-use asset of USD 4,579 thousand and lease liabilities of USD 8,670 thousand. Under the lease agreement the Group has leased back the spare engine for eight years with monthly payments The Group has recognised USD 8,719 thousand as the proceeds from the sale and leaseback transaction in investing activities in the consolidated statement of cash flows.

In January 2020 the Group conducted a sale and leaseback transaction by selling one Airbus A-321. The Group measured the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognized a net gain of USD 6,257 thousand which represents the excess of the sale proceeds over lease liabilities and the changes in aircraft related asset.

During 2020 the Group recognized in other income a net gain of USD 2,844 thousand from early return of four Boeing 757-200 and four Embraer E190.

In December 2019, the Group purchased two spare engines which were immediately sold as part of a sale and leaseback transaction for the purpose of obtaining additional financing. The Group measured the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, the Group recognized a net gain of USD 4,680 thousand which represents the excess of the sales proceeds over lease liabilities and the changes in engines' related assets. The Group has sold two spare engines for the total amount USD 30,395 thousand and recognised right-of-use assets of USD 10,019 thousand and lease liabilities of USD 14,033 thousand. Under the lease agreement the Group has leased back two spare engines for eight years with monthly payments. In addition, the Group is obliged to pay the monthly variable lease payments which are accrued according to the total flight hours of the engines which have not been included in lease liabilities. The Group has recognised USD 8,694 thousand as the proceeds from the sale and leaseback transaction in investing activities in the consolidated statement of cash flows.

In December 2019 the Company recognized income from insurance proceeds included in other income in the amount of USD 35,100 thousand. The insurance claim was based on an incident with loss of control of the aircraft that happened in November 2018. After the incident the aircraft was not in use due to the investigation which should confirm the aircraft stability. Out of the total USD 35,100 thousand insurance award the Group received USD 17,698 thousand in December 2019 (USD 2,000 thousand to be received from the insurance company). USD 15,370 thousand was transferred in December 2019 by the security trustee to the lessor with assistance of the insurer and reinsurance broker to extinguish the outstanding lease liability. USD 32 thousand was used to settle related legal and transaction fees and USD 10,694 thousand was recognised in other operating costs as disposal of the asset.

During 2021, 2020 and 2019 passenger, cargo and mail revenue, representing total revenue from contracts with customers, were generated from the following destinations:

'000 USD	2021	2020	2019
Domestic	**309,171**	173,063	233,123
Asia and Middle East	**155,897**	84,440	218,180
CIS	**148,216**	48,536	212,321
Europe	**136,080**	76,935	182,473
Total revenue from passenger and cargo	**749,364**	**382,974**	**846,097**

Domestic passenger revenue of the Group consists of USD 125,194 thousand (2020: USD 54,534; 2019: USD 27,068 thousand) related to the FlyArystan division.

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8. Operating expenses

'000 USD	2021	2020	2019
Employee costs			
Wages and salaries of operational personnel	**69,930**	49,846	67,015
Wages and salaries of administrative personnel	**16,941**	10,835	16,839
Social tax	**8,159**	4,904	9,317
Wages and salaries of sales personnel	**5,178**	3,853	6,017
Other	**4,549**	3,212	3,951
	104,757	**72,650**	**103,139**

The average number of employees during 2021 were 4,683 (2020: 5,035; 2019: 5,312).

'000 USD	2021	2020	2019
Engineering and maintenance			
Maintenance – provisions (Note 23)	**60,818**	20,344	28,467
Maintenance – variable lease payments	**12,914**	5,988	28,154
Spare parts	**10,709**	9,023	13,875
Maintenance – components	**7,417**	5,749	21,418
Technical inspection	**2,724**	2,094	2,493
	94,582	**43,198**	**94,407**

'000 USD	2021	2020	2019
Handling, landing fees and route charges			
Handling charge	**28,832**	18,489	39,033
Aero navigation	**23,247**	16,608	45,516
Landing fees	**16,612**	10,792	23,017
Meteorological services	**164**	49	214
Other	**1,242**	1,287	1,622
	70,097	**47,225**	**109,402**

'000 USD	2021	2020	2019
Passenger service			
Airport charges	**29,596**	15,329	45,777
Catering	**16,249**	10,252	23,690
In-flight entertainment	**4,664**	3,482	5,307
Security	**2,842**	1,685	5,500
Other	**7,543**	5,817	11,253
	60,894	**36,565**	**91,527**

'000 USD	2021	2020	2019
Selling costs			
Reservation costs	**15,965**	11,142	22,659
Advertising	**4,431**	2,648	7,246
Commissions	**4,157**	2,978	11,581
Interline commissions	**234**	93	421
Other	**288**	232	453
	25,075	**17,093**	**42,360**

'000 USD	2021	2020	2019
Aircraft crew costs			
Accommodation and allowances	**8,427**	6,349	15,574
Training	**4,002**	4,828	6,724
Contract crew	**19**	3,695	13,029
	12,448	**14,872**	**35,327**

'000 USD	2021	2020	2019
Aircraft lease costs			
Lease of engines and rotable spare parts	**1,413**	1,413	1,541
Effect of COVID-19 related rent concessions (Note 26)	**881**	(1,986)	–
Leased engine on wing costs	**656**	994	1,746
Lease return costs	**380**	663	975
Variable lease charges	**332**	133	93
Fixed lease charges of aircraft and engine	**–**	2,184	9,405
	3,662	**3,401**	**13,760**

In 2021, due to restorations of the operating activity, the Group's operating expenses increased in comparison with 2020.

Due to the reduction of operations as a result of the COVID-19 lockdown the related operational expenditures significantly decreased in 2020 as compared with the expenditure level in 2019.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

9. Finance income and costs

'000 USD	2021	2020	2019
Finance income			
Financial assets and liabilities held at FVTPL (Note 20)	**8,013**	–	–
Interest income on bank deposits	**1,621**	1,157	2,636
Reversal/(accrual) of impairment allowance on financial assets	**616**	244	(449)
Other	**168**	26	34
	10,418	**1,427**	**2,221**

'000 USD	2021	2020	2019
Finance costs			
Interest expense on lease liabilities (Note 26)	**35,448**	28,640	23,858
Interest expense on bank loans (Note 26)	**11,296**	6,104	931
Financial assets and liabilities held at FVTPL (Note 20)	**–**	542	1,523
Impairment allowance on financial assets	**253**	706	–
Other	**69**	84	64
	47,066	**36,076**	**26,376**

10. Income tax (expense)/benefit

The Group's income tax (expense)/benefit for the years ended 31 December was as follows:

'000 USD	2021	2020	2019
Current income tax			
Current income tax	**(4,707)**	(1)	(11,581)
Adjustment recognised in the current year in relation to the current tax of prior years	**(415)**	(597)	–
	(5,122)	(598)	(11,581)
Deferred tax expense			
Deferred income tax (expense)/benefit	**(3,709)**	23,301	(182)
	(3,709)	**23,301**	**(182)**
	(8,831)	**22,703**	**(11,763)**

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

The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at 31 December 2021, 2020 and 2019 is presented in the table below:

'000 USD	2021	2020	2019
Deferred tax assets			
Lease liabilities	**106,091**	102,052	76,007
Provision for aircraft maintenance	**25,433**	16,614	18,252
Trade and other payables	**5,482**	2,030	–
Trade receivables	**2,285**	1,562	–
Tax loss carried forward	**1,381**	21,561	–
Remuneration payables	**–**	–	7,580
Other	**355**	–	451
Total deferred tax assets	**141,027**	**143,819**	**102,290**
Deferred tax liabilities			
Right of use assets	**(97,434)**	(94,146)	(71,467)
Difference in depreciable value of property, plant and equipment and intangible assets	**(36,043)**	(37,300)	(42,715)
Inventories	**(2,182)**	(2,031)	(789)
Prepaid expenses	**(1,091)**	(1,451)	–
Other	**(1,566)**	(120)	(82)
Total deferred tax liabilities	**(138,316)**	**(135,048)**	**(115,053)**
Net deferred tax assets/(liabilities)	**2,711**	**8,771**	**(12,763)**

As at 31 December 2021 the Group concluded that it is probable that future taxable profits will be available against which the deferred tax asset will be utilised.

The total amount of tax loss carried forwards as at 31 December 2021 is USD 6,905 thousand (31 December 2020: USD 107,805 thousand; 31 December 2019: nil).

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

10. Income tax (expense)/benefit continued

Movements in deferred tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 2,352 thousand related to carried forward corporate income tax losses, which were recognised in equity relating to the realised portion of deferred tax on cash flows hedge. (2020: USD 2,290 thousand; 2019: USD 2,231 thousand).

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

In accordance with the local tax legislation, if deductible expenses from derivative instruments cannot be fully utilized in the year of origination, the tax code permits an entity to carry forward the accumulated tax losses for the next ten years. In previous years, the probability of gain from derivative instruments was low and no deferred asset was recognized for tax losses from derivative instruments. During 2021 the Group earned a gain from derivative instruments and utilized tax losses accumulated in prior years and recognized a deferred tax asset to the extent of expected payments on exercised contracts.

The income tax rate in the Republic of Kazakhstan, where the Group is located, in 2021, 2020 and 2019 was 20%. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to profit or loss before income tax.

Below is a reconciliation of theoretical income tax at 20% (2020 and 2019: 20%) to the actual income tax (expense)/ benefit recorded in the Group's consolidated statement of profit or loss:

'000 USD	2021	2020	2019
Profit/(Loss) before tax	**44,990**	(116,636)	41,795
Corporate income tax, %	**20%**	20%	20%
Income tax at statutory rate	**(8,998)**	23,327	(8,359)
Recognition of previously unrecognised tax losses	**1,381**	–	–
USD forex effect	**617**	2,550	(2,238)
Tax effect of non-deductible expenses	**(1,831)**	(3,174)	(1,166)
Income tax (expense)/benefit	**(8,831)**	**22,703**	**(11,763)**

11. Property, plant and equipment

'000 USD	Rotable spare parts	Office equipment and furniture	Building, premises and land	Vehicles	Aircraft under lease	Equipment in transit and construction in progress	Total
Cost							
At 1 January 2019	**57,749**	**7,013**	**33,250**	**3,064**	**591,903**	**2,030**	**695,009**
Additions	27,623	1,702	888	245	247,452	8,175	286,085
Disposals	(6,442)	(69)	–	(76)	(27,884)	–	(34,471)
Transfers to inventories	(133)	–	–	–	–	–	(133)
Transfers from inventories	960	–	–	–	–	–	960
Other transfers	333	–	–	(139)	(194)	–	–
At 31 December 2019	**80,090**	**8,646**	**34,138**	**3,094**	**811,277**	**10,205**	**947,450**
Additions	4,678	572	558	211	220,401	2,347	228,767
Disposals	(10,498)	(226)	(946)	(365)	(64,210)	–	(76,245)
Transfers to inventories	(252)	–	–	–	–	–	(252)
Transfers from inventories	90	–	–	–	–	–	90
Other transfers	3,428	19	50	–	8,673	(12,170)	–
At 31 December 2020	**77,536**	**9,011**	**33,800**	**2,940**	**976,141**	**382**	**1,099,810**
Additions	13,709	502	4,476	64	120,638	429	139,818
Disposals	(10,267)	(406)	(600)	(223)	(15,543)	–	(27,039)
Transfers to inventories	(216)	–	–	–	–	–	(216)
Transfers from inventories	309	–	373	–	–	–	682
Other transfers	(1,557)	–	–	–	2,184	(627)	–
At 31 December 2021	**79,514**	**9,107**	**38,049**	**2,781**	**1,083,420**	**184**	**1,213,055**
Accumulated depreciation							
At 1 January 2019	28,398	4,967	1,845	1,467	233,624	–	270,301
Charge for the year	8,323	748	3,063	234	68,089	–	80,457
Disposals	(3,534)	(60)	–	(70)	(16,837)	–	(20,501)
At 31 December 2019	**33,187**	**5,655**	**4,908**	**1,631**	**284,876**	**–**	**330,257**
Charge for the year	9,970	881	3,102	231	85,974	–	100,158
Disposals	(6,845)	(190)	(509)	(349)	(42,546)	–	(50,439)
Impairment	–	–	–	–	14,722	–	14,722
At 31 December 2020	**36,312**	**6,346**	**7,501**	**1,513**	**343,026**	**–**	**394,698**
Charge for the year	8,896	831	3,164	195	107,087	–	120,173
Disposals	(8,486)	(316)	(221)	(203)	(14,790)	–	(24,016)
At 31 December 2021	**36,722**	**6,861**	**10,444**	**1,505**	**435,323**	**–**	**490,855**
Net book value							
At 31 December 2019	**46,903**	**2,991**	**29,230**	**1,463**	**526,401**	**10,205**	**617,193**
At 31 December 2020	**41,224**	**2,665**	**26,299**	**1,427**	**633,115**	**382**	**705,112**
At 31 December 2021	**42,792**	**2,246**	**27,605**	**1,276**	**648,097**	**184**	**722,200**

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

11. Property, plant and equipment continued

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

Rotable spare parts include aircraft modification costs.

The Group's obligations under leases have a carrying amount of USD 648,097 thousand (2020: USD 633,115; 2019: USD 526,401 thousand) (Note 26). The total amount of Aircraft Under Lease as at 31 December 2021 includes 10 Airbus aircraft related to the FlyArystan division with a net book value of USD 118,216 thousand (2020: seven Airbus aircraft with a net book value of USD 91,254 thousand; 2019: four Airbus aircraft with a net book value of USD 65,315 thousand).

As at 31 December 2019 the Technical Centre (Hangar) in Nur-Sultan was pledged to the EBRD. In order to release it from the pledge and respond to collateral requirement of JSC Halyk Bank, in 2020 the Company repaid the EBRD loan bank using credit sources from JSC Halyk Bank.

As per the loan agreement with JSC Halyk Bank the Technical Centre (Hangar) in Nur-Sultan with a carrying amount of USD 19,203 thousand was pledged in favour of JSC Halyk Bank on 5 May 2021 (Note 25).

The cost of fully depreciated items in 2021 is USD 3,864 thousand (2020: USD 4,993 thousand; 2019: USD 3,447 thousand).

Impairment

As at 31 December 2021 there were no indicators of impairment.

The COVID-19 outbreak has developed rapidly in early 2020. Since many countries have required businesses to limit or suspend operations and implemented travel restrictions and quarantine measures, the management concludes that there are indications that the assets might be impaired. One of the responses to the crisis is positioning the Group to be a more efficient airline over the next several years by using the most efficient aircraft in its fleet to serve the airline's network which resulted in the retirement of four Boeing 757-200 and four Embraer E190 aircraft. The Group recognized individual impairment losses of USD 14,722 thousand related to the right-of-use assets on these aircraft, since the aircraft will no longer be in use until the end of existing leases terms. The impairment losses for these aircraft have been recognized in other operating costs. For the remaining property, plant and equipment and intangible assets the recoverable value has been determined by reference to the value in use, representing the discounted cash flows resulting from the planned operating activities. To determine whether impairment exists, the recoverable amount was compared to the carrying amount of assets engaged in generating related cash flows. To forecast cash flows, the Group used its five-year business plan adjusted to reflect the latest information available as of 31 December 2020. The following key assumptions were used:

- The discount rate used was the weighted average cost of capital, based on the market capital structure, which is 11.3% for the entire forecasting period.
- Five-year business plan included existing and committed fleet.
- For the existing aircraft whose lease term finishes before the five-year forecasted period, the lease term was extended until the end of 2026.
- Recovery to the level of 2019 for domestic flights (2022) and international flights (2024) were assumed in line with the expectations of IATA for Kazakhstan for Air Astana.
- The domestic and international flights for the FlyArystan division of the Group increase in 2021-2022 due to higher growth potential for low-cost carriers and introduction of new routes which in combination will lead eventually to an increase of market share.

The estimated discounted future cash flows exceed the carrying amount of corresponding property, plant and equipment and intangible assets.

To address uncertainty related to the market recovery the Group prepared a more conservative scenario by adjusting the basic scenario on the following assumptions:

- 30% decrease in tariffs on the domestic routes of Air Astana for 2021 and 15% for 2022;
- 30% decrease in passengers of the FlyArystan division on domestic routes in 2021 and 15% in 2022.

Under the more conservative scenario, the discounted cash flows exceed the net book value of the Group's assets.

12. Intangible assets

'000 USD	Software
Cost	
At 1 January 2019	**7,499**
Additions	430
Disposal	(6)
At 31 December 2019	**7,923**
Additions	828
Disposal	(20)
At 31 December 2020	8,731
Additions	541
Disposal	–
At 31 December 2021	**9,272**
Accumulated amortisation	
At 1 January 2019	**5,335**
Charge for the year	898
Disposal	(5)
At 31 December 2019	**6,228**
Charge for the year	877
Disposal	(20)
At 31 December 2020	**7,085**
Charge for the year	659
Disposal	–
At 31 December 2021	**7,744**
Net book value	
At 31 December 2019	**1,695**
At 31 December 2020	**1,646**
At 31 December 2021	**1,528**

13. Depreciation and amortisation

'000 USD	2021	2020	2019
Depreciation of property, plant and equipment (Note 11)	**120,173**	100,158	80,457
Amortisation of intangible assets (Note 12)	**659**	877	898
Total	**120,832**	**101,035**	**81,355**

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14. Guarantee deposits

’000 USD	31 December 2021	31 December 2020	31 December 2019
Non-current			
Guarantee deposits for leased aircraft	**17,549**	19,064	15,855
Other guarantee deposits	**828**	1,491	1,222
Impairment allowances	**(403)**	(145)	(345)
	17,974	20,410	16,732
Current			
Other guarantee deposits	**1,450**	1,277	1,430
Guarantee deposits for leased aircraft	**124**	124	5,741
Guarantee deposits to secure Letters of Credit for maintenance liabilities	**–**	4,425	9,514
Impairment allowances	**(6)**	(12)	(56)
	1,568	**5,814**	**16,629**
	19,542	**26,224**	**33,361**

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Group. Guarantee deposits are denominated primarily in US Dollars. The Group assesses credit risk for such deposits as low mainly because almost all lessors are rated from AA to BBB in accordance with S&P Global Ratings credit quality grades. For those lessors who are not credit rated by international rating agencies, the management calculates the expected credit loss based on the assumption that such lessors are rated at CCC by S&P Global Ratings.

In 2020 the Company changed the term of standby letter of credit with Natixis bank, and as a result, a portion of the cash collateral in the amount of USD 5 million was returned by Natixis bank to the Company’s account. The remaining amount of cash collateral (USD 4.4 million) has been returned by Natixis bank in 2021.

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

’000 USD	31 December 2021	31 December 2020	31 December 2019
Within one year	**124**	4,549	15,255
After one year but not more than five years	**6,305**	5,925	1,797
More than five years	**11,288**	13,212	14,085
	17,717	**23,686**	**31,137**
Fair value adjustment	**(44)**	(73)	(27)
	17,673	**23,613**	**31,110**

15. Inventories

'000 USD	31 December 2021	31 December 2020	31 December 2019
Spare parts	**34,258**	32,193	29,755
Fuel	**7,112**	4,687	7,347
Crockery	**3,902**	4,553	4,997
Goods in transit	**2,530**	715	3,070
Promotional materials	**1,470**	2,042	1,701
Uniforms	**1,049**	1,284	1,175
De-icing liquid	**827**	853	2,011
Blank forms	**282**	413	432
Other	**1,693**	1,338	1,633
	53,123	**48,078**	**52,121**
Less: cumulative write-down for obsolete and slow-moving inventories	**(1,568)**	(1,707)	(2,120)
	51,555	**46,371**	**50,001**

The movements in the cumulative write-down for obsolete and slow-moving inventories were as follows for the years ended 31 December:

'000 USD	2021	2020	2019
Cumulative write-down for obsolete and slow-moving inventories at the beginning of the year	**(1,707)**	**(2,120)**	**(1,693)**
Write-down for the year	**(34)**	(573)	(615)
Reversal of previous write-down for the year	**173**	986	188
Cumulative write-down for obsolete and slow-moving inventories at the end of the year	**(1,568)**	**(1,707)**	**(2,120)**

16. Prepayments

'000 USD	31 December 2021	31 December 2020	31 December 2019
Non-current			
Prepayments for long-term assets	**8,993**	7,760	5,675
Advances for services	**7,306**	4,593	6,394
	16,299	**12,353**	**12,069**
Current			
Advances for goods	**13,288**	1,467	4,122
Advances for services	**12,594**	13,435	18,565
Prepayments of leases without transfer of legal title	**1,147**	982	3,515
Prepayments for leases with transfer of legal title	**–**	–	5,243
	27,029	15,884	31,445
Less: impairment allowance for prepayments	**(495)**	(498)	(423)
	26,534	**15,386**	**31,022**

As at 31 December 2021 prepayments for long-term assets include prepayments for a full-flight simulator and prepayments to Boeing as pre-delivery payment for three aircraft (Note 29).

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for the year ended 31 December 2021

16. Prepayments continued

The movements in the impairment allowance for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 were:

'000 USD	2021	2020	2019
At the beginning of the year	**(498)**	**(423)**	**(409)**
Accrued during the year	**(8)**	(100)	(46)
Reversed during the year	**11**	25	32
Allowance for doubtful debt at the end of the year	**(495)**	**(498)**	**(423)**

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

17. Trade and other receivables

'000 USD	31 December 2021	31 December 2020	31 December 2019
Non-current			
Due from employees and Ab-initio pilot trainees	**3,123**	3,285	2,411
Other financial assets	**47,092**	47,538	48,457
	50,215	50,823	50,868
Less: impairment allowance	**(46,604)**	(47,538)	(47,628)
	3,611	3,285	3,240
Current			
Trade receivables	**14,906**	10,897	27,314
Due from employees and Ab-initio pilot trainees	**993**	1,419	1,056
Receivable from lessors – variable lease reimbursement	**170**	–	6,979
	16,069	12,316	35,349
Less: impairment allowance	**(1,935)**	(2,096)	(2,253)
	14,134	10,220	33,096

In 2016, due to the significant credit quality deterioration of KazInvestBank JSC following the recall of its banking license, and Delta Bank JSC on 22 May 2017 followed by the temporary suspension of its license for accepting new deposits and opening new accounts, the management reclassified the deposits held with these banks in the amount USD 14,234 thousand and USD 44,785 thousand, respectively, from the bank deposit line item to non-current trade and other receivables and assessed them for impairment. Based on the assessment, the management recognised an impairment allowance of approximately 90% for KazInvestBank JSC and Delta Bank JSC as at 31 December 2016.

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

On 24 January 2018 the court's decision on the forced liquidation of KazInvestBank JSC came into effect. The compensation of the remaining claims of KazInvestBank JSC will depend on the actions of the liquidation commission.

In July-November 2017 the Company collected USD 4,376 thousand in cash through enforcement proceedings against Delta Bank JSC. On 2 November 2017, the National Bank decided to revoke the license of Delta Bank JSC. On 13 February 2018 the court decided on the forced liquidation of Delta Bank JSC.

In December 2019 the management of the Company recognised an additional impairment allowance for KazInvestBank JSC, Alfa Bank and Delta Bank JSC.

As at 31 December 2021 the allowance for those banks comprises major part of the gross balances.

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

Amounts due from trainees of the Ab-initio pilot program in respect of 50% of their initial training costs are classified as interest free loans. The remaining costs are classified by the Company as a prepayment of its expenses and are amortised over a period of seven years, during which period the Company has a right to oblige these expenses also to become payable by the pilot trainees should such pilot trainee terminate his/her employment. The alumni of the Ab-initio pilot program can either repay the remaining training cost by cash or defer for the future so that this amount becomes payable only if they leave the Company. Amounts due from those cadets who selected the option were reclassified to deferred expenses and are amortized using the straight-line method over the remaining amortization term.

The Group's net trade and other receivables are denominated in the following currencies as at 31 December:

'000 USD	31 December 2021	31 December 2020	31 December 2019
Tenge	**12,334**	8,364	11,496
US Dollar	**2,453**	2,359	16,045
Euro	**756**	1,330	2,338
Russian Rouble	**401**	214	864
Other	**1,801**	1,238	5,593
	17,745	**13,505**	**36,336**

The movements in impairment allowance for the years ended 31 December 2020 were:

'000 USD	2021	2020	2019
At the beginning of the year	**(49,634)**	(49,881)	(48,757)
Accrued during the year	**(1,562)**	(2,623)	(2,642)
Reversed during the year	**2,175**	1,917	1,555
Written-off against previously created allowance	**–**	–	5
Foreign currency difference	**482**	953	(42)
At the end of the year	**(48,539)**	**(49,634)**	**(49,881)**

18. Other taxes prepaid

'000 USD	31 December 2021	31 December 2020	31 December 2019
Value-added tax recoverable	**7,590**	14,896	32,390
Other taxes prepaid	**119**	270	956
	7,709	**15,166**	**33,346**

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

Notes to the consolidated financial statements continued

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19. Cash and bank balances

'000 USD	31 December 2021	31 December 2020	31 December 2019
Current accounts with foreign banks	**102,172**	85,451	96,450
Term deposits with local banks with an initial maturity of less than 3 months	**81,595**	62,705	66,425
Current accounts with local banks	**42,488**	53,074	13,410
Cash in hand	**107**	122	113
Accrued interest	**3**	9	49
	226,365	**201,361**	**176,447**
Impairment allowances	**(8)**	(7)	(5)
	226,357	**201,354**	**176,442**

Cash and bank balances are denominated in the following currencies as at 31 December:

'000 USD	2021	2020	2019
US Dollar	**217,119**	177,753	168,266
British Pound	**2,712**	284	502
Tenge	**2,285**	18,187	795
Euro	**1,652**	752	1,699
Indian Rupee	**425**	635	2,046
Russian Rouble	**285**	582	656
Uzbek Som	**266**	61	401
Chinese Yuan	**203**	2,493	992
Other	**1,410**	607	1,085
	226,357	**201,354**	**176,442**

20. Other Financial Assets

The Company signed agreements and entered into transactions with various financial institutions to manage the risk of significant changes in aviation fuel prices. In accordance with the terms, financial institutions agreed to compensate the Company the excess between the actual price of crude oil and the ceiling price specified in the agreements. As at 31 December 2021 the fair value of the derivative instruments resulted in a net gain of USD 8,013 thousand (2020: net loss of USD 542 thousand; 2019 net loss of USD 1,523 thousand) (Note 9). The fair value has been determined using a valuation model with market observable parameters.

	Call option (purchase)
At 1 January 2019	**118**
Acquisition	1,639
Net unrealized loss on financial assets and liabilities at fair value through profit or loss (Note 9)	(58)
Net realized loss on financial assets and liabilities at fair value through profit or loss (Note 9)	(1,465)
At 31 December 2019	**234**
At 1 January 2020	**234**
Acquisition	308
Net realized gain on financial assets and liabilities at fair value through profit or loss (Note 9)	(542)
At 31 December 2020	**–**
At 1 January 2021	**–**
Acquisition	4,460
Net unrealized gain on financial assets and liabilities at fair value through profit or loss (Note 9)	3,798
Net realized gain on financial assets and liabilities at fair value through profit or loss (Note 9)	4,215
Payments on exercised contracts	(5,090)
At 31 December 2021	**7,383**

21. Equity

As at 31 December 2021, 2020 and 2019, share capital was comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of 147,150 tenge per share (equivalent to USD 1,000 per share at the time of purchase).

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

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS. A distribution cannot be made when equity is negative or if distribution would result in negative equity or the Company's insolvency.

As at 31 December 2021 the Company had retained earnings, including the profit for the current year, of USD 91,576 thousand (2020: USD 55,417 thousand; 2019: USD 149,350 thousand).

No dividends were declared during 2021 (2020: nil; 2019: nil).

The calculation of basic earnings per share is based on profit or loss for the year and the weighted average number of ordinary shares outstanding during the year of 17,000 shares (2020: 17,000 shares; 2019: 17,000 shares). The Company has no instruments with potential dilutive effect.

'000 USD	2021	2020	2019
Profit/(Loss) for the year	**36,159**	(93,933)	30,032
Number of ordinary shares	**17,000**	17,000	17,000
Earnings/(loss) per share – basic and diluted (USD)	**2,127**	**(5,525)**	**1,767**

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22. Deferred revenue

'000 USD	31 December 2021	31 December 2020	31 December 2019
Unearned transportation revenue	**49,068**	28,505	59,137
Customer loyalty program provision	**8,192**	9,607	8,781
	57,260	**38,112**	**67,918**

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

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

Due to the short-term nature of the Group's performance obligations, the opening balance of unearned transportation revenue less the refunded amounts was recognised as revenue in 2021.

23. Provision for aircraft maintenance

'000 USD	31 December 2021	31 December 2020	31 December 2019
Engines	**98,667**	62,906	68,106
D-Check	**12,430**	6,807	9,141
C-Check	**3,588**	4,314	6,454
Provision for redelivery of aircraft	**3,936**	3,701	3,688
Auxiliary Power unit	**4,002**	2,301	1,565
Landing gear	**4,543**	3,041	2,308
	127,166	**83,070**	**91,262**

The movements in the provision for aircraft maintenance were as follows for the years ended 31 December:

'000 USD	2021	2020	2019
At 1 January	**83,070**	91,262	87,236
Recognised in property, plant and equipment	–	5,334	2,011
Accrued during the year (Note 8)	**61,348**	34,718	33,539
Reversed during the year (Note 8)	**(530)**	(14,374)	(5,072)
Used during the year	**(16,722)**	(33,870)	(26,452)
At 31 December	**127,166**	**83,070**	**91,262**

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

The significant reversal of provision in 2020 was due to the different rates used in calculation of estimated cost of the end of lease payments to aircraft which were returned in 2020 in comparison with actual payment made according to termination contract. After technical overview, the Company negotiated with the lessors to use the lower rates for payment of return compensation.

The significant increase in the provision balance as at 31 December 2021 was due to the increased utilization of aircraft as a result of restoration of the operations. In addition, the number of aircraft leased under agreements where variable maintenance reserves are paid to lessors decreased due to return of such aircraft which also led to an increase of the provision.

The planned utilisation of these provisions is as follows:

'000 USD	31 December 2021	31 December 2020	31 December 2019
Within one year	**40,710**	37,533	37,413
During the second year	**37,809**	16,428	35,024
During the third year	**30,159**	7,921	4,374
After the third year	**18,488**	21,188	14,451
Total provision for aircraft maintenance	**127,166**	**83,070**	**91,262**
Less: current portion	**40,710**	37,533	37,413
Non-current portion	**86,456**	**45,537**	**53,849**

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

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

24. Trade and other payables

'000 USD	31 December 2021	31 December 2020	31 December 2019
Trade payables	**35,375**	21,847	62,103
Accrued bonuses	**11,425**	139	13,880
Advances received	**5,424**	5,869	5,480
Due to employees	**4,490**	5,892	3,942
Deposits received from agents	**3,441**	2,010	4,638
Vacation pay accrual	**1,397**	1,079	902
Taxes payable	**740**	1,109	959
Pension contribution	**580**	424	881
Deferred revenue refund	**–**	843	–
Other	**117**	119	139
	62,989	**39,331**	**92,924**

As at 31 December 2020 the Company recognised trade payables related to ticket refunds of USD 843 thousand.

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

'000 USD	31 December 2021	31 December 2020	31 December 2019
Tenge	**39,424**	21,745	30,604
US Dollar	**16,361**	11,240	41,154
Euro	**2,846**	3,111	6,673
Russian roubles	**312**	150	1,078
GBP	**519**	147	1,101
Other	**3,527**	2,938	12,314
	62,989	**39,331**	**92,924**

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25. Loans

'000 USD	31 December 2021	31 December 2020	31 December 2019
Non-current			
Loan	**4,759**	53,004	6,430
	4,759	**53,004**	**6,430**
Current			
Current portion of loan	**57,320**	105,968	10,354
Interest payable	**207**	5,041	41
	57,527	**111,009**	**10,395**

On 3 December 2015 the Group concluded a loan agreement of USD 14,000 thousand (in Kazakhstani tenge equivalent) with the European Bank for Reconstruction and Development (EBRD) for 10 years for the purpose of construction of a Technical Centre (Hangar) in Nur-Sultan, which was also pledged to the EBRD under this loan. The interest rate was variable and defined, based on a margin of 3.75% per annum plus EBRD's All-in Cost in Kazakhstani tenge. The All-in Cost was determined on a quarterly basis in conjunction with the National Bank of Kazakhstan base rate. In April 2016 the Group obtained the funds from EBRD in the amount of 4,661,033 thousand tenge (USD 14,000 thousand equivalent as of receipt dates).

In order to release the Hangar in Nur-Sultan from the pledge and respond to collateral requirement of JSC Halyk Bank, in 2020 the Company repaid the EBRD loan bank using credit sources from JSC Halyk Bank. As per the agreement with JSC Halyk Bank the Company pledged the Hangar in Nur-Sultan to JSC Halyk Bank on 5 May 2021 (Note 11).

On 12 August 2019 the Group opened a Credit Line in JSC Halyk Bank for USD 40,000 thousand for 3 years, for the purpose of working capital financing. On 20 March 2020 the Group signed an addendum to the Loan Agreement and increased the loan amount up to USD 65,000 thousand. On 21 April 2020 another addendum was signed between parties further increasing the loan amount to USD 115,000 thousand.

On 15 September 2020 the Group signed an addendum to the Loan agreement with JSC Halyk Bank bringing the credit line to USD 160,000 thousand (from USD 115,000 thousand) and extending its tenor to 10 September 2025, mirroring the previous tenor of the EBRD loan (until September 2025). The loan at EBRD was fully refinanced with JSC Halyk Bank's credit facilities on 20 September 2020. The credit line allows to take borrowings both in KZT and USD. The average interest rate for borrowings in USD is 3.5% per annum and 11.3% per annum for loans in KZT.

During 2021 the Group made repayments of the loan from JSC Halyk Bank ahead of schedule.

The Group's loans are denominated in the following currencies:

'000 USD	31 December 2021	31 December 2020	31 December 2019
Tenge	**31,090**	115,865	10,395
US Dollar	**31,196**	48,148	6,430
	62,286	164,013	16,825

26. Lease liabilities

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

As at 31 December 2021 the Group has five Airbus and three Boeing 767 aircraft under fixed interest lease agreements with transfer of title (2020: five Airbus and three Boeing 767 aircraft; 2019: six Airbus and three Boeing 767 aircraft).

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

The Group's obligations under leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 648,097 thousand (2020: USD 633,115 thousand; 2019: USD 526,401 thousand) (Note 11).

The Group's leases with transfer of title are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain lease agreements with transfer of title include covenants as regards to change of ownership of the Group. These requirements have been met during 2021, 2020 and 2019.

	Minimum lease payments			Present value of minimum lease payments		
'000 USD	**31 December 2021**	31 December 2020	31 December 2019	**31 December 2021**	31 December 2020	31 December 2019
Not later than one year	**177,178**	161,337	135,596	**146,354**	132,340	111,216
Later than one year and not later than five years	**545,269**	525,764	441,291	**484,301**	463,503	386,257
Later than five years	**101,281**	114,849	114,215	**96,238**	108,819	109,029
	823,728	**801,950**	**691,102**	**726,893**	**704,662**	**606,502**
Less: future finance charges	**(96,835)**	(97,288)	(84,600)	**–**	–	–
Present value of minimum lease payments	**726,893**	**704,662**	**606,502**	**726,893**	**704,662**	**606,502**
Included in the financial statements as:						
– current portion of lease obligations	**–**	–	–	**146,354**	132,340	111,216
– non–current portion of lease obligations	**–**	–	–	**580,539**	572,322	495,286
	–	–	–	**726,893**	**704,662**	**606,502**

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

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26. Lease liabilities continued

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

'000 USD	Loans (Note 25)	Lease liabilities	Total
Balance as at 1 January 2021	**164,013**	**704,662**	**868,675**
Repayment of borrowings	(106,444)	–	(106,444)
Proceed from borrowings	12,305	–	12,305
Repayment of lease liabilities	–	(93,553)	(93,553)
Repayment of additional financing	(350)	–	(350)
Interest paid	(16,047)	(33,041)	(49,088)
Total changes from financing cash flows	**(110,536)**	**(126,594)**	**(237,130)**
Effect of changes in foreign exchange rates	(2,487)	(84)	(2,571)
Other changes			
Additional adjustment – new leases	–	113,070	113,070
Interest expense (Note 9)	11,296	35,448	46,744
Effect of COVID-19 related rent concessions (Note 8)	–	881	881
Gain from early return of engine	–	(490)	(490)
Total other changes	**11,296**	**148,909**	**160,205**
Balance as at 31 December 2021	**62,286**	**726,893**	**789,179**

'000 USD	Loans (Note 25)	Lease liabilities	Total
Balance as at 1 January 2020	**16,825**	**606,502**	**623,327**
Repayment of borrowings	(65,969)	–	(65,969)
Proceed from borrowings	209,118	–	209,118
Repayment of lease liabilities	–	(100,020)	(100,020)
Additional financing from sale and leaseback	1,840	–	1,840
Repayment of additional financing	(321)	–	(321)
Interest paid	(1,125)	(28,462)	(29,587)
Total changes from financing cash flows	**143,543**	**(128,482)**	**15,061**
Effect of changes in foreign exchange rates	(2,459)	(317)	(2,776)
Other changes			
Additional adjustment – new leases	–	207,342	207,342
Interest expense (Note 9)	6,104	28,640	34,744
Non-cash settlement due to netting with guarantee deposits	–	(4,193)	(4,193)
Effect of COVID-19 related rent concessions (Note 8)	–	(1,986)	(1,986)
Gain from early return of aircraft (Note 7)	–	(2,844)	(2,844)
Total other changes	**6,104**	**226,959**	**233,063**
Balance as at 31 December 2020	**164,013**	**704,662**	**868,675**

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

'000 USD	Loans (Note 25)	Lease liabilities	Total
Balance as at 1 January 2019	9,156	281,527	290,683
Adjustments on initial application of IFRS 16	–	199,327	199,327
Balance as at 1 January 2019	**9,156**	**480,854**	**490,010**
Repayment of borrowings	(1,349)	–	(1,349)
Repayment of lease liabilities	–	(103,931)	(103,931)
Receipt of borrowings	9,000	–	9,000
Interest paid	(946)	(23,958)	(24,904)
Total changes from financing cash flows	**6,705**	**(127,889)**	**(121,184)**
Effect of changes in foreign exchange rates	33	32	65
Other changes			
Additional adjustment – new leases	–	245,017	245,017
Interest expense (Note 9)	931	23,858	24,789
Non-cash settlement	–	(15,370)	(15,370)
Total other changes	**931**	**253,505**	**254,436**
Balance as at 31 December 2019	**16,825**	**606,502**	**623,327**

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

In connection with the transition of the functional currency to US Dollar, this hedge ceased to be economically effective from 31 December 2017. At 31 December 2021 a foreign currency loss of USD 44,098 thousand (2020: USD 55,857 thousand; 2019: USD 67,307 thousand), before deferred income tax of USD 8,820 thousand (2020: USD 11,171 thousand; 2019: USD 13,462 thousand) on the lease liabilities with transfer of title, representing an effective portion of the hedge, is deferred in the hedging reserve within equity. As a result of the change, the hedge relationship has been discontinued so that starting from 1 January 2018 no further foreign currency translation gains or losses are transferred from profit or loss to the hedge reserve, and the hedge reserve recognised in equity as at 31 December 2017 shall remain in equity until the forecasted revenue cash flows are received.

During 2021 the amount reclassified from the hedging reserve to foreign exchange loss in the consolidated statement of comprehensive income was USD 11,760 thousand (before deferred income tax of USD 2,352 thousand) (2020: USD 11,449 thousand before deferred income tax of USD 2,290 thousand; 2019: USD 11,156 thousand, before deferred income tax of USD 2,231 thousand).

The Group conducted a sale and leaseback transaction in December 2019 by selling two spare engines and leasing it back under the agreement without transfer of title. From this transaction the Group recognized a net gain of USD 4,680 thousand which represents the excess of the sales proceeds over lease liabilities and the changes in engines' related assets.

The Group conducted a sale and leaseback transaction in January 2020 by selling one Airbus A321-200 and leasing it back under the agreement without transfer of title. From this transaction the Group has received cash of USD 35,250 thousand, derecognised assets of USD 23,001 thousand, repaid outstanding lease liabilities of USD 18,637 thousand and recognised a gain of USD 6,257 thousand.

The Group conducted a sale and leaseback transaction in November 2021 by buying and selling at the same day one engine and leasing it back under the agreement without transfer of title. From this transaction the Group has received cash of USD 18,321 thousand, recognized assets of USD 4,579 and recognized a gain of USD 4,628 thousand.

Notes to the consolidated financial statements continued

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27. Financial instruments

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

Capital management

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

The capital structure of the Group consists of net debt (comprising loans and lease obligations in Note 25 and 26) and equity of the Group (comprising issued capital, functional currency translation reserve, reserve on hedging instruments and retained earnings as detailed in Note 21).

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

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

The maximum exposure to credit risk related to financial instruments, such as cash, guarantee deposits and accounts receivable, is calculated based 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 31 December 2021, 31 December 2020 and 31 December 2019 there was no significant concentration of credit risk in respect of trade accounts receivable (Note 17).

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

As a result of the increased credit risks on some of the banks, the management reconsidered its cash management policy and reviewed the credit ratings of the major banks in Kazakhstan and placed its main amounts due from banks in banks with ratings of "B+ or higher, except for KazInvestBank and Delta Bank, which are disclosed in Note 17.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss were as follows:

'000 USD	Note	2021	2020	2019
Impairment loss on trade and other receivables and prepayments	16, 17	**616**	(706)	(1,087)
Reversal/(accrual) of impairment loss on guarantee deposits	14	**(252)**	244	(56)
Impairment loss on cash and cash equivalents	19	**(1)**	(2)	(3)
		363	(464)	(1,146)

Trade and other receivables

'000 USD	2021	2020	2019
Default banks	**47,092**	47,538	48,457
Trade receivables	**14,906**	10,897	27,314
Amounts due from employees	**4,116**	4,704	3,467
Receivable from lessors	**170**	–	6,979
Total gross carrying amount	**66,284**	**63,139**	**86,217**
Impairment allowance	**(48,539)**	(49,634)	(49,881)
Total net carrying amount	**17,745**	**13,505**	**36,336**

Trade receivables

The sale of tickets is the main revenue source of the Company. The Company uses agents who sell tickets on behalf of the Company to corporations and the general public for a certain commission that varies depending on the geographical location and market conditions. As a result agents amass significant amounts of funds for tickets sold which are recorded as trade receivables by airlines. The International Air Transport Association (hereinafter referred to as "IATA") conducts monitoring of agents by establishing IATA accreditation procedures designed to ensure the credit quality of agents. The IATA also set Local Financial Criteria for each market in accordance to which agents have to obtain a credit enhancement such as bank Guarantee or insurance from a financial institution of certain credit rating before they can be accredited by the IATA.

On a regular basis, the IATA notifies the airlines about the amount of debt from each agent in excess of its guarantee or insurance protected amount. In addition, the IATA also informs about sharp and unusual increases in sales which might signal an increase in risk. The Company then decides whether to stop dealing with such agents until the negative factors are resolved.

The Company works only with IATA accredited agents.

The Company does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

At 31 December 2021, eight debtors including IATA Billing Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 46% of the Company's trade and other receivables excluding banks in default (at 31 December 2020: eight debtors comprised 58%; at 31 December 2019: eight debtors comprised 27%).

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27. Financial instruments continued

Receivable from lessors

Receivable from lessors represents the amount of variable lease reimbursement claimed by the Group as a result of maintenance performed that occurred prior to the reporting date. Most of the lessors are rated by the international credit rating agencies. Since all lessors have excellent credit history and the Group has been conducting operations with many of them for many years, the management considers their credit risk to be insignificant even for those lessors that do not hold any credit rating.

The table below presents the credit quality of receivables from lessors and others:

'000 USD	2021	2020	2019
Credit rating			
BBB- to AAA	–	–	5,679
Without ratings	**170**	–	1,300
Gross carrying amounts	**170**	**–**	**6,979**
Impairment allowance	**(5)**	–	(17)
Balance at 31 December	**165**	**–**	**6,962**

Amounts due from employees

In general, certain part of the Ab-initio pilot training costs is borne by the pilot trainees but are funded by the Group through the provision of interest free loans to participants of the program. The Group withholds the amounts due from pilots' salary on a monthly basis. Those pilots or cadets who leave the Group are fully provided with respect of the credit losses.

Movements in the allowance for impairment in respect of trade and other receivables

'000 USD	2021	2020	2019
Balance at 1 January	**49,634**	**49,881**	**48,757**
Accrual of impairment allowance	**1,562**	2,623	2,642
Foreign currency difference	**(482)**	(953)	42
Reversal of impairment allowance	**(2,175)**	(1,917)	(1,560)
Balance at 31 December	**48,539**	**49,634**	**49,881**

Guarantee Deposits

The main counterparties of the Group have a credit rating of at least from BBB- S&P Global Ratings.

To determine whether published ratings remain up-to-date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings the Group monitors changes in credit risk by tracking their financial stability.

12-month and lifetime probabilities of default are based on historical data supplied by S&P Global Ratings for each credit rating. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 30% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table presents credit ratings of guarantee deposits each of which were classified in stage 1:

	2021	2020	2019
Credit rating			
BBB- to AAA	**15,289**	18,311	17,573
C to CCC+	**2,850**	826	2,642
Without ratings	**1,812**	2,819	4,062
Gross carrying amounts (2020 amortised cost before impairment)	**19,951**	**21,956**	**24,277**
Impairment allowance	**(409)**	(157)	(401)
Total net carrying amount	**19,542**	**21,799**	**23,876**

The Group did not have any guarantee deposits that were either past due or impaired.

'000 USD	2021	2020	2019
Balance at 1 January	**(157)**	**(401)**	**(345)**
Net remeasurement of loss allowance	**(252)**	244	(56)
Balance at 31 December	**(409)**	**(157)**	**(401)**

Cash and cash equivalents

The Group held cash and cash equivalents of USD 226,357 thousand at 31 December 2021 (2020: USD 201,354 thousand; 2019: USD 176,442 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated B+ to A+, based on S&P Global ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group believes that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for bank and guarantee deposits. The following table presents an analysis of the credit quality of cash and cash equivalents measured at amortised cost:

	2021			2020			2019		
'000 USD	Gross carrying amount	12 month ECL	Carrying amount	Gross carrying amount	12 month ECL	Carrying amount	Gross carrying amount	12 month ECL	Carrying amount
Credit rating									
BBB- to A+	**189,811**	**(5)**	**189,806**	152,381	(3)	152,378	166,268	(4)	166,264
B+ to BB+	**36,554**	**(3)**	**36,551**	48,816	(4)	48,812	9,947	(1)	9,946
	226,365	**(8)**	**226,357**	**201,197**	**(7)**	**201,190**	**176,215**	**(5)**	**176,210**

Interest rate risk

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

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the US Dollar. The currencies giving rise to this risk are primarily Tenge and Euro. For amounts of assets and liabilities denominated in foreign currency refer to Notes 17, 19, 24 and 25. The management believes that it has taken appropriate measures to support the sustainability of the Group's business under the current circumstances.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

27. Financial instruments continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the risk of change of exchange rates of the US Dollar against Tenge and Euro.

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

		31 December 2021		31 December 2020		31 December 2019	
'000 USD	Notes	Tenge	Euro	Tenge	Euro	Tenge	Euro
Assets							
Other taxes prepaid	18	**7,709**	**–**	15,166	–	32,994	165
Trade and other receivables	17	**12,334**	**756**	8,364	1,330	11,496	2,338
Income tax prepaid		**2,630**	**–**	3,266	–	895	–
Cash and bank balances	19	**2,285**	**1,652**	18,187	752	795	1,699
Guarantee deposits		**145**	**443**	59	504	44	500
Total		**25,103**	**2,851**	45,042	2,586	46,224	4,702
Liabilities							
Trade and other payables	24	**39,424**	**2,846**	21,745	3,111	30,604	6,673
Loans	25	**31,090**	**–**	115,865	–	10,395	–
Lease liabilities		**4,427**	**–**	2,099	–	3,476	–
Total		**74,941**	**2,846**	139,709	3,111	44,475	6,673
Net position		**(49,838)**	**5**	(94,667)	(525)	1,749	(1,971)

In 2021 the following table details the Group's sensitivity of weakening of the US Dollar against the Tenge by 10% (2020 and 2019: 11%) and Euro by 9% (2020 and 2019: 7%) and strengthening of the US Dollar against the Tenge by 13% (2020 and 2019: 11%) and Euro by 9% (2020 and 2019: 7%).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for abovementioned sensitivity ratios.

The sensitivity analysis includes trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, loans and lease liabilities.

A negative number below indicates a decrease in Profit or Loss and positive number would be an opposite impact on the Profit or Loss:

	Weakening of US Dollar		Strengthening of US Dollar	
'000 USD	**Tenge**	**Euro**	**Tenge**	**Euro**
2021	**10%**	**9%**	**(13%)**	**(9%)**
Profit/(loss)	**(3,987)**	**–**	**5,183**	**–**

	Weakening of US Dollar		Strengthening of US Dollar	
'000 USD	**Tenge**	**Euro**	**Tenge**	**Euro**
2020	11%	7%	(11%)	(7%)
Profit/(loss)	(8,331)	(29)	8,331	29

	Weakening of US Dollar		Strengthening of US Dollar	
'000 USD	**Tenge**	**Euro**	**Tenge**	**Euro**
2019	11%	7%	(11%)	(7%)
Profit/(loss)	154	(110)	(154)	110

The Group limits the currency risk by monitoring changes in exchange rates of foreign currencies in which trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables and loans and lease liabilities are denominated.

Liquidity risk management

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

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

Liquidity and interest risk tables

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

27. Financial instruments continued

'000 USD	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
2021					
Financial assets					
Trade and other receivables	**13,609**	**525**	**3,081**	**530**	**17,745**
Guarantee deposits	**582**	**986**	**6,802**	**11,216**	**19,586**
Cash and bank balances	**226,357**	**–**	**–**	**–**	**226,357**
Financial liabilities					
Non-interest bearing					
Trade and other payables (including employee benefits)	**58,808**	**3,441**	**1,625**	**–**	**63,874**
Fixed rate					
Loans	**1,190**	**60,946**	**5,560**	**–**	**67,696**
Lease liabilities	**41,620**	**135,558**	**545,269**	**101,281**	**823,728**

'000 USD	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
2020					
Financial assets					
Trade and other receivables	8,616	1,604	2,345	940	13,505
Guarantee deposits	1,276	4,538	6,364	14,119	26,297
Cash and bank balances	201,354	–	–	–	201,354
Financial liabilities					
Non-interest bearing					
Trade and other payables (including employee benefits)	36,172	1,957	1,559	–	39,688
Fixed rate					
Loans	8,020	116,511	58,092	–	182,623
Lease liabilities	38,045	123,292	525,764	114,849	801,950

'000 USD	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
2019					
Financial assets					
Trade and other receivables	32,783	313	2,314	926	36,336
Guarantee deposits	2,580	14,049	2,440	14,321	33,390
Cash and bank balances	176,442	–	–	–	176,442
Financial liabilities					
Non-interest bearing					
Trade and other payables (including employee benefits)	87,392	4,573	1,219	–	93,184
Variable rate					
Loans (tenge denominated)	517	1,509	6,850	1,062	9,938
Fixed rate					
Loans (USD denominated)	9,005	–	–	–	9,005
Lease liabilities	35,922	99,674	441,291	114,215	691,102

Fair values

Cash and bank balances

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

Financial instruments at fair value through profit or loss

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). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from call option suppliers, the Company hedges only the amount of fuel purchased outside the Republic of Kazakhstan signing a 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 by 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.

The Group applied discounted expected future cash flows method under income approach to reach fair value of the instruments. The cash-flows represent payouts from the counterparties to the Group in case of a floating price exceeding a strike price.

To estimate payouts the Group applied Monte Carlo method based on Geometric Brownian Motion model. The following key inputs parameters were used by the Client in their model:

- Spot: Brent Crude Oil futures last price as at 31 December 2021;
- Growth rate: futures curve for Crude Oil, Brent (ICE) according to Bloomberg;
- Volatility: Implied volatility for Brent Crude oil according to Bloomberg; and
- Discount rate: 0.6% according to the Group estimations.

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.

Guarantee Deposits

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

Trade and other receivables and payables

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

Ab-initio receivables are recorded at fair value at initial recognition and subsequently measured at amortised cost. The management believes that their carrying amounts approximate their fair value.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

27. Financial instruments continued

Fair values continued

Loans

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

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The management believes that fair value is lower than carrying amounts by approximately 1% (2020: lower by 1%; 2019: carrying amounts approximate 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.

28. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance department that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The finance department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2021, 2020 and 2019 all of the Group's assets were measured at amortised cost.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 27.

29. Commitments and contingencies

Capital commitments

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

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

Lease commitments

Aircraft

Aircraft leases are for terms of between 5 to 10 years. All lease contracts contain market review clauses in the event that the parties agree to renew the leases. The Group may not have an option to purchase the leased aircraft at the expiry of the lease period.

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

Non-cancellable commitments for leases of aircraft to be delivered from 2022 to 2023:

'000 USD	31 December 2021	31 December 2020	31 December 2019
Within one year	**9,372**	8,958	24,037
After one year but not more than five years	**64,494**	131,245	190,421
More than five years	**55,489**	129,689	145,466
	129,355	269,892	359,924

In 2017 the Group signed operating lease agreements for six Airbus A320neo family aircraft to replace some current leases on expiry and for future expansion. All six aircraft were delivered during 2020-2021.

In 2020 the Group signed operating lease agreements for three A321LR aircraft with expected delivery dates in 2022-2023 and for one A320CEO aircraft that was delivered in 2021.

In 2021 the Group signed operating lease agreements for four A320neo aircraft with expected delivery dates in 2022-2023 and for one A320CEO aircraft with expected delivery in 2022 both for expansion and replacement of retiring aircraft.

In 2021 the Group has signed agreements for Full-flight simulator delivery and Simulator centre construction in Nur-Sultan. The simulator is scheduled to be delivered to the airline in the second half of 2022.

Non-cancellable commitments related to the Simulator project:

'000 USD	31 December 2021
Within one year	**6,385**
	6,385

Insurance

Aviation insurance

Air Astana puts substantial attention in conducting insurance coverage for its aircraft operations and hence places aviation risks in major international insurance markets (e.g. Lloyd's) with a high rating of financial stability through the services of an international reputable broker. Types of insurance coverage are stated below:

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

29. Commitments and contingencies continued

Insurance continued

Non-Aviation Insurance

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

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

Taxation contingencies

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

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

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

Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 coronavirus pandemic have also increased the level of uncertainty in the business environment. The consolidated financial statements reflect the management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from the management's assessment.

30. Related party transactions

Control relationships

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

Management remuneration

Key management that have authority and responsibility regarding management, control and planning of the Group's activity received the following remuneration during the year, which is included in employee costs (Note 8):

'000 USD	2021	2020	2019
Salaries and bonuses	**6,010**	5,149	4,513
Social tax	**556**	448	447
	6,566	**5,597**	**4,960**

Transactions with related parties

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

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

The Group 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.

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

	2021		2020		2019	
'000 USD	Transaction value	Outstanding balance	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services received						
State-owned companies	**37,025**	**(1,608)**	15,205	(3,952)	19,752	(4,435)
Shareholders and their subsidiaries	**11,408**	**(2,203)**	1,610	(26)	6,381	(834)
	48,433	**(3,811)**	**16,815**	**(3,978)**	**26,133**	**(5,269)**

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

	2021		2020		2019	
'000 USD	Transaction value	Outstanding balance	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services provided by the Group						
Shareholders and their subsidiaries	**1,254**	**430**	1,031	177	1,484	366
State-owned companies	**–**	**3**	–	8	4	–
	1,254	**433**	**1,031**	**185**	**1,488**	**366**

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

30. Related party transactions continued

Transactions with government-related entities

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

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

31. Subsequent events

On 2 January 2022 protests started in Western Kazakhstan related to an increase in the liquefied natural gas price from 60 tenge per litre to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022 the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including additional taxes.

On 19 January 2022 the state of emergency was lifted. The damage to the Group's asset was insignificant. However, the Group had to stop flight operations to Almaty from 5 January to 14 January 2022, and to Aktau from 4 January to 9 January 2022.

32. Approval of the financial statements

The consolidated financial statements were approved by the management of the Group and authorised for issue on 25 February 2022.

GRI content index

GRI standard	Disclosure	Relevant section(s)	References and data
GRI 101: Foundation 2016			
GRI 102: General disclosures 2016			
Organizational profile	102-1 Name of the organisation	Cover	–
	102-2 Activities, brands, products, and services	Our strategic framework Business model	p. 01 pp. 10-11
	102-3 Location of headquarters	Consolidated financial statements	p. 95
	102-4 Location of operations	Domestic and international routes	pp. 04-05
	102-5 Ownership and legal form	Consolidated financial statements	p. 95
	102-6 Markets served	Domestic and international routes	pp. 04-05
	102-7 Scale of the organisation	At a glance Consolidated financial statements	pp. 02-03 pp. 89-94
	102-8 Information on employees and other workers	Sustainability (Employees)	pp. 44-47
	102-9 Supply chain	Sustainability (Economic topics)	p. 41
	102-10 Significant changes to the organisation and its supply chain	–	Not applicable – no such changes in the reporting period
	102-11 Precautionary principle or approach	Risk management	pp. 54-89
	102-12 External initiatives	Sustainability	pp. 40-53
	102-13 Membership of associations	Corporate website	https://airastana.com/global/en-us/About-Us/Overview/Awards-and-Certificates
Strategy	102-14 Statement from senior decision-maker	Chairman's statement President and CEO's statement	pp. 06-07 pp. 08-09
	102-15 Key impacts, risks, and opportunities	Risk management	pp. 56-59
Ethics and integrity	102-16 Values, principles, standards, and norms of behaviour	Our strategic framework Corporate governance report	p. 01 p. 68
	102-17 Mechanisms for advice and concerns about ethics	Sustainability	p. 37
Governance	102-18 Governance structure	Corporate governance report	p. 72
	102-19 Delegating authority	Sustainability	p. 36
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability	p. 36
	102-21 Consulting stakeholders on economic, environmental, and social topics	Stakeholder engagement Sustainability	pp. 12-13 p. 38
	102-22 Composition of the highest governance body and its committees	Sustainability Board of Directors	p. 36 pp. 62-64
	102-23 Chair of the highest governance body	Board of Directors	pp. 62

GRI content index continued

GRI standard	Disclosure	Relevant section(s)	References and data
Governance continued	102-24 Nominating and selecting the highest governance body	Corporate governance report	p. 82-83
	102-25 Conflicts of interest	Corporate governance report	p. 69
	102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate governance report	p. 68
	102-27 Collective knowledge of highest governance body	Corporate governance report	pp. 70-71
	102-28 Evaluating the highest governance body's performance	Corporate governance report	p. 74
	102-29 Identifying and managing economic, environmental, and social impacts	Corporate governance report	pp. 68-71
	102-30 Effectiveness of risk management processes	Risk management	pp. 54-55
	102-31 Review of economic, environmental, and social topics	Board of Directors	p. 65
	102-32 Highest governance body's role in sustainability reporting	Sustainability	p. 36
	102-33 Communicating critical concerns	Corporate governance report	pp. 68-69
	102-34 Nature and total number of critical concerns	Board of Directors	p. 65
	102-35 Remuneration policies	Corporate governance report	p. 83
	102-36 Process for determining remuneration	Corporate governance report	p. 83
	102-37 Stakeholders' involvement in remuneration	Corporate governance report	pp. 70-71, 83
	102-38 Annual total compensation ratio	Consolidated financial statements	pp. 118, 149
	102-39 Percentage increase in annual total compensation ratio	Consolidated financial statements	pp. 118, 149
Stakeholder engagement	102-40 List of stakeholder groups	Business model Stakeholder engagement	p. 11 pp. 12-13
	102-42 Identifying and selecting stakeholders	Sustainability	p. 38
	102-43 Approach to stakeholder engagement	Stakeholder engagement Corporate governance report	pp. 12-13 pp. 70-71
	102-44 Key topics and concerns raised	Stakeholder engagement	pp. 12-13
Reporting practice	102-45 Entities included in the consolidated financial statements	Consolidated financial statements	p. 95
	102-46 Defining report content and topic Boundaries	Sustainability	pp. 38-39
	102-47 List of material topics	Sustainability	p. 39

GRI standard	Disclosure	Relevant section(s)	References and data
Reporting practice continued	102-48 Restatements of information	–	Not applicable – there were no restatements during the reporting period
	102-49 Changes in reporting	–	Not applicable – there were no changes during the reporting period
	102-50 Reporting period	Cover page	–
	102-51 Date of most recent report	Annual report 2020	–
	102-52 Reporting cycle	Corporate website	https://airastana.com/global/en-us/About-Us/Corporate-Governance/Annual-Reports
	102-53 Contact point for questions regarding the report	Inside back cover	–
	102-55 GRI content index	GRI content index	pp. 151-155
GRI 200: Economic disclosures 2016			
Economic performance	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Economic topics)	p. 40
	201-1 Direct economic value generated and distributed	Sustainability (Economic topics)	p. 40
	201-4 Financial assistance received from government	–	Not applicable – no financial assistance has been received from government since our launch
Procurement practices	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Economic topics)	p. 41
	204-1 Proportion of spending on local suppliers	Sustainability (Economic topics)	p. 41
Anti-corruption	GRI 103-1 – 103-3 Management Approach 2016	Sustainability	p. 37
	205-1 Operations assessed for risks related to corruption	Sustainability	p. 37
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability	p. 37
	205-3 Confirmed incidents of corruption and actions taken	Sustainability	p. 37
GRI 300: Environmental disclosures 2016			
Energy	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Environment)	p. 42
	302-1 Energy consumption within the organization	Sustainability (Environment)	p. 42
	302-4 Reduction of energy consumption	Sustainability (Environment)	p. 42

GRI content index continued

GRI standard	Disclosure	Relevant section(s)	References and data
Emissions	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Environment)	pp. 42-43
	305-1 Direct (Scope 1) GHG emissions	Sustainability (Environment)	pp. 42-43
Emissions continued	305-4 GHG emissions intensity	Sustainability (Environment)	pp. 42-43
	305-5 Reduction of GHG emissions	Sustainability (Environment)	pp. 42-43
Effluents and waste	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Environment)	p. 43
	306-2 Waste by type and disposal method	Sustainability (Environment)	p. 43
Environmental compliance	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Environment)	p. 43
	307-1 Non-compliance with environmental laws and regulations	Sustainability (Environment)	p. 43
GRI 400: Social disclosures 2016			
Employment	GRI 103-1 – 103-3 Management Approach 2016	Sustainability (Employees)	p. 44
	401-1 New employee hires and employee turnover	Sustainability (Employees)	pp. 44-45
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability (Employees)	p. 45
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Notes

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