Air Astana Joint Stock Company

(incorporated as a joint stock company organised under the laws of the Republic of Kazakhstan with business identification number 010940000162)

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The Company accepts responsibility for the information contained in this Document. To the best of the Company's knowledge, the information contained in this Document is in accordance with the facts and this Document makes no omission likely to affect its import.

This Document should be read in its entirety. In particular, see "*Risk Factors*" for a discussion of certain risks relating to the Company and its subsidiary.

This Document speaks as of the date hereof. The date of this Document is 12 January 2024.

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Risk Factors

Introduction

Recipients of this Document should carefully consider the risks described below and the other information contained in this Document. Any of the following risks could adversely affect the Air Astana Group's business, financial condition and results of operations.

In addition, the description of the principal or material risks set forth below does not purport to be an exhaustive description of all risks that the Air Astana Group faces. Additional risks that are not known to the Air Astana Group at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

1. Risks relating to the Air Astana Group's business and industry

1.1 *Downturns in economic conditions, particularly in Kazakhstan and neighbouring countries, could adversely affect the Air Astana Group's business and results of operations*

The Air Astana Group's results of operations are heavily influenced by the condition of Kazakhstan's economy and economies in other regions of the world. Unfavourable macroeconomic conditions in Kazakhstan and globally, including recessionary economic cycles, higher interest rates, volatile fuel and energy costs, rising inflation, increased taxes, increased levels of unemployment, stagnant or declining wages and rises in the cost of living have resulted, and may result in the future, in reduced passenger purchasing power, decreased passenger demand for air travel, changes in booking practices and related strategic responses from the Air Astana Group's competitors, all of which in turn may have an adverse effect on demand for the Air Astana Group's services or result in increased costs.

Other events and developments, including geopolitical developments, social or political unrest, war, terrorist acts and other hostilities, outbreaks of disease, natural catastrophes and the effects of climate change, macroeconomic policy, trade policy and conflicts, business and consumer sentiment, demographic changes, monetary policy (i.e. interest rates), commodity prices, public and private debt levels and government policies targeting public spending, have had, and may in the future have, an indirect and strongly negative effect on economic conditions in Kazakhstan, and globally. In particular, the COVID-19 pandemic and ongoing Russia-Ukraine conflict have had a severe and prolonged effect on the global economy generally, and ongoing conflicts in the Middle East and elsewhere may have similar effects. During economic downturns, the ability of customers to make expenditures may decline significantly, which may result in the suspension or cancellation of existing or planned bookings. Furthermore, concerns over future possible impacts such as unemployment or reduced income, can lessen consumer confidence, driving down demand for discretionary services.

A significant focus of the operational strategy of the Air Astana Group is leisure travel from the home and near-home market, making it particularly susceptible to a downturn in the condition of the Kazakhstan and neighbouring economies and in particular, volatility between the Tenge and the U.S.$, which impacts the pricing of international fares in Tenge. While management believes that these routes benefited from relatively inelastic demand (where increasing fares does not significantly reduce demand), a deterioration in economic conditions in these markets could adversely affect demand, and in particular demand for international routes.

A reduction in consumer spending or disposable income may also affect the Air Astana Group more significantly than companies in other industries and companies with a more diversified product offering because airlines have typically relatively high fixed costs as a percentage of total costs, much of which cannot be mitigated during periods of lower demand for air travel. See also "*—The Air Astana Group has limited cost flexibility*". In addition, various market trends that the Air Astana Group anticipate may not develop at all, or which may develop at a different pace to which it expects, including, for example, higher inflation, could result in costs and capacity outpacing demand, which could materially adversely affect the Air Astana Group's operating results. Whilst the Air Astana Group may take mitigating actions such as increasing passenger fares, competitive pressures and regulatory measures may constrain its ability to do so.

1.2 *Recent difficulties with the performance of Pratt & Whitney PW1100G GTF engines used by the A320neo series aircraft could result in unscheduled grounding of aircraft*

Engine maintenance and complete engine overhauls are performed at regular intervals. These overhauls are scheduled by airlines so as to meet aviation safety regulation and limit disruption to airline operations. Design defects or mechanical problems, and delays in maintenance and engine overhaul work, could force disruptions to the Air Astana Group operations and, to the extent not scheduled within its planning, could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

The PW1100G engine, produced by Pratt & Whitney and used on the group's A320 neo series aircraft, has recently experienced significant operational and reliability problems, which have had, and are expected to continue to have, a significant impact on the airline industry. While these engines offer lower fuel consumption and higher efficiency compared to previous generations, they have faced various technical issues since their introduction in 2017. In July 2023, Rtx Corporation, the makers of the Pratt & Whitney PW1100G, announced that a rare condition in powder metal used to manufacture certain engine parts of the PW1100G engine-type which powers the Airbus A320 neo aircraft will require accelerated inspection. RTX estimated that approximately 600 to 700 engines will need be removed from aircraft for inspection between 2023 and 2026, beyond the normalised shop visit forecast, with a majority of the incremental engine removals occurring in 2023 and early 2024. This is expected to result in the grounding of 650 A320 neo aircraft in the first half of 2024, with inspections projected to last up to 190 days per engine (as compared to a typical period of 160 days). These temporary groundings impact carriers' activities. The complex supply chain means that delays may often be as a result of Pratt & Whitney's suppliers experiencing difficulties with an accumulation of subcomponent orders. Currently, a considerable number of aircraft equipped with this engine family remain grounded, beyond the scheduled completion date.

The Air Astana Group has 28 A320 neo aircraft equipped with the PW1100G engines, and it expects to operate 72 such aircraft by 2028. Management has taken into account an expected 32 engine removals during 2024 when determining fleet plan and operations for 2024. The engines have specific life by which time they must be removed, and by managing the life usage of each engine and additional spare engines, the Air Astana Group seeks to ensure the availability of sufficient engines for its fleet. In addition, the Air Astana Group plans to lease an additional two spare engines in 2024, to purchase up to three spare engines in 2024 and to obtain additional aircraft capacity in the form of A320ceo operating leases. There can be no assurance that these measures will be sufficient to offset the necessary aircraft downtime, or that the Air Astana Group may not experience additional engine removals or maintenance requirements. Any unanticipated requirements, or additional costs or delays in maintenance, could result in additional costs and the unavailability of aircraft. Such developments could in turn materially and adversely impact the Air Astana Group's business, financial condition, results of operations and prospects.

1.3 *Increases in jet fuel costs or the inability to obtain sufficient quantities of jet fuel could have a material adverse effect on the Air Astana Group's business, financial position, results of operations and prospects*

Jet fuel costs constitute a substantial proportion of the Air Astana Group's total operating expenses, and are the largest component of its non-fixed operating expenses. A relatively small increase or decrease in the price of fuel, and increases or decreases in total fuel consumed, can have a material effect on its operating results and liquidity. For the year ended 31 December 2022, fuel and oil costs amounted to 26% (U.S. $231.9 million) of the Air Astana Group's operating expenses as compared to 21% (U.S. $136.6 million) and 19% (U.S. $89.2 million) for the years ended 31 December 2021 and 2020 respectively; during the same periods the Air Astana Group consumed approximately 320 thousand, 262 thousand and 170 thousand tonnes, respectively.

The Air Astana Group primarily uses TS-1, the main jet fuel grade available in Kazakhstan and the Commonwealth of Independent States ("**CIS**"), which it sources locally and, to a lesser extent, from neighbouring countries. It uses Jet A-1, a fuel grade used in the US and Western Europe for inbound flights of more than approximately three hours. For the nine-month period ended 30 September 2023 and the year ended 31 December 2022, the Air Astana Group sourced TS-1 fuel for around 72% and 75% respectively of its fuel needs. Prices for TS-1 and Jet A-1 are influenced by the demand for and the availability of jet fuel, which in turn may be affected by factors such as refinery capacity and availability, weather-related events, natural disasters, terrorism, war or the threat of war, political disruption or instability involving oil-producing countries, changes in governmental or cartel policy concerning crude oil or jet fuel production, labour strikes or other events affecting refinery production, transportation disruptions, rates of taxation, economic sanctions, fluctuations in foreign exchange rates (in particular with respect to the U.S. dollar), environmental concerns, market manipulation and price speculation.

In particular, prices for TS-1 have fluctuated over the past several years and whilst prices are affected by international pricing of jet fuel, the impact is indirect, fluctuations are less volatile over time and are generally lower than prices for Jet A-1. During late 2021 and throughout 2022, there was a shortage of domestically produced TS-1 across Kazakhstan, due to limited refinery capacity. In the short-term, the Kazakhstan

Government has committed to distributing available TS-1 reserves to local airlines as a priority which, together with the Company's long-standing relations with its suppliers, has mitigated any impact of shortages on the Air Astana Group. Sustained shortages, however, may require the Air Astana Group to import more TS-1 from other CIS countries, or increase supplies of Jet A-1, at prices higher than it otherwise anticipated. The Kazakhstan Government's intervention in jet fuel distribution is a short-term solution and ongoing disruption to the availability and the limited supply of jet fuel is problematic, which has been compounded by the ongoing conflict between Ukraine and Russia. A shortage of TS-1 supply may adversely impact the Air Astana Group's operations or result in the Air Astana Group incurring Jet A-1 fuel pricing outside its hedged volumes (see below), each of which may materially and adversely effect the results of operations and financial condition of the Air Astana Group.

Market prices for Jet-A1 fuel have fluctuated substantially over the past several years and prices continue to be highly volatile. Jet fuel prices are, in turn, correlated with crude oil prices. Oil prices in the year ended 31 December 2022 and beyond were significantly higher than in the year ended 31 December 2021 and increased significantly following Russia's invasion of Ukraine in February 2022. The Russia-Ukraine conflict and the resulting sanctions have also exacerbated volatility in oil prices. In 2022, the average Brent oil price was 40% higher than in 2021 due to global demand outstripping supply. Uncertainty in the oil market and its effects on the oil prices is driven by the decision of the Organisation of the Petroleum Exporting Countries ("**OPEC**") and Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, the Philippines, Russia, South Sudan and Sudan (together with the OPEC, known as the "**OPEC Plus members**") to cut the output by 2 million barrels per day and the European ban on importing Russian seaborne crude oil as of 5 December 2022 combined with a price cap on Russian oil implemented by the G7 and Australia. These and other similar measures may cause further increases in oil prices, which in turn could increase prices for jet fuel.

The Air Astana Group pursues a hedging policy pursuant to which it attempts to hedge no more than its projected international uplift of Jet A-1 fuel annually (accounting for approximately 25% of its total fuel volumes annually) when such price protection is available at commercially acceptable rates. As a result of significant volatility and high prices during the majority of 2022, by 31 December 2022 price protection had not been acquired for projected Jet A-1 volumes for the majority of 2023. Substantial increases in Jet A-1 prices could, if outside of its hedged volumes or if hedging is not available at commercially acceptable prices, significantly impact the Air Astana Group's jet fuel costs. For example, a 10% increase in fuel prices for the year ended 31 December 2022 would have adversely impacted the Air Astana Group's profit before tax for the year ended 31 December 2022 by U.S. $24.3 million, assuming a fully unhedged position and all other variables held constant. By the end of 2023, the Air Astana Group had secured cover of 100% and 75% of its forecast international fuel uplift for the first quarter and the second quarter of 2024, respectively. The price of fuel may trend higher, and average fuel prices for future years may be higher than current prices. Furthermore, hedges create risks of their own. The Air Astana Group is subject to a general credit risk as counterparties to hedging transactions may default on their obligations. This absence of an extensive hedge position creates a risk that if fuel prices were to rise higher in the future, the Air Astana Group may be unable to pass on those additional fuel costs to customers.

1.4 *The Air Astana Group has limited cost flexibility*

The entire airline industry, and scheduled passenger service in particular, are characterised by high fixed costs, including aircraft lease expenses. The direct costs of operating any particular flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers, the fare pricing or the traffic mix could lead to a disproportionate fall in profitability, as fixed costs generally cannot be reduced on short notice. For example, the Air Astana Group was unable to decrease its operating expenses *pro rata* to its reduction in revenue due to the impact of COVID-19 during 2020, reflecting the short-term inelasticity of its fixed costs.

Additionally, costs of over-flight rights, airport services, transit and take-off/landing fees as well as security charges represent a significant part of the Air Astana Group's variable operating cost base. When flights are being operated, these costs can be reduced to an extent through negotiation but there is no assurance that such costs would not increase in the future, or that any reduction would be in proportion to reduced revenues. It is also possible that security regulations worldwide could be further tightened and personal health precautions enhanced, and that charges or other costs arising from these measures could increase further.

The adequacy and ultimate success of the Air Astana Group's initiatives to control costs and improve productivity cannot be assured. Moreover, whether these initiatives will be adequate or successful depends largely on factors beyond the Air Astana Group's control, notably the overall industry environment, including passenger demand, unit revenues, industry capacity growth and jet fuel prices as well as the global macroeconomic and legal and regulatory environment. An increase in the price of any of the above-mentioned charges, inflationary pressure or the failure to successfully implement cost efficiency initiatives may result in decreased profitability due to higher costs in relation to revenues, which may also have an adverse impact on the Air Astana Group's liquidity position.

Any inability to adjust costs to respond to decreases in demand may have an adverse impact on the Air Astana Group's profitability and liquidity, which may have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

1.5 ***The Russia-Ukraine conflict and the sanctions imposed by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on the Air Astana Group's route network and supply chain, as well as on global markets more generally, all of which have had, and may continue to have, a material adverse effect on the Air Astana Group's business, financial condition and results of operations***

The Russia-Ukraine conflict that started in February 2022, as well as the sanctions imposed on persons in or related to Russia by the United States, United Kingdom, EU and other authorities since 2014 have had, and are expected to continue to have, a significant disruptive effect on Air Astana's business, as well as global markets, including oil and gas markets, as well as supply chains, more generally.

Restrictions implemented resulted in the closure of routes to and over the Russian Federation and commercial airspace over Ukraine which the Air Astana Group had operated in recent years. Flight paths operated by commercial airlines must avoid the Russian Federation and the Black Sea, resulting in extra flying time for Air Astana flights to Frankfurt and Amsterdam, and an intermediate stop at Aktau on the eastern Caspian coast on flights to London. Additional flights, stops and distances travelled have had, and may continue to have, a consequential impact on the Air Astana Group's overall fuel consumption, which may increase the Air Astana Group's costs. For example, the extra flying time for certain routes operated by Air Astana to Amsterdam and Frankfurt results in an increase of approximately 25% in jet fuel consumption. Airspace closures and similar restrictions are unpredictable and may be extended to reflect the evolving nature and scope of conflicts. Further airspace limitations and closures due to armed conflict, whether arising from the Russia-Ukraine conflict or other conflicts globally, could further impact the flight paths that the Air Astana Group operates resulting in increased costs and/or the closure of routes, which could have a material adverse effect on the business, financial condition and results of operations of the Air Astana Group.

The ongoing conflict and ensuing sanctions imposed on Russia caused major disruptions to routes into and the volume of imports reaching Kazakhstan, inevitably impacting the Air Astana Group's complex supply chain. In particular, the Company terminated its long-term contracts with jet fuel producers from the Russian Federation. Whilst the Air Astana Group has to date been able to source sufficient jet fuel locally, or elsewhere as required, without having to supplement supplies with jet fuel from Russia in order to remain compliant with EU and U.S. sanctions, the current supply strategy may not be sufficient in the event of further sanctions or restrictions and in the current inflationary environment.

In response to the Russia-related sanctions imposed by the U.S., U.K. and EU, the Air Astana Group implemented several in-house initiatives, including the daily monitoring of sanctions updates and manual screening of counterparties, to sanctions-related exposures. As a result of such measures, the Air Astana Group has determined it is no longer willing to work with certain suppliers, as a result of which it has concentrated its dependence on accessible suppliers. If additional sanctions or restrictions further limit the number of suppliers available to the Air Astana Group, it could have a material adverse effect on the Air Astana Group's business and results of operations.

The Russia-Ukraine conflict and the sanctions and export-control measures implemented by various countries and authorities against Russian and Belarusian persons and entities in response, have contributed, and are likely to continue to contribute, to increased inflationary pressures, increased fuel and energy costs, supply chain disruptions, gas supply shortages, market volatility and economic uncertainty. In June 2022, the World Bank Group (the "**World Bank**") stated that the Russia-Ukraine conflict had magnified the slowdown in the global economy triggered by the COVID-19 pandemic and warned that the global economy was entering a potentially protracted period of low growth and elevated inflation, particularly as the Russia-Ukraine conflict disrupts economic activity, investment and trade, and as pent-up demand following the pandemic fades and fiscal and monetary policy accommodation is withdrawn or tempered by central banks and governments.

Further geopolitical events, including the continuation, escalation or expansion of hostilities between Russia and Ukraine, the Middle East or elsewhere, may lead to further restrictions, sanctions or countersanctions, increased economic instability worldwide, heightened operating risks and cyber disruptions or attacks. Potential financial losses could result from further restricted flight paths, higher insurance premiums, higher operating costs (including but not limited to fuel costs and sanctions compliance screening) and payment difficulties resulting from increased restrictions. Such restrictions and uncertainty could be significant and could have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

1.6 *The Air Astana Group may not be successful in implementing its growth strategy*

The Air Astana Group's growth strategy involves adding further aircraft to its fleet across both airlines, increasing the frequency of flights and the addition of new routes to markets it currently serves and expanding into new markets where it expects both FlyArystan's low-cost structure and Air Astana's regional experience and "lifestyle route" offerings to be successful.

When an airline begins service on a new route, its passenger load factors and, consequently, revenue initially tend to be lower than those on its established routes. Advertising and other promotional costs also tend to be higher, while certain costs, such as fuel and crew costs, are incurred regardless of load factors. For low-cost carriers ("**LCCs**"), such as FlyArystan, the maturation of a route tends to be more pronounced where low fares are offered to stimulate demand. Customers may make less use of new routes or additional capacity on existing routes than the Air Astana Group may have expected. FlyArystan, in particular, may experience less yield in the near-term as part of its strategy to drive traffic. New routes may also experience more competition than existing routes, or competition may otherwise exceed the Air Astana Group's expectations. If the Air Astana Group is unable to manage or implement its planned growth strategy adequately by correctly assessing demand, capacity and fares or if it is forced to terminate any unprofitable routes, this could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects. Growth in the route network may also result in cannibalisation of traffic where a new route is already served by one of the airline brands.

Expansion of the Air Astana Group's markets and services may also strain its existing management resources and operational, financial and management information systems to the point where they are no longer adequate to support the Air Astana Group's operations and require the Air Astana Group to make significant expenditures in these areas.

Other risks related to, and challenges of, the implementation by the Air Astana Group of its growth strategy include:

- the Air Astana Group's ability to source additional aircraft outside of its committed deliveries;
- the Air Astana Group's ability to source replacement Pratt & Whitney aircraft engines in a timely manner;
- the Air Astana Group's ability to gain access to new routes, or increase frequency on existing routes, and obtain any regulatory approvals required locally (see below) and in such jurisdictions;
- the Air Astana Group's need to hire and train a significant number of additional personnel with specific skill sets and qualifications, in particular sufficient pilots with appropriate qualifications;
- increasing maintenance hangar capacity at Almaty International Airport ("**Almaty Airport**");
- political and economic conditions in the Air Astana Group's existing and new markets, and other drivers of passenger traffic in those markets;
- the Air Astana Group's ability to drive revenue and profit through balancing low fares against increased traffic and its ancillary product and service offering in the future, in particular with respect to FlyArystan;
- the Air Astana Group's ability and success in achieving customer engagement in the LCC segment, where historically passengers have not been accustomed to paying ancillary fees for unbundled services;
- challenges in maintaining and improving operational and cost efficiency in a growing business;
- challenges in sourcing additional fuel and oil in a cost-efficient manner;
- challenges in maintaining the Air Astana Group's brand and operational integrity across a growing network; and
- challenges in limiting airport costs and other charges over which the Air Astana Group has limited, or no, control in existing and new locations.

If the Air Astana Group faces challenges in relation to any of the foregoing it may be unable to implement its planned growth strategy effectively, or in the manner or at the speed it anticipates, which could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.7 *The Air Astana Group is dependent on the Airbus A320 and A321 family aircraft*

As at 30 September 2023, 39 of the Air Astana Group's 47 aircraft are Airbus A320 and A321 family aircraft. In addition, one of the key features of the Air Astana Group's fleet strategy is the simplification of its fleet, with a view to increasing uniformity by 2028 to 77 Airbus A320 and A321 family aircraft out of a total of 80. Consequently, the Air Astana Group is, and will continue to be, dependent on Airbus as the supplier of the substantial majority of its aircraft. The Air Astana Group's business, results of operations, financial condition and/or prospects could be adversely affected if a design defect or mechanical problem with any of the Airbus family aircraft was discovered, causing the Air Astana Group's aircraft to be grounded while any such defect or problem was corrected, or attempts were made to correct it. The Air Astana Group's business, results of operations, financial condition and/or prospects could also be adversely affected if its customers were to avoid flying with Air Astana or FlyArystan due to an adverse public perception of Airbus family aircraft caused by safety concerns or other problems, whether real or perceived.

The Air Astana Group may also be significantly impacted by a material flight safety incident involving Airbus family aircraft (whether or not operated by the Air Astana Group) if such incident results in a decision by aviation regulators in one or more of the jurisdictions in which the Air Astana Group operates to ground all aircraft of the relevant type. For example, a number of airlines globally were significantly impacted by the decision of the U.S. Federal Aviation Administration (the "**FAA**") in March 2019 to ground all Boeing 737-MAX aircraft following two serious flight safety incidents in 2018 and 2019. More recently, following a safety incident in January 2024, the FAA has required airlines to ground all Boeing 737-9-MAX which have a specific door configuration. If a similar grounding decision were to be made relating to the Airbus A320 and A321 aircraft, such a decision could have a material adverse effect on the Air Astana Group's revenue, operations, reputation and fleet planning. A material flight safety incident involving Airbus family aircraft could also reduce consumer confidence in, and demand for, the Air Astana Group's services.

The Air Astana Group depends on Airbus, and its engine makers, fulfilling their contractual obligations to the Air Astana Group and manufacturing and maintaining the aircraft and parts for the aircraft/ engines that the Air Astana Group requires to run its operations and meet its growth plans. Missed or late deliveries could, amongst other things, result in lost or delayed revenue or fuel-efficiency opportunities and lower growth rates, as new deliveries are typically aligned with the opening of new routes serviced by the Air Astana Group. Any significant delays or failures could result in significant disruption to the Air Astana Group's operations, and in turn its financial condition, results of operations and prospects.

1.8 *The outbreak and global spread of COVID-19 and government-imposed measures to prevent or reduce its spread resulted in significant volatility in demand for air travel, the effects of which adversely impacted the Air Astana Group's business, operating results, financial condition and liquidity. An emergence of similar public health threats that the Air Astana Group may face in the future could result in additional adverse effects on its business, operating results, financial condition and liquidity*

The COVID-19 outbreak, along with the measures implemented by many governments worldwide in an attempt to contain its rapid spread—such as travel restrictions and bans, testing regimes, "stay at home" and quarantine orders, limitations on public gatherings, cancellation of public events, social distancing measures and many others—initially resulted in a precipitous decline in demand for both domestic and international business and leisure travel. The Kazakhstan Government adopted a similar approach to governments across the world and sought to prevent the spread of COVID-19 by suspending domestic flights from 22 March 2020 and international flights from 1 April 2020.

In addition to the severe adverse impact caused to the global economy in general, including declining economic growth, numerous business insolvencies and significantly increased unemployment, measures implemented in response to the pandemic resulted in a material decrease in consumer spending and an unprecedented decline in demand for air travel. As a result, the Air Astana Group's business, operations and financial condition were also materially and adversely impacted. The total number of passengers carried by the Air Astana Group decreased by 27% to 3.7 million for the year ended 31 December 2020, from 5.1 million for the year ended 31 December 2019, in line with a reduction in available seat kilometres ("**ASK**") to 8.1 billion, representing 55% of 2019 ASK levels. This substantial reduction caused the Air Astana Group total revenue and other income for the year ended 31 December 2020 to decrease by 55.5% to U.S. $400.3 million as compared to U.S. $898.7 million for the year ended 31 December 2019. To ensure the ongoing strength of the Air Astana

Group's balance sheet, manage its costs and reduce cash expenditures, the Air Astana Group pursued a diverse range of responses to the pandemic during 2020, including, *inter alia*:

- entering into new lines of credit with Halyk Bank JSC ("**Halyk Bank**");
- negotiating the deferral of payment of interest and principal on its finance-leased Boeing 767 and Airbus A320 fleets;
- negotiating the early redeliveries of all Embraer 190 and Boeing 757 aircraft; and
- obtaining reductions and deferrals in lease costs from the Air Astana Group's operating lessors.

An outbreak of another disease or similar public health threat, or fear of such an event, that affects travel demand, travel behaviour or travel restrictions could adversely impact the Air Astana Group's business, financial condition and results of operations. The impact on the Air Astana Group will depend on a range of factors, including without limitation:

- the severity, extent and duration of a recurrence of the pandemic or novel variants, the wider impact on air travel and consumer spending, and related travel advisories, restrictions and testing regimes;
- the impact on demand and capacity which could result from the recurrence of government mandates on air service (including, for instance, travel restrictions and bans relating to certain locations (such as China's imposition of strict quarantine rules for a significant proportion of 2022 and the subsequent imposition by other countries of bans on travellers from China in an attempt to prevent the spread of COVID-19), requirements for passengers to wear face coverings while travelling or have their temperature checked or have administered tests and other checks prior to or after entering an airport or boarding an airplane, or actions which would limit the number of seats that can be occupied on an aircraft to allow for social distancing);
- other actions taken by national, state and local governments including the closure of non-essential businesses and provision of economic aid;
- the supply of effective vaccines and boosters, the success of efforts to deploy them and the impact of vaccine mandates, including the willingness of the Air Astana Group's employees to comply with such mandates;
- any impact on employees' ability to work due to quarantines, sickness or reinstated governmental curfews or "stay at home" health orders and similar restrictions;
- the speed and extent of the recovery of the industry within Kazakhstan and across the broader travel ecosystem; and
- the impact on the financial health and operations of the Air Astana Group's business partners and third parties contracted to perform services for the Air Astana Group.

If such events occur, the Air Astana Group could be required to reduce capacity, reduce costs, incur debt or defer payments. There can be no assurance that the Air Astana Group would be able to secure the willingness of creditors and lessors in the same manner as in 2020.

1.9 *Competition in the airline industry is intense and a failure by the Air Astana Group to respond to competition could have a material adverse effect on its business, financial condition, results of operations and prospects*

The Air Astana Group operates in a highly competitive industry and must compete with a wide variety of other airlines and other modes of transport. The Air Astana Group competes with airline operators on the routes operated by both Air Astana and FlyArystan, as well as from indirect flights, charter services and other modes of transport with respect to fare levels, onboard products, schedules (both timing and frequency) and reliability of service, brand recognition, passenger amenities, loyalty benefits and promotions, and the availability and convenience of other passenger services. Existing or new competitors may have, among other things, newer aircraft and more efficient operations. These factors may become even more significant in the periods when the industry or economy in general experiences a decline in activity (such as those that occurred during the COVID-19 pandemic), as airlines under financial stress, or in bankruptcy, may institute pricing or fee structures intended to attract more customers to achieve near-term survival at the expense of long-term viability. Furthermore, with the economic outlook remaining uncertain due to, in particular, the Russia-Ukraine conflict, which has and is expected to continue to have an impact on customer spending, competition may become more intense in future. Failure to react quickly to competitor changes could have an impact on the Air Astana

Group's market share and brand strength and could result in a material adverse effect on the Air Astana Group's businesses, prospects, results of operations and financial condition.

Moreover, as the low-cost airline sector evolves in Kazakhstan and the propensity for air travel grows, the increased domestic demand may attract attention from low-cost carriers, ultra-low-cost carriers or other airlines, as well as investors seeking opportunities to enter the market, including with governmental support. The substantial majority of international routes operated by FlyArystan are routes where it operates as the sole market operator, but its strategy to compete with incumbent airlines on new international routes will result in greater competitive pressure. The Air Astana Group, and FlyArystan as the low-cost carrier in particular, may face increased competition in the point-to-point short and mid-haul market from existing and potential new low-cost, low-fare operators, or others that may enter the Central Asian market. For example, AirAsia X (AirAsia X Berhad, part of the Air Asia Aviation Group) announced in late 2023 that it plans to begin operating direct passenger flights on the route Kuala Lumpur (Malaysia) to Almaty in early 2024. If FlyArystan's cost structure increases and it is no longer able to maintain a competitive advantage, this could have a material adverse effect on the FlyArystan business, results of operations, financial condition and prospects. Competitor capacity growth in excess of demand could cause an oversupply in the marketplace, a shift in the competitive landscape and materially impact margins of the Air Astana Group, as could significant price discounting by competitors.

Consolidation in the airline industry, changes in international alliances and the rise of subsidised government-sponsored international carriers have altered and will continue to alter the competitive landscape in the industry, resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and competitive cost structures. A number of the Air Astana Group's international competitor airlines also benefit from state support and/or subsidies. For instance, competitor airlines, including Lufthansa, received state support during the COVID-19 pandemic, including government-backed loans, warrants and grants, some of which do not need to be repaid. This state support, and certain conditions related to this support, or similar state support received in future, could enable these competitors to become more competitive as compared to the Air Astana Group and distort the competitive landscape in the markets in which the Air Astana Group operates.

1.10 ***The Air Astana Group relies on third-party distribution channels and must manage effectively the costs, rights and functionality of such channels***

The Air Astana Group relies on third-party distribution channels to distribute a significant proportion of its airline tickets and it expects to continue relying on these channels in the future. These include travel agents, online travel agencies ("**OTAs**") and, with respect to Air Astana only, global distribution systems ("**GDSs**") (e.g. Amadeus). These distribution channels are more expensive and currently have less functionality in respect of ancillary product offerings than those operated by the Air Astana Group, e.g. via Air Astana's website. To remain competitive, the Air Astana Group will need to successfully manage its distribution costs and rights, increase its distribution flexibility and improve the functionality of its distribution channels, whilst maintaining an industry-competitive cost structure. Further, as distribution technology changes, the Air Astana Group will need to continue to update its technology, either by acquiring new technology from third parties or by building the functionality in-house, or a combination, which in any event will likely entail significant technological and commercial risk and involve potentially material investments. Any of the foregoing may affect the Air Astana Group's relations with conventional travel agents, travel management companies, GDSs or OTAs, including if consolidation of such parties continues, or should any of these parties seek to acquire other technology providers, thereby potentially limiting access to technology alternatives. Any inability to manage third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of the Air Astana Group's airline tickets could have a material adverse effect on its business, results of operations and financial condition.

Moreover, search engines, such as Google, and the aforesaid distribution channels aggregate flight search results across multiple supplier, online travel and other websites. Such channels and search engines may redirect potential customers to competitors' websites, increasing competition, which could adversely impact the Air Astana Group's business, results of operations, financial condition and prospects.

1.11 ***The Air Astana Group is dependent on attracting and retaining sufficient numbers of qualified employees***

The Air Astana Group's business requires it to have highly-skilled, dedicated and efficient pilots, engineers, cabin crew and other personnel. The Air Astana Group's growth plans require it to hire, train and retain a significant number of new employees. From time to time, the airline industry experiences a shortage of skilled personnel, especially pilots and engineers, although the situation has improved in recent years as a result of the reduced operations of many airlines in response to the COVID-19 pandemic, and the Air Astana Group's efforts to train its own pilots. The Air Astana Group competes with other airlines, including major full-service airlines, for these highly-skilled personnel. The Air Astana Group may have to increase wages and benefits to attract and retain qualified personnel or risk considerable employee turnover. For example, in 2022, the Company raised salaries for operational staff and pilots to address the highest inflation in Kazakhstan for 12 years, amended the salary structure for engineers to a productivity-based structure and amended the flight pay structure for cabin crew to a sector based structure. In 2023, it awarded an additional salary increase for pilots and certain other categories of employees. If the Air Astana Group is unable to hire, train and retain qualified employees at a reasonable cost, the Air Astana Group's business may be adversely affected and it may be unable to execute its growth strategy.

1.12 ***The Air Astana Group operates in a heavily regulated industry. Regulation may limit its operational flexibility, while non-compliance with regulations could lead to legal or regulatory sanctions***

The airline industry is heavily regulated. Regulated areas include, *inter alia*:

- the provision of passenger services;
- the requirement to hold an air operator certificate ("**AOC**");
- the ability to open new routes or increase frequencies on existing routes;
- compliance with safety regulations;
- compliance with security regulations;
- ownership restrictions—see also "*—Breach of restrictions on substantial ownership and effective control over a Kazakhstan airline by foreign persons may result in loss of international traffic rights*";
- compliance with anti-trust regulation—see also "*—The Air Astana Group may face anti-trust compliance risks due to its dominant position in the domestic market*";
- the availability of take-off and landing slots for the Air Astana Group's airlines—see also *"—Changes to the bilateral agreements or the trade relationship between Kazakhstan and other countries may result in limitations to, or increased competition with, the Air Astana Group's flight routes"*;
- air travel passenger rights;
- environmental matters affecting the Air Astana Group's airlines—see also *"—The Air Astana Group may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances introduced by regulation or legislative instruments"*;
- rules and requirements imposed by the International Air Transport Association ("**IATA**") as a prerequisite for selling flight tickets of airlines that are IATA members; and
- sanctions imposed by national and international authorities, such as the U.S. Treasury Department's Office of Foreign Assets Control with respect to activities or transactions with certain countries, governments, entities and individuals.

Applicable regulations could be extended to include further environmental, consumer protection or other areas of regulation. The airline industry may also be subject to enhanced health and safety requirements in the future due to a viral outbreak similar to COVID-19. Additionally, the operations of the Air Astana Group may be impacted by regulatory-related compliance measures which are implemented in response to events or circumstances over which the Air Astana Group has no control. The International Civil Aviation Organisation ("**ICAO**") identified in 2009 a "Significant Safety Concern" with respect to the aviation safety oversight capacities of the Civil Aviation Committee (the "**CAC**") of the Ministry of Transport of the Republic of Kazakhstan. This was conducted as part of its ICAO Universal Safety Oversight Audit Programme. The ICAO is not a global regulator but highlights concerns to countries to assist in their remediation efforts of concerns highlighted. As a result of the audit, the European Commission banned all Kazakhstani registered aircraft from European airspace, effectively barring the majority of Kazakhstani airlines from Europe until 2016. The Air Astana Group was not subject to this ban, notably because its operating procedures and aircraft airworthiness were overseen by the Department of Civil Aviation of Aruba ("**DCA**") and not by the Kazakhstan regulator. Whereas the transfer of the registration of the Air Astana Group's aircraft from the DCA to the Irish Aviation Authority ("**IAA**") completed in October 2022, there can be no assurance that a similar event, unrelated to Air Astana and FlyArystan, could not occur in relation to the Air Astana Group's oversight authorities. Compliance with new or revised regulations, or with new or changed interpretations or enforcement of existing regulations, may impose significant costs on the Air Astana Group and limit the flexibility of its business practices. Should the Air Astana Group, or those that oversee the operations of the Air Astana Group, fail to comply with certain regulations, this may entail increased costs of operation, fines or other administrative sanctions and the business of the Air Astana Group could be adversely affected.

1.13 *The Air Astana Group's business and its growth strategy may be impacted by significant disruption to its operations as a result of its reliance on third-party service and facility providers*

The Air Astana Group relies on third parties to provide essential services and infrastructures in order to operate and grow its business. These third-party providers include:

- airport operators;
- engine manufacturers. See also "*—Recent difficulties with the performance of Pratt & Whitney PW1100G GTF engines used by the A320neo series aircraft could result in unscheduled grounding of aircraft"*;
- aircraft manufacturers. See also "*—The Air Astana Group is dependent on the Airbus A320 and A321 family aircraft*";
- suppliers of aircraft services; and
- information technology ("**IT**") and communication service providers. See also "*—The Air Astana Group is reliant on critical information technologies and automated systems, including proprietary and licenced systems and technologies owned and licenced by key suppliers to it. Any failure of such technologies could materially affect the Air Astana Group's operations".*

The efficiency, timeliness and quality of contract performance by these third-party providers are largely beyond the Air Astana Group's control and there can be no assurance that the services provided will be satisfactory or meet the standards required by the Air Astana Group. In addition, critical third-party services, facilities and infrastructure that the Air Astana Group relies on to operate its business may become restricted, temporarily halted, cease permanently or become unavailable on commercially acceptable terms or, more recently, as a result of the Air Astana Group adhering to increased sanctions restrictions.

The Air Astana Group is particularly reliant on the airport infrastructure in Kazakhstan with particular focus on the three largest airports deploying the substantial majority of capacity: Almaty, Astana and Shymkent. The Air Astana Group is reliant on such airports continuing to offer adequate capacity and high-quality services in order to support the Air Astana Group's business operations and growth strategy, both domestically and internationally. Of its 47 aircraft as at 30 September 2023, 31 are deployed at Almaty Airport, which has the capacity to service 7 million passengers annually. At the date of this Document, the new terminal is under construction and is expected to be open in summer 2024. When completed, the new terminal is expected to facilitate the increase of the airport's annual passenger capacity to 14 million passengers. Since the Air Astana Group is heavily reliant on Almaty Airport, a delay in the construction of the new terminal could result in the Air Astana Group not being able to implement its route strategy or growth plan, or implement either in a way currently anticipated. Traffic disruptions, or reduced terminal capacity during construction, may affect available slots for the Air Astana Group, or impact its ability to operate already published flights, or meet the demand for its flight services. Moreover, the airport may not have adequate gate capacity for the Air Astana Group's growing business, which could result in severe congestion and delays. Any congestion and delays could adversely impact the Air Astana Group's on-time performance ("**OTP**") and adversely affect customer experience. The LCC operating model, including that of FlyArystan, focuses on high utilisation of aircraft and fast turnaround times. Airport operators that are unfamiliar with the importance of, and are unable to meet, reduced turnaround times for LCCs adversely impact the ability of FlyArystan to meet its high utilisation targets. Any of the foregoing may have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and future prospects.

In addition, the Air Astana Group is reliant on third-party service and facility providers having sufficient personnel to fulfil their contractual obligations and to support the Air Astana Group's operations. The rapid increase in passenger traffic following the easing of COVID-19 restrictions, combined with the high demand for operational personnel, led to significant operational issues and disruptions in the airport industry. In particular, third-party suppliers and airports experienced shortages of ground handling and security staff, resulting in the increase of delayed departures, flight cancellations and related costs. In the event of recurring staff shortages in Kazakhstan, at other airports that the Air Astana Group services, or if suppliers or manufacturers experience such constraints, it could result in an inability to provide the Air Astana Group with the services and support it requires, which could result in delays, cancellations, related costs and customer complaints, all of which could have a material adverse effect on the Air Astana Group's business, results of operations and capacity for growth.

1.14 *Breach of restrictions on substantial ownership and effective control over a Kazakhstan airline by foreign persons may result in loss of international traffic rights*

In order to benefit from traffic rights available to Kazakh nationals, the Company must continue to be controlled by the Republic of Kazakhstan and/or nationals of the Republic of Kazakhstan. If such nationals cease to have either "substantial ownership" or "effective control" (or both) over the Company, certain foreign states to which the Company flies (after relevant consultation with the Kazakhstan aviation authorities) may exercise their right to suspend or revoke traffic rights previously granted to the Company.

Article 74-1 of the Aviation Law provides a legal framework for maintaining effective control of the Company and other Kazakhstani airlines within Kazakhstan. Article 74-1 envisages, amongst other things, that a foreign legal entity, a foreign organisation which does not form a legal entity, a foreign individual and/or a stateless person (legal or natural) (each a "**non-Kazakhstani person**", together the "**non-Kazakhstani persons**"), is prohibited from individually or jointly with another non-Kazakhstani person:

- directly and/or indirectly owning Shares or derivatives thereof which, when taken together with all other non-Kazakhstan persons, exceed 49% of the total number of issued shares in the Company (excluding treasury shares); or
- exercising "effective control" over the Company (which, among others, includes board control).

Monitoring and remedy mechanisms are set out within the law and, whilst generally aligned with international practice, they are new and bespoke by Kazakhstan legal standards. As such, the Company cannot guarantee that such provisions will be fully effective, as they are yet to be tested in practice. If, despite the existence of these mechanisms, as a result of future transactions in the Shares or derivatives thereof or due to other reasons, the Republic of Kazakhstan or nationals of the Republic of Kazakhstan cease to have substantial ownership or effective control over the Company, the Air Astana Group is at risk of suspension or revocation of its traffic rights to a particular country if challenged by the competent authority of that country, which could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and/or other prospects.

1.15 *The Air Astana Group may face anti-trust compliance risks due to its dominant position in the domestic market*

The Air Astana Group holds a dominant position in its domestic market with a share of 69% and 47% of domestic and international routes, respectively, in the last 12 months ("**LTM**") ended 30 September 2023 ("**LTM September 2023**"). Although having a dominant position in a given market is not in itself prohibited by the Code of the Republic of Kazakhstan No. 375-V "Entrepreneurial Code of the Republic of Kazakhstan" dated 29 October 2015 (as amended) (the "Entrepreneurial Code"), undertakings with a dominant position are at risk of violating the Entrepreneurial Code if such undertakings engage in profiteering or collusion with a competitor. Although the Entrepreneurial Code provides a list of examples of abusive behaviour, these examples are not meant to be exhaustive, and the determination as to whether or not an undertaking with a dominant position engages in abusive behaviour is made by the Agency for Protection and Development of Competition of the Republic of Kazakhstan ("**APDC**") on a case-by-case basis. The Air Astana Group complies with the Entrepreneurial Code by adhering to a comprehensive set of rules and requirements imposed by the APDC as well as through a system of internal controls.

In September 2019, the APDC launched an investigation based on allegations that the Company abused its dominant or monopoly position by setting monopolistically high prices for airline tickets. The investigation was closed in December 2021 with no adverse finding against the Air Astana Group. However, in December 2022, following a further assessment of the Company's operations, the APDC and the aviation transport prosecutor's office concluded that the Company had abused its dominant position in the air transportation market by including a fuel surcharge in the price of Air Astana's domestic air tickets, resulting in higher ticket prices, for the period from January 2021 to May 2022. This ultimately resulted in a fine of 876 million Tenge (equivalent to approximately U.S. $1.9 million) imposed by the Specialised Interdistrict Court for Administrative Offenses of Almaty ("**SICAO**"). The Company has also committed to a remediation plan to address compliance including agreement to not levy fuel surcharge on Air Astana's main domestic routes. Neither the fine nor the ongoing plan precludes the risk that a further claim is made against the Company for the period from June 2022 to November 2023.

Given the Air Astana Group's dominant position in the market, the Company and its operations are subject to constant monitoring by the government agencies, especially by the APDC. Therefore, no assurances can be given that the APDC will not launch any future investigation which would impact management time and resources committed to responding to such exercise, and any negative finding may have a material adverse effect on the Air Astana Group's business, financial condition and results of operations.

1.16 *If the Air Astana Group fails to manage customer experience appropriately and customer satisfaction declines, or if the Air Astana Group's operational performance results in increased level of compensation claims from customers, the Air Astana Group may be materially impacted*

The Air Astana Group's reputation is closely linked to customer satisfaction. Reliability, including on-time performance, is a key element of the Air Astana Group's customer experience. Unreliable operational performance and an inability to respond to customer expectations as a result of disruption would negatively impact customer satisfaction and may damage the Air Astana Group's reputation and demand for its services, particularly if the Air Astana Group is perceived to perform poorly in comparison to other airlines. Any significant decrease in demand for the Air Astana Group's services as a result of these or other factors, or any significant increase in compensation costs, could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

As FlyArystan continues to focus on increasing ancillary revenue by unbundling services, the requirement for passengers to pay for such services may generate negative customer reaction. The low-cost carrier segment is relatively new in Kazakhstan and customers' familiarity with services bearing additional costs, such as baggage, food and beverages, is limited. Initial customer feedback was negative following the introduction in February 2021 of the rule limiting each passenger to one bag, a rule introduced to increase passenger boarding efficiency, increase on time performance and generate ancillary revenue. FlyArystan's Net Promoter Score ("**NPS**") reduced by 17% for the month of March 2021 following this but rebounded the following month. There can be no assurance that the introduction of other ancillary services and the fees associated with them will be received positively in the home market, and this may have an adverse impact on the Air Astana Group's reputation.

1.17 *Damage to the Air Astana Group's reputation or brand names could have a material effect on its financial condition and results of operations*

The Air Astana Group has made a significant investment in its reputation and brand names, Air Astana and FlyArystan. These brands have significant commercial value and are critical to the Air Astana Group's ability to maintain its relationships with its customers and other key stakeholders. In particular, Air Astana relies on positive brand recognition to attract and retain customers and investors. The brand and consumer confidence in Air Astana may be negatively affected in the future by a number of factors, such as concerns about safety, quality of service, reliability and on-time performance, even if unfounded. An event or series of events could lead to customer complaints or negative reviews. Any of the foregoing could materially damage the brand of Air Astana or FlyArystan, which could materially and adversely effect on the Air Astana Group's ability to market its services and attract and retain customers, and in turn, the Air Astana Group's business, financial condition, results of operations and prospects. Maintaining, enhancing and restoring the brand and reputation of the Air Astana Group may be costly, particularly as new media and technologies, such as social media and smartphones, continue to rapidly evolve and increased management and promotion of the brand via such channels becomes necessary.

1.18 *The Air Astana Group acquires aircraft and expects to continue to acquire aircraft under lease agreements. If the Air Astana Group breaches existing lease agreements or is unable to source lease agreements for its expected fleet plan, it may result in repossession of its aircraft or have a material adverse effect on its growth strategy*

As at 30 September 2023, the Air Astana Group leased all of its current fleet, of which 39 were under operating lease (without transfer of title) and eight were under finance lease (with transfer of title). The Air Astana Group's payments under these leases were U.S. $201.6 million, U.S. $119.3 million and U.S. $103.1 million for 2022, 2021 and 2020 and U.S. $160.4 million for the nine-month period ended 30 September 2023. These lease agreements contain customary termination events and also require the Air Astana Group to comply with certain additional requirements such as to insure the aircraft and return in a specific condition. Failure to comply with such requirements could result in a default under the relevant agreement, and ultimately in a re-possession of the relevant aircraft. Certain of these agreements also contain cross-default clauses, as a result of which defaults under one agreement may be treated as defaults under other lease agreements with the same lessor or across the entire fleet. Certain also include change of control clauses, including where SK ceases to hold at least 25% of shares in the Company, SK increases its stake above 51% or, unless the Company undertakes an initial public offering prior to the end of 2024, BAE ceases to hold at least 25%. A failure to comply with the covenants in its aircraft lease agreements, including payment covenants, or the sale by BAE or sale/acquisition by SK of Shares at a level that crosses the thresholds, if not waived by the lessor, could have a negative impact on the Air Astana Group.

The Air Astana Group anticipates that aircraft leases will remain the principal source of financing for the growth of the Air Astana Group fleet in the coming years. The fleet plan of the Air Astana Group includes the acquisition of an additional 26 aircraft between 2024 and 2028 in respect of which no commitment has yet been secured (as at 31 December 2023). Although the Air Astana Group believes that aircraft leasing should be available for the 26 uncommitted deliveries (as at 31 December 2023), the Air Astana Group cannot guarantee that it will be able to secure such operating leases on terms favourable to it, or at all. The Air Astana Group's liabilities on its balance sheet and commitments will increase significantly as its fleet size increases regardless of the type of lease utilised. To the extent that the Air Astana Group cannot obtain such aircraft leases on acceptable terms, or at all, the Air Astana Group may be required to modify its aircraft acquisition plans to incur higher than anticipated financing costs, which would have an adverse impact on the execution of the Air Astana Group's growth strategy and business. Moreover, the Air Astana Group is dependent on formulating demand and capacity projections and leasing aircraft accordingly. If assumptions and estimations prove to be incorrect, the Air Astana Group faces the risk of not utilising the full capacity of the aircraft that it has acquired. Any of the foregoing could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.19 *The Air Astana Group may have insufficient liquidity in the long-term*

As at 30 September 2023, the Air Astana Group had U.S. $478.1 million of total available liquidity, comprising U.S. $314.4 million of cash and bank balances and U.S. $163.7 million in aggregate available to borrow under the Company's committed facility agreement with Halyk Bank dated 12 August 2019, as amended (the "**Halyk Bank Loan**") and the committed loan facility with Citibank Kazakhstan JSC dated 27 July 2011, as amended (the "**Citi Loan**"). Whilst the Air Astana Group has facilities available, these facilities are not sufficient to finance the Air Astana Group's operations in full, and thus the Air Astana Group will continue to be dependent on its operating cash flows (if any) and cash balances to fund its operations and to make scheduled payments on its aircraft-related obligations, including pre-delivery payments ("**PDPs**") related to any aircraft it may commit to acquire under finance lease. The Air Astana Group's payments under these operating and finance leases are significant: U.S. $201.6 million, U.S. $119.3 million and U.S. $103.1 million for 2022, 2021 and 2020 and U.S. $160.4 million for the nine-month period ended 30 September 2023. As at 31 December 2023, the Air Astana Group had committed to lease on an operating lease basis an additional 22 aircraft with deliveries expected between 2024 and 2026. There can be no assurance that, in the long-term (being a period of time extending from at least 12 months following the date of this Document), the Air Astana Group's operating cash flows (if any) and cash balances will be sufficient to fund its operations which could in turn have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.20 *Temporary suspension or loss of the Air Astana Group's air operator certificate would result in a suspension of the relevant part of the Air Astana Group's operations*

Non-compliance with applicable statutes, rules and regulations pertaining to the airline industry by the Air Astana Group or one of its contractors, for example, due to human error or otherwise identified during audits by the Aviation Administration of Kazakhstan ("**AAK**"), could, if not remedied on time, result in the AAK taking steps to temporarily suspend or to revoke the Air Astana Group's AOC. This would result in a suspension of the relevant part of the Air Astana Group's operations which would have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and/or prospects.

1.21 *Changes to the bilateral agreements or the trade relationship between Kazakhstan and other countries may result in limitations to, or increased competition with, the Air Astana Group's flight routes*

Increased protectionism in the global political climate may negatively affect the Air Astana Group's operations. The availability of landing rights is critical to the Air Astana Group's business operations. These rights are negotiated between sovereign states, which means that their adoption and enforcement is beyond the Air Astana Group's influence. Any disruption in the trade relations between Kazakhstan and those states that are key to the Air Astana Group's international routes or increased protectionism on the part of such states, may cause such states to limit landing rights. Whereas part of the growth strategy of the Air Astana Group is the expansion of the routes of the two brands, a sudden or unmeasured liberalisation of landing rights could allow access to routes by competitors in a manner unanticipated by the Air Astana Group. Pursuant the Order of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan ("**MIID**") No.747, the CAC has implemented an "open skies" regime at 13 airports in Kazakhstan, including those in Astana and Almaty. This regime is currently available to foreign carriers from countries with which a bilateral agreement to this effect was reached. At the date of this Document, such bilateral agreements are agreed with Qatar, the United Arab Emirates, Malaysia and Uzbekistan and will be effective until the end of 2027 or prolongation of the regime. If the "open skies" regime is unilaterally expanded by Kazakhstan to grant access to more foreign carriers on additional routes, and/or additional bilateral agreements are implemented, the Air Astana Group may have to react to increased competition by lowering fares, which may result in decreased profitability of certain routes. Any such developments would have a material adverse effect on the business, financial condition, results of operations and prospects of the Air Astana Group.

1.22 ***The Air Astana Group may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances introduced by regulation or legislative instruments***

The Air Astana Group is subject to various regulatory provisions intended to reduce emissions of greenhouse gases such as carbon dioxide ("**CO_2**"). The stringency of these provisions may increase over the near to medium-term.

Since 2012, emissions from all flights from, to and within the European Economic Area ("**EEA**") have been included in the EU Emissions Trading System ("**EU ETS**"), which requires businesses operating such aircraft routes to measure their CO_2 emissions and account for those emissions by surrendering credits. Under the EU ETS, airlines are granted initial CO_2 emission allowances based on historical performance and CO_2 efficiency benchmarking. In October 2016, the ICAO adopted the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**"), in order to monitor, report and offset annual CO_2 emissions from international civil aviation that exceed 2019 levels. Unlike the EU ETS that sets an upper limit for the total amount of emissions, CORSIA is an "offsetting scheme" under which total emissions may increase but must be compensated with offsets. To compensate for CO_2 emissions above 2019 levels in international aviation and achieve carbon-neutral growth over time, emitters are required to purchase emission units. There can be no assurance that the Air Astana Group will be able to pass on the costs relating to the purchase of such emission units to passengers through ticket prices.

On 14 July 2021, the European Commission adopted a set of proposals to revise and update legislation aimed at aligning current laws with the EU's greenhouse gas emission reduction target of at least 55% below 1990 levels by 2030, by, *inter alia*, extending the application of emissions trading to new sectors and tightening the existing EU ETS (the "**Fit for 55 Package**"). Under the Fit for 55 Package, the EU ETS allowances will be phased out over the period 2024 to 2027, reducing the total number of allowances in line with the new 55% target and aligning emissions treatment with CORSIA. Any shortage of allowances has to be purchased in the open market and/or at government auctions. For the year ended 31 December 2022 and the nine-month period ended 30 September 2023, the extent of the charges under the EU ETS and CORSIA payments were minimal, however, there can be no assurance that the Air Astana Group will be able to obtain carbon credits in the future sufficient for its operations and the implementation of its growth strategy and that it will not be subject to sanctions and/or administrative fines for CO_2 emissions for which no CO_2 emission allowance has been granted. Moreover, the Air Astana Group may not be able to pass on the cost of the credits to customers, which may have a material adverse effect on the operating results and financial condition of the Air Astana Group. Operating costs will increase further for airlines that hold their emissions stable, as the credits threshold will be reached earlier.

Given increasing levels of concern about climate change, greenhouse gas emissions and environmental matters generally among both governments and the general public, the Air Astana Group anticipates that environmental regulations will, as a general trend, become increasingly stringent, particularly in light of the industry-wide pledge by IATA and the ICAO to ensure that the aviation industry meets net-zero CO_2 emission levels by 2050. No assurances can be given as to how, or how quickly, additional regulations will come into force; nor can the Air Astana Group predict whether it will be able to comply with such regulations or the precise ways in which such new and stricter regulations will affect its business. Any such regulatory requirements could limit the Air Astana Group's operational flexibility, increase its administrative burden, impose new and significant costs and incur administrative sanctions or fines in the case of non-compliance.

1.23 *The Air Astana Group's operations could be impacted by extreme weather events, rising temperatures and other physical impacts of climate change*

Climate change has the potential to affect the Air Astana Group's operations and broader business in a number of ways. In particular, the foreseen consequences of climate change, including harsher general weather conditions and more frequent extreme weather events, such as storms with greater frequency and intensity, could disrupt the Air Astana Group's operations by, amongst other things, reducing handling capacity at airports and ground transport access, closing certain airspaces and runways, delaying or cancelling flights or damaging the Air Astana Group's assets. Such events, which are becoming more frequent and increasingly difficult to predict, would result in higher disruption costs and reduce revenue, as well as having an adverse effect on the Air Astana Group's reputation and customer experience. Moreover, such extreme weather events could affect the booking behaviour of customers, which could result in a decrease in bookings and have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

1.24 *The Air Astana Group may not achieve its sustainable development targets*

The Air Astana Group particularly aims to reduce the environmental impact of its flights as it recognises that environmental considerations have an increasing impact on travel decisions. A growing number of consumers and employees pay more attention to a company's sustainability practices, and the Air Astana Group is subject to increasing regulatory scrutiny from regulators, interest groups and other third parties. Airlines around the world are also facing particular scrutiny from advertising and consumer agencies, regulators and courts over allegedly making misleading claims regarding sustainability efforts, also known as "greenwashing". The Air Astana Group's sustainability targets include achieving net-zero emissions across its operations and supply chain by 2060 at the latest, setting near-term science-based emission reduction targets, changing the way it uses resources, and becoming the leading environmentally sustainable air carrier in the CIS and Central Asia. The Air Astana Group may be unsuccessful in driving sustainability improvements across its operations, or the implementation of its sustainability targets could be costlier than expected, particularly as technologies that are critical to facilitating such targets are yet to be developed. It may also be unable to influence destinations to manage travel more sustainably, and suppliers may fail to uphold the Air Astana Group's sustainability standards. If the Air Astana Group is not successful in driving social and environmental improvements across its operations, and is therefore not perceived as being a leader in sustainability, or if the foregoing events occur, including if any alleged greenwashing complaints arise, this could result in a decline in stakeholder confidence, reputational damage, reduction in demand and loss of competitive advantage.

1.25 *The Air Astana Group is exposed to the risk of increased taxation and other financial penalties linked to the environmental impact of the Air Astana Group's business*

Future policy measures and regulation to tackle the impact of aviation on climate change may result in the imposition of additional measures, including additional taxation or financial penalties being imposed on airline operators, which may increase the costs to the Air Astana Group or limit its services and operations. The introduction of aviation taxes and duties could have an adverse impact on the Air Astana Group's operations, margins and financial condition. If the climate-related taxes and levies which the Air Astana Group is required to pay are not reduced or deferred during periods of poor financial performance in the airline industry, the adverse impact of such taxes and levies on the Air Astana Group's operations, margins and financial condition may be heightened.

Other financial penalties or policies linked to the environmental impact of the Air Astana Group's business may also be introduced or increased, such as noise curfews and policies constraining the capacity and growth of the aviation industry. Any such financial penalties and further restrictions could have an adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.26 *A material flight safety event may adversely affect the Air Astana Group and may expose the Air Astana Group to significant fines and other legal and regulatory sanctions*

Flight safety incidents and health and safety incidents involving the Air Astana Group could potentially lead to serious injury, loss of life and/or disruption to the Air Astana Group's business. Any such event, which may be caused by human error or misconduct, technical or mechanical failures with aircraft or the maintenance performed on such aircraft, could result in sustained adverse media coverage, impact passenger confidence and have an adverse effect on the airline industry in general and (to the extent that the Air Astana Group and its employees are involved) the Air Astana Group's reputation in particular, leading to reduced demand for the Air Astana Group's services. The Air Astana Group may also be significantly impacted by a material flight safety incident involving an aircraft of either of its brands, Air Astana or FlyArystan, particularly if such incident results in a decision by aviation regulators in one or more of the jurisdictions in which the Air Astana Group operates to ground all aircraft of the relevant type.

In addition, if the Air Astana Group's aircraft were involved in material safety incidents, the Air Astana Group may be exposed to significant costs associated with the repair or replacement of any damaged or lost aircraft, resulting in temporary or permanent loss from service of such damaged or lost aircraft, as well as claims by affected passengers, survivors of deceased passengers, aircraft owners and other third parties. Whereas the Air Astana Group is fully insured, there can be no assurance that the Air Astana Group may not also be subject to fines or to other legal or regulatory sanctions, including revocation of or restrictions on the Air Astana Group's AOC. Failure to prevent or respond promptly and effectively to such an incident could have a material adverse effect on the Air Astana Group's reputation, business, results of operations, financial condition and prospects.

1.27 *Major security-related threats or attacks, such as terrorist incidents, could reduce demand for air travel and may increase the costs associated with security measures*

Major security-related threats or attacks, such as a hijacking, bombing or other terrorist incidents, could have a material adverse effect on the Air Astana Group, regardless of the location or target of such threat or attack or whether or not the Air Astana Group was directly involved. Such an event could result in reduced demand for air travel, which could in turn lead to a loss of revenue and have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects. Additional adverse consequences of such events, or the threat of such events, could include a complete or partial closure of the airspace in which the Air Astana Group operates for certain periods, limitations on the availability of insurance coverage, flight restrictions and increased costs associated with security precautions. For example, enhanced security measures could result in higher costs for airlines, which the Air Astana Group may not be able to pass on to customers in the form of higher prices. Enhanced passenger screening, increased regulation governing carry-on baggage and other similar restrictions on passenger travel may also further increase passenger inconvenience and reduce the demand for air travel.

The impact of a major security event on the Air Astana Group may be more significant if the incident involves the Air Astana Group or an airport critical to the Air Astana Group's operations, such as Almaty Airport and Nursultan Nazarbayev International Airport ("**Astana Airport**") in Kazakhstan. In such a case, the reputational damage for the Air Astana Group, impact on customer confidence, operational impact of the event and the cost of any remedial measures taken subsequently may be significant. In addition, if the Air Astana Group's aircraft are involved in a material security event, there may be other associated losses, including the costs of repair or replacement of any damaged or lost aircraft. Any of these adverse consequences, should such an incident occur, could have a material adverse effect on the Air Astana Group's reputation, business, results of operations, financial condition and prospects.

1.28 *The Air Astana Group may be vulnerable to operational disruptions and changes in airport regulation because it seeks to maintain an efficient aircraft utilisation rate*

Achieving and maintaining an efficient aircraft utilisation rate is a key part of the Air Astana Group's long-term network and fleet strategy. Aircraft utilisation is the average number of block hours per day divided by the total number of aircraft operated in the Air Astana Group's fleet. The Air Astana Group's average daily aircraft utilisation was 10.1 hours and 10.0 hours, for the nine-month periods ended 30 September 2023 and 2022 respectively, and 10.1 hours, 9.6 hours and 7.2 hours for the years ended 31 December 2022, 2021 and 2020 respectively. The Air Astana Group aims to maintain efficient utilisation rates by reducing turnaround times at airports and flying for more hours in an average day. The Air Astana Group's aircraft utilisation rate was severely impacted by the COVID-19 pandemic and associated restrictions on air travel in Central Asia and elsewhere. Furthermore, as governments lifted the COVID-19 pandemic-related restrictions and the market environment returned to normal, with demand for air travel in Kazakhstan and as experienced by the Air Astana Group significantly outpacing global averages in 2021, capacity bottlenecks in third party infrastructure led to temporary business interruptions, which the Air Astana Group was only able to influence to a certain extent. Suppliers and many of the airports the Air Astana Group serves experienced acute shortages of personnel and resources, resulting in increased delays, cancellations and, in certain cases, restrictions on passenger numbers or the number of flights to or from certain airports. Such shortages may also adversely affect punctuality (the measure of flights made without delays), regularity (the measure of flights made in relation to those scheduled), customer satisfaction and market share.

The Air Astana Group's ability to achieve increased daily aircraft utilisation rates may be adversely affected by any changes in airport regulation that restrict the availability of slots, impose airport curfews, limit the duty hours of flight and cabin crew or otherwise adversely impact the Air Astana Group's ability to maximise the use of its aircraft and crew. The Air Astana Group relies on maximum use of its pilots and cabin crew. Air Astana Group pilots are mainly trained overseas, impacting their availability and operational schedules. Whereas the launch of the Air Astana Group's in-house training centre at its facilities in Astana (including the first Airbus Full Flight Simulator (L3 Harris Reality Seven A320 Full-Flight Simulator)) will reduce downtime as a result of training, there can be no assurance that the new training centre will have sufficient capacity to meet the necessary training demands for all Air Astana Group pilots.

The Air Astana Group's ability to achieve increased daily aircraft utilisation rates may also be adversely impacted by other factors outside the Air Astana Group's control, including cancellations or delays due to increasingly frequent adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security, supply chain disruptions or staffing shortages. On 28 August 2023, a technical issue at the National Air Traffic Service ("**NATS**") caused an outage which affected UK air traffic control and forced NATS to temporarily switch to manual systems to process UK flight plans. Despite the UK airspace remaining open during the outage and the issue being resolved within a few hours, for safety reasons air traffic over the UK was restricted, which caused extensive knock-on effects, with flights over the UK airspace impacted and over 2,000 flights to and from the UK being cancelled in the ensuing days. If a similar issue affecting the Kazakhstan airspace arises, or the Air Astana Group's ability to operate its scheduled flights is similarly impacted by factors outside of its control, it could have a materially adverse effect on the Air Astana Group's business, financial condition, results of operations, prospects and reputation. Furthermore, there is a risk that utilisation rates will be negatively impacted by reduced customer demand due to macroeconomic uncertainty (see also "*—Downturns in economic conditions, particularly in Kazakhstan and neighbouring countries, could adversely affect the Air Astana Group's business and results of operations*").

1.29 *Increases in insurance costs or reductions in insurance coverage may have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects*

The Air Astana Group is exposed to potential significant losses in the event that any of its aircraft is lost, destroyed or involved in an accident, terrorist incident or other disaster, including significant costs related to passenger claims, repairs or the replacement of a damaged aircraft and its temporary or permanent loss from service. While the Air Astana Group is insured against these occurrences, there can be no assurance that the amount of insurance coverage available to the Air Astana Group upon the occurrence of such an event would be adequate to cover the resulting losses or that it will not be exposed to significant losses as a result of any such event in the future, both financial and reputational. The Air Astana Group carries insurance for passenger liability, property damage and all-risk coverage for damage to aircraft. However, there are limitations and exclusions of certain risks in the coverage of insurances, such as risks of war and risks involving weapons of mass destruction. If policies exclude coverage for these (or any other) risks, or such coverage is not available on commercially reasonable terms, or if insurance cover is not available from another source (for example, a government entity), the Air Astana Group may not be able to insure those risks or may only be able to do so at a higher cost. Any such disaster, major disruption or insurance claim, or the inability of the Air Astana Group to renew or obtain adequate insurance on reasonable terms or at all, could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.30 *The Air Astana Group is reliant on critical information technologies and automated systems, including proprietary and licenced systems and technologies owned and licenced by key suppliers to it. Any failure of such technologies could materially affect the Air Astana Group's operations*

The Air Astana Group relies on a number of critical technologies that are key to the delivery of essential business processes, including operational, commercial and financial systems. The Air Astana Group's key operational and commercial systems include those which manage its internet bookings, online check in, flight planning and flight operations. Some of these systems are operated by the Air Astana Group, while others are operated by key suppliers to the Air Astana Group. A loss of control over these systems or access to the premises and facilities which host the Air Astana Group's IT infrastructure, including the Air Astana and FlyArystan websites and operations control centre, or a failure which results in the loss or corruption of data could lead to significant disruption, flight safety incidents, increases in operating costs, or sustained adverse media coverage and reputational damage. Critical technology failure could result from a destructive cyber-attack, hardware failure, ageing infrastructure, outage at a data centre or changes to the technology which the Air Astana Group relies on and could result in fines or sanctions. Disruption or loss of access to key systems, premises or facilities as well as the failure of any key suppliers could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

The Air Astana Group's ability to manage ticket sales, receive and process reservations, check-in passengers, manage its traffic network, perform flight operations and engage in other critical business tasks is dependent on the efficient and uninterrupted operation of its website and computer and communication systems, on the third-party service providers and key personnel who maintain these systems and on the systems used by third parties in the course of their co-operation with the Air Astana Group. Any disruption to the website or any computer and communication systems or a failure of the back-up systems used by the Air Astana Group or third parties, particularly if the disruptions persist, could significantly impair the Air Astana Group's ability to continue to conduct its business efficiently and could have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.31 *The Air Astana Group is exposed to the risk of cyber security breaches and other security vulnerabilities, either impacting its own systems or the systems of key suppliers*

The Air Astana Group faces both external cyber threats and internal risks to its data and systems, including user error and incorrect configuration or implementation of its systems. Such threats and risks also apply to the systems of key suppliers.

As part of the Air Astana Group's ordinary business operations, the Air Astana Group and certain of its key suppliers collect, process, transmit and store a large volume of personal data about passengers, prospective passengers or employees, including passport data, email addresses and home addresses and other sensitive information. In addition, certain of the Air Astana Group's key suppliers collect, process, transmit and store financial data such as credit and debit card information. This personal data, as well as the systems that the Air Astana Group and its key suppliers operate, may be vulnerable to theft, loss, misuse, damage and interruption due to unauthorised access, security breaches, cyber-attacks, phishing, computer viruses, ransomware, power loss, third-party incidents or other disruptive events.

The risks posed are evolving due to increasing global cyber-crime activity and sophistication, increasing dependence on digital sales and customer care which increases the Air Astana Group's exposure and susceptibility to cyber-attacks, and heightened risks of cyber-attacks as a result of global tensions and the Russia-Ukraine conflict. The consequences of these risks can also be significant. For example, easyJet Plc announced in May 2020 that it had been the victim of a highly sophisticated cyber-attack which affected approximately nine million customers whose email addresses and travel details were compromised, of which 2,208 customers also had their credit and debit card details compromised. As a result, easyJet Plc is subject to a class action claim in the UK High Court which may amount to significant damages for the claimants. British Airways was also the victim of a data hack and was subsequently fined £20,000,000 by the UK Information Commissioner's Office.

There can be no assurance that security measures put in place by the Air Astana Group will continue to be effective against these attacks or that they are sufficient to prevent certain types of security vulnerabilities. A cyber security breach could result in lost revenue, injury to persons or property, sustained negative media coverage, have a negative impact on customer, supplier and employee confidence in the Air Astana Group's systems and negatively impact the Air Astana Group's reputation, operations or continuity of services. Any compromise of internet security could deter customers from using the internet or from using it to conduct transactions that involve transmitting confidential information. The costs and operational consequences of defending against, preparing for, responding to and remediating an incident may be substantial. A material cyber security breach could also result in third party claims or the imposition of regulatory fines, sanctions or other penalties under the Law of the Republic of Kazakhstan No. 94-V dated 21 May 2013 "On Personal Data and its Protection" (as amended) (the "**Personal Data Law**"). Furthermore, because the techniques used to obtain unauthorised access, disable or degrade services or sabotage systems change frequently and are often not recognised until launched, the Air Astana Group may be unable to anticipate such events or implement adequate preventative measures. Failure to promptly and effectively resolve any such cyber security breach or attacks could result in significant operational disruption, increase costs and have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.32 *Currency exchange rate movements may adversely affect the Air Astana Group's business*

The Air Astana Group's business may be adversely affected by fluctuations in exchange rates, particularly between the US Dollar and the Tenge. The Air Astana Group reports its financial results in, and its functional currency is, the US Dollar. However, it transacts in currencies other than the US Dollar, in particular the Tenge with respect to passenger fares sold in Kazakhstan. Moreover, the Air Astana Group links the price of its international passenger fares sold in Kazakhstan to the US Dollar, which is updated on a daily basis. In the nine-month period ended 30 September 2023, 37% of the Air Astana Group's revenue was earned in Tenge compared to 55% of incurred operating costs and in 2022, 34% of the Air Astana Group's revenue was earned in Tenge compared to 51% of incurred operating costs, providing a natural hedge. However, in the year ended 31 December 2020, the Air Astana Group's exposure to Tenge currency fluctuations was increased compared to subsequent years as approximately 62% of its revenue, U.S. $249.2 million, was denominated in Tenge resulting from the greater proportion of domestic traffic within its revenue mix during that year. The strengthening of the US Dollar against the Tenge results in increased pricing of fares in Tenge which may make it unaffordable for customers in Kazakhstan and could have a material adverse effect on the Air Astana Group's ability to sell international fares in Kazakhstan.

1.33 *The Air Astana Group is exposed to credit risk and failure of counterparties*

The Air Astana Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable. Treasury activities, which include placing money market deposits, fuel hedging and foreign currency transactions, could lead to a concentration of different credit risks with the same counterparty.

In 2016, the Air Astana Group wrote down 91% of its deposits with two local banks—KazInvest Bank (U.S. $14 million in total) and Delta Bank (U.S. $45 million in total)—when both banks had their general banking licences revoked by the National Bank of Kazakhstan (the "**NBK**"). The remaining write down was made in 2019. In response to this incident, the treasury committee of the Company ("**Treasury Committee**") reconfigured its cash management policies. These measures include ensuring that the Air Astana Group does not deposit funds with banks rated lower than "A-" by international ratings agencies and the monitoring by the Air Astana Group of publicly available information on the asset quality and loan portfolio performance of local banks for which exceptions are approved by the Treasury Committee. Whilst the Air Astana Group uses reputable banks and has established a cash investment policy which would limit the credit risk related to bank accounts and deposits, no assurance can be given that any of the tools used, and measures implemented, would eliminate the risk of its counterparties' non-performance or default. In addition, despite the Air Astana Group's efforts and measures implemented to limit the risks arising from unforeseeable events with respect to various counterparties, the Air Astana Group is exposed to credit risk to the extent of non-performance by its insurance counterparties, and there can be no assurance that these parties will remain viable and a failure of any of the Air Astana Group's counterparties could have a material adverse effect on its business, financial condition, results of operations and liquidity.

1.34 *Airport, handling, and landing fees, route charges, security charges, and taxes, along with other costs airlines must pay to ensure air traffic security, may increase, which could materially and adversely affect the Air Astana Group's results of operations*

Airport, transit and landing fees, security charges and taxes represent a significant portion of the Air Astana Group's operating costs and directly affect the fares that it must charge its passengers in order to operate cost-effectively. In the nine-month period ended 30 September 2023 and in 2022 handling, landing fees and route charges (fees for landing, aircraft parking, air bridge use and other airport services and air navigation charges) represented 10.0% and 9.6%, respectively, of Air Astana Group's operating expenses. These expenses typically fluctuate based on passenger and flight volumes and fleet profile, and they may increase in the future and the Air Astana Group may incur additional new costs. New costs could arise if, for example, airports, noise or landing charges or fees were levied based on environmental criteria such as aircraft emission levels, which are also linked to the age of the aircraft, or if airlines were required to assume additional security responsibilities. In addition, if other airlines reduce their capacity due to, for example, consolidation in the airline industry, airport costs may be allocated among fewer total flights, which, in turn, could result in higher landing fees and other costs for the remaining flights, including the Air Astana Group's flights. Future events or developments, such as terrorist acts or other conflicts, could also result in heightened security regulations and increased security charges for air traffic. Any of these developments could cause the Air Astana Group's operating costs to increase. If it is unable to pass on increases in fees, charges or other costs to passengers, these increases could have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

1.35 *The airline industry is subject to seasonal fluctuations*

Demand for the Air Astana Group's services fluctuates throughout the year and has historically been higher in the summer season and lower in the winter season, while the Air Astana Group's costs are incurred more evenly throughout the year. During 2022 and 2021, the percentage difference between the highest and lowest monthly load factors has decreased as compared to 2020 and 2019, showing a reduced effect of seasonality during the period. Notwithstanding the reduced effect, as the majority of the Air Astana Group's profits are generated in the summer season, lower demand for air travel, flight cancellations and other factors that adversely affect aircraft utilisation during these periods may have a disproportionately adverse effect on the Air Astana Group's business, results of operations, financial condition and prospects.

1.36 ***The Air Astana Group's success is dependent on key personnel***

The Air Astana Group's success depends significantly on the continued service of its key personnel, in particular its Chief Executive Officer Mr. Peter Foster and the other Senior Managers. The loss of the services of any of these key personnel without adequate replacement could disrupt the Air Astana Group's operations and have a material adverse effect on the Air Astana Group's business, results of operations, financial condition and/or prospects. The Air Astana Group does not have "key-man" insurance in place in respect of any of its key senior executives.

1.37 ***Labour relations could expose the Air Astana Group to risk***

The Air Astana Group depends on its pilots, engineers, cabin crew and other personnel which operate its business. The Air Astana Group considers its relationships with its employees to be positive. However, there is no assurance that this will remain the case and in the event that the labour relations deteriorate, the Air Astana Group's business and results of operations may be materially adversely affected. The Air Astana Group is obliged to comply with labour laws in Kazakhstan, which, amongst other things, permit employee unions and collective bargaining agreements. The current collective bargaining agreement expires in 2025. Although the Air Astana Group has never experienced a strike or work stoppage by its employees, limitation on the Air Astana Group's flexibility in dealing with its employees could have a material adverse effect on the Air Astana Group's business, operating results, financial condition and prospects.

1.38 ***SK exercises significant influence over the Air Astana Group, and its interests may not be aligned with the interests of the Air Astana Group or those of other shareholders***

As of the date of this Document, SK holds 51% of the Company's share capital. Accordingly, SK has significant influence over certain matters including the ability to approve proposals requiring a simple majority of votes at the General Meeting of Shareholders. This includes, inter alia, approving proposals to (i) issue bonds, (ii) pay dividends, (iii) de-list the Shares, (iv) establish or dispose of subsidiaries, (v) acquire or dispose of significant assets of the Air Astana Group and (vi) set the agenda of General Meetings of Shareholders. The interests of SK may differ from those of other shareholders. This concentration of ownership may have the effect of delaying or deterring significant transactions that the Company otherwise considers to be in the best interests of Shareholders. Potential conflicts may arise if SK chooses not to approve matters which would otherwise be in the interests of the remaining shareholders. Any divergence of interests of SK and other shareholders may impact the Air Astana Group's business, prospects, financial condition or results of operations and the trading price of the Securities.

2. Risks relating to Kazakhstan

2.1 ***The Air Astana Group is largely dependent on the economic and political conditions prevailing in Kazakhstan which, in January 2022, resulted in a brief cessation of operations at the Air Astana Group***

Kazakhstan became an independent sovereign state in 1991 upon the dissolution of the Soviet Union. Since then, Kazakhstan has experienced significant change as it has transformed from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy characterised by high inflation, instability of the local currency and rapid changes in the legal environment. Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and is more advanced in this respect than some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims.

The business and operations of the Air Astana Group are substantially located in Kazakhstan. Because of this geographic concentration, the Air Astana Group's business is significantly influenced by general economic conditions in Kazakhstan, including gross domestic product ("**GDP**"). Generally, GDP growth in Kazakhstan has a positive effect on disposable incomes and consumer spending, which, in turn, benefits the Air Astana Group's customers and, consequently, the Air Astana Group's business. In contrast, adverse economic conditions generally result in increases in unemployment rates, real salary reductions, falling consumer confidence and economic uncertainty, which tend to cause consumers to reduce their spending. Furthermore, a deterioration in general economic conditions is often accompanied by a reduction in consumer credit availability, resulting in further decreases in consumer purchasing power, which in turn could also contribute to a decline in consumer spending. Negative macroeconomic conditions could in turn adversely affect the business of the Air Astana Group. Certain forecast data with respect to the propensity to fly in Kazakhstan is predicated upon a growth in GDP. In particular, the CAC has projected an increase for air travel penetration ratio to 1.75 based on Kazakhstan's 2030 GDP per capita forecast. There can be no assurance that general economic conditions in Kazakhstan would sustain such level of growth in GDP, adversely affecting any forecast in air travel penetration, which could have a material adverse effect on the growth of the Air Astana Group's business.

In January 2022, there were widespread protests in Kazakhstan in response to the removal of a cap on the price of liquefied petroleum gas and the resultant increase in price for consumers. Some commentators have reported that the protests were moreover an attempted coup d'etat by dissident forces operating within the country. The protests resulted in disruption and damage throughout Kazakhstan to public and private property and infrastructure with numerous casualties of civilians and security forces. The protests started in the city of Zhanaozen and spread to other cities across Kazakhstan including Almaty, Aktau and Atyrau. As the protests spread throughout various cities in Kazakhstan, President Kassym-Jomart Tokayev imposed a state of emergency and removed the government and various ministers and officials from office. During the period of civil unrest, the airports from which the Air Astana Group operates both domestically and internationally were closed and, in some cases, damaged due to protesters gaining access to, and, in the case of Almaty Airport, preventing the entry of the security forces, resulting in the grounding of the Air Astana Group's aircraft and preventing it from providing usual operations. Following the cessation of the state of emergency and a stabilisation of the situation on 19 January 2022, President Kassym-Jomart Tokayev appointed a new government under the leadership of Alikhan Smailov.

The Air Astana Group resumed regular service from Almaty Airport on 15 January 2022 following the successful reclamation of the airport by the security forces.

Whereas order was restored swiftly following the outbreak of the protests, there can be no guarantee that civil unrest will not occur in the future. As a result of the protests, the Air Astana Group experienced:

- a disruption to its business as a result of incursions by protesters into the airports in which the Air Astana Group operates, resulting in the cancellation of a significant number of flights over the course of the unrest;
- the grounding of all of its fleet for one day, with its fleet based in Almaty Airport grounded for eight days;
- a disruption to its services and route connections to customers; and
- increased costs to maintain the safety of the Air Astana Group's personnel, property, and equipment.

Such factors had a material adverse effect on the results of operations of the Air Astana Group during January 2022. The prevailing political conditions in Kazakhstan have continued to develop following the events of January 2022 and early presidential elections were conducted on 20 November 2022. President Tokayev was re-elected for a 7-year term until 2029. However, renewed uncertainty with respect to the political environment in Kazakhstan, with possible political and economic reforms, their absence or similar events, circumstances or other forms of political instability may have a material adverse effect on the business, prospects, financial conditions and results of operations of the Air Astana Group.

2.2 *Kazakhstan is heavily dependent upon export trade and commodity prices*

As Kazakhstan produces and exports large quantities of commodity products (primarily oil and gas), its economy is particularly vulnerable to fluctuations in the prices of such commodities on the international markets. While the Kazakhstan Government has been promoting economic reform to diversify the economy, Kazakhstan's revenue continues to depend on the prices of export commodities. Weak demand in its export markets and low commodity prices, especially within the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may in turn have a material adverse effect on the Air Astana Group's business, financial condition, results of operations or prospects.

For example, the decline in world prices for oil and other commodities in 2014 and subsequent devaluation of the Tenge against the U.S. Dollar in 2015 affected the public finances and resulted in revisions of the state budget of Kazakhstan. Oil prices spiked in the aftermath of Russian's invasion of Ukraine and have been volatile ever since. In the weeks following the invasion, Brent oil prices increased quickly, with an average of

U.S. $104.58 in April 2022 compared to U.S. $86.51 in January of the same year. The state budget for 2023 to 2025 reflects an assumed world oil price in those years of U.S. $85 per barrel (as per the base forecast scenario), significantly above budgeted amounts of U.S. $35 per barrel in the 2021 to 2023 state budget. There can be no assurance that further revisions of the state budget will not be required in light of continuing oil price volatility, which could adversely affect the development of Kazakhstan and, in turn, the Air Astana Group's business, financial condition, results of operations or prospects.

Any force majeure events, including the occurrence of natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, or war or conflicts, such as the conflict in Ukraine, could affect the volume of international business activity and trade, resulting in a decreased demand for oil and other commodities, which may impact the macroeconomic environment globally, including in Kazakhstan. There can be no guarantee that the worsening or continuation of the Russia-Ukraine conflict, or the possible outbreak of any other epidemic, nor that the measures taken by the Kazakhstan Government or the governments of other countries in response to any such conflict or outbreak will not seriously interrupt the Air Astana Group's operations or those of its customers, which could in turn have a material and adverse effect on the Air Astana Group's business, financial condition or results of operations.

Additionally, any disruption of oil and gas production, transportation or refining in Kazakhstan, in particular due to Kazakhstan's reliance on the Caspian Pipeline Consortium, for any reason, including as a result of infrastructure failure, terrorism, natural disaster, industrial accident, public health threats and global pandemics or change in national government policy, could have a material adverse effect on the Air Astana Group's business, financial condition or results of operations.

An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or a weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

2.3 *Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy and the Air Astana Group*

In connection with the conflicts in Ukraine and Syria, as well as alleged interference in the 2016 U.S. Presidential elections, the U.S., the U.K. and the EU (and other nations, such as Canada, Switzerland, Australia and Japan) instituted sanctions on certain Russian persons, entities and sectors. Since the invasion of Ukraine by Russia in February 2022, the U.S., U.K. and EU have each progressively imposed more comprehensive sanctions. They include: blocking sanctions on a wide range of Russian and Russia-related individuals and entities (which block (freeze) the property and interests in property within the possession or control of persons to whom the sanctions apply, or within U.S., U.K. or EU jurisdiction, of persons determined, among other things, to be engaged in a wide range of conduct); sectoral sanctions prohibiting persons from participating in transactions that involve certain types of financing with identified Russian persons or entities, or from providing certain goods, services or technology generally to Russian persons or entities; the exclusion of certain Russian banks from the global financial system; general commercial embargos broadly prohibiting trade by persons with Russia or certain parts of Russia; and secondary sanctions, which may be imposed by the relevant sanctioning jurisdiction on persons not otherwise within their jurisdiction but who are engaged in a wide range of activities related to Russia. In response, Russia has adopted its own set of sanctions, including sanctioning persons and entities within so-called "non-friendly" countries and terminating gas supply contracts to several countries and entities in Europe. The unpredictable nature of the conflict means that further sanctions, against Russia and Russian entities, and further retaliatory actions by Russia against imposing countries, including further expropriation of assets owned by nationals of, or companies based in, such sanctioning countries may be forthcoming.

The sanctions imposed to date have had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflows from Russia and impairing the ability of Russian issuers to access the international capital markets.

While Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine and refuses to recognize the 'independence' of the separatist Luhansk People's Republic and Donetsk People's Republic, Kazakhstan has significant economic and political relations with Russia. Kazakhstan's geopolitical proximity to the Russian Federation now, and in the future, may see Kazakhstan impacted by such sanctions. Instances of sanctions evasion have brought focus on neighbouring countries of Russia. In 2022, increases in exports from the EU, U.K., and U.S. to Kazakhstan, and increasing exports from Kazakhstan to Russia, has drawn criticism of parallel imports. The EU Commission has legislated in its 11th package of sanctions for the restriction of such behaviours through restricting the sale, supply, transfer or export of specified sanctions goods and technology to certain third countries whose jurisdictions are considered to be at risk of circumvention. Kazakhstan has been named by EU officials as possible targets of this package. Such so-called secondary sanctions against restricted products and technology, businesses, individuals and banks in Kazakhstan could lead to a material worsening of Kazakhstan's economy.

A material worsening of Kazakhstan's close economic or political relations with Russia, the existing sanctions imposed on Russia and/or any future sanctions, including secondary, could have a material adverse effect on Kazakhstan's economy.

2.4 *Instability of the Kazakhstan banking sector*

The global financial and economic crisis of 2008-2009 significantly affected the Kazakhstan banking system which continues to remain under stress with banks seeking to deleverage through partial repayments and debt restructurings. A number of distressed asset takeovers and mergers have occurred in the Kazakhstan banking sector. In addition, in the past several years the powers of the NBK in respect of issuing and revoking licences of banks were transferred to the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market ("**FMRDA**") which has revoked the licences of a number of banks of varying size. While, along with the NBK's measures to support the liquidity of financial institutions, such restructurings, consolidations and revocation of licences have contributed to the general stability of the Kazakhstan banking industry, the sector continues to operate in a challenging environment where further defaults or debt restructurings cannot be ruled out.

A failure or default of any financial institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could prevent the Air Astana Group from raising new or additional funds in the capital and financial markets. The commercial soundness of many financial institutions may be interconnected as a result of their credit, trading, clearing or other relationships and, accordingly, such concerns or defaults could also lead to significant liquidity problems, losses or defaults by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion risk" and may adversely affect financial institutions with whom the Air Astana Group interacts on a daily basis. This could, in turn, have a material adverse effect on the Air Astana Group's ability to raise new funds or make payments and have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

During periods of instability in the financial markets, the Kazakhstan Government and the NBK have historically implemented measures to support the liquidity and solvency of Kazakhstan banks and to increase the availability of credit to businesses, which have been seen as critical for restoring investor confidence and for supporting the economy. However, there can be no assurance that the Kazakhstan Government, the FMRDA and the NBK will continue to implement such measures or, even if taken, that such measures will succeed in materially improving the liquidity position and financial condition of the affected financial institutions in the future or that such measures will not be implemented selectively. Continued instability in the Kazakhstan financial sector and reduced investor confidence caused by any factor including the downturn of the global economy or volatility of the financial markets, could be materially adverse to the Air Astana Group's business, financial condition and results of operations and prospects.

2.5 *Sustained periods of high inflation could adversely affect the Air Astana Group's business*

Air Astana and FlyArystan's operations are located in Kazakhstan and a significant proportion of the Air Astana Group's costs are incurred in Kazakhstan. Since a significant proportion of the Air Astana Group's expenses are denominated in Tenge, inflationary pressures in Kazakhstan are a significant factor affecting the Air Astana Group's expenses. According to the Bureau of National Statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan ("**Qazstat**"), annual consumer price inflation for 2020, 2021 and 2022 in Kazakhstan was 7.5%, 8.4% and 20.3%, respectively. A return to high and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and the erosion of consumer confidence, all of which could have a material adverse effect on the Air Astana Group's business, financial condition, and results of operations and prospects.

2.6 *Kazakhstan's legislative and regulatory framework is evolving*

Whilst a large volume of legislation was enacted during the past several decades, the legal framework in Kazakhstan is still evolving in comparison to countries with more established market economies. The judicial system, judicial officials and other Kazakhstan Government officials may not be fully independent of external social, economic and political forces. For example, there were instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions. The continuous development of Kazakhstan's regulatory environment may result in the reduced predictability of its regulatory landscape, which may result in inconsistent interpretations due to the lack of court precedents or guidance from the regulators. Any of these factors could be significant and could have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

2.7 *The Company may have difficulties in obtaining effective redress in court proceedings*

The Kazakhstan judicial system is not immune from economic and political influences. The judicial system is often understaffed and underfunded. Judges are generally inexperienced in corporate law matters. Not all Kazakhstan legislation and court decisions are readily available to the public or organised in an accessible manner. The Kazakhstan judicial system can be slow and court orders are not always enforced or followed by law enforcement agencies. All of these shortcomings may affect the ability of the Air Astana Group or holders of the Securities to obtain effective legal redress in the courts of Kazakhstan. In addition, the press has reported that court claims and Kazakhstan Government prosecutions are often used to further political aims supported by the courts. The Air Astana Group may be subject to such political claims and may not receive a fair hearing. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain and could have a material adverse effect on the Air Astana Group's business, financial condition and prospects.

2.8 *The Kazakhstan Government may impose currency control measures*

The Law of the Republic of Kazakhstan No. 167-VI dated 2 July 2018 "On Currency Regulation and Currency Control" (as amended) empowers the Kazakhstan Government (based on the joint submission of the NBK and relevant authorised bodies), by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by residents of Kazakhstan; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or in the NBK for a set period of time; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK to conduct currency transactions. Moreover, the Kazakhstan Government (based on the joint submission of the NBK and relevant authorised bodies) may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

As at the date of this Document, the Kazakhstan Government has not invoked the aforesaid statutory provisions. It is unclear how any implementation of the new currency regime would ultimately impact the Company. However, any imposition of significant restrictions on the Company's foreign currency dealings could have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

3. **Risks relating to Taxation**

3.1 *Kazakhstan's taxation system is subject to frequent change*

Kazakhstan's taxation system is continually evolving and is subject to frequent and, at times, ambiguous changes, which could have an adverse effect on the Air Astana Group. The Air Astana Group's operations are principally conducted and most of the Air Astana Group's assets are located in Kazakhstan and, therefore, the shortcomings of Kazakhstan's tax system could adversely affect the Air Astana Group.

Historically, the system of tax collection in Kazakhstan has been difficult and unpredictable resulting in continual changes to the tax legislation, which have sometimes occurred on short notice and have been applied retroactively. Such changes to Kazakhstan's tax legislation may apply not only to the provisions that establish the rules of tax administration, but also to other provisions such as tax base and tax rate determination. Furthermore, Kazakhstan's tax legislation is subject to amendments on a regular basis. These changes produce tax uncertainties which may result in adverse tax implications for the Air Astana Group.

Differing interpretations of tax regulations exist both among and within government bodies. Such inconsistent interpretations increase the level of uncertainty and, therefore, tax risks, and could potentially lead to the inconsistent enforcement of these laws and regulations. Official explanations and court decisions are often unclear and contradictory, whilst potential tax disputes could result in significant litigation costs for the Air Astana Group. Furthermore, clarifications of the tax authorities on particular clauses of Code No.120-VI of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget (Tax Code)", dated 25 September 2017 (the "**Tax Code**"), enacted by Law No.121-VI of the Republic of Kazakhstan, dated 25 September 2017, are not legally binding on either taxpayers or the tax authorities themselves, and may not be taken into account during the settlement of tax disputes. In addition, the tax authorities may change from time to time their position regarding the application of a particular article.

Judges considering court cases related to the resolution of tax disputes sometimes issue decisions that are not very clear or definite. The creation of an investment court in Kazakhstan in 2016, which is responsible for the resolution of investment disputes, including tax disputes relating to investments, did not lead to a significant improvement in the quality of tax litigation or in the resolution of tax disputes. During settlements of tax disputes, the tax authorities and courts often issue decisions in favour of the state budget.

As of 1 July 2021, disputes involving the state authorities, including, tax disputes, shall be considered in accordance with the new rules envisaged by the Administrative Procedural Code.

Due to ambiguity of certain provisions of the Kazakhstan tax legislation, the general complexity of tax matters, as well as the inconsistency in operation of tax authorities and court practice, the taxpayers and the tax authorities may frequently interpret the same provisions of the tax legislation differently. Therefore, taxation in Kazakhstan is often unclear and inconsistent, and may result in unexpected tax assessments and liabilities that could lead to a material adverse effect on, *inter alia*, the Air Astana Group's business, financial condition, results of operations and prospects.

3.2 *References to IFRS in the Tax Code could result in adverse tax assessment for the Air Astana Group*

A significant part of the Tax Code contains direct links to IFRS, which makes IFRS an important and considerable factor within Kazakhstan's tax system. Given that IFRS is built on the "substance over form" principle, the application of certain principles and methods of IFRS is a matter of professional judgment, which may result in tax disputes between the Air Astana Group and the tax authorities. During tax audits, the tax authorities sometimes interpret IFRS in a way that could differ from professional judgment of financial reporting specialists and/or auditors. In addition, the tax authorities issue letters where they give their own interpretation of IFRS, which does not take into account all aspects of application of standards.

The application of IFRS in the taxation system of Kazakhstan entails a risk of ambiguous or inconsistent interpretation and may therefore lead to additional, and potentially material, tax assessments on the Air Astana Group. Such tax assessments could have a material adverse effect on, *inter alia*, the Air Astana Group's business, financial condition, results of operations or prospects.

Moreover, accounting standards such as IFRS are subject to change, which could lead to an increase in discrepancies in the interpretation and application of such standards and therefore additional, and potentially material, tax assessments on the Air Astana Group. Changes or amendments to IFRS and/or the Tax Code could potentially have a retroactive and detrimental effect on the Air Astana Group's tax audits, which, in its turn, could have a material adverse effect on the Air Astana Group's business, financial condition, results of operations and prospects.

Presentation of Financial and Certain Other Information

Financial information

Unless otherwise indicated, financial information set forth herein relating to the Air Astana Group has been derived from its audited consolidated financial statements as at and for the year ended 31 December 2022 prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") (the "**Annual Financial Statements**") and from the Company's unaudited condensed consolidated interim financial information for the nine-month period ended 30 September 2023 prepared in accordance with IAS 34 Interim Financial Reporting (the "**Interim Financial Information**", together with the Annual Financial Statements, the "**Financial Statements**"). The Financial Statements are included in this Document beginning on page F-1.

Non-IFRS financial information

This Document includes certain financial measures that are considered alternative performance measures, which are financial metrics which are not defined or recognised under IFRS (collectively, the "**APMs**").

The Air Astana Group has presented these APMs on a group basis because it considers them an important supplemental measure of its underlying performance and its liquidity, and are frequently used by securities analysts, investors and other parties in the evaluation of companies in the airline sector. Cash to revenue, LTM, % is presented because it provides information about the Air Astana Group's liquidity in terms of available cash as a percentage of its sales.

The Air Astana Group has also presented certain APMs by segment. The Air Astana Group has presented these APMs because the Air Astana Group believes it is an important supplemental measure of the underlying performance of each of its airline brands. The Air Astana Group has presented Air Astana Adjusted EBITDAR excluding intragroup lease revenue because the Air Astana Group believes it is a useful indicator of the operating performance for Air Astana without taking into account the intragroup lease revenue which is eliminated upon consolidation. The Air Astana Group recognises (i) lease revenue within the segmented statement of profit or loss of Air Astana which FlyArystan would have to pay to lease aircraft for a similar term and in a similar economic environment as Air Astana leases aircraft and (ii) the depreciation of its capitalised lease payments within the segmented statement of profit or loss of FlyArystan arising from these intragroup lease transactions with FlyArystan, which are each eliminated upon consolidation. This data is derived from management estimates and is not part of the Financial Statements and has not been audited or reviewed by the auditors, consultants or experts.

Each of the non-IFRS measures presented as APMs is defined below (together, the "**Non-IFRS Measures**"):

- **Adjusted EBITDA**: defined as profit/(loss) for the period before income tax (expense)/ benefit, finance income, finance costs, foreign exchange loss, net and depreciation and amortisation;
- **Adjusted EBITDAR**: defined as profit/loss for the period before income tax (expense)/ benefit, finance income, finance costs, foreign exchange loss, net and depreciation and amortisation and lease costs (comprising aircraft variable lease charges, spare engine lease charges, lease of spare parts, property lease costs (office accommodation rent), rental of plant, machinery and ground equipment);
- **Adjusted EBITDAR Margin**: defined as Adjusted EBITDAR divided by total revenue and other income;
- **Net debt**: defined as loans and lease liabilities less cash and cash equivalents;
- **Cash to revenue, LTM, %**: defined as cash and cash equivalents divided by revenue and other income for the last 12 months represented as a percentage;
- **Net debt/Adjusted EBITDAR, LTM (ratio)**: defined as the ratio of net debt to Adjusted EBITDAR for the last 12 months;
- **Adjusted EBITDAR by segment**: defined as operating profit/(loss) for Air Astana or FlyArystan, as the case may be, before depreciation and amortisation and lease costs (comprising aircraft variable lease charges, spare engine lease charges, lease of spare parts, property lease costs (office accommodation rent), rental of plant, machinery and ground equipment);
- **Adjusted EBITDAR Margin by segment:** defined as Adjusted EBITDAR for Air Astana or FlyArystan, as the case may be, divided by total revenue and other income for Air Astana or FlyArystan, as the case may be; and

- **Air Astana Adjusted EBITDAR excluding intragroup lease revenue**: defined as operating profit/(loss) for Air Astana before depreciation and amortisation, excluding intragroup lease revenue which is eliminated upon consolidation.

These Non-IFRS Measures are not measures of the operating performance of the Air Astana Group or its airline brands under IFRS and should not be considered as alternatives to revenue, profit, operating profit, net cash from operating activities or any other measures of performance under IFRS or as alternatives to cash flow from operating activities or as measures of the Air Astana Group's liquidity under IFRS. In addition, these Non-IFRS Measures should not be used instead of, or considered as an alternative to, the Air Astana Group's Financial Statements. In particular, the Non-IFRS Measures should not be considered as a measure of discretionary cash available to the Air Astana Group to invest in the growth of its business. The Air Astana Group encourages investors to evaluate these items and the limitations for purposes of analysis in excluding them. Furthermore, other companies in the airline sector may calculate these Non-IFRS measures differently or may use each of them for purposes different from those of the Air Astana Group, limiting their usefulness as comparative measures. All of these Non-IFRS Measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Air Astana Group financial and operating results as reported under IFRS. Some of these limitations are as follows:

- such measures do not reflect the impact of certain cash charges resulting from matters the Air Astana Group considers not to be indicative of its ongoing operations;
- such measures do not reflect the Air Astana Group's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, the Air Astana Group's working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Air Astana Group's indebtedness;
- such measures do not reflect the financing of aircraft, which may be acquired directly, directly subject to acquisition debt, by finance lease or by operating lease, each of which is presented differently for accounting purposes; and
- other companies in the industry may calculate such measures differently than the Air Astana Group does, limiting its usefulness as a comparative measure.

The financial information for the LTM September 2023 set forth in this Document was derived by adding the Air Astana Group's financial information for the year ended 31 December 2022 to its interim financial information for the nine months ended 30 September 2023 and subtracting its financial information for the nine months ended 30 September 2022.

For a reconciliation of these APMs the IFRS measures included in the Financial Statements, see "*Selected Historical Financial and Operating Data—Non-IFRS measures*" and "*Selected Historical Financial and Operating Data—Non-IFRS measures by segment*".

Non-financial operating data

Certain non-financial operating data is presented in this Document, including average daily aircraft utilisation, block hours, ASKs, RPKs, load factor, yield, RASK, CASK and CASK ex-fuel as described in "*Glossary of Terms and Definitions*". This data may not be compatible with similarly titled operational data presented by others in the Air Astana Group's industry however, while the method of calculation may differ across the industry, the Air Astana Group believes that these indicators are important to understand its performance from period to period and that they facilitate comparison with its peers. This non-financial operational data is not intended to be a substitute for any IFRS measures of performance. The non-financial operating data included in this Document has been extracted without material adjustment from the management records of the Air Astana Group, is not part of the Financial Statements and has not been audited or reviewed by the auditors, consultants or experts.

Rounding

Certain figures included in this Document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain defined terms

In this Document, all references to "**U.S.**", "**US**", "**USA**" or "**United States**" are to the United States of America, all references to "**U.K.**" or "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland and all references to the "**EU**" are to the European Union and each Relevant State as at the date of this Document. All references to the "**CIS**" are to the following countries that formerly comprised the Union of Soviet Socialist Republics and that are now members or a participating non-member, or an unofficial associate member of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan. All references to "**Central Asia**" are to the following countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. All references to the "**Caucasus"** are to the following countries: Armenia, Azerbaijan and Georgia.

Presentation of third party statistical and other information

Unless the source is otherwise stated, the market, economic and industry data in this Document constitute the Air Astana Group's estimates, using underlying data from independent third parties. Statistics, forecasts, data and other information relating to markets, market size, market share, market position and other industry data pertaining to the Air Astana Group's business and markets, in particular the airline markets in the Republic of Kazakhstan, are based on published data from independent third parties or extrapolations therefrom, or are based on the Company's analysis and estimates, which in turn are based on multiple third-party sources, including publications and data compiled by annual reports, industry publications, market research, press releases, filings under various securities laws and official data published by certain Kazakhstani agencies including the CAC, the NBK, the Qazstat, the Economist Intelligence Unit (the "**EIU**"), the IATA, the Asian Development Bank (the "**ADB**"), the World Bank, the World Bank Development Indicators, the Kazakhstan IATA Direct Data Solutions, the Kazakhstan Government, Ministry of Tourism and Sports, TAV Airports, the Ministry of the National Economy, Kazakhstan, the Kazakhstan Civil Aviation Committee, the India Ministry of Civil Aviation, CEIC, and Fitch.

The Company has relied on the accuracy of such information without carrying out independent verification thereof. Such information is sourced in the text or in footnotes where it appears. Such information, data and statistics may be approximations or estimates or may use rounded numbers. Moreover, official data published by Kazakhstan governmental or regional agencies may be substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the NBK and the Qazstat, may be produced on a different basis from those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Document is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. Where information has been sourced from a third party, including with respect to market share (as set out below), this information has been accurately reproduced in this Document and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information presented in this Document inaccurate or misleading.

The Company does not intend, and does not assume any obligation, to update industry or market data set forth in this Document. Market behaviour, preferences and trends are subject to changes, prospective investors should therefore be aware that market and industry information in this Document and estimates based on any data therein may not be reliable indicators of future market performance or the Air Astana Group's future results of operations or performance. Moreover, future results and events may differ materially from the industry and market data projections and estimates contained in this Document because of a series of reasons, including but not limited to: general market conditions, macroeconomy, governmental and regulatory trends; competitive pressure; technological developments; and commercial, managerial, operational or financial factors. Accordingly, there can be no assurance that such projected results or estimates will materialise.

References to market share of the Air Astana Group, Air Astana and FlyArystan

This Document contains references to market share in respect to the Air Astana Group, Air Astana and FlyArystan. Such market share data is measured on the basis of departing seats of the Air Astana Group, Air Astana or FlyArystan, as the case may be, as compared to total departing seats of all airlines during the period indicated with respect to the following markets:

- domestic—domestic routes within Kazakhstan;
- international—international routes departing from airports in Kazakhstan;

- intra-regional—international routes departing from airports in Kazakhstan to a country in Central Asia or the Caucasus;
- Europe & Turkey—routes departing from airports in Kazakhstan to Germany, United Kingdom, Greece, Hungary, Italy, Montenegro, Netherlands, Poland and Turkey;
- Middle East—routes departing from airports in Kazakhstan to United Arab Emirates, Egypt, Israel, Kuwait, Oman, Qatar and Saudi Arabia; and
- Southeast & East Asia—international routes departing from airports in Kazakhstan to China, India, South Korea, Mongolia, Thailand, Pakistan and Maldives.

Such market data comprise estimates of the Company based on published data.

References to the "Air Astana Group" and the "Company"

In this Document, references to the "Air Astana Group" means Air Astana Joint Stock Company and its consolidated subsidiary unless the context requires otherwise. References to the "Company" is to Air Astana Joint Stock Company.

Availability of this Document

This Document will be available on the website of the Company at www.airastana.com from the date hereof and copies thereof will be provided upon request during normal business hours at the headquarters of the Company located at 4A Zakarpatskaya Street, Turksib District, Almaty, 050039, Republic of Kazakhstan. The information set forth in this Document is only accurate as of the date on the front cover of this Document. The Company's business and financial condition may have changed since that date.

The Company's constitutional document (i.e., the Charter) is publicly available on the Company's website at www.airastana.com.

Currency

Throughout this Document, unless stated otherwise, the following definitions are used:

- "**EUR**" or "**Euro**" means the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended;
- "**KZT**" or "**Tenge**" means the lawful currency for the time being of the Republic of Kazakhstan; and
- "**USD**", "**U.S. $**", "**U.S. Dollar**" or "**dollar**" means the lawful currency for the time being of the United States.

No incorporation of website

The contents of the Company's website at www.airastana.com, the contents of any website accessible from hyperlinks on the Company's website or any other website referred to in this Document are not incorporated into, and do not form part of, this Document

Definitions

A list of defined terms and a glossary of technical terms used in this Document is set out in "*Glossary of Terms and Definitions*".

Forward-Looking Statements

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties and which reflect the Air Astana Group's views with respect to its results of operations, financial condition, business strategy and its plans and objectives for future operations.

Such forward-looking statements can be identified by the use of forward-looking terminology such as "estimates", "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Document. In addition, even if the Air Astana Group's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the effects of instability and unrest in countries in the same region as Kazakhstan, including but not limited to the Russia-Ukraine military conflict;
- the impact of the COVID-19 pandemic, including the resulting global economic uncertainty, or other epidemics or pandemics;
- future fluctuations in the price of jet fuel;
- the Air Astana Group's margins, profitability and liquidity;
- increased competition, the Air Astana Group's competitive strengths and weaknesses and the strengths of its competitors;
- changes in the regulatory framework and legislative provisions (including excessive taxation), adverse judicial developments or airline industry directives (including security directives associated with air transport);
- the Air Astana Group's strategy, outlook and growth prospects;
- the growth of its aircraft fleet, in particular, the ability to source the necessary finance under operating leases or finance leases;
- the general economic conditions of Kazakhstan and Central Asia, including exchange rates, investment and credit market conditions; and
- other factors set out under "*Risk Factors*".

When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Air Astana Group operates. The above list of important factors is not exhaustive. Forward-looking statements are included in this Document in a number of sections, including in the section titled "*Risk Factors*", "*Business*", "Operating and Financial Review" and elsewhere. Such forward-looking statements are based on the Company's beliefs, assumptions and expectations regarding future events and trends that affect the Air Astana Group's future performance, taking into account information currently available to the Air Astana Group, and are not guarantees of future performance. In particular, this Document includes forward-looking statements, forward-looking statements are not guarantees of future performance and speak only as at the date of this Document.

The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Air Astana Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation (Regulation (EU) 596/2014), as it forms part of domestic law in the United Kingdom by virtue of the EUWA.

Dividend Policy

Pursuant to the dividend policy adopted by the Company, the Board of Directors is entitled to propose to the General Shareholders Meeting a distribution of up to 30% of IFRS net profit for the relevant reporting year as determined in accordance with the Company's financial statements . Any decision on the payment of dividends on the Company's Shares based on full-year, half-year or quarterly results shall be adopted by the General Shareholders Meeting.

Any decision to propose dividends to the General Shareholders Meeting is subject to: (i) the availability of the Company's net profit for the year; (ii) the absence of any restraints on the payment of dividends stipulated by Kazakhstan legislation, including the prohibition on payment of dividends for companies with negative equity, companies which are insolvent or companies whose equity would become negative or which would become insolvent as a result of paying dividends; and (iii) any contractual restrictions (see "*Operating and Financial Review—Indebtedness—Capital resources—Bank borrowings*"). Furthermore, in rendering its proposal to the General Shareholders Meeting, the Company's Board of Directors may consider the financial circumstances and investment plans of the Company for subsequent periods, the current and future state of the working capital and the ongoing liabilities of the Company. In consideration of these factors, the Board of Directors shall also take into account the ability of the Air Astana Group to maintain prudent levels of liquidity and indebtedness. The Company aims to achieve, with respect to liquidity, a ratio of year-end cash and cash balances to total revenue and other income of not less than 25% on a mid-term basis and, with respect to indebtedness, Net Debt/ Adjusted EBITDAR, LTM of not greater than 3.0x on a mid-term basis.

The Company declared dividends in the amount of U.S. $16.8 million (US $986.8 per Share) in respect of the year ended 31 December 2022, as approved by the annual General Shareholders Meeting on 31 March 2023. As at the date of the Document, all of the declared dividends were paid.

The Company did not declare or pay any dividends with respect to the years ended 31 December 2021 and 2020. The Company does not have preferred shares in its share capital.

Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Tenge and the dollar, based on the official exchange rate quoted by the NBK. Fluctuations in exchange rates between the Tenge and the dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the Financial Statements and those used in relation to the other information presented in this Document.

	Exchange Rate			
	Period end	Average(1)	High	Low
	KZT per U.S. $1			
Year ended 31 December				
2020	420.71	413.36	447.60	375.87
2021	431.67	426.03	436.35	414.77
2022	462.65	460.48	512.19	414.67
2023	454.56	457.79	461.33	453.64
Nine months ended 30 September				
2022	476.89	475.42	512.19	414.67
2023	474.47	455.117	482.77	431.08

Source: www.nationalbank.kz

(1) The average rates are calculated as the average of the daily exchange rates on each calendar day (which is announced by the NBK for each such day).

The Tenge is generally not convertible outside Kazakhstan. A market exists within Kazakhstan for the conversion of Tenge into other currencies, but the limited availability of other currencies may inflate their value relative to the Tenge. No representation is made that the Tenge or dollar amounts referred to herein could have been or could be converted into Tenge or dollar, as the case may be, at these rates, at any particular rate or at all.

Selected Historical Financial and Operating Data

The selected consolidated statement of profit or loss, financial position and cash flows, have been extracted without material adjustment from the Financial Statements. The additional financial data includes Non-IFRS Measures and was derived from management estimates. This information should be read in conjunction with "*Risk Factors*", "*Presentation of Financial and Certain Other Information*", "*Operating and Financial Review*" and the Financial Statements included in this Document beginning on page F-1.

Selected consolidated statement of profit or loss

	Nine months ended 30 September		Year ended 31 December		
USD millions	2023 (unaudited)	2022 (unaudited)	2022	2021	2020
Revenue and other income					
Passenger revenue	877.9	727.0	998.1	715.8	358.4
Cargo and mail revenue	15.7	15.6	22.1	33.6	24.6
Other income	7.0	4.6	12.1	7.8	11.0
Gain from sale and leaseback transaction	—	—	—	4.6	6.3
Total revenue and other income	**900.6**	**747.2**	**1,032.4**	**761.8**	**400.3**
Operating expenses					
Fuel and oil costs	(208.8)	(163.6)	(231.9)	(136.6)	(89.2)
Employee and crew costs	(143.6)	(110.1)	(148.9)	(116.3)	(87.1)
Depreciation and amortisation	(118.4)	(98.9)	(135.2)	(120.8)	(101.0)
Engineering and maintenance	(83.2)	(81.9)	(125.9)	(94.6)	(43.2)
Handling, landing fees and route charges	(77.4)	(61.1)	(84.9)	(70.1)	(47.2)
Passenger service	(75.9)	(59.4)	(80.3)	(60.9)	(36.6)
Selling costs	(30.3)	(23.8)	(33.3)	(25.1)	(17.1)
Insurance	(8.1)	(5.8)	(8.3)	(8.1)	(6.2)
Information technology	(4.9)	(4.2)	(5.7)	(4.6)	(4.2)
Consultancy, legal and professional services	(3.6)	(3.4)	(4.3)	(3.4)	(3.3)
Aircraft lease costs	(2.3)	(3.1)	(3.9)	(3.7)	(3.4)
Property and office costs	(2.7)	(1.8)	(2.5)	(2.6)	(2.4)
Taxes, other than income tax	(2.9)	(1.0)	(1.4)	(2.5)	(4.2)
Impairment loss on trade receivables	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)
Other operating costs	(9.6)	(13.3)	(16.8)	(10.4)	(24.4)
Total operating expenses	**(771.7)**	**(631.3)**	**(883.7)**	**(659.7)**	**(469.6)**
Operating profit/(loss)	**128.9**	**115.9**	**148.7**	**102.2**	**(69.3)**
Finance income	10.8	3.7	7.0	2.4	1.4
Finance costs	(36.7)	(28.4)	(39.3)	(47.1)	(36.1)
Foreign exchange loss, net	(12.9)	(13.1)	(15.1)	(12.5)	(12.7)
Profit/(loss) before tax	**90.0**	**78.0**	**101.4**	**45.0**	**(116.6)**
Income tax (expense)/benefit	(17.6)	(17.1)	(23.0)	(8.8)	22.7
Profit/(loss) for the period	**72.4**	**61.0**	**78.4**	**36.2**	**(93.9)**
Basic and diluted earnings/(loss) per share (in USD)	**4,258**	**3,586**	**4,613**	**2,127**	**(5,525)**

Selected segmented statement of profit or loss

USD millions (unaudited)	Nine months ended 30 September				Nine months ended 30 September			
	2023 Air Astana	2023 FlyArystan	Intragroup elimintation	Total	2022 Air Astana	2022 FlyArystan	Intragroup elimination	Total
Profit or loss statement								
Revenue and other income	—	—	—	—	—	—	—	—
Passenger revenue	666.6	211.4	—	877.9	565.4	161.6	—	727.0
Cargo and mail	14.5	1.2	—	15.7	14.6	1.0	—	15.6
Other income	6.2	0.8	—	7.0	4.4	0.2	—	4.6
Lease	62.4	0.2	(62.7)	—	45.3	—	(45.3)	—
Total revenue and other income	**749.7**	**213.6**	**(62.7)**	**900.6**	**629.7**	**162.8**	**(45.3)**	**747.2**
Operating expenses	—	—	—	—	—	—	—	—
Fuel	(156.7)	(52.0)	—	(208.8)	(123.8)	(39.7)	—	(163.6)
Employee and crew costs	(110.6)	(33.0)	—	(143.6)	(86.4)	(23.7)	—	(110.1)
Depreciation and amortisation	(116.3)	(30.9)	28.8	(118.4)	(97.3)	(22.0)	20.4	(98.9)
Engineering and maintenance	(76.6)	(32.2)	25.6	(83.2)	(76.4)	(24.4)	18.9	(81.9)
Handling, landing fees and route charges	(60.6)	(16.8)	—	(77.4)	(47.4)	(13.7)	—	(61.1)
Passenger service	(65.1)	(10.8)	—	(75.9)	(50.8)	(8.6)	—	(59.4)
Selling costs	(27.4)	(3.0)	—	(30.3)	(22.3)	(1.5)	—	(23.8)
Insurance	(5.7)	(2.4)	—	(8.1)	(4.2)	(1.6)	—	(5.8)
Information technology	(3.7)	(1.2)	—	(4.9)	(3.1)	(1.1)	—	(4.2)
Consultancy, legal and professional services	(3.5)	(0.1)	—	(3.6)	(3.3)	0.0	—	(3.4)
Taxes, other than income tax	(2.9)	—	—	(2.9)	(1.0)	—	—	(1.0)
Property and office costs	(2.4)	(0.2)	—	(2.7)	(1.7)	(0.1)	—	(1.8)
Aircraft lease costs	(1.6)	(1.6)	1.0	(2.3)	(3.0)	(2.3)	2.2	(3.1)
Other	(9.0)	(0.8)	—	(9.7)	(12.9)	(0.4)	—	(13.4)
Total operating expenses	**(642.1)**	**(185.0)**	**55.4**	**(771.7)**	**(533.6)**	**(139.3)**	**41.5**	**(631.3)**
Operating profit	**107.5**	**28.6**	**(7.2)**	**128.9**	**96.1**	**23.6**	**(3.8)**	**115.9**

USD millions (unaudited)	Year ended 31 December				Year ended 31 December				Year ended 31 December			
	2022 Air Astana	2022 FlyArystan	Intragroup elimination	Total	2021 Air Astana	2021 FlyArystan	Intragroup elimination	Total	2020 Air Astana	2020 FlyArystan	Intragroup elimination	Total
Profit or loss statement												
Revenue and other income	—	—	—	—	—	—	—	—	—	—	—	—
Passenger revenue	782.9	215.2	—	998.1	562.4	153.4	—	715.8	302.5	55.9	—	358.4
Cargo and mail revenue	20.7	1.5	—	22.1	31.9	1.6	—	33.6	23.6	1.0	—	24.6
Other income	10.9	1.3	—	12.1	6.4	1.4	—	7.8	10.6	0.5	—	11.0
Lease	63.0	—	(63.0)	—	54.7	—	(54.7)	—	31.4	—	(31.4)	0 .0
Gain from sale and leaseback transaction	—	—	—	—	4.6	—	—	4.6	6.3	—	—	6.3
Total revenue and other income	**877.4**	**217.9**	**(63.0)**	**1032.4**	**660.0**	**156.5**	**(54.7)**	**761.8**	**374.3**	**57.4**	**(31.4)**	**400.3**
Operating expenses	—	—	—	—	—	—	—	—	—	—	—	—
Fuel and oil costs	(175.7)	(56.2)	—	(231.9)	(97.9)	(38.7)	—	(136.6)	(70.6)	(18.6)	—	(89.2)
Employee and crew costs	(116.9)	(32.0)	—	(148.9)	(92.0)	(24.3)	—	(116.3)	(77.3)	(9.8)	—	(87.1)
Depreciation and amortization	(133.0)	(30.7)	28.5	(135.2)	(119.5)	(25.8)	24.5	(120.8)	(100.8)	(15.4)	15.2	(101.0)
Engineering and maintenance	(118.3)	(33.6)	25.9	(125.9)	(88.0)	(29.0)	22.3	(94.6)	(40.9)	(12.9)	10.6	(43.2)
Handling, landing fees and route charges	(65.8)	(19.1)	—	(84.9)	(54.3)	(15.8)	—	(70.1)	(39.9)	(7.3)	—	(47.2)
Passenger service	(68.6)	(11.7)	—	(80.3)	(52.6)	(8.2)	—	(60.9)	(33.4)	(3.2)	—	(36.6)
Selling costs	(31.1)	(2.2)	—	(33.3)	(23.1)	(1.9)	—	(25.1)	(16.5)	(0.6)	—	(17.1)
Insurance	(6.1)	(2.2)	—	(8.3)	(6.4)	(1.7)	—	(8.1)	(5.4)	(0.8)	—	(6.2)
IT and communication costs	(4.2)	(1.5)	—	(5.7)	(3.8)	(0.7)	—	(4.6)	(3.7)	(0.5)	—	(4.2)
Consultancy, legal and professional services	(4.2)	0.0	—	(4.2)	(3.3)	0.0	—	(3.4)	(3.2)	0.0	—	(3.3)
Aircraft lease costs	(3.7)	(2.6)	2.5	(3.9)	(3.4)	(3.8)	3.5	(3.7)	(3.3)	(2.0)	1.9	(3.4)
Property and office costs	(2.3)	(0.1)	—	(2.5)	(2.5)	0.0	—	(2.6)	(2.4)	0.0	—	(2.4)
Taxes	(1.4)	—	—	(1.4)	(2.5)	—	—	(2.5)	(4.2)	—	—	(4.2)
Impairment loss on trade receivables	(0.4)	0.0	—	(0.4)	0.0	(0.1)	—	(0.1)	0.1	(0.2)	—	(0.1)
Other operating costs	(16.0)	(0.7)	—	(16.8)	(9.7)	(0.7)	—	(10.4)	(24.1)	(0.3)	—	(24.4)
Total operating expenses	**(747.9)**	**(192.7)**	**56.9**	**(883.7)**	**(559.2)**	**(150.8)**	**50.3**	**(659.7)**	**(425.5)**	**(71.7)**	**27.6**	**(469.6)**
Operating profit	**129.5**	**25.3**	**(6.1)**	**148.7**	**100.8**	**5.7**	**(4.4)**	**102.1**	**(51.2)**	**(14.3)**	**(3.8)**	**(69.3)**

Selected consolidated statement of financial position

USD millions	As at 30 September 2023 (unaudited)	As at 31 December 2022	2021	2020
ASSETS				
Non-Current assets				
Property and equipment	825.7	817.6	722.2	705.1
Intangible assets	2.6	1.6	1.5	1.6
Prepayments	17.3	15.5	16.3	12.4
Guarantee deposits	31.3	29.5	18.0	20.4
Deferred tax assets	34.8	18.5	2.7	8.8
Trade and other receivables	1.7	1.3	3.6	3.3
	913.3	**884.0**	**764.3**	**751.6**
Current assets				
Inventories	58.7	49.2	51.6	46.4
Prepayments	17.1	21.0	26.5	15.4
Income tax prepaid	1.9	9.0	2.6	3.3
Trade and other receivables	28.2	21.3	14.1	10.2
Other taxes prepaid	7.6	8.4	7.7	15.2
Guarantee deposits	1.7	3.5	1.6	5.8
Cash and bank balances	314.4	252.9	226.4	201.4
Other financial assets	—	1.7	7.4	—
	429.7	**366.9**	**337.9**	**297.6**
Total assets	**1,343.0**	**1,250.9**	**1,102.2**	**1,049.2**
EQUITY AND LIABILITIES				
Equity				
Share Capital	17.0	17.0	17.0	17.0
Functional currency transition reserve	(9.3)	(9.3)	(9.3)	(9.3)
Reserve on hedging instruments, net of tax	(18.2)	(25.4)	(35.3)	(44.7)
Retained earnings	225.6	170.0	91.6	55.4
Total equity	**215.1**	**152.3**	**64.0**	**18.4**
Non-current liabilities				
Loans	0.1	4.2	4.8	53.0
Lease liabilities	529.6	574.2	580.5	572.3
Provision for aircraft maintenance	144.8	118.0	86.5	45.5
Other non-current liabilities	3.1	2.3	1.6	1.6
	677.5	**698.6**	**673.4**	**672.4**
Current liabilities				
Loans	0.4	7.9	57.5	111.0
Lease liabilities	167.4	158.6	146.4	132.3
Deferred revenue	91.8	80.2	57.3	38.1
Provision for aircraft maintenance	95.3	71.7	40.7	37.5
Trade and other payables	95.5	81.4	63.0	39.3
Other financial liabilities	—	0.2	—	—
	450.4	**400.0**	**364.8**	**358.3**
Total liabilities	**1,127.9**	**1,098.6**	**1,038.2**	**1,030.7**
Total equity and liabilities	**1,343.0**	**1,250.9**	**1,102.2**	**1,049.2**

Selected consolidated statement of cash flows

USD millions	Nine months ended 30 September 2023 (unaudited)	Nine months ended 30 September 2022 (unaudited)	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
Net cash generated from operating activities	**295.0**	**281.6**	**351.0**	**277.0**	**2.6**
Net cash (used in)/generated from investing activities	**(35.3)**	**(36.4)**	**(60.4)**	**(13.1)**	**8.5**
Net cash (used in)/generated from financing activities, of which:	**(195.6)**	**(187.9)**	**(263.5)**	**(237.1)**	**15.1**
Repayment of lease liabilities	(135.8)	(109.8)	(173.5)	(93.6)	(100.0)
Interest paid	(31.5)	(28.3)	(38.4)	(49.1)	(29.6)
Repayment of borrowings and additional financing from sale and leaseback	(46.5)	(102.4)	(104.4)	(106.8)	(66.3)
Proceeds from borrowing and additional financing from sale and leaseback	35.0	52.7	52.7	12.3	211.0
Dividends paid	(16.8)	—	—	—	—
Net increase in cash and bank balances	**64.0**	**57.4**	**27.1**	**26.9**	**26.1**
Cash and bank balances, at the end of the period	**314.4**	**281.7**	**252.9**	**226.4**	**201.4**

Non-IFRS measures

USD millions (unless otherwise stated) (unaudited)	Nine months ended 30 September 2023	Nine months ended 30 September 2022	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted EBITDA(1)(4)	**247.3**	**214.8**	**283.9**	**223.0**	**31.7**
Adjusted EBITDAR(2)(4)	**249.8**	**218.3**	**288.4**	**224.9**	**33.0**
Adjusted EBITDAR Margin %(3)(4)	**28**	**29**	**28**	**30**	**8**

(Unaudited)	As at 30 September 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Net debt (USD millions)(5)	**383.1**	**492.0**	**562.8**	**667.3**
Cash to revenue, LTM, %(6)	**26.5**	**24.5**	**29.7**	**50.3**
Net debt/Adjusted EBITDAR, LTM (ratio)	**1.2x**	**1.7x**	**2.5x**	**20.2x**

Source: All measures in the tables above are derived from management accounts and internal financial and operating reporting systems and are unaudited.

(1) The Air Astana Group defines Adjusted EBITDA as profit/(loss) for the period before income tax (expense)/ benefit, finance income, finance costs, foreign exchange loss, net and depreciation and amortisation. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(2) The Air Astana Group defines Adjusted EBITDAR as profit/(loss) for the period before income tax (expense)/ benefit, finance income, finance costs, foreign exchange loss, net and depreciation and amortisation and lease costs (comprising aircraft variable lease charges, spare engine lease charges, lease of spare parts, property lease costs (office accommodation rent), rental of plant, machinery and ground equipment). See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(3) The Air Astana Group defines Adjusted EBITDAR Margin as Adjusted EBITDAR divided by total revenue and other income. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(4) The following table presents the reconciliation of Adjusted EBITDA, Adjusted EBITDAR and Adjusted EBITDAR Margin for the periods presented below:

USD millions (unaudited)	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
Adjusted EBITDA and Adjusted EBITDAR reconciliation:					
Profit/(loss) for the period	72.4	61.0	78.4	36.2	(93.9)
Adjusted for					
Income tax (expense)/benefit	(17.6)	(17.1)	(23.0)	(8.8)	22.7
Finance income	10.8	3.7	7.0	2.4	1.4
Finance costs	(36.7)	(28.4)	(39.3)	(47.1)	(36.1)
Foreign exchange loss, net	(12.9)	(13.1)	(15.1)	(12.5)	(12.7)
Depreciation and amortisation	(118.4)	(98.9)	(135.2)	(120.8)	(101.0)
Adjusted EBITDA	**247.3**	**214.8**	**283.9**	**223.0**	**31.7**
Lease costs	(2.5)	(3.5)	(4.5)	(1.9)	(1.3)
Adjusted EBITDAR	**249.8**	**218.3**	**288.4**	**224.9**	**33.0**

(5) The Air Astana Group defines Net debt as loans and lease liabilities less cash and cash equivalents. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS. The following table presents the reconciliation of Net debt as at the dates presented below:

USD millions (unaudited)	As at 30 September 2023	As at 31 December 2022	2021	2020
Net debt reconciliation:				
Loans	0.5	12.1	62.3	164.0
Lease liabilities	697.0	732.8	726.9	704.7
Less				
Cash and bank balances	314.4	252.9	226.4	201.4
Net debt	**383.1**	**492.0**	**562.8**	**667.3**

(6) The Air Astana Group defines Cash to revenue, LTM, % as cash and cash equivalents divided by total revenue and other income for the last 12 months represented as a percentage. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS. The following table presents the reconciliation of Cash to revenue, LTM, % as at the dates presented below:

USD millions (unless otherwise stated) (unaudited)	As at 30 September 2023	As at 31 December 2022	2021	2020
Cash to revenue, LTM, % reconciliation:				
Cash and cash equivalents	314.4	252.9	226.4	201.4
Total revenue and other income, LTM	1,185.7	1,032.4	761.8	400.3
Cash to revenue, LTM, %	**26.5**	**24.5**	**29.7**	**50.3**

Non-IFRS measures by segment

USD millions (unless otherwise stated) (unaudited)	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
Adjusted EBITDAR by segment(1)(5)					
Air Astana Adjusted EBITDAR	**226.2**	**196.8**	**266.8**	**222.2**	**50.9**
Air Astana Adjusted EBITDAR excluding intragroup lease revenue(2)(5)	**189.3**	**170.3**	**229.7**	**189.9**	**30.1**
FlyArystan Adjusted EBITDAR	**60.7**	**48.0**	**58.6**	**35.0**	**3.0**
Air Astana Adjusted EBITDAR margin (%)(3)	**30**	**31**	**30**	**34**	**14**
FlyArystan Adjusted EBITDAR margin (%)(4)	**28**	**29**	**27**	**22**	**5**

(1) Adjusted EBITDAR by segment is defined as operating profit/(loss) for Air Astana or FlyArystan, as the case may be, before depreciation and amortisation and lease costs (comprising aircraft variable lease charges, spare engine lease charges, lease of spare parts, property lease costs (office accommodation rent), rental of plant, machinery and ground equipment). See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(2) Adjusted EBITDAR for Air Astana excluding intragroup lease revenue is defined as operating profit/(loss) for Air Astana before depreciation and amortisation and lease costs (comprising aircraft variable lease charges, spare engine lease charges, lease of spare parts, property lease costs (office accommodation rent), rental of plant, machinery and ground equipment), excluding intragroup lease revenue receivable from FlyArystan. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial*

information" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(3) The Air Astana Group defines Air Astana Adjusted EBITDAR Margin as Air Astana Adjusted EBITDAR divided by total revenue and other income. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(4) The Air Astana Group defines FlyArystan Adjusted EBITDAR Margin as FlyArystan Adjusted EBITDAR divided by total revenue and other income. See "*Presentation of Financial and Certain Other Information—Non-IFRS financial information*" for a description of the limitations of the usefulness of the measure as a substitute for financial results reported under IFRS.

(5) The following tables present the reconciliation of Adjusted EBITDAR by segment and Adjusted EBITDAR for Air Astana excluding intragroup lease revenue for the periods presented below:

	Air Astana				
	Nine months ended 30 September		Year ended 31 December		
USD millions (unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
Adjusted EBITDAR by segment reconciliation:					
Operating profit/(loss)	107.5	96.1	129.5	100.8	(51.2)
Adjusted for					
Depreciation and amortisation	(116.3)	(97.3)	(133.0)	(119.5)	(100.8)
Lease costs	(2.3)	(3.4)	(4.3)	(1.9)	(1.3)
Air Astana Adjusted EBITDAR	**226.2**	**196.8**	**266.8**	**222.2**	**50.9**
Intragroup lease revenue	36.8	26.5	37.0	32.3	20.8
Adjusted EBITDAR for Air Astana excluding intragroup lease revenue	**189.3**	**170.3**	**229.7**	**189.9**	**30.1**

	FlyArystan				
	Nine months ended 30 September		Year ended 31 December		
USD millions (unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
Adjusted EBITDAR by segment reconciliation:					
Operating profit/(loss)	28.6	23.6	25.3	5.7	(14.3)
Adjusted for					
Depreciation and amortisation	(30.9)	(22.0)	(30.7)	(25.8)	(15.4)
Lease costs	(1.2)	(2.4)	(2.7)	(3.5)	(1.9)
FlyArystan Adjusted EBITDAR	**60.7**	**48.0**	**58.6**	**35.0**	**3.0**

Selected operating data

	Nine months ended 30 September		Year ended 31 December		
(unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
Available seat kilometres (ASKs) (billions)	**13.2**	**11.7**	**15.9**	**13.1**	**8.1**
Air Astana	9.4	8.4	11.4	9.0	6.2
FlyArystan	3.9	3.3	4.5	4.1	1.9
Departures (thousands)	**41.0**	**37.9**	**51.8**	**47.1**	**30.8**
Air Astana	24.5	22.7	30.9	26.5	21.0
FlyArystan	16.4	15.2	20.9	20.6	9.8
Average stage length (kilometres) (thousands)	**1.86**	**1.80**	**1.80**	**1.59**	**1.60**
Air Astana	2.24	2.20	2.20	1.96	1.84
FlyArystan	1.29	1.21	1.20	1.10	1.08
Block hours (thousands)	**110.2**	**97.8**	**134.5**	**110.2**	**74.5**
Air Astana	77.6	69.0	95.0	74.5	57.7
FlyArystan	32.6	28.8	39.5	35.7	16.8
Flight hours (thousands)	**95.2**	**85.3**	**117.0**	**95.3**	**64.1**
Air Astana	67.9	60.8	83.6	65.1	50.1
FlyArystan	27.3	24.5	33.4	30.1	14.0
Average aircraft in service	**40**	**36**	**37**	**31**	**28**
Air Astana	27	26	26	22	23
FlyArystan	13	10	11	9	5
Aircraft—end of period in service	**43**	**36**	**39**	**36**	**32**
Air Astana	28	25	27	26	25
FlyArystan	15	11	12	10	7

(unaudited)	Nine months ended 30 September 2023	2022	Year ended 31 December 2022	2021	2020
Average daily aircraft utilisation (hours)	**10.1**	**10.0**	**10.1**	**9.6**	**7.2**
Air Astana	10.7	10.0	10.1	9.2	6.9
FlyArystan	9.0	10.2	10.1	10.6	8.7
Passengers (millions)[(1)]	**6.0**	**5.4**	**7.3**	**6.6**	**3.7**
Air Astana	3.4	3.0	4.1	3.6	2.2
FlyArystan	2.7	2.4	3.2	3.1	1.5
Average seats per departure	**171.0**	**167.2**	**167.7**	**171.7**	**160.6**
Air Astana	163.3	159.0	159.4	165.9	151.8
FlyArystan	182.3	179.5	179.8	179.1	179.5
Revenue passenger kilometres (RPKs) (billions)	**11.1**	**9.7**	**13.2**	**10.4**	**5.8**
Air Astana	7.6	6.8	9.2	7.0	4.2
FlyArystan	3.5	2.9	3.9	3.4	1.6
Load factor (%)	**84**	**83**	**83**	**80**	**71**
Air Astana	81.7	81.3	81.0	78.2	67.3
FlyArystan	89.7	87.1	86.7	82.9	82.9
Fuel cost per ASK (U.S. cents)	**1.6**	**1.4**	**1.5**	**1.0**	**1.1**
Air Astana	1.7	1.5	1.5	1.1	1.1
FlyArystan	1.3	1.2	1.2	0.9	1.0
Fuel tonne consumed (thousands)	**260.9**	**235.3**	**319.9**	**261.9**	**170.4**
Air Astana	190.7	170.5	231.8	183.1	132.4
FlyArystan	70.2	64.8	88.1	78.9	38.0
Employees (FTE)—end of period	**5,498**	**5,159**	**5,341**	**4,683**	**4,495**
Air Astana	4,911	4,638	4,778	4,196	4,117
FlyArystan	587	521	563	487	378
Average revenue per passenger (U.S. $)[(2)]	**148.9**	**138.9**	**140.5**	**115.1**	**108.2**
Air Astana	223.5	208.8	213.7	185.7	167.4
FlyArystan	79.3	68.9	67.2	51.1	39.2
RASK (U.S. cents)	**6.8**	**6.4**	**6.5**	**5.8**	**4.9**
Air Astana	8.0	7.5	7.7	7.3	6.0
FlyArystan	5.5	4.9	4.8	3.8	3.0
Yield (U.S. cents)	**8.1**	**7.7**	**7.8**	**7.3**	**6.9**
Air Astana	9.8	9.3	9.5	9.4	8.9
FlyArystan	6.1	5.6	5.6	4.6	3.6
CASK (U.S. cents)	**5.8**	**5.4**	**5.6**	**5.0**	**5.8**
Air Astana	6.9	6.4	6.6	6.2	6.8
FlyArystan	4.8	4.2	4.3	3.7	3.8
CASK (excluding fuel) (U.S. cents)	**4.3**	**4.0**	**4.1**	**4.0**	**4.7**
Air Astana	5.2	4.9	5.0	5.1	5.7
FlyArystan	3.4	3.0	3.0	2.7	2.8

Source: Management accounts and internal financial and operating reporting systems.

See "*Glossary of Terms and Definitions*" for definitions of terms used in this table.

(1) Passenger numbers are seats flown and excludes those seats that are sold but not flown.

(2) Average revenue per passenger (U.S. $) is calculated by dividing total revenue and other income by the number of passengers (including scheduled operations and charter).

Operating and Financial Review

The following discussion and analysis should be read in conjunction with the Air Astana Group's selected historical financial and operating data and the Financial Statements included elsewhere in this Document.

This discussion and analysis contain forward-looking statements that reflect the Air Astana Group's current views with respect to future events and its financial performance. The Air Astana Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth under "Risk Factors" and "Forward-Looking Statements". This discussion and analysis also contain certain financial measures which may differ from similarly titled measures and calculations used by others and, accordingly, are not meant to be a substitution for recorded amounts presented in conformity with IFRS nor should such amounts be considered in isolation. See "Presentation of Financial and Certain Other Information—Financial information". The Air Astana Group has prepared its Financial Statements in accordance with IFRS which may differ in certain significant respects from generally accepted accounting principles in other countries, including the United States.

Overview

The Air Astana Group is the largest airline group in Central Asia and the Caucasus with 69% and 40% of market share on domestic and intra-regional routes from Kazakhstan, respectively (LTM September 2023). Through its young and modern fleet of 47 aircraft (as at 30 September 2023), it provides scheduled, point-to-point and transit, short-haul and long-haul air travel and cargo on domestic, intra-regional and international routes across Central Asia, the Caucasus, Europe (including Turkey), the Middle East and Asia (including India and China). In the nine months ended 30 September 2023, the Air Astana Group carried approximately 6.0 million passengers on approximately 41.0 thousand flights on 99 routes across 21 countries, compared to approximately 7.3 million passengers on approximately 52 thousand flights on 88 routes across 16 countries in the year ended 31 December 2022. The Air Astana Group's two differentiated but complementary brands (Air Astana, its full-service brand and the flag carrier of Kazakhstan, and FlyArystan, its LCC brand) allows the airline to target different customer markets and geographies, providing choice across a range of customer needs and travel purposes.

Segment reporting

The Air Astana Group has two operating segments, Air Astana and FlyArystan, which are used by management for performance evaluation and allocation of resources. As the two segments operate as separate brands within the same legal entity and under the same AOC, the Air Astana Group does not separately lease aircraft for each segment. The Air Astana Group does not analyse the financial position of its segments separately.

In 2023, the Air Astana Group changed the treatment of intragroup lease costs between Air Astana and FlyArystan in its segment reporting to consistently apply IFRS 16 to both operating segments. As a result, for the nine months ended 30 September 2023 and 2022, the Air Astana Group recognised the depreciation of right-of-use assets arising from these intragroup lease transactions with FlyArystan and reflected these transactions in the elimination column of Note 5 of the Interim Financial Information.

The Air Astana Group has also revised its segment reporting for the years ended 31 December 2022, 2021 and 2020 on the same basis as shown in the Interim Financial Information. As a result, the segment reporting included in this Document for the years ended 31 December 2022, 2021 and 2020 may not be the same as, and is not presented as set out in, the Annual Financial Statements.

Key Factors affecting results of operations

The Air Astana Group's business, results of operations and financial condition have been, and are expected to continue to be, affected by the following key factors:

Capacity and utilisation

The Air Astana Group derives its revenue primarily from passenger seat sales. Passenger revenue (including passenger seat sales and ancillary revenue), in the nine months ended 30 September 2023 and 2022 represented 97.5% and 97.3%, respectively, and for the years ended 31 December 2022, 2021 and 2020, represented 96.7%, 94.0% and 89.5%, respectively, of the Air Astana Group's total revenue and other income. The Air Astana Group seeks to maximise revenue by managing the capacity it deploys, the fares that it makes available for sale and the routes it chooses to fly. The Air Astana Group seeks to maintain high fleet utilisation levels in order to maximise its opportunity to deploy capacity. Its capacity is measured both in terms of seats available for sale on flights as well as ASKs, which represents the number of seats available for scheduled passengers multiplied by the number of kilometres those seats are flown. The number of passengers who actually purchase fares is, in turn, affected by the routes deployed, the availability of departure and arrival times and slots at the airports it serves and general economic and competitive conditions.

Passenger revenue is also significantly impacted by the competitive environment in the airline industry. The principal competitive factors are ticket pricing, total price (including ancillary services), flight schedules, aircraft type and comfort it offers, passenger amenities, number of routes served from a city, customer service, safety record and reputation, access to airports, code-sharing relationships and frequent flyer programmes. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods in order to generate cash flow and maximise unit revenue. Discounting can be particularly significant when a competitor has excess capacity that it is under financial pressure to sell.

The Air Astana Group looks at the following metrics in analysing revenue performance:

- **capacity**, or the number of seat kilometres offered, measured in terms of ASK;
- **traffic**, or the number of seat kilometres utilised by fare-paying passengers, measured in terms of RPK;
- **load factor**, or the proportion of the Air Astana Group's capacity that is utilised by fare-paying passengers, calculated by dividing RPK by ASK;
- **yield**, or the amount of revenue earned for each RPK, calculated by dividing total revenue and other income by RPK; and
- **unit revenue**, or the amount of revenue earned for each ASK, calculated by dividing total revenue and other income by ASK, measured in terms of RASK.

The following table sets out, amongst others, the metrics described above for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
Operating data (unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
ASKs (billions)	13.2	11.7	15.9	13.1	8.1
Average aircraft in service	40	36	37	31	28
Aircraft—end of period in service	43	36	39	36	32
Average daily aircraft utilisation (hours)	10.1	10.0	10.1	9.6	7.2
RPKs (billions)	11.1	9.7	13.2	10.4	5.8
Load factor (%)	84	83	83	80	71
Yield (U.S. cents)	8.1	7.7	7.8	7.3	6.9
RASK (U.S. cents)	6.8	6.4	6.5	5.8	4.9

Capacity (ASK)

Prior to 2020, the Air Astana Group had increased its capacity by expanding its route network, increasing frequencies and capitalising on Kazakhstan's geographic location to capture a high volume of transfer passengers. During 2020, in response to the changing aviation environment in connection with COVID-19, the Air Astana Group significantly reduced capacity on all of its routes and proactively evaluated capacity on a rolling basis when it saw signs of demand recovery. It operated on average 28 aircraft increasing to 32 at year end with higher capacity on its domestic routes than in 2019 principally as a result of the contribution of FlyArystan. In 2021 and 2022, it resumed 22 routes and took delivery of nine aircraft (on a net basis), resulting in increased capacity on international and domestic routes. During the nine months ended 30 September 2023, the Air Astana Group introduced new routes, continued to resume regular routes and took delivery of four aircraft (on a net basis), resulting in increased capacity, period-on-period, of 18% on international routes and by 7% on domestic routes.

The table below sets out the capacity of the Air Astana Group by route type for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
ASK (millions) (unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
Domestic routes	5,674	5,287	7,279	7,550	4,576
International routes	7,556	6,386	8,642	5,513	3,547

The Air Astana Group expects to increase capacity as it launches new international and domestic routes while continuing to resume routes suspended due to the COVID-19 pandemic. FlyArystan increases capacity on routes based on supply and demand requirements and is focused on delivering its route profitability using this strategy. The Air Astana Group intends to expand FlyArystan's international route network within a flight range of up to four to five hours of its bases in Kazakhstan. This distance includes Turkey, Montenegro, India and the Middle East as well as its near-home markets (see "*Business—Strategy*"). International routes tend to have higher unit revenue levels as well as a higher ratio of ancillary products and services purchases to fare price than domestic flights. The Air Astana Group also has a significant number of unutilised traffic rights to operate flights to China, allowing future growth into the Chinese market as ongoing capacity restrictions are reduced.

The Air Astana Group's capacity is significantly influenced by the composition of the aircraft fleet.

As at 30 September 2023, the Air Astana Group had a fleet of 47 aircraft, comprising 39 narrow-body Airbus A320 family aircraft, 5 narrow-body Embraer E190-E2 aircraft and 3 wide-body Boeing 767 aircraft;

In 2020, the Air Astana Group accelerated the standardisation of its fleet plan by completing the return of its four Embraer E190-E1 aircraft and the early retirement of its ageing Boeing 757 fleet. During 2021, 2022 and 2023, it continued to increase its fleet with deliveries of additional Airbus family aircraft. In 2023, the Air Astana Group took delivery of two non-budgeted A320ceo aircraft on operating leases.

Taking into account planned aircraft returns and further acquisitions (see "*Business—Fleet*"), the Air Astana Group plans to operate a fleet of 80 aircraft by the end of 2028; of these, FlyArystan is expected to operate 34 aircraft. By the end of 2028, the fleet is expected to comprise of 77 Airbus A320 family aircraft, including A320, A321, A320neo, A321neo and A321LR aircraft, while the remaining three aircraft are expected to be Boeing 787 aircraft.

According to Airbus, the A320neo family aircraft can deliver up to 20% reduction in fuel consumption, 20% reduction in CO2 (NOX) emissions and 50% noise reduction when compared to the prior generation of A320ceo family aircraft. The Air Astana Group is evaluating financing options for the remaining committed aircraft within its five-year fleet plan.

Traffic (RPK)

Traffic is primarily a function of demand for Air Astana's and FlyArystan's flights. Various factors affecting such demand include general economic conditions, consumer sentiment, changes in exchange rates, propensity to fly, international political events and events that have a temporary impact on air travel (see "*—Macro-economic environment and market and geopolitical conditions*" "*—COVID-19*", and "*—Foreign exchange rates*"), as well as competition from other airlines. The table below sets out the traffic of the Air Astana Group by route type for the periods indicated.

	Nine months ended 30 September		**Year ended 31 December**		
RPK (billions) (unaudited)	**2023**	**2022**	**2022**	**2021**	**2020**
Domestic routes	5,201	4,697	6,442	6,368	3,585
International routes	5,917	4,982	6,717	4,042	2,176

The Air Astana Group has adopted a strategic plan targeting domestic and international growth to increase traffic and passenger loads and expects to continue to invest in its fleet to support such growth.

Yield

Yield is primarily impacted by pricing. Changes in pricing for the Air Astana Group's international and domestic flights are based on an analysis of a range of factors including supply and demand, as well as prices offered by competitors, and an analysis of route characteristics (see "*Business—Revenue management*"). Certain routes support higher fares without adversely impacting demand. In particular, the Air Astana Group typically is able to charge higher fares on international routes.

The table below sets out the number of passengers by domestic and international routes, split by total and scheduled only flights, carried by the Air Astana Group for the periods indicated:

(Millions) (unaudited)	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
Total operations:					
Passengers	6.1	5.4	7.3	6.6	3.7
—Domestic	4.3	3.9	5.3	5.3	3.1
—International	1.8	1.5	2.0	1.3	0.7
Scheduled operations:					
Passengers	5.9	5.2	7.1	6.4	3.6
—Domestic	4.3	3.9	5.3	5.3	3.0
—International	1.6	1.3	1.8	1.1	0.6

The table below sets out Air Astana's and FlyArystan's average fare and ancillary revenue per passenger for the periods indicated. In the Air Astana Group's results of operations, ancillary revenue is accounted for within passenger revenue.

USD per passenger (unaudited)	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
Average fare(1)	**124**	**114**	**115**	**89**	**80**
Air Astana	176	164	167	134	115
FlyArystan	57	51	49	38	29
Ancillary revenue(2)	**5.1**	**4.0**	**4.0**	**3.4**	**2.3**
Air Astana	3.4	2.6	2.7	2.3	1.4
FlyArystan	7.2	5.8	5.7	4.6	3.5

(1) Average fare per passenger is calculated by dividing the sum of passenger revenue from scheduled flights and fuel surcharge revenue by total number of passengers for scheduled flights.

(2) Ancillary revenue per passenger is calculated by dividing revenue generated from upgrades, check-in upgrades, pre-paid baggage, chargeable seats, bundle revenues, priority boarding, SMS fees, revenue from onboard sales, pre-paid cabin baggage and onboard Wi-Fi services by the total number of passengers for scheduled flights.

FlyArystan's ancillary revenue is typically higher than Air Astana's ancillary revenue, as a proportion of sales, as the airline brand focuses on maximising revenue generated from providing ancillary services (such as bundle revenue, chargeable seat, paid check-in, baggage, food and beverages, cargo and mail, penalties, ticketing fees, advertising, etc.).

Unit revenue (RASK)

The Air Astana Group assesses unit revenue in order to determine the optimal balance between its load factor and yield. The Air Astana Group's management considers unit revenue to be particularly important because its fixed operating costs, principally the cost of its aircraft represented by depreciation and amortisation expense and the majority of its employee expenses, remain largely consistent, regardless of fluctuations in load factor and yield. Significant improvements in load factor can be achieved through efficient allocation of aircraft to flights so that seat capacity and demand are more closely aligned. Increases in load factor can also be achieved by lowering pricing on routes. However, lower pricing will generally result in downward pressure on yields, which may have a negative effect on unit revenue and overall profitability unless sufficiently offset by increased load factor.

The table below sets out the unit revenue of the Air Astana Group by route type and airline brand for the periods indicated.

RASK (USD cents) (unaudited)	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
Domestic routes	5.97	5.08	5.07	4.14	3.86
—Air Astana	6.51	5.56	5.61	4.57	4.41
—FlyArystan	5.43	4.58	4.50	3.68	3.05
International routes	7.38	7.47	7.65	8.03	6.02
—Air Astana	7.64	7.67	7.87	8.26	6.09
—FlyArystan	5.73	6.02	5.95	5.23	2.19

Costs

A low-cost base is a core element of the Air Astana Group's business (see "*—Description of principal line items from statement of profit or loss*" for a description of such costs).

Like other scheduled passenger airlines, the Air Astana Group tends to have high fixed costs, driven principally by aircraft lease expenses, as well as employee costs. The direct costs of operating any particular flight do not vary significantly with the number of passengers carried and, accordingly, a relatively small change in the number of passengers, the fare pricing or the traffic mix could lead to a disproportionate impact on profitability, as fixed costs generally cannot be reduced on short notice.

The Air Astana Group seeks to manage its costs by increasing aircraft utilisation, transitioning to a substantially all narrow-body fleet of newer and more fuel-efficient aircraft, closely managing fuel costs with predominantly direct supply locally in Kazakhstan, optimising its maintenance programme and maximising employee productivity. Going forward, other 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.

Jet fuel costs

Jet fuel is the most significant variable cost for the Air Astana Group, and accordingly has had, and is expected to continue to have, a material impact on the Air Astana Group's results of operations. 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, which the Air Astana Group can neither control nor accurately predict. Fuel costs accounted for 27% and 26% of the Air Astana Group's total operating expenses in the nine months ended 30 September 2023 and 2022, respectively, and 26%, 21% and 19% of the Air Astana Group's total operating expenses in the years ended 31 December 2022, 2021 and 2020, respectively. In 2022, the Air Astana Group used approximately 320,000 tonnes of jet fuel, and this amount is expected to increase as the number of Air Astana Group's flights increases.

Between 1 January 2020 and 30 September 2023, the Air Astana Group continued to take delivery of aircraft containing more fuel-efficient engines, such as the Airbus A320neo, Airbus A321neo and Airbus A321LR models, replacing older aircraft, such as Boeing 767 aircraft. Additionally, the Air Astana Group seeks to manage fuel costs by procuring directly from fuel producers and refineries in Kazakhstan whenever possible, monitoring alternative suppliers for domestic and international stations, and training its pilots in efficient fuel management. The Air Astana Group sources its jet fuel at both local and international stations, with approximately 25% of its total fuel volumes annually purchased overseas typically for inbound flights over a certain stage length. Prices for internationally-sourced jet fuel are driven principally by the fluctuation in the commodities market globally, whereas pricing for jet fuel obtained from within Kazakhstan is determined by direct negotiations with the fuel producer or refinery itself. Locally-sourced jet fuel prices tend to be less closely correlated to global pricing and on average are typically lower than internationally-sourced jet fuel. In 2022, the average cost per tonne of fuel purchased locally by the Air Astana Group was U.S. $300 to U.S. $350 lower than fuel sourced internationally during the same period. During late 2021 and throughout 2022, there was a shortage of domestically produced TS-1 fuel across Kazakhstan due to limited refinery capacity. Sustained shortages would require the Air Astana Group to import TS-1 from other CIS countries or increase supplies of Jet A-1 at higher prices than locally sourced jet fuel.

The Air Astana Group pursues a hedging policy pursuant to which it attempts to hedge no more than its projected international uplift of Jet A-1 fuel annually (approximately 25% of its total fuel volumes annually) when such price protection is available at commercially acceptable rates. The Air Astana Group uses options to hedge the risk of jet fuel price movement. The Air Astana Group uses standard market instruments for fuel hedging purposes, such as "call options" (where the premium is paid in advance by the Air Astana Group to cover the risk of increases of the price above the predetermined level). The Air Astana Group hedges only the amount of fuel purchased outside Kazakhstan, pursuant to general agreements with several international banks for derivative transactions, and generally prices these hedges with reference to the Brent crude oil price benchmark. The management of the Air Astana Group determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the fuel hedging policy approved by the directors and shareholders of the Air Astana Group. As a result of significant volatility and high prices of Jet A-1 during the majority of 2022, by 31 December 2022 price protection had not been acquired for projected volumes for the majority of 2023. Substantial increases in Jet A-1 fuel prices, if outside of its hedged volumes or if hedging is not available at commercially acceptable prices, or if the relationship between Jet A-1 prices and Brent crude benchmark prices varies, could significantly impact the Air Astana Group's jet fuel costs. For example, a 10% increase in fuel prices for the year ended 31 December 2022 would have adversely impacted the Air Astana Group's profit before tax for the year ended 31 December 2022 by U.S. $24.3 million, assuming a fully unhedged position and all other variables held constant. By the end of 2023, the Air Astana Group had secured cover of 100% and 75% of its forecast international fuel uplift for the first quarter and the second quarter of 2024, respectively.

See—"*Risk Factors—Risks relating to the Air Astana Group's business and industry—Increases in jet fuel costs or the inability to obtain sufficient quantities of jet fuel could have a material adverse effect on the Air Astana Group's business, financial position, results of operations and prospects*".

Foreign exchange rates

The Air Astana Group's Tenge denominated passenger revenue generated in Kazakhstan for international routes is linked to the U.S. Dollar. Passengers pay a fare converted into Tenge using U.S. Dollar denominated fares and a daily exchange rate. Appreciation of the U.S. Dollar against the Tenge results in increased pricing of international fares expressed in Tenge which, all else being equal, tends to increase the price of travel on international routes when expressed in Tenge, adversely impacting demand for such travel.

The Air Astana Group presents its financial statements in U.S. Dollars, and the U.S. Dollar is also the functional currency in preparation of the Air Astana Group's financial statements. As a result, the Air Astana Group is exposed to foreign currency risk on the difference between sales and purchases that are denominated in currencies other than the U.S. Dollar, principally Tenge and Euro. The Air Astana Group's operating expenses incurred and revenue generated in Kazakhstan are denominated in Tenge, while its expenses and revenues in other jurisdictions are denominated in relevant local currencies. Aircraft lease payments are denominated in U.S. Dollars.

The table below shows the proportion of total revenue and other income and operating expenses (excluding depreciation and amortisation) denominated in KZT in comparison with other currencies.

	Nine months ended 30 September		Year ended 31 December		
USD millions	**2023**	**2022**	**2022**	**2021**	**2020**
	(unaudited)	**(unaudited)**			
Total revenue and other income	**900.6**	**747.2**	**1032.4**	**761.8**	**400.3**
KZT	333.8	265.5	349.8	386.8	249.2
USD[1]	441.2	389.1	553.5	268.8	102.9
EUR	61.7	52.1	68.1	69.1	19.9
Other Currencies	64.0	40.5	61.0	37.1	28.2
Total operating expenses[2]	**(653.3)**	**(537.5)**	**(748.5)**	**(538.8)**	**(368.5)**
KZT	(362.4)	(267.5)	(384.4)	(290.9)	(206.0)
USD	(215.2)	(213.5)	(289.4)	(196.6)	(119.9)
EUR	(47.1)	(40.0)	(50.0)	(29.8)	(27.3)
Other Currencies	(28.7)	(16.5)	(24.7)	(21.5)	(15.3)

(1) USD denominated passenger revenue generated on international routes and subsequently converted into Tenge is included in USD revenue.

(2) Excluding depreciation and amortisation.

In light of the relative balance between the share of U.S. Dollar-denominated and Tenge-denominated costs and expenses, the Air Astana Group does not hedge its exposure to currency fluctuations between the U.S. Dollar and the Tenge. See "*—Market risks –Foreign currency risk*" for the Air Astana Group's sensitivity analysis of foreign currency risk.

Macro-economic environment and market and geopolitical conditions

A significant focus of the operational strategy of the Air Astana Group is leisure travel from its home and near-home markets. As a result, the Air Astana Group's business depends on economic conditions in Kazakhstan and neighbouring economies. Deterioration in economic conditions in its home or near-home markets, resulting in an increase in the cost of airfares as a proportion of customers' disposable income, could adversely impact demand for the Air Astana Group's services, particularly on international routes. Conversely, improving economic conditions tend to increase demand for air travel, particularly on international routes, positively impacting the Air Astana Group's business.

Economic cycles have an impact on income, unemployment rates and consumption, reducing consumer spending on discretionary products, such as business and leisure travel, prompting suppliers, including airlines, to adjust their prices. Unfavourable macro-economic conditions, including volatility in global financial markets, macroeconomic policies, trade policies, conflicts, business and consumer confidence, monetary policy (i.e., interest rates), inflation, commodity prices, public and private debt levels and government policies targeting public spending, such as fiscal austerity policies, can all impact disposable income, and, in turn, demand for air travel.

In addition, events and developments outside the economic sphere, including geopolitical developments, social or political unrest, war, terrorist acts and other hostilities, outbreaks of disease, natural disasters, have had, and may in the future have, an indirect and strongly negative effect on the economy. In particular, the COVID-19 pandemic (see below) and ongoing Russia-Ukraine conflict have had a severe and prolonged effect on the global economy generally, and on the Air Astana Group's business.

On 24 February 2022, Russia launched an invasion of Ukraine, causing a significant number of countries to impose severe sanctions on Russian and Belarussian entities and individuals, as well as companies to voluntarily exit the Russian market. The Air Astana Group ceased all flights to, from and over Russian territory on 11 March 2022, in addition to ceasing all flights to Kyiv as a result of the closure of Ukrainian airspace to commercial air traffic. The restrictions imposed on Russia resulted in the re-routing of flight paths to avoid Russian airspace, resulting in extra flying time and an approximate increase in fuel burn of 25% for Air Astana flights to Frankfurt and Amsterdam, with an intermediate stop required at Aktau on the Eastern Caspian coast for flights to London. In response, the Air Astana Group has sought to reallocate capacity to new and existing routes.

Inflationary effects also put upward pressure on the cost of fuel and other operating expenses. Any inability to pass on related price increases to consumers may reduce the Air Astana Group's operating profit.

COVID-19

In response to COVID-19, the Air Astana Group adjusted its growth plans and strategy, with longer-term impacts on how it deploys its fleet between its two airlines, and its routes, to benefit from the continuing demand from the home market and any returning demand of transfer traffic.

Following the outbreak of COVID-19 in March 2020, the Air Astana Group experienced a significant decline in demand, causing a material deterioration in results of operations for the year ended 31 December 2020. In that period, the Air Astana Group generated total revenue and other income of U.S. $400.3 million, less than half that generated in 2019. This resulted from the Air Astana Group carrying a fraction of the passengers in 2020 compared to 2019, experiencing a substantial reduction in overall (international and domestic) capacity (ASK) and traffic (RPK). Given the strong performance during 2020 before the COVID-19 pandemic began to affect its business, the Air Astana Group attributed substantially all of this decrease to the direct and indirect effects of the pandemic.

In response to the COVID-19 pandemic, the Air Astana Group introduced measures to strengthen its balance sheet, support liquidity and reduce costs. Beginning in 2020, this included, among other measures, increasing its credit facility with Halyk Bank, reducing work schedules and crew expenses, deferring lease liabilities under aircraft leases and simplifying its fleet through the early retirement of the entire Embraer E190-E1 and Boeing 757 fleets, the last of which was returned to lessors in early 2021. See "*Business—Crisis management—COVID-19*" for further discussion.

The downturn in demand caused by the COVID-19 pandemic, and the response of the Air Astana Group, substantially impacted the operational strategy of the two brands in different ways. The Air Astana Group pivoted Air Astana's international offering away from transit traffic in favour of point-to-point routes to leisure destinations, rebranded as "lifestyle routes". The propensity to travel to leisure destinations for longer stays and outside traditional holiday periods, often coupled with remote working, resulted in significant and less price-sensitive 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. For FlyArystan's low-cost model, the Air Astana Group increased frequency, added new domestic routes and focused on lower pricing to stimulate demand. Overall, the Air Astana Group closed 2020 with an 8% growth in domestic passenger numbers compared to 2019 and exceeded the 2019 level of domestic traffic (RPK) by 31 August 2020 in contrast to an average global decrease on domestic routes by 48.8% (Source: IATA Air Passenger Market Analysis December 2020). In contrast, on international routes, the slower resurgence in demand resulted in a reduction of 72% in 2020 in passenger numbers compared to 2019 and a reduction in traffic (measured by RPK) of 70% for the same period.

The steps taken in 2020 enabled the Air Astana Group to take advantage of the significant resumption of domestic demand in 2021, carrying 5.3 million passengers domestically, an increase of 89% from 2.8 million in 2019, supported by the Kazakhstan Government's launch of a public vaccination programme and the relaxation of COVID-19 restrictions in Kazakhstan. Notwithstanding continued restrictions in other countries, the Air Astana Group's long-haul routes, such as to Frankfurt and Amsterdam, showed strong growth on limited capacity increases, while Seoul and Chengdu routes recorded high yields in the context of continued capacity restrictions to and from South Korea and China, reflected in strong passenger volume growth across both Air Astana and FlyArystan.

In 2022, air travel started to return to pre-COVID-19 pandemic norms. The Kazakhstan government restored the visa-free regime for travellers in January 2022, accompanied by a significant growth in ASK on international routes. While capacity restrictions still impact the way in which routes are resumed or opened, the materially adverse impact of the pandemic has largely been eliminated from the results of operations in 2022 and nine months ended 2023 for the Air Astana Group. The management of the Air Astana Group has been able to slowly re-open to some of these markets including by leveraging the proximity of Kazakhstan to these destinations which enables it to manage quarantine protocols and avoid costly stopovers for crew. The Air Astana Group restarted its flights to Chengdu and Beijing in November 2022, leaving a significant number of unutilised traffic rights to operate flights to China. By 2022, Kazakhstan's seat capacity was 107% of its 2019 levels, compared to a global average of 82% (Source: IATA Report).

Seasonality

Generally, the Air Astana Group's load factor, passenger numbers and revenue generated from flights reach their highest levels during the second and third quarter of each year, whereas the first quarter is usually accompanied by a decrease in passenger numbers, load factor and revenue these quarters are the periods during which many Kazakhstani residents tend to take their annual holiday. Historically, the Air Astana Group's results of operations for the first and fourth quarter of each year have been the weakest among the four quarters. In contrast, Air Astana Group's results of operations for the third quarter of each year have historically been the strongest among the four quarters. In part due to changes in customer demand arising from the COVID-19 pandemic, as well as the refocusing of the Air Astana Group's route structure over the period, the Air Astana Group has experienced less significant seasonal variations in 2022 and 2023 than in prior years.

Description of principal line items from statement of profit or loss

Revenue and other income

The Air Astana Group's revenue and other income comprises passenger revenue, cargo and mail revenue and other income.

Passenger revenue

The majority of the Air Astana Group's passenger revenue is derived from scheduled passenger transport revenue, consisting of fares for air travel on scheduled flights operated by Air Astana or FlyArystan (including mileage credits redeemed under the Nomad frequent flyer program and unused and expired passenger ticket credits) and revenue from code-share agreements with other airlines.

Air Astana applies a fuel surcharge on domestic and international routes where the Company is not restricted from doing so by regulation. The amount of the surcharge depends on fuel prices and market conditions. See "—*Recent Developments*" and "*Business—Legal proceedings*" for a description of recent litigation against the Company.

Airport services revenue comprises fees charged to passengers within ticket fares which reflect charges levied by the airport (such as passenger service charge and airport tax recovery) based on passenger volumes.

Cargo and mail revenue

Cargo revenue is generated through the sale of cargo services where cargo is carried either in the aircraft belly of scheduled passenger services or on cargo flights. From May 2020 until August 2021, the Air Astana Group removed the seats on one of its Boeing 767 aircraft and operated it as a semi freighter which completed 270 cargo flights during such period. The aircraft was reconfigured back to passenger layout following the increase in passenger demand in August 2021.

Other income

Other income consists primarily of income from insurance proceeds and gains on sale and leaseback transactions under which it sells to operating lessors those aircraft on finance lease where it is able to generate a gain. The Air Astana Group has opportunistically engaged in such sales with respect to aircraft and engines. Under sale and leaseback transactions, the Air Astana Group sells its aircraft to operating lessors, comparing the value of the operating lease received in return as a proportion of the previous carrying amount of the aircraft. Accordingly, the Air Astana Group realises a gain on sale and leaseback transactions, representing the excess of sales proceeds compared to future lease or maintenance liabilities previously recorded.

Operating expenses

The principal components of the Air Astana Group's operating expenses are fuel and oil costs, employee and crew costs, depreciation and amortisation expenses, engineering and maintenance, handling, landing fees and route charges, passenger service and selling costs. As a result of reduced operations in 2020, fixed costs decreased (as a proportion of operating expenses) as variable costs increased (as a proportion of operating expenses) due to a resurgence of operations in 2021 and 2022.

Fuel and oil costs

Fuel and oil costs include the cost of fuel used to operate the Air Astana Group's fleet (net of any hedging gain/ loss) and the costs of delivering fuel from suppliers to aircraft. In the year ended 31 December 2020, fuel and oil costs were recorded gross of hedging; the associated hedging gain or loss was recorded in financial income/loss. See "*—Key Factors affecting results of operations—Jet fuel costs*".

Employee and crew costs

Employee and crew costs consist primarily of wages and salaries of operational, administrative and sales personnel and benefits for the Air Astana Group's employees. Payroll costs are fixed, other than flight duty allowance components for cabin crew and pilots. Pilots and cabin crew receive a fixed monthly base salary and variable sector compensation that rewards crew members for each flown sector depending on the country and grade of the individual and, in the case of FlyArystan cabin crew, onboard sales performance. Crew costs mainly comprise the Air Astana Group's crew expenses such as accommodation allowances, training of aircraft crew and salaries of overseas subcontracted pilots.

Depreciation and amortisation expenses

Depreciation and amortisation expense consists primarily of the depreciation of the cost of all aircraft within the fleet and their main components, such as landing gear, engines and auxiliary power units. Under the deferred maintenance asset approach, major overhaul and redelivery expenses of aircraft under finance lease (such as the airframe C-check and D-check) are capitalised and recognised as fixed assets. The aircraft and main components, including the major overhaul expense that has been capitalised, are then depreciated over the period that the Air Astana Group benefits from them. There are different applications of the accounting treatment depending on the component. For example, the airframe and landing gear are recorded at cost (which principally includes the net present value of the operating or finance lease payments, as the case may be, plus major overhaul and redelivery expense to the extent the aircraft is under a finance lease) and then recognised as depreciation and amortisation expense using the straight-line method over the lease period.

Engineering and maintenance

Engineering and maintenance expense consist primarily of:

- provisions for aircraft maintenance—this comprises the overhaul and maintenance or end of lease compensation for major aircraft components (such as the airframe C-check, D-check, landing gear and auxiliary power unit) and engines required under aviation regulation and the terms of the Air Astana Group's operating leases. Under these operating leases, the lessee is required to undertake certain routine maintenance triggered by flight hours, flight cycle or age thresholds. The Air Astana Group is obliged to return leased aircraft and their engines according to the redelivery condition which is set out in the lease agreement or settle the difference in cash to the lessor if the condition differs from that stipulated. The Air Astana Group provides a letter of credit to the lessor in order to guarantee potential future payments. For these expenses, the Air Astana Group records a provision for the current portion of the total estimated maintenance and redelivery expense required over the lifetime of the operating lease. Additions to the fleet under operating lease results in an accrual which increases the provision; and the early redelivery of aircraft, or the redelivery on terms where the expected expense is lower than provided for, results in a reversal which decreases the provision;

- variable lease payments—these relate to operating leases where the lessor does not have in place a letter of credit and instead requires an up-front payment of routine maintenance amounts. These are recognised as an operating expense as incurred. From 2021, the Air Astana Group does not have any variable lease payments for aircraft operating leases;
- maintenance component expense—this comprises the expense, recognised as incurred, for the maintenance of parts and components which are removed from the aircraft and sent for repair; and
- spare parts—this expense includes any additional maintenance which is not included in the lease agreements for line maintenance.

Maintenance costs directly expensed through the consolidated statement of profit or loss do not represent the full cash cost to the Air Astana Group of maintaining its fleet of aircraft. In particular, this excludes heavy maintenance costs of its aircraft under finance lease which are accounted for using the deferred maintenance asset approach and capitalised and depreciated over the period that the Air Astana Group benefits from the asset as set out further above. Other maintenance costs are expensed as incurred. Annual maintenance cost trends depend on the age and utilisation of each aircraft as well as the number of aircraft in the fleet.

Handling, landing fees and route charges

The Air Astana Group pays fees to the operators of the airports to and from which it flies, including landing fees, fees relating to use of the airport infrastructure and security charges, as well as charges paid to the providers of air traffic control services. The Air Astana Group also pays fees to ground handling companies for services including check-in and transportation of passengers, luggage handling and cabin services. Route charges are tariffs imposed by most air-traffic control authorities in connection with the use of airspace based on distance flown and the maximum take-off weight of the aircraft and are non-negotiable. These expenses are directly impacted by the number of flights flown, number of passengers and the higher cost international landing fees compared to domestic landing fees at the same airport. With respect to FlyArystan, discounts are negotiated based on incremental volumes of passengers.

Passenger service

Passenger service expense includes airport charges relating to taxes and catering services provided on board and at the Air Astana lounge at Astana Airport. It also includes all in-flight entertainment items ("**IFE**") such as IFE systems and screens, wireless internet, magazines and newspapers, premium cabin offerings such as sleeping sets and personal care sets.

Selling costs

These mainly consist of expenses associated with the Air Astana Group's marketing and sales activities, including GDS reservation costs, advertisement and promotion expenses, commissions, including General Sales Agent ("**GSA**") commissions and incentives paid to sales agencies, credit card companies, banks and other airlines (related interline transactions) and personnel expenses.

Finance costs

Finance costs mainly comprise interest expense on lease liabilities of aircraft and, to a lesser extent, on bank loans.

Recent developments

Taking into account the typical expected seasonality of the Air Astana Group's business, and the delivery of two additional Airbus family type aircraft between 30 September and 31 December 2023, the performance of the Air Astana Group remains in line with management's expectations and influenced by the factors that affected the Air Astana Group's results of operations during the first nine months of 2023. The Company has continued to build up hedge cover for 2024 and by the end of 2023 had secured cover of 100% and 75% of its forecast international fuel uplift for the first quarter and the second quarter of 2024, respectively. In November 2023, the fine issued by the SICAO with respect to fuel surcharge for Air Astana's main domestic routes (see "*Business—Legal proceedings*") was reduced on appeal to 876 million Tenge (approximately U.S. $1.9 million) together with, inter alia, a requirement not to levy a fuel surcharge on Air Astana's main domestic routes. The Company does not expect this to have a material impact on its overall fare strategy or revenue.

The Company's preliminary estimates indicate that capacity (measured by ASK) in the year ended 31 December 2023 increased (by a high single digit) compared to the year ended 31 December 2022 with load factor broadly consistent with that reported in the nine months ended 30 September 2023. The Air Astana Group expects that unit cost performance (measured by CASK) to have increased (by a low single digit) in the year ended 31 December 2023 compared to the year ended 31 December 2022.

The Air Astana Group has set financial and operational targets for the mid-term in respect of the measures presented below:

- capacity (ASKs): the Air Astana Group is targeting in the mid-term a compound annual growth rate ("**CAGR**") in capacity of approximately ten to 20 per cent. for Air Astana and approximately 15 to 25 per cent. for FlyArystan resulting from the expansion of the route network and delivery of additional aircraft;
- load factor: the Air Astana Group is targeting to maintain its load factor in the mid-term at broadly the same level as its load factor achieved in the year ended 31 December 2023;
- unit revenue (RASK): the Air Astana Group is targeting in the mid-term to maintain its unit revenue at broadly the same level as its unit revenue achieved in the year ended 31 December 2023, resulting from a continued focus on point-to-point routes to lifestyle destinations;
- unit cost performance (CASK): the Air Astana Group is targeting to maintain CASK levels broadly consistent with 2023 levels in the mid-term;
- Adjusted EBITDAR Margin: the Air Astana Group is targeting to achieve in the mid-term an Adjusted EBITDAR Margin in the mid-to-high 20% range, notwithstanding a limited decline in margin in the year ended 31 December 2024 as a result of cost inflation outpacing growth in revenue during that year;
- Cash to revenue, LTM, %: the Air Astana Group is targeting not less than 25% in the mid-term; and
- Net debt/Adjusted EBITDAR, LTM: the Air Astana Group is targeting not greater than 3.0x in the mid-term.

The Air Astana Group's mid-term financial targets should not be read as forecasts, projections or expected results and should not be read as indicating that the Air Astana Group is targeting such metrics for any particular year, but are merely targets that result from the Air Astana Group's pursuit of its strategy. The Air Astana Group's ability to meet its mid-term targets is based upon the assumption that the Air Astana Group will be successful in executing its strategy and, furthermore, depends on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond the Air Astana Group's control and are subject to known and unknown risks, uncertainties and other factors that may result in the Air Astana Group being unable to achieve these objectives. In particular, the extent to which the acceleration of shop inspections of Pratt & Whitney PW1100G engines, and the extent to which the Air Astana Group has accurately assessed the impact of this on its fleet, remains a risk to which the mid-term targets are subject. See "*Risk Factors—Risks relating to the Air Astana Group's business and industry—Recent difficulties with the performance of Pratt & Whitney PW1100G GTF engines used by the A320neo series aircraft could result in unscheduled grounding of aircraft*".

Historical results of operations

Nine months ended 30 September 2023 and 2022

The following table sets out the principal components of the Air Astana Group's consolidated statement of profit or loss for the periods indicated.

	Nine months ended 30 September			
USD millions (unaudited) (unless otherwise stated)	**2023**	**2022**	**2023**	**2022**
			% of total revenue and other income	
Scheduled passenger flights including:	**833.4**	**674.4**	92.5	90.2
—Fuel surcharge	84.1	65.8	9.3	8.8
—Airport services	42.6	33.4	4.7	4.5
—Excess baggage	5.0	5.0	0.6	0.7
Charter flights	44.5	52.6	4.9	7.0
Passenger revenue	**877.9**	**727.0**	**97.5**	**97.3**

USD millions (unaudited) (unless otherwise stated)	Nine months ended 30 September 2023	2022	2023	2022
			% of total revenue and other income	
—Cargo – Regular	14.1	13.3	1.6	1.8
—Cargo – Charter	0.0	1.1	0.0	0.1
—Mail	1.5	1.3	0.2	0.2
Cargo and mail revenue	**15.7**	**15.6**	**1.7**	**2.1**
Other income	**7.0**	**4.6**	**0.8**	**0.6**
Total revenue and other income	**900.6**	**747.2**	**100%**	**100%**
			% of total operating expenses	
Operating expenses				
Fuel and oil costs	(208.8)	(163.6)	27.1	25.9
Employee and crew costs	(143.6)	(110.1)	18.6	17.4
Depreciation and amortisation	(118.4)	(98.9)	15.3	15.7
Engineering and maintenance	(83.2)	(81.9)	10.8	13.0
Handling, landing fees and route charges	(77.4)	(61.1)	10.0	9.7
Passenger service	(75.9)	(59.4)	9.8	9.4
Selling costs	(30.3)	(23.8)	3.9	3.8
Insurance	(8.1)	(5.8)	1.0	0.9
Information technology	(4.9)	(4.2)	0.6	0.7
Consultancy, legal and professional services	(3.6)	(3.4)	0.5	0.5
Taxes, other than income tax	(2.9)	(1.0)	0.4	0.2
Aircraft lease costs	(2.3)	(3.1)	0.3	0.5
Property and office costs	(2.7)	(1.8)	0.3	0.3
Impairment loss on trade receivables	(0.1)	(0.1)	0.0	0.0
Other operating costs	(9.6)	(13.3)	1.3	2.1
Total operating expenses	**(771.7)**	**(631.3)**	**100%**	**100%**
Operating profit	**128.9**	**115.9**	**N/A**	**N/A**
Finance income	10.8	3.7	N/A	N/A
Finance costs	(36.7)	(28.4)	N/A	N/A
Foreign exchange loss, net	(12.9)	(13.1)	N/A	N/A
Profit before tax	**90.0**	**78.0**	**N/A**	**N/A**
Income tax expense	(17.6)	(17.1)	N/A	N/A
Profit for the period	**72.4**	**61.0**	**N/A**	**N/A**
Basic and diluted earnings per share (in USD)	**4,258**	**3,586**	**N/A**	**N/A**

Revenue and other income

- *Passenger revenue*

Passenger revenue increased by U.S. $150.9 million, or 21%, to U.S. $877.9 million, for the nine months ended 30 September 2023 from U.S. $727.0 million for the nine months ended 30 September 2022 primarily due to an increase in scheduled passenger transport.

Scheduled passenger flights revenue increased by U.S. $159.0 million or 24%, to U.S. $833.4 million for the nine months ended 30 September 2023 from U.S. $674.4 million for the nine months ended 30 September 2022. This increase reflected primarily the growth in capacity and average fare on scheduled operations. Capacity on scheduled international routes increased by 24.2% to 6.8 billion ASKs for the nine months ended 30 September 2023. This increase mainly reflected the resumption of flights suspended during COVID-19 and additional frequencies on scheduled long-haul international routes of Air Astana including the resumption of flights to Bangkok, Beijing, Seoul, Phuket and London. Capacity on domestic routes increased by 7%. Maintaining overall load factor at substantially the same level, the number of passengers carried on scheduled routes increased by 13% and the average fare increased by 9% (from U.S.$114 for the nine months ended 30 September 2022 to U.S.$124 for the nine months ended 30 September 2023).

Fuel surcharge revenue increased by U.S. $18.3 million or 28%, to U.S. $84.1 million for the nine months ended 30 September 2023 from U.S. $65.8 million for the nine months ended 30 September 2022, driven by the increase in the number of passengers carried on scheduled international routes as well as in business class where fuel surcharge rates are higher.

Airport services revenue increased by U.S. $9.2 million or 28%, to U.S. $42.6 million for the nine months ended 30 September 2023 from U.S. $33.4 million for the nine months ended 30 September 2022, mainly due to an increase in the number of passengers carried on scheduled international routes. The increase also reflected the additional airport fee introduced by MIID in June 2023, the "Qazaqstan Identity & Security" fee, which is charged to passengers arriving and departing from Kazakhstan on international routes.

Charter flights revenue decreased by U.S. $8.1 million or 15%, to U.S. $44.5 million for the nine months ended 30 September 2023 from U.S. $52.6 million for the nine months ended 30 September 2022, mainly due to a decrease in the number of charter flights with tour operators, which decreased by 13% to 1,134 flights for the nine months ended 30 September 2023 from 1,309 for the nine months ended 30 September 2022.

- *Other income*

Other income increased by U.S. $2.4 million, or 52%, to U.S. $7.0 million for the nine months ended 30 September 2023 from U.S. $4.6 million for the nine months ended 30 September 2022, principally due to income from the sale of a Boeing 767 spare engine in May 2023.

Operating expenses

The Air Astana Group had operating expenses of U.S. $771.7 million for the nine months ended 30 September 2023, a 22% increase from operating expenses of U.S. $631.3 million in the nine months ended 30 September 2022. The increase principally reflected increased operations, reflected as higher capacity (from 11.7 billion ASKs to 13.2 billion ASKs).

- *Fuel and oil costs*

Fuel and oil costs increased by U.S. $45.2 million, or 28%, to U.S. $208.8 million for the nine months ended 30 September 2023 from U.S. $163.6 million for the nine months ended 30 September 2022. This increase was principally due to higher fuel consumption and an increase in jet fuel unit cost. Fuel consumption (in tonnes) increased by 11% due to increased intensity of operations and higher capacity, partially offset by increased fuel efficiency. The average jet fuel unit price increased by 4%, driven by a larger proportion of total consumption for the period from domestic stations at higher unit cost, partially offset by a reduction of unit cost at international stations. In addition, the Air Astana Group recognised a loss from fuel hedging during the nine months ended 30 September 2023 as compared to a gain from fuel hedging in the nine months ended 30 September 2022.

- *Employee and crew costs*

Employee and crew costs increased by U.S. $33.5 million, or 30%, to U.S. $143.6 million, for the nine months ended 30 September 2023 from U.S. $110.1 million for the nine months ended 30 September 2022. The increase reflected principally an increase of 10% in the number of total employees during this period as a result of increased capacity. Increased block hours on international routes and increased flight duty allowance rate for pilots in 2023 resulted in higher aircraft crew costs.

- *Depreciation and amortisation*

Depreciation and amortisation increased by U.S. $19.5 million, or 20%, to U.S. $118.4 million for the nine months ended 30 September 2023 from U.S. $98.9 million for the nine months ended 30 September 2022. The increase was principally due to the delivery of nine additional Airbus family aircraft between 1 October 2022 and 30 September 2023.

- *Engineering and maintenance*

Engineering and maintenance increased by U.S. $1.3 million, or 2%, to U.S. $83.2 million for the nine months ended 30 September 2023 from U.S. $81.9 million for the nine months ended 30 September 2022, principally due to increased intensity of operations. The increase in costs was partially offset by compensation received from suppliers in the amount of U.S. $6.1 million during the period ended 30 September 2023. In the nine months ended 30 September 2022, the Air Astana Group recognised an engineering expense for the repair of a thrust reverser of an Airbus A320neo in the amount of U.S. $4.6 million (in respect of which insurance proceeds of the same amount were recognised as other income in 2022).

- *Handling, landing fees and route charges*

Handling, landing fees and route charges increased by U.S. $16.3 million, or 27%, to U.S. $77.4 million for the nine months ended 30 September 2023 from U.S. $61.1 million for the nine months ended 30 September 2022, principally due to an increase in the number of flights, and particularly international flights for which handling, landing fees and navigation charges are higher. In addition, suppliers increased some airport rates and navigation rates in Kazakhstan during 2023.

• *Passenger service*

Passenger service costs increased by U.S. $16.5 million, or 28%, to U.S. $75.9 million for the nine months ended 30 September 2023 from U.S. $59.4 million for the nine months ended 30 September 2022, principally due to an increase of passenger numbers, particularly on international routes. A higher number of business class passengers also contributed to increased costs and some suppliers increased in-flight catering rates during 2023.

• *Selling costs*

Selling costs increased by U.S. $6.5 million, or 27%, to U.S. $30.3 million for the nine months ended 30 September 2023 from U.S. $23.8 million for the nine months ended 30 September 2022, principally due to an increase in Computer Reservation System ("**CRS**") charges and greater booking fees and GSA commissions in connection with increased bookings and numbers of passengers. The increase in costs also reflected an increased number of flights to regions with higher commissions, increased sales by credit cards and higher advertising expenses.

Operating profit

As a result of the factors outlined above, the operating profit of Air Astana Group increased by U.S $13.0 million, or 11%, to U.S. $128.9 million in the nine months ended 30 September 2023 from U.S. $115.9 million in the nine months ended 30 September 2022.

Operating profit performance by segment

	Air Astana[1]		
	Nine months ended 30 September		
USD millions (unless otherwise stated) (unaudited)	**2023**	**2022**	**% Change**
Revenue and other income			
Passenger revenue	666.6	565.4	18%
Cargo and mail revenue	14.5	14.6	(1)%
Other income	6.2	4.4	40%
Lease	62.4	45.3	38%
Total revenue and other income	**749.7**	**629.7**	**19%**
Operating expenses			
Fuel and oil costs	(156.7)	(123.8)	27%
Employee and crew costs	(110.6)	(86.4)	28%
Depreciation and amortisation	(116.3)	(97.3)	20%
Engineering and maintenance	(76.6)	(76.4)	0%
Handling, landing fees and route charges	(60.6)	(47.4)	28%
Passenger service	(65.1)	(50.8)	28%
Selling costs	(27.4)	(22.3)	22%
Insurance	(5.7)	(4.2)	36%
Information technology	(3.7)	(3.1)	20%
Consultancy, legal and professional services	(3.5)	(3.3)	6%
Taxes, other than income tax	(2.9)	(1.0)	200%
Property and office costs	(2.4)	(1.7)	47%
Aircraft lease costs	(1.6)	(3.0)	(45)%
Other	(9.0)	(12.9)	(31)%
Total operating expenses	**(642.1)**	**(533.6)**	**20%**
Total unit operating costs (U.S. cents)	6.9	6.4	7%
Operating profit	**107.5**	**96.1**	**12%**

USD millions (unless otherwise stated) (unaudited)	FlyArystan[1] Nine months ended 30 September 2023	2022	% Change
Revenue and other income			
Passenger revenue	211.4	161.6	31%
Cargo and mail revenue	1.2	1.0	16%
Other income	0.8	0.2	285%
Lease	0.2	0.0	100%
Total revenue and other income	**213.6**	**162.8**	**31%**
Operating expenses			
Fuel and oil costs	(52.0)	(39.7)	31%
Employee and crew costs	(33.0)	(23.7)	39%
Depreciation and amortisation	(30.9)	(22.0)	40%
Engineering and maintenance	(32.2)	(24.4)	32%
Handling, landing fees and route charges	(16.8)	(13.7)	23%
Passenger service	(10.8)	(8.6)	26%
Selling costs	(3.0)	(1.5)	102%
Insurance	(2.4)	(1.6)	50%
Information technology	(1.2)	(1.1)	5%
Consultancy, legal and professional services	(0.1)	(0.0)	102%
Taxes, other than income tax	(0.0)	(0.0)	—
Property and office costs	(0.2)	(0.1)	108%
Aircraft lease costs	(1.6)	(2.3)	(31)%
Other	(0.8)	(0.4)	72%
Total operating expenses	**(185.0)**	**(139.3)**	**33%**
Total unit operating costs (U.S. cents)	4.8	4.2	14%
Operating profit	**28.6**	**23.6**	**21%**

(1) Results for airlines are presented before eliminations related to intragroup transactions required for the Air Astana Group consolidation.

- *Air Astana*

Air Astana's operating profit increased by U.S. $11.4 million, or 12%, to U.S. $107.5 million for the nine months ended 30 September 2023 from U.S. $96.1 million for the nine months ended 30 September 2022. Capacity increased by 12% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 with a two-percentage point higher load factor on domestic routes, whilst increasing unit revenue by 6%. The higher load factor on domestic routes primarily resulted from increased demand for almost all routes with an increase of RPKs and in number of passengers carried by 6% and 8%, respectively, for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022. During the period, ASKs increased by 4% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022. Load factor on international routes remained substantially unchanged.

Air Astana's average fares increased by 8% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022, while domestic fares increased by 13% and international fares increased by 1% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022.

Air Astana's total operating unit cost performance increased by 7%, primarily because of increased jet fuel costs. CASK ex-fuel increased by 6% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 mainly resulting from the increased number of employees and crew costs due to the increased capacity, especially on international routes with 20% increase in block hours for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022. In addition, depreciation expenses increased by 20% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 due to the delivery of additional aircraft, and the associated increase in the book value of depreciable assets. These increases in operating expenses were partially offset by the 12% increase in ASKs.

• *FlyArystan*

FlyArystan's operating profit increased by U.S. $5 million, or 21%, to U.S. $28.6 million for the nine months ended 30 September 2023 from U.S. $23.6 million for the nine months ended 30 September 2022. Capacity increased by 17% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 with an increase in unit revenue from higher yields. Higher yields were principally driven by the increase in both number of passengers carried and higher average fare on domestic routes.

Ancillary revenue accounted for 9% of FlyArystan's total passenger revenue in the nine months ended 30 September 2023, compared to 8% in the nine months ended 30 September 2022. The increase was mainly due to an increase in revenue from chargeable seat, pre-paid baggage and the introduction of new services such as in advance online paid check-in and paid check-in at the airport for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022.

FlyArystan's total operating unit cost performance increased by 14% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022. Higher costs mainly resulted from increased prices for jet fuel at domestic stations, increased crew costs due to increased operations on international routes and flight duty allowance rates for pilots. In addition, depreciation expenses increased by 40% for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 (mainly represented by aircraft depreciation) due to the addition of aircraft (seven net deliveries), and the associated increase in the book value of depreciable assets, with higher ownership costs. These increases in operating expenses were partially offset by the 17% increase in ASKs for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022.

Finance income

Finance income increased by U.S. $7.1 million, or 194%, to U.S. $10.8 million for the nine months ended 30 September 2023 from U.S. $3.7 million for the nine months ended 30 September 2022 primarily due to interest income on bank deposits.

Finance costs

Finance costs increased by U.S. $8.3 million, or 29%, to U.S. $36.7 million for the nine months ended 30 September 2023 from U.S. $28.4 million for the nine months ended 30 September 2022. This increase was mainly due to increased interest expense on aircraft lease liabilities due to fleet expansion and unwinding of the discount on aircraft maintenance.

Income tax expense

The Air Astana Group's effective tax rate reflected a 19.6% income tax expense for the nine months ended 30 September 2023 compared to 21.9% income tax expense for the nine months ended 30 September 2022. This increase was principally due to devaluation of the Tenge against the U.S. Dollar in August 2023 and the impact of non-deductible expenses during the period. The statutory tax rate in Kazakhstan for the period was 20%.

Profit for the period

As a result of the factors outlined above, the Air Astana Group's profit increased by U.S. $11.4 million, or 19% to U.S. $72.4 million in the nine months ended 30 September 2023 from U.S. $61.0 million in the nine months ended 30 September 2022.

Years ended 31 December 2022 and 2021

The following table sets out the principal components of the Air Astana Group's consolidated statement of profit or loss for the periods indicated.

	Year ended 31 December			
USD millions (unless otherwise stated)	**2022**	**2021**	**2022**	**2021**
			% of total revenue and other income	
Scheduled passenger flights including	931.4	663.4	90.2	87.1
—Fuel surcharge	91.8	60.8	8.9	8.0
—Airport services	45.8	32.5	4.4	4.3
—Excess baggage	6.9	5.7	0.7	0.8
Charter flights	66.7	52.4	6.5	6.9
Passenger revenue	**998.1**	**715.8**	**96.7**	**94.0**
—Cargo – Regular	19.1	14.0	1.9	1.8
—Cargo – Charter	1.2	17.9	0.1	2.4
—Mail	1.8	1.7	0.2	0.2
Cargo and mail revenue	**22.1**	**33.6**	**2.1**	**4.4**
Other income	**12.1**	**7.8**	**1.2**	**1.0**
Gain from sale and lease back transaction	—	**4.6**	—	**0.6**
Total revenue and other income	**1032.4**	**761.8**	**100**	**100**
			% of total operating expenses	
Operating expenses				
Fuel and oil costs	(231.9)	(136.6)	26.2	20.7
Employee and crew costs	(148.9)	(116.3)	16.9	17.6
Depreciation and amortisation	(135.2)	(120.8)	15.3	18.3
Engineering and maintenance	(125.9)	(94.6)	14.2	14.3
Handling, landing fees and route charges	(84.9)	(70.1)	9.6	10.6
Passenger service	(80.3)	(60.9)	9.1	9.2
Selling costs	(33.3)	(25.1)	3.8	3.8
Insurance	(8.3)	(8.1)	0.9	1.2
Information technology	(5.7)	(4.6)	0.6	0.7
Consultancy, legal and professional services	(4.3)	(3.4)	0.5	0.5
Aircraft lease costs	(3.9)	(3.7)	0.4	0.6
Property and office costs	(2.5)	(2.6)	0.3	0.4
Taxes, other than income tax	(1.4)	(2.5)	0.2	0.4
Impairment loss on trade receivables	(0.4)	(0.1)	0.0	0.0
Other operating costs	(16.8)	(10.4)	1.9	1.6
Total operating expenses	**(883.7)**	**(659.7)**	**100**	**100**
Operating profit	**148.7**	**102.2**	**N/A**	**N/A**
Finance income	7.0	2.4	N/A	N/A
Finance costs	(39.3)	(47.1)	N/A	N/A
Foreign exchange loss, net	(15.1)	(12.5)	N/A	N/A
Profit before tax	**101.4**	**45.0**	**N/A**	**N/A**
Income tax expense	(23.0)	(8.8)	N/A	N/A
Profit for the year	**78.4**	**36.2**	**N/A**	**N/A**
Basic and diluted earnings per share (in USD)	**4,613**	**2,127**	**N/A**	**N/A**

Revenue and other income

- *Passenger revenue*

Passenger revenue increased by U.S. $282.3 million, or 39%, to U.S. $998.1 million for the year ended 31 December 2022 from U.S. $715.8 million for the year ended 31 December 2021, primarily due to an increase in scheduled passenger flights.

Scheduled passenger flights revenue increased by U.S. $268 million, or 40%, to U.S. $931.4 million for the year ended 31 December 2022 from U.S. $663.4 million for the year ended 31 December 2021. This increase reflected primarily the growth in capacity and average fare on scheduled operations. Capacity on scheduled international routes increased by 77% to 7.5 billion ASKs for the year ended 31 December 2022. This mainly resulted from additional frequencies on scheduled long-haul international routes performed by Air Astana (139% increase in capacity, including flights to London, Amsterdam, Frankfurt, Istanbul, Antalya, Phuket, Seoul) enabled by the easing of capacity restrictions and lifting of other COVID-19 pandemic related restrictions. Average fares increased by 29% (from U.S. $89 for the year ended 31 December 2021 to U.S. $115 for the year ended 31 December 2022). With an overall increase in load factor by three percentage points, the number of passengers carried increased by 10%, primarily due to the increased number of passengers carried on scheduled international routes.

Fuel surcharge increased by U.S. $31.1 million, or 51%, to U.S. $91.8 million for the year ended 31 December 2022 from U.S. $60.8 million for the year ended 31 December 2021. This was primarily due to a 58.4% increase in passengers carried on scheduled international routes where fuel surcharge rates are higher and increased fuel surcharge rates due to the re-routing of routes to European destinations to avoid the Russian Federation and the Black Sea, resulting in approximately 90 minutes' extra flying time.

Airport services revenue increased by U.S. $13.3 million, or 41%, to U.S. $45.8 million for the year ended 31 December 2022 from U.S. $32.5 million for the year ended 31 December 2021, principally due to the increase in passengers carried on scheduled international routes.

Charter flights revenue increased by U.S. $14.3 million, or 27%, to U.S. $66.7 million for the year ended 31 December 2022 from U.S. $52.4 million for the year ended 31 December 2021, principally due to an increase in charters with tour operators, which increased by 29.1% to 1,649 flights in 2022 from 1,283 in 2021.

- *Cargo and mail revenue*

Cargo and mail revenue decreased by U.S. $11.4 million, or 34%, to U.S. $22.1 million for the year ended 31 December 2022 from U.S. $33.6 million for the year ended 31 December 2021. This decrease reflected the full-year effect of the conversion of the Boeing 767-300ER back to full passenger configuration in August 2021, resulting in a significant decrease in the number of cargo charters completed in 2022 compared to 2021. This decision was primarily driven by external factors, including increased road truck capacity across Kazakhstan, the reduction in COVID-19 pandemic related restrictions and the suspension of flights to Russia and Ukraine, as well as ongoing capacity restrictions impacting flights to and from China.

- *Other income*

Other income increased by U.S. $4.3 million, or 55%, to U.S. $12.1 million for the year ended 31 December 2022 from U.S. $7.8 million for the year ended 31 December 2021, principally due to the proceeds in the amount of U.S. $4.6 million received by the Air Astana Group in December 2022 from an insurance claim relating to thrust reversal engineering expenses following an incident involving an aircraft in July 2022.

Operating expenses

The Air Astana Group had operating expenses of U.S. $883.7 million, a 34% increase from operating expenses of U.S. $659.7 million in the year ended 31 December 2021, which was principally attributed to increased capacity of 15.9 billion ASKs from 13.1 billion ASKs in the prior year.

- *Fuel and oil costs*

Fuel and oil costs increased by U.S. $95.3 million, or 70%, to U.S. $231.9 million for the year ended 31 December 2022 from U.S. $136.6 million for the year ended 31 December 2021. This was principally due to an increase in jet fuel unit cost and higher fuel consumption. Average jet fuel unit price increased by 38% (average jet fuel unit price increased by 57% on international stations and by 24% on domestic stations). Fuel consumption increased by 22% due to increased operations and higher capacity. In addition, the increase in fuel and oil costs was partially offset by a gain from fuel hedging of U.S. $12.1 million recognised in the year ended 31 December 2022 compared to U.S. $8.0 million in the year ended 31 December 2021.

- *Employee and crew costs*

Employee and crew costs increased by U.S. $32.6 million, or 28%, to U.S. $148.9 million for the year ended 31 December 2022 from U.S. $116.3 million for the year ended 31 December 2021, principally due to an increase in the number of active employees during the period and salary increases. In addition, a 59% increase in block hours on international routes due to increased operations resulted in higher aircraft crew costs, contributing to the increase in employee and crew costs.

- *Depreciation and amortisation*

Depreciation and amortisation increased by U.S. $14.4 million, or 12%, to U.S. $135.2 million for the year ended 31 December 2022 from U.S. $120.8 million for the year ended 31 December 2021, principally due the delivery of seven Airbus family aircraft, and the associated increase in the book value of the aircraft under lease. Reflecting the delivery of newer aircraft in 2022, with no redeliveries, the book value of the fleet increased by 10% to U.S. $714.2 million as at 31 December 2022 from U.S. $648.1 million as at 31 December 2021.

- *Engineering and maintenance*

Engineering and maintenance increased by U.S. $31.3 million, or 33%, to U.S. $125.9 million for the year ended 31 December 2022 from U.S. $94.6 million for the year ended 31 December 2021. This was principally due to increased flight hours in connection with operations. In addition, the Original Equipment Manufacturer ("**OEMs**") imposed higher supplier charges in accordance with annual adjustments to material and labour rates. The Air Astana Group also incurred thrust reversal engineering expenses of U.S. $4.6 million; insurance proceeds of the same amount were recognised as other income.

- *Handling, landing fees and route charges*

Handling, landing fees and route charges increased by U.S. $14.8 million, or 21%, to U.S. $84.9 million for the year ended 31 December 2022 from U.S. $70.1 million for the year ended 31 December 2021, principally due to an increase in the number of flights, particularly international flights, where handling, landing fees and navigation charges tend to be higher.

- *Passenger service*

Passenger service costs increased by U.S. $19.4 million, or 32%, to U.S. $80.3 million for the year ended 31 December 2022 from U.S. $60.9 million for the year ended 31 December 2021. This increase was principally due to an increase in passenger numbers, particularly on international routes resulting in higher in-flight catering expenses, expenses for giveaways (such as travel sets) for passengers and other passengers service expenses.

- *Selling costs*

Selling costs increased by U.S. $8.2 million, or 33%, to U.S. $33.3 million for the year ended 31 December 2022 from U.S. $25.1 million for the year ended 31 December 2021. This increase was primarily due to an increase in CRS charges and number of bookings (resulting in more booking fees and GSA commissions) as more flights were operated to regions with higher commissions and the Air Astana Group generated more sales paid by credit card.

Operating profit

As a result of the factors outlined above, the Air Astana Group recognised an operating profit of U.S. $148.7 million in the year ended 31 December 2022 and an operating profit of U.S. $102.2 million in the year ended 31 December 2021.

Operating profit performance by segment

USD millions (unless otherwise stated) (unaudited)	Air Astana(1) 2022	2021	% Change
Revenue and other income			
Passenger revenue	782.9	562.4	39%
Cargo and mail revenue	20.7	31.9	(35)%
Other income	10.9	6.4	69%
Lease	63.0	54.7	15%
Gain from sale and leaseback transaction	—	4.6	(100)%
Total revenue and other income	**877.4**	**660.0**	**33%**
Operating expenses			
Fuel and oil costs	(175.7)	(97.9)	79%
Employee and crew costs	(116.9)	(92.0)	27%
Depreciation and amortisation	(133.0)	(119.5)	11%
Engineering and maintenance	(118.3)	(87.9)	34%
Handling, landing fee and route charges	(65.8)	(54.3)	21%
Passenger service	(68.6)	(52.6)	30%
Selling costs	(31.1)	(23.1)	34%
Insurance	(6.1)	(6.4)	(4)%
Information technology	(4.3)	(3.8)	11%
Consultancy, legal and professional services	(4.2)	(3.3)	25%
Aircraft lease costs	(3.7)	(3.4)	9%
Property and office cost	(2.3)	(2.5)	(8)%
Taxes, other than income tax	(1.4)	(2.5)	(43%
Impairment loss on trade receivables	(0.4)	0.03	(1,590)%
Other operating costs	(16.0)	(9.7)	65%
Total operating expenses	**(747.9)**	**(559.2)**	**34%**
Total unit operating costs (U.S. cents)	**6.6**	**6.2**	**5%**
Operating profit	**129.5**	**100.8**	**28%**

USD millions (unless otherwise stated) (unaudited)	FlyArystan(1) 2022	2021	% Change
Revenue and other income			
Passenger revenue	215.2	153.4	40%
Cargo and mail revenue	1.5	1.6	(12)%
Other income	1.3	1.4	(10)%
Lease	—	—	—
Gain from sale and leaseback transaction	—	—	—
Total revenue and other income	**217.9**	**156.5**	**39%**
Operating expenses			
Fuel and oil costs	(56.2)	(38.7)	45%
Employee and crew costs	(32.0)	(24.3)	32%
Depreciation and amortisation	(30.7)	(25.8)	19%
Engineering and maintenance	(33.6)	(29.0)	16%
Handling, landing fee and route charges	(19.1)	(15.8)	21%
Passenger service	(11.7)	(8.2)	42%
Selling costs	(2.2)	(1.9)	13%
Insurance	(2.2)	(1.7)	31%
Information technology	(1.5)	(0.7)	101%
Consultancy, legal and professional services	(0.08)	(0.06)	33%
Aircraft lease costs	(2.6)	(3.8)	(30)%
Property and office cost	(0.1)	(0.1)	42%
Taxes, other than income tax	—	—	—
Impairment loss on trade receivables	(0.1)	(0.1)	(137)%
Other operating costs	(0.7)	(0.7)	5%
Total operating expenses	**(192.7)**	**(150.8)**	**28%**
Total unit operating costs (U.S. cents)	**4.3**	**3.7**	**15%**
Operating profit	**25.3**	**5.7**	**343%**

(1) Results for airlines are presented before eliminations related to intragroup transactions required for the Air Astana Group consolidation.

- *Air Astana*

Operating profit for Air Astana increased by U.S. $28.7 million, or 28%, to U.S. $129.5 million for the year ended 31 December 2022 from U.S. $100.8 million for the year ended 31 December 2021.

Capacity increased by 27% for the year ended 31 December 2022, as compared to the year ended 31 December 2021, while unit revenue remained approximately constant. Higher load factor was principally driven by domestic routes, particularly the Almaty—Astana—Almaty route. Load factor on international routes increased, mainly due to the increased demand for routes to Frankfurt, Colombo, Phuket and Seoul.

Air Astana's average fares increased by 24% for the year ended 31 December 2022, as compared to the year ended 31 December 2021, due to international fares representing a greater proportion of Air Astana's revenue mix. International fares increased by 5% and domestic fares increased by 17% for the year ended 31 December 2022, as compared to the year ended 31 December 2021.

Air Astana's total unit cost increased by 6% for the year ended 31 December 2022, as compared to the year ended 31 December 2021, primarily reflecting the impact of increased jet fuel costs. CASK ex-fuel decreased by 2.2% for the year ended 31 December 2022, as compared to the year ended 31 December 2021 mainly resulting from an 27% increase in ASKs for the year ended 31 December 2022, as compared to the year ended 31 December 2021 as partially offset by the 11% increase in depreciation expenses for the year ended 31 December 2022, as compared to the year ended 31 December 2021 (mainly represented by aircraft depreciation) due to fleet expansion.

- *FlyArystan*

Operating profit for FlyArystan increased by U.S. $19.6 million, or 343%, to U.S. $25.3 million for the year ended 31 December 2022 from U.S. $5.7 million for the year ended 31 December 2021. Capacity increased by 11%, while unit revenue increased due to higher yields and average fares. Higher yields were in turn principally driven by the greater proportion of operations on international routes, increasing by 134% (ASKs), together with an increase in load factor.

FlyArystan's total unit cost increased by 15% for the year ended 31 December 2022, as compared to the year ended 31 December 2021. This increase was primarily due to increased prices for jet fuel and increased operations on international routes with higher airport and handling, landing fees and navigation rates.

Finance income

Finance income increased by U.S. $4.6 million, or 191%, to U.S. $7.0 million for the year ended 31 December 2022 from U.S. $2.4 million for the year ended 31 December 2021. The majority of finance income in 2022 was from interest income generated on bank deposits due to higher interest rates and the amount of placed deposits.

Finance costs

Finance costs decreased by U.S. $7.8 million, or 17%, to U.S. $39.3 million for the year ended 31 December 2022 from U.S. $47.1 million for the year ended 31 December 2021. This decrease was mainly due to a reduction in interest expense on bank loans as the Halyk Bank Loan was repaid in full ahead of maturity.

Income tax expense

The Air Astana Group's income tax expense was U.S. $23.0 million for the year ended 31 December 2022, as compared to U.S. $8.8 million for the year ended 31 December 2021. The Air Astana Group's effective tax rate was 22.7% for the year ended 31 December 2022, and 19.6% for the year ended 31 December 2021. The statutory tax rate was 20% in both periods.

Profit for the year

As a result of the factors outlined above, the Air Astana Group recognised a profit of U.S. $78.4 million in the year ended 31 December 2022 and a profit of U.S. $36.2 million in the year ended 31 December 2021.

Years ended 31 December 2021 and 2020

The following table sets out the principal components of the Air Astana Group's consolidated statement of profit or loss for the periods indicated.

USD millions (unless otherwise stated)	Year ended 31 December			
	2021	2020	2021	2020
			% of total revenue and other income	
Scheduled passenger flights including	663.4	340.6	87.1	85.1
—Fuel surcharge	60.8	39.4	8.0	9.8
—Airport services	32.5	16.8	4.3	4.2
—Excess baggage	5.7	3.4	0.8	0.9
Charter flights	52.4	17.8	6.9	4.5
Passenger revenue	**715.8**	**358.4**	**94.0**	**89.5**
—Cargo – Regular	14.0	9.8	1.8	2.4
—Cargo – Charter	17.9	13.5	2.4	3.4
—Mail	1.7	1.3	0.2	0.3
Cargo and mail revenue	**33.6**	**24.6**	**4.4**	**6.1**
Other income	**7.8**	**11.0**	**1.0**	**2.8**
Gain from sale and lease back transaction	**4.6**	**6.3**	**0.6**	**1.6**
Total revenue and other income	**761.8**	**400.3**	**100%**	**100%**
			% of total operating expenses	
Operating expenses				
Fuel and oil costs	(136.6)	(89.2)	20.7	19.0
Employee and crew costs	(116.3)	(87.1)	17.6	18.6
Depreciation and amortisation	(120.8)	(101.0)	18.3	21.5
Engineering and maintenance	(94.6)	(43.2)	14.3	9.2
Handling, landing fees and route charges	(70.1)	(47.2)	10.6	10.1
Passenger service	(60.9)	(36.6)	9.2	7.8
Selling costs	(25.1)	(17.1)	3.8	3.6
Insurance	(8.1)	(6.2)	1.2	1.3
Information technology	(4.6)	(4.2)	0.7	0.9
Consultancy, legal and professional services	(3.4)	(3.3)	0.5	0.7
Aircraft lease costs	(3.7)	(3.4)	0.6	0.7
Property and office costs	(2.6)	(2.4)	0.4	0.5
Taxes, other than income tax	(2.5)	(4.2)	0.4	0.9
Impairment loss on trade receivables	(0.1)	(0.1)	0.0	0.0
Other operating costs	(10.4)	(24.4)	1.6	5.2
Total operating expenses	**(659.7)**	**(469.6)**	**100%**	**100%**
Operating profit/(loss)	**102.2**	**(69.3)**	**N/A**	**N/A**
Finance income	2.4	1.4	N/A	N/A
Finance costs	(47.1)	(36.1)	N/A	N/A
Foreign exchange loss, net	(12.5)	(12.7)	N/A	N/A
Profit/(loss) before tax	**45.0**	**(116.6)**	**N/A**	**N/A**
Income tax (expense)/benefit	(8.8)	22.7	N/A	N/A
Profit/(loss) for the year	**36.2**	**(93.9)**	**N/A**	**N/A**
Basic and diluted earnings/(loss) per share (in USD)	**2,127**	**(5,525)**	**N/A**	**N/A**

Revenue and other income

- *Passenger revenue*

Passenger revenue increased by U.S. $357.4 million, or 100%, to U.S. $715.8 million for the year ended 31 December 2021 from U.S. $358.4 million for the year ended 31 December 2020 primarily due to an increase in scheduled passenger flights and charter flights.

Scheduled passenger flights revenue increased by U.S. $322.8 million, or 95%, to U.S. $663.4 million for the year ended 31 December 2021 from U.S. $340.6 million for the year ended 31 December 2020. This increase reflected primarily the year-on-year growth in capacity (55%), overall load factor (by nine percentage points) and average fare (11%). Capacity on scheduled international routes increased by 39% to 4.2 billion ASKs in the year ended 31 December 2021, mainly resulting from the further opening up of lifestyle routes. Demand for regional and international routes, including to Central Asia, the Caucasus and other countries within the CIS, coupled with reduced frequencies caused by COVID-19 pandemic related capacity restrictions (in particular routes to South Korea and China), resulted in a higher average fare for the Air Astana Group. For scheduled domestic routes, capacity increased by 66% to 7.5 billion ASKs for the year ended 31 December 2021, largely due to the relaxation of regional travel controls and the growth of FlyArystan. Average fares increased by 11% (from U.S.$80 for the year ended 31 December 2020 to U.S.$89 for the year ended 31 December 2021).

Fuel surcharge revenue increased by U.S. $21.4 million or 54%, to U.S. $60.8 million for the year ended 31 December 2021 from U.S. $39.4 million for the year ended 31 December 2020, driven by the increase in passengers carried.

Airport services revenue increased by U.S. $15.7 million or 93%, to U.S. $32.5 million for the year ended 31 December 2021 from U.S. $16.8 million for the year ended 31 December 2020, mainly due to an increase in passengers carried.

Charter flights revenue increased by U.S. $34.6 million or 194%, to U.S. $52.4 million for the year ended 31 December 2021 from U.S. $17.8 million for the year ended 31 December 2020, mainly due to an increase in charters with tour operators, which increased by 158% to 1,283 flights in 2021 from 498 in 2020.

- *Cargo and mail revenue*

Cargo and mail revenue increased by U.S. $9.0 million, or 37%, to U.S. $33.6 million for the year ended 31 December 2021 from U.S. $24.6 million for the year ended 31 December 2020. This increase primarily reflected the increase in Air Astana's regular cargo programme resulting from the conversion in 2020 of its Boeing 767-300ER aircraft to semi-freighter configuration. In August 2021, the Air Astana Group returned the Boeing 767-300ER back to full passenger configuration.

- *Other income*

Other income decreased by U.S. $3.2 million, or 29%, to U.S. $7.8 million for the year ended 31 December 2021 from U.S. $11.0 million for the year ended 31 December 2020. During 2020, the Air Astana Group recognised income from the early return of four Boeing 757-200 and four Embraer E190 in the amount of U.S. $2.8 million. This was due to the lease liability recognised at the date of return of the aircraft, according to the initial schedule, being higher than the final amount agreed to be paid to the lessor.

Operating Expenses

The Air Astana Group had operating expenses of U.S. $659.7 million for the year ended 31 December 2021, a 40% increase from operating expenses of U.S. $469.6 million in the year ended 31 December 2020, which was principally attributable to the restoration of operating activity after depressed levels in 2020 and the increase of capacity by 61%.

- *Fuel and oil costs*

Fuel and oil costs increased by U.S. $47.3 million, or 53%, to U.S. $136.6 million for the year ended 31 December 2021 from U.S. $89.2 million for the year ended 31 December 2020. The increase was primarily due to the increase in tonnes of fuel consumed and, to a lesser extent, an increase in international pricing and a decrease in fuel efficiency. Average fuel costs increased for the year ended 31 December 2021, mainly driven by the increased average fuel unit price at international fuel and oil stations. Fuel efficiency was adversely impacted mainly due to the increased utilisation of Boeing 767-300 aircraft in 2021, while utilisation of

Embraer E190 family aircraft decreased significantly. Starting with the year ended 31 December 2021, gains from fuel hedging transactions were included in fuel and oil costs, representing U.S. $8.0 million.

- *Employee and crew costs*

Employee and crew costs increased by U.S. $29.1 million, or 33%, to U.S. $116.3 million for the year ended 31 December 2021 from U.S. $87.1 million for the year ended 31 December 2020. The increase reflected principally the return to work of the substantial number of employees who were taking downtime or long-term paid leave from accrued holiday entitlements in 2020, and who subsequently returned to working in 2021. The slight increase in the number of active employees was partially offset by a decrease in contract crew costs by U.S. $3.7 million, following the termination of overseas subcontracted pilots in April 2020.

- *Depreciation and amortisation*

Depreciation and amortisation increased by U.S. $19.8 million, or 20%, to U.S. $120.8 million for the year ended 31 December 2021 from U.S. $101.0 million for the year ended 31 December 2020. The increase was principally due to the delivery of three Airbus A321LRs and one Airbus A320ceo, with relatively higher book values and associated depreciation as partially offset by the return of two Boeing 757-200s in 2021.

- *Engineering and maintenance*

Engineering and maintenance increased by U.S. $51.4 million, or 119%, to U.S. $94.6 million for the year ended 31 December 2021 from U.S. $43.2 million for the year ended 31 December 2020. This increase was primarily due to the increase in maintenance provision as a result of the increased utilisation of aircraft in 2021 as compared to 2020 during which large parts of the fleet were grounded. The provision was impacted by Pratt & Whitney shortening the lifecycle of their engines in 2021 (resulting in a U.S. $8.7 million increase of accruals for expected engineering and maintenance provision in 2021). In 2020, the Air Astana Group significantly reversed provisions due to the different rates used in calculation of an estimated cost incurred at the end of an aircraft lease for aircraft returned in comparison with the actual payment made upon termination of the contract.

- *Handling, landing fees and route charges*

Handling, landing fees and route charges increased by U.S. $22.9 million, or 48%, to U.S. $70.1 million for the year ended 31 December 2021 from U.S. $47.2 million for the year ended 31 December 2020. This was primarily due to an increase in the number of flights by 53%, to 47.1 thousand and, particularly the increase in international flights by 50%, to 9.9 thousand, where handling, landing fees rates and navigation charges were higher.

- *Passenger service*

Passenger service increased by U.S. $24.3 million, or 67%, to U.S. $60.9 million for the year ended 31 December 2021 from U.S. $36.6 million for the year ended 31 December 2020. This increase was principally due to the significant increase in number of passengers carried, particularly on international routes, as COVID-19 pandemic related restrictions were relaxed.

- *Selling costs*

Selling costs increased by U.S. $8.0 million, or 47%, to U.S. $25.1 million for the year ended 31 December 2021 from U.S. $17.1 million for the year ended 31 December 2020 reflecting increased reservation costs, advertising and commissions paid in the year ended 31 December 2021 compared to the year ended 31 December 2020. This was principally due to a 100% increase in passenger revenue and a 79% increase in passenger numbers to 6.6 million in 2021 compared to 3.7 million in 2020.

Operating profit/(loss)

As a result of the factors outlined above, the Air Astana Group recognised an operating profit of U.S. $102.2 million in the year ended 31 December 2021 and an operating loss of U.S. $69.3 million in the year ended 31 December 2020.

Operating (loss)/profit performance by segment

USD millions (unless otherwise stated) (unaudited)	Air Astana(1) 2021	2020	% Change
Revenue and other income			
Passenger revenue	562.4	302.5	86%
Cargo and mail revenue	31.9	23.6	35%
Other revenue	6.4	10.6	(39)%
Lease	54.7	31.4	74%
Gain from sale and leaseback transaction	4.6	6.3	(26)%
Total revenue and other income	**660.0**	**374.3**	**76%**
Operating expenses			
Fuel and oil costs	(97.9)	(70.6)	39%
Employee and crew costs	(92.0)	(77.3)	19%
Depreciation and amortisation	(119.5)	(100.8)	19%
Engineering and maintenance	(87.9)	(40.9)	115%
Handling, landing fee and route charges	(54.3)	(39.9)	36%
Passenger service	(52.6)	(33.4)	58%
Selling costs	(23.1)	(16.5)	40%
Insurance	(6.4)	(5.4)	19%
Information technology	(3.8)	(3.7)	2%
Consultancy, legal and professional services	(3.3)	(3.2)	5%
Aircraft lease costs	(3.4)	(3.3)	4%
Property and office costs	(2.5)	(2.4)	6%
Taxes, other than income tax	(2.5)	(4.2)	(40)%
Impairment loss on trade receivables	0.03	0.1	(74)%
Other operating costs	(9.7)	(24.1)	(60)%
Total operating expenses	**(559.2)**	**(425.5)**	**31%**
Total unit operating costs (U.S. cents)	**6.2**	**6.8**	**(9)%**
Operating profit/(loss)	**100.8**	**(51.2)**	**297%**

USD millions (unless otherwise stated) (unaudited)	FlyArystan(1) 2021	2020	% Change
Revenue and other income			
Passenger revenue	153.4	55.9	174%
Cargo and mail revenue	1.6	1.0	65%
Other revenue	1.4	0.5	201%
Lease	—	—	—
Gain from sale and leaseback transaction	—	—	—
Total revenue and other income	**156.5**	**57.4**	**173%**
Operating expenses			
Fuel and oil costs	(38.7)	(18.6)	108%
Employee and crew costs	(24.3)	(9.8)	146%
Depreciation and amortisation	(25.8)	(15.4)	67%
Engineering and maintenance	(29.0)	(12.9)	125%
Handling, landing fee and route charges	(15.8)	(7.3)	115%
Passenger service	(8.2)	(3.2)	158%
Selling costs	(1.9)	(0.6)	222%
Insurance	(1.7)	(0.8)	110%
Information technology	(0.7)	(0.5)	54%
Consultancy, legal and professional services	(0.06)	(0.06)	(9)%
Aircraft lease costs	(3.8)	(2.0)	90%
Property and office costs	(0.1)	(0.0)	292%
Taxes, other than income tax	—	—	—
Impairment loss on trade receivables	(0.1)	(0.2)	(38)%
Other operating costs	(0.7)	(0.3)	157%
Total operating expenses	**(150.8)**	**(71.7)**	**110%**
Total unit operating costs (U.S. cents)	**3.7**	**3.8**	**(2)%**
Operating profit/(loss)	**5.7**	**(14.3)**	**140%**

(1) Results for airlines are presented before eliminations related to intragroup transactions required for the Air Astana Group consolidation.

- *Air Astana*

Air Astana recorded an operating profit of U.S. $100.8 million for the year ended 31 December 2021 and an operating loss of U.S. $51.2 million for the year ended 31 December 2020.

Capacity at Air Astana increased by 44% for the year ended 31 December 2021, as compared to the year ended 31 December 2020 while unit revenue benefited from higher yields and a higher load factor. Higher yields were principally driven by inelastic pricing on capacity constrained routes and higher revenue from charter operations.

Air Astana's average fare increased in total by 16.8% for the year ended 31 December 2021, as compared to the year ended 31 December 2020, reflecting an increase of 18% in international fares and 4% in domestic fares for the year ended 31 December 2021, as compared to the year ended 31 December 2020.

Air Astana's total unit cost decreased by 9% for the year ended 31 December 2021, as compared to the year ended 31 December 2020. Lower unit cost mainly reflected increased aircraft utilisation and block hours, gains from fuel hedging and lower operating costs in the year ended 31 December 2021 as compared to the year ended 31 December 2020. In addition, operating costs from the impairment losses of four Boeing 757-200 and four Embraer E190 aircraft were recognised in the year ended 31 December 2020 in the amount of U.S. $14.7 million. Operating costs were also impacted by increased fuel prices on international stations and higher engineering and maintenance costs.

- *FlyArystan*

FlyArystan's operating profit was U.S. $5.7 million for the year ended 31 December 2021, as compared to a loss of U.S. $14.3 million for the year ended 31 December 2020. Capacity increased by 115% for the year ended 31 December 2021, as compared to the year ended 31 December 2020; unit revenue increased, reflecting higher yields, principally driven by the greater proportion of international routes and increased ancillary revenue.

FlyArystan's total operating unit cost decreased by 2% for the year ended 31 December 2021, as compared to the year ended 31 December 2020. This decrease primarily resulted from increased aircraft utilisation in the year ended 31 December 2021, gains from fuel hedging and, to a lesser extent, an increase in average stage length. These factors were partially offset by increased fuel prices on international stations, increased engineering and maintenance expenses.

Finance income

Finance income increased by U.S. $1.0 million, or 69%, to U.S. $2.4 million for the year ended 31 December 2021 from U.S. $1.4 million for the year ended 31 December 2020. The majority of finance income in 2021 was represented by net interest receivable mainly due to an increase in the amount of placed deposits.

Finance costs

Finance costs increased by U.S. $11 million, or 30%, to U.S. $47.1 million for the year ended 31 December 2021 from U.S. $36.1 million for the year ended 31 December 2020. This increase was mainly due to an increase in interest expense under operating and finance lease liabilities, resulting from fleet expansion, and loan liabilities, particularly the Halyk Bank Loan.

Income tax (expense)/benefit

The Air Astana Group's income tax expense was U.S. $8.8 million for the year ended 31 December 2021, as compared to an income tax benefit of U.S. $22.7 million for the year ended 31 December 2020. The Air Astana Group's effective tax rate was 19.6% for the year ended 31 December 2021 and 19.5% for the year ended 31 December 2020.

Profit/(loss) for the year

As a result of the factors outlined above, the Air Astana Group recognised a profit of U.S. $36.2 million in the year ended 31 December 2021 and a loss of U.S. $93.9 million in the year ended 31 December 2020.

Liquidity and capital resources

The Air Astana Group's primary uses of cash are aircraft lease payments, operating expenses, capital expenditure and debt repayments. The Air Astana Group's primary sources of liquidity are net cash flows from its operating activities, with limited reliance on bank loans. As of 30 September 2023, the Air Astana Group had U.S. $478.1 million of total available liquidity consisting of U.S. $163.7 million available to borrow under the Halyk Bank Loan and the Citi Loan and U.S. $314.4 million cash and bank balances.

Material investments

In the nine months ended 30 September 2023, the Air Astana Group's investments, defined as cash used in purchases or property and equipment, amounted to U.S. $34.1 million, representing an increase of 26% compared to U.S. $27.1 million for the nine months ended 30 September 2022. In the nine months ended 30 September 2023, investments included the launch of the L3 Harris Reality Seven A320 Full-Flight Simulator and Cabin Emergency Evacuation Trainer (U.S. $10.5 million) and the acquisition of two additional spare engines (U.S. $7.0 million).

In the year ended 31 December 2022, the Air Astana Group's investments amounted to U.S. $48.3 million, representing an increase of 52% compared to U.S. $31.7 million for the year ended 31 December 2021. The majority of the investments were allocated to the purchase of the L3 Harris Reality Seven A320 Full-Flight Simulator, the Cabin Emergency Evacuation Trainer and two spare engines.

In the year ended 31 December 2021, the Air Astana Group's investments amounted to U.S. $31.7 million, representing an increase of 5% compared to U.S. $30.3 million for the year ended 31 December 2020. The majority of the investments in the year ended 31 December 2021 consisted of aircraft spare parts, modifications and restoration of aircraft. In the year ended 31 December 2020, the Air Astana Group's investments amounted to U.S. $30.3 million, consisting primarily of aircraft spare parts, modifications and restorations of aircraft.

No material investments are in progress or for which firm commitments have been made.

Cash flows

The following table sets forth certain information concerning the Air Astana Group's consolidated cash flows for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
USD millions	**2023**	**2022**	**2022**	**2021**	**2020**
	(unaudited)	**(unaudited)**			
Net cash generated from operating activities	**295.0**	**281.6**	**351.0**	**277.0**	**2.6**
Net cash (used in)/generated from investing activities	**(35.3)**	**(36.4)**	**(60.4)**	**(13.1)**	**8.5**
Net cash (used in)/generated from financing activities, of which:	**(195.6)**	**(187.9)**	**(263.5)**	**(237.1)**	**15.1**
Repayment of lease liabilities	(135.8)	(109.8)	(173.5)	(93.6)	(100.0)
Interest paid	(31.5)	(28.3)	(38.4)	(49.1)	(29.6)
Repayment of borrowings and additional financing from sale and leaseback	(46.5)	(102.4)	(104.4)	(106.8)	(66.3)
Proceeds from borrowing and additional financing from sale and leaseback	35.0	52.7	52.7	12.3	211.0
Dividends paid	(16.8)	—	—	—	—
Net increase in cash and bank balances	**64.0**	**57.4**	**27.1**	**26.9**	**26.1**
Cash and bank balances at the end of the period	**314.4**	**281.7**	**252.9**	**226.4**	**201.4**

Net Cash Generated from Operating Activities

Net cash generated from operating activities increased by $13.4 million to U.S. $295.0 million for the nine months ended 30 September 2023 from U.S. $281.6 million for the nine months ended 30 September 2022. The increased inflow for the nine months ended 30 September 2023 was primarily driven by an increase in operations.

Net cash generated from operating activities was a cash inflow of U.S. $351.0 million for the year ended 31 December 2022, an increase from U.S. $277.0 million for the year ended 31 December 2021 and an increase from U.S. $2.6 million for the year ended 31 December 2020. The increase in the year ended 31 December 2022 was primarily driven by an expansion in operations, which resulted in higher operating profits, while also increasing non-monetary expenses, such as provisions. The increased inflow for the year ended 31 December 2021 was primarily driven by the detrimental impact of the COVID-19 pandemic and the resulting U.S. $116.6 million loss before tax in 2020 compared to a profit before tax of U.S. $45 million in 2021. This profit before tax was impacted by the following significant non-cash items: an increase in depreciation and amortisation reflecting principally the larger proportion of aircraft within the Air Astana Group's fleet, and the associated increase in the book value of depreciable assets, for the full year 2021; an increase in provision for aircraft maintenance; and increased finance costs reflecting higher borrowings during 2021. The Air Astana Group also had increased outflows in 2020, due to the rapid decrease in advance sales as a result of significant refunds of tickets and softer macro-level demand for air travel in 2020, which primarily resulted from the imposition of significant restrictions on travel in response to the COVID-19 pandemic.

Net Cash Used In / Generated from Investing Activities

Net cash used in investing activities decreased by U.S. $1.1 million to a net cash outflow of U.S. $35.3 million in the nine months ended 30 September 2023 from a net cash outflow of U.S. $36.4 million for the nine months ended 30 September 2022. The cash outflow primarily reflected the purchase of property and equipment in the nine months ended 30 September 2023, offset by the reduction of cash balances placed on bank and guarantee deposit.

Net cash used in investing activities increased by 361.1% to a net cash outflow of U.S. $60.4 million for the year ended 31 December 2022 from a net cash outflow of U.S. $13.1 million in the year ended 31 December 2021 mainly due to guarantee deposits paid in connection with the entry into aircraft lease agreements and purchase of property and equipment.

Net cash used in investing activities amounted to a net cash outflow of U.S. $13.1 million for the year ended 31 December 2021. The cash outflow primarily reflected the proceeds of U.S. $8.7 million from the sale and leaseback of a spare engine in November 2021.

Net cash generated from investing activities for the year ended 31 December 2020 was a cash inflow of U.S. $8.5 million. The cash inflow primarily reflected receipt of net proceeds of U.S. $33.4 million as a result of the sale and leaseback of one aircraft in 2020, offset by a cash outflow of U.S. $30.3 million in relation to purchase of property and equipment.

Net Cash Used In / Generated from Financing Activities

Net cash used in financing activities increased by U.S. $7.7 million to a net cash outflow of U.S. $195.6 million in the nine months ended 30 September 2023 from a net cash outflow of U.S. $187.9 million in the nine months ended 30 September 2022. The cash outflow primarily reflected aircraft lease payments, as well as a dividend payment in May 2023.

Net cash used in financing activities increased by 11.1% to a net cash outflow of U.S. $263.5 million for the year ended 31 December 2022 from a net cash outflow of U.S. $237.1 million for the year ended 31 December 2021 mainly resulting from aircraft lease payments.

Net cash used in financing activities was a net cash outflow of U.S. $237.1 million for the year ended 31 December 2021, which primarily reflected aircraft lease payments and repayment of bank loans.

Net cash generated from financing activities for the year ended 31 December 2020 was a cash inflow of U.S. $15.1 million. The net cash inflow primarily reflected the receipt of proceeds from borrowings of U.S. $209 million under the Halyk Bank Loan, offset by repayment of a loan from the European Bank for Reconstruction and Development ("**EBRD**") as well as aircraft lease payments.

Indebtedness

As at 30 September 2023, the Air Astana Group had U.S. $697.5 million outstanding from debt financings, consisting of current and non-current portions of loans and lease liabilities. The Air Astana Group's management monitors its indebtedness in the context of short, medium and long-term funding and liquidity needs through the quarterly report to the Treasury Committee and a quarterly update to the strategic planning committee of the Company (the "**Strategic Planning Committee**") and the Board of Directors. This includes maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 30 September 2023 and 31 December 2022, 2021 and 2020, the Air Astana Group's outstanding indebtedness were as follows:

USD millions	As at 30 September 2023	As at 31 December		
		2022	2021	2020
	(unaudited)			
Bank borrowings and leases	697.5	744.9	789.2	868.7
Of which				
Bank borrowings	0.5	12.1	62.3	164.0
Aircraft lease obligations	697.0	732.8	726.9	704.7

The Air Astana Group's obligations under leases are secured by the lessors' title to the leased assets. These assets have a carrying value of U.S. $714.2 million as of 31 December 2022. The following table sets out the Air Astana Group's minimum lease payments, and the present value of lease payments, as at the dates indicated.

USD thousands	Minimum lease payments				Present value of lease payments			
	30 September 2023	31 December 2022	31 December 2021	31 December 2020	30 September 2023	31 December 2022	31 December 2021	31 December 2020
No later than one year	204,092	196,804	177,178	161,337	167,413	158,593	146,354	132,340
Later than one year and no later than five years	504,358	537,167	545,269	525,764	428,642	463,293	484,301	463,503
Later than five years	108,615	119,600	101,281	114,849	100,924	110,918	96,238	108,819
	817,065	**853,571**	**823,728**	**801,950**	**696,979**	**732,804**	**726,893**	**704,662**
Less: future finance charges	(120,086)	(120,767)	(96,835)	(97,288)	—	—	—	—
Present value of minimum lease payments	**696,979**	**732,804**	**726,893**	**704,662**	**696,979**	**732,804**	**726,893**	**704,662**

Capital resources

Aircraft financing

The Air Astana Group has to date relied on, and expects to continue to rely on, operating leases from aircraft lessors and, to a lesser extent, conventional finance leasing from structures backed by Export Credit Agency guarantees in order to obtain aircraft for its operations. It has financed its aircraft PDPs from operating cash flow.

Operating Leases. The Company has significant obligations in respect of aircraft and spare engines that are classified as operating leases. As at 30 September 2023, 39 operational aircraft in the Air Astana Group's fleet were subject to operating leases with a number of international leasing companies. These leases are typically entered into for non-cancellable terms of between six and twelve years. The Company does not have the right or obligation to acquire these aircraft. The operating leases do not contain financial covenants but contain customary requirements such as the requirement to insure and to return the aircraft in a specified condition. Certain also include a requirement that SK retains at least 25% of shares in the Company. As security for the lessee's maintenance obligations for some of the leases, the lessee purchases stand-by letters of credit, secured or unsecured. As at 30 September 2023 and 31 December 2022, 2021 and 2020, the Company had posted stand-by letters of credit (maintenance and security deposits) of U.S. $31.9 million, U.S. $26.3 million, U.S. $23.6 million and U.S. $22.4 million, respectively.

Finance Leases. The Company also has significant obligations in respect of aircraft that are classified as finance leases which are guaranteed by the European Export Credit Agency ("**EECA**"), with respect to Airbus aircraft, and the Export Import Bank of the United States ("**EXIM Bank**"), with respect to Boeing. As at 30 September 2022, eight operational aircraft in the Air Astana Group's fleet were subject to finance leases with various international financing companies. All finance leases for the eight aircraft expire between 2024 and 2026. The Company has the option to purchase the aircraft upon expiry of the finance leases for a nominal amount. The EECA-backed leases include a requirement that SK retains between 20% and 51% of shares in the Company provided that an initial public offering of the Company occurs prior to the end of 2024. If no such offering occurs, BAE is required to hold at least 25% plus one share of the total issued share capital of the

Company and SK no more than 51%. Furthermore, an event of default will be triggered if the Air Astana Group defaults on lease payments in excess of U.S. $5 million.

Bank borrowings

Halyk Bank Loan. The Company entered into a committed facility agreement for U.S. $160 million with Halyk Bank initially dated 12 August 2019 and as amended most recently on 5 December 2023, to finance working capital needs. The facility is made available to the Company through a multi-currency revolving credit facility for short-term bank loans, overdrafts, guarantees and letters of credit. The facility consists of two tranches: (i) U.S. $153 million provided on a revolving basis; and (ii) U.S. $7 million provided on a non-revolving basis. The term of this facility expires on 10 September 2025 and, as at 30 September 2023, U.S. $143.7 million was available. The facility may be drawn in U.S. Dollar and Tenge. Interest is payable quarterly based on several rates depending on the currency (NBK rate +2% for Tenge and 3M SOFR +1.5% / 2.5% in U.S. Dollar), type, and tenor of the financing. The facility is secured by a pledge over the Air Astana Group's aircraft hangar, other immovable property and the land use right over a land plot. The Company's covenants with Halyk Bank include seeking written consent from the bank for: (i) any new borrowings, guarantees or security (save for the operational or financial leasing of aircraft and replacement parts) which exceed U.S. $50 million; (ii) entry into pledge agreements, option agreements, security documents, sale of its assets, current and future incomes in a transaction or series of transactions in the amount of 10% of its assets (save for the operational or financial leasing, or sale and leaseback of aircraft); (iii) dividends payments if the proposed dividends exceeds 50% of the net income of the Company from the previous financial year; (iv) any decrease in the charter capital of the Company and any change in the amount of authorised shares of the Company (save for changes resulting from an initial public offering ("**IPO**"), listing or trading on a stock exchange); and (v) a voluntary reorganisation or liquidation of the Company. The facility includes customary events of default, such as non-payment, breach of covenants, involvement in judicial proceedings in the amount of 5% of the total assets of the Company, termination of business and insolvency. As at 30 September 2023, no amount was outstanding under the Halyk Bank Loan other than with respect to stand-by letters of credit in the amount of U.S. $9.3 million.

Citi Loan. The Company is party to a revolving loan facility with Citibank Kazakhstan JSC for U.S. $47.8 million dated 27 July 2011 restated on 28 March 2019 and amended most recently on 24 November 2022 for working capital purposes, overdrafts, guarantees and letters of credit. The Citi Loan facility consists of three tranches: (i) U.S. $27.3 million provided on a revolving basis for letters of credit and bank guarantees; (ii) U.S. $20 million provided on a revolving basis for short-term loans in USD; and (iii) U.S. $0.5 million provided on a revolving basis for overdrafts. So long as any amount is outstanding under the facility, the Company (i) shall not, without Citibank Kazakhstan JSC's prior written consent, undertake or engage in any corporate reorganisation or, without written notice, convey, transfer or sell all or substantially all of its assets, create any encumbrance, mortgage, pledge, lien of any kind or any other type of preferential arrangement having a similar effect over all or any of its assets with a value of more than U.S.$5.0 million; and (ii) shall notify Citibank Kazakhstan JSC of any changes in the shareholders of the Company that jointly own ten or more per cent. of total shares of the Company. As of 30 September 2023, no amount was outstanding under the Citi Loan other than with respect to stand-by letters of credit in the amount of U.S. $15.6 million.

Altyn Bank—Letters of credit. The Company is party to a revolving loan facility for U.S. $15.0 million dated 15 March 2017 and as amended most recently on 25 January 2023 with Altyn Bank for the issuance of guarantees and letters of credit. As of 30 September 2023, U.S. $13.3 million was utilised.

Citi Europe plc—Letters of credit. The Company is party to a loan facility dated 26 November 2015 with Citi Europe plc for the issuance of guarantees and letters of credit. As of 30 September 2023, no amount was outstanding under the agreement.

Contractual obligations

The table below sets forth, as of 30 September 2023, the Air Astana Group's contractual obligations with definitive payment terms. These obligations primarily relate to future finance and operating lease commitments in respect of aircraft and aircraft maintenance obligations

	Payment due by period				
USD millions	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Finance and operating lease commitments in respect of aircraft(1)	1,473.0	21.5	212.4	316.8	922.3
Maintenance obligations(2)	240.1	95.3	109.6	27.7	7.5
Total	**1,713.1**	**116.8**	**322.0**	**344.5**	**929.8**

(1) Amounts reflect the Air Astana Group's obligations for aircraft.

(2) Under the terms of its operating lease agreements, the Air Astana 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 amounts set out herein are subject to change depending on aircraft utilisation and unscheduled maintenance.

Contingent liabilities

The summary of the Air Astana Group's contingent liabilities is set out below (see Note 28 of the Annual Financial Statements and Note 26 to the Interim Financial Information).

Taxation contingencies

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

The management of the Air Astana Group 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 the Interim Financial Information, if the authorities were successful in enforcing their interpretations, could be significant.

The functional currency of the Company is U.S. 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 Air Astana 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 of the Air Astana Group 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 Air Astana Group initially incurred a fine imposed by the SICAO following an investigation by the APDC and the aviation transport prosecutor's office regarding an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered during the period January 2021 to May 2022. Initially, the SICAO determined a penalty amounting to 6.8 billion Tenge (approximately U.S. $15.0 million); however, after the Air Astana Group appealed the SICAO decision, the fine was decreased significantly to the amount of 876.9 million Tenge (approximately U.S. $1.9 million). The Air Astana Group has not made provision as at 30 September 2023. Following the initial court decision, the Air Astana Group faces the possibility of legal proceedings with the APDC concerning an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered starting from June 2022 until such date the Air Astana Group discontinued levying such charges (end of November 2023). If such legal proceedings were to occur, the Air Astana Group may be subject to a fine which cannot be estimated reliably because the principle underlying the assessment of the fine by the latest court was unclear. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the Kazakhstan Government, together with developments in the legal, regulatory, and political environment. As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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

Market risks

The Air Astana Group is exposed to market risk, including credit risk, foreign currency risk and liquidity risk. See the notes to the Air Astana Group's consolidated Financial Statements for a description of its accounting policies and additional information.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Air Astana Group and arises principally from the Air Astana Group's receivables from customers. Consequently, the Air Astana Group has adopted a policy of only dealing with creditworthy counterparties and obtaining credit guarantee insurance cover, 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 current Cash Management Policy was reconfigured significantly in 2017 following the loss of funds in Kazinvestbank and Delta Bank in 2016. The policy has been reviewed annually since then by the Air Astana Group management under the supervision of the Treasury Committee and requires placement of deposits at "A–" or higher rated banks, with limits established by the Treasure Committee. In countries where "A–" or higher rated banks are not available (which includes Kazakhstan), exceptions are considered individually and approved by the Treasury Committee and the Board of Directors. Since rating agencies generally reconsider credit ratings with some time delay, the Air Astana Group supplements the credit rating information with additional analysis of banks' capital adequacy ratios, liquidity ratios and publicly available information.

As at 30 September 2023, there was no significant concentration of credit risk in respect of trade accounts receivable.

In 2016, due to the significant credit quality deterioration of KazInvestBank JSC following the recall of its banking license, and that of Delta Bank JSC in 2017 followed by the temporary suspension of its license for accepting new deposits and opening new accounts, the Air Astana Group's management reclassified the deposits held with these banks in the amount U.S. $14.2 million and U.S. $44.8 million, respectively, from the bank deposit line item to non-current trade and other receivables and assessed them for impairment. Based on the assessment, management of the Air Astana Group recognised an impairment allowance of approximately 90% for KazInvestBank JSC and Delta Bank JSC as at 31 December 2016, and subsequently was fully impaired. The Air Astana Group's accounts receivables are mainly originated through Billing Settlement Plans ("**BSP**") Agents. BSP is the product of IATA, which requires that BSP Agents provide financial security setting high criteria for ticket agencies and constantly monitors the financial position of the agencies.

Foreign currency risk

Sales and purchases that are denominated in currencies other than the U.S. Dollar expose the Air Astana Group to foreign currency risk. Tenge and Euro are the primary currencies giving rise to foreign currency risk.

In the nine months ended 30 September 2023, the following table details the Air Astana Group's sensitivity of weakening and strengthening of the US Dollar against the Tenge by 10% and Euro by 10%. 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 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:

USD millions	Weakening of US Dollar Tenge	Weakening of US Dollar Euro	Strengthening of US Dollar Tenge	Strengthening of US Dollar Euro
30 September 2023	10%	10%	(10)%	(10)%
Profit/(loss)	(0.9)	0.4	0.9	(0.4)

USD millions	Weakening of US Dollar Tenge	Weakening of US Dollar Euro	Strengthening of US Dollar Tenge	Strengthening of US Dollar Euro
31 December 2022	21%	10.6%	(21)%	(10.6)%
Profit/(loss)	0.4	0.2	(0.4)	(0.2)

USD millions	Weakening of US Dollar Tenge	Weakening of US Dollar Euro	Strengthening of US Dollar Tenge	Strengthening of US Dollar Euro
31 December 2021	10%	9%	(13)%	(9)%
Profit/(loss)	(4.0)	—	5.2	—

USD millions	Weakening of US Dollar Tenge	Weakening of US Dollar Euro	Strengthening of US Dollar Tenge	Strengthening of US Dollar Euro
31 December 2020	11%	7%	(11)%	(7)%
Profit/(loss)	(8.3)	(0.0)	8.3	0.0

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

Liquidity risk

Liquidity risk is the risk that the Air Astana Group will encounter difficulty in meeting the obligations associated with its liabilities that are settled by delivering cash or another financial asset. The Air Astana 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. The Company reports quarterly to the Treasury Committee in detail including the cash forecast and key ratios.

Critical accounting policies

Critical accounting policies involve estimates, judgements and uncertainties that can result in materially different results under different assumptions and conditions. The Air Astana Group's believes that the most critical accounting policies are those described below.

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. In evaluating the potential future development of the Air Astana Group's business, management makes assumptions that they believe are reasonable regarding the expected future economic environment in the business areas and regions in which the Air Astana Group operates. Despite careful preparation of the estimates, the Air Astana Group's actual results may differ.

Provisions

Under the terms of its operating lease agreements, the Air Astana Group is obliged to carry out and pay for maintenance based on use of the aircraft (flight hours) and to return aircraft to the lessors in a satisfactory condition at the end of the lease term. With respect to maintenance obligations, 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. With respect to provisions recognised for return of aircraft, the Air Astana Group initially discounts the provision on its balance sheet at its net present value and, each period, reduces the discount recognising the difference as finance costs.

The Air Astana Group's management uses significant judgement to determine the provision for aircraft maintenance and engages an independent specialist to assist in estimating the timing and cost of expected engine maintenance activities. An estimate by an independent specialist is prepared based on the current condition of aircraft, historical flight hours and cycles, expected future utilisation of the aircraft over the remaining life of the operating leases, in particular, as well as requirements for redelivery conditions 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.

Provision for aircraft maintenance

See Note 22 of the Annual Financial Statements and Note 21 of the Interim Financial Information for a description of movements in the provision for aircraft maintenance for the periods indicated. The significant reversal of provision in 2020 was due to the different rates (i.e. the difference between the estimated amounts and the actual amounts) used in calculation of the estimated cost of the end of lease payments to the lessor in comparison with the actual payment made upon termination of the contract.

The significant increase in the provision balance as at 31 December 2021 and 2022 was due to the increased utilisation of aircraft as a result of restoration of operations. In addition, the number of aircraft leased under agreements with favourable contractual conditions, where variable maintenance reserves are paid to lessors, decreased due to the return of such aircraft.

The planned utilisation of aircraft maintenance provisions is as follows:

USD millions	As at 30 September 2023 (unaudited)	As at 31 December 2022	2021	2020
Within one year	95.3	71.7	40.7	37.5
During the second year	47.7	38.7	37.8	16.4
During the third year	61.9	46.6	30.2	7.9
After the third year	35.2	32.7	18.5	21.2
Total provision for aircraft maintenance	**240.1**	**189.6**	**127.2**	**83.1**
Less: current portion	95.3	71.7	40.7	37.5
Non-current portion	**144.8**	**118.0**	**86.5**	**45.5**

Recoverability of variable lease payments related to future maintenance

Under the Air Astana Group's lease agreements, the Air Astana 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 (auxiliary power unit 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 Air Astana Group's maintenance programme agreed with the CAC.

In case of a return of an aircraft after the scheduled maintenance event, but before the end of the lease, the amounts of unapplied variable lease payments made to the lessors are not reimbursable and are retained by the lessors as a deposit transferable to the next lessees of the aircraft. The Air Astana Group's management regularly assesses the recoverability of variable lease payments made by the Air Astana Group. Unanticipated maintenance costs are expensed in profit or loss as incurred.

Determination of the functional currency

The functional currency of the Air Astana Group is USD which, in the Air Astana Group's management's view, reflects the economic substance of the underlying events and circumstances of the Air Astana Group at the reporting date. At each reporting date the Air Astana Group's management reassesses factors that may affect the determination of the functional currency based on circumstances at the reporting date. Significant judgement is required from the Air Astana Group's 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 Air Astana 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, revenue generated from the Air Astana Group's international routes fell more significantly than the revenue generated from domestic routes. As a result, the share of dollar denominated sales in 2020 decreased significantly. In 2021 and 2022 due to restoration of the market, demand for international routes increased compared to 2020. The Air Astana Group's management believes that the recovery of demand for international routes and related U.S. Dollar denominated sales will continue in 2023, and, accordingly, the functional currency of the Air Astana Group remains USD.

Useful lives of property, plant and equipment

In reporting intangible assets and tangible assets, the Air Astana Group makes an annual assessment of their useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Allowances

The Air Astana Group accrues allowances for impairment of accounts receivable (bad debt). The Air Astana Group calculates 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 2022, 2021 and 2020, allowances for doubtful accounts were equal to U.S. $1.0 million, U.S. $1.9 million and U.S $2.1 million, respectively.

Other financial assets are mainly credit rated by one or more international credit rating agencies: Moody's, Fitch, and S&P Global Ratings. The Air Astana Group calculates estimated credit loss for the entire useful life of those assets whose credit risk has increased significantly, comparing it to its level at the initial recognition date. Once the instrument is impaired, the Air Astana Group calculates allowances for doubtful accounts based on the expected future cash flows, discounted at the original effective interest rate.

Losses are recognised in the Air Astana Group's statement of profit or loss and reflected in an allowance account. The Air Astana Group initially classifies all debt owed to it and calculates their one-year expected credit loss. The Air Astana Group monitors the credit risk of all debt owed to it on an annual basis or when the asset reaches U.S. $6 million. If the credit risk of any debt owed to it increases significantly compared to its original classification, the Air Astana Group re-classifies the bad debt and re-calculates the expected credit loss. When credit risk significantly decreases for those bad debts which previously have been classified in Stage 2, the Air Astana Group performs an analysis to determine whether the current financial position of the borrower is stable enough to reclassify such debt back to Stage 1. When the Air Astana Group believes that there are no realistic prospects of recovery of the bad debt, the relevant amounts are written off. As at 31 December 2022, 2021 and 2020, impairment allowances were equal to U.S. $45.5 million, U.S. $46.6 million and U.S. $47.5 million, respectively.

The Air Astana 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 2022, 2021 and 2020, the Air Astana Group recognised a write-down for obsolete and slow-moving inventories in the amount of U.S. $5.9 million, U.S. $1.6 million and U.S. $1.7 million.

Customer loyalty program

The Air Astana Group'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, they can convert the points into a ticket. While calculating the customer loyalty program provision, the Air Astana Group uses critical judgements and estimates in regard to the value per point by Nomad Club members.

The Air Astana Group uses estimated ticket values to calculate the programme'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 historical statistics, the Air Astana Group determines the amount of breakage with regards to those points whose usage is not probable.

Property lease terms

Some property leases contain extension options exercisable by the Air Astana Group up to one year before the end of the non-cancellable contract period. Where practicable, the Air Astana Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Air Astana Group and not by the lessors. The Air Astana Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Air Astana 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 Air Astana Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Air Astana 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 Air Astana Group determined that its preferential right to renew or not to cancel would on its own be treated as substantive, when it has a preferential right to renew or not to cancel the lease through a negotiation mechanism under the Kazakhstan Civil Code (General Part) dated 27 December 1994 and the Kazakhstan Civil Code (Special Part) No. 409-I dated 1 July 1999, enacted by the Decree of the Supreme Council of the Republic of Kazakhstan No. 269-XII dated 27 December 1994 and the Law of the Republic of Kazakhstan No. 410-I dated 1 July 1999, respectively (the "**Civil Code**"). 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 and compliance with tax legislation

The Air Astana Group's management exercises significant judgement to determine the amount of deferred tax assets that can be recognised, 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. As at 31 December 2022, the Air Astana Group concluded that it is probable that future taxable profits will be available against which the deferred tax asset will be utilised.

Kazakhstan's tax legislation is subject to frequent changes and varying interpretations. The Air Astana Group's management's interpretation of such legislation in applying it to business transactions of the Air Astana 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 Air Astana 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 Air Astana Group.

Introduction

Due to the significant land mass of Kazakhstan, domestic air transportation has emerged as a critical travel option for consumers compared to other forms of transportation. In 2021, Kazakhstan was the world's fastest-growing domestic air transportation market, with passenger traffic over 30% above 2019 levels (Source: ADB Report). Beyond domestic travel, Kazakhstan is strategically located to take advantage of growing business travel and tourism opportunities in its near-home markets of Central Asia and the Caucasus. The LCC market in Central Asia more than tripled in size from 2019 to 2022, making it the fastest-growing low-cost travel market in the world (Source: ADB Report). Kazakhstan's close connectivity with other key international markets, such as India and China, resulted in Asia being the largest market for international air transportation originating from Kazakhstan in 2022 (Source: IATA Report). The Air Astana Group believes that continued development in Kazakhstan's principal airports (Almaty Airport and Astana Airport), further de-regulation aimed at improving access (including open sky policies and visa-free access), and improved socioeconomic factors in Kazakhstan (Source: IATA Report) could facilitate the development of Kazakhstan's aviation market, cementing its position as a hub for international and near-home air traffic.

Air travel significantly improves connectivity in Kazakhstan

With a total land mass of 2.7 million km^2, Kazakhstan is the ninth largest country in the world and equivalent to the size of Western Europe. While Kazakhstan's 15,330 km rail, 23,000 km road and 490 km motorway network have been developed in recent years, the geographical complexities of Kazakhstan mean that ground transportation continues to be an inefficient travel option between cities in comparison to air transportation. In 2022, domestic passenger traffic in Kazakhstan was 35% above the level in 2019, notwithstanding the adverse impact to domestic air travel at the beginning of 2022 (Source: ADB Report). Due to the civil unrest in January 2022, Almaty Airport was closed for one week and domestic passenger traffic declined by approximately 50% compared to the prior month (December 2021) (Source: ADB Report). The domestic market recovered to the prior year level by the end of the first quarter of 2022 and remained above 2021 levels for the rest of the year (Source: ADB Report).

Kazakhstan flight / rail routes (distances from Almaty)

Source: Company estimate.

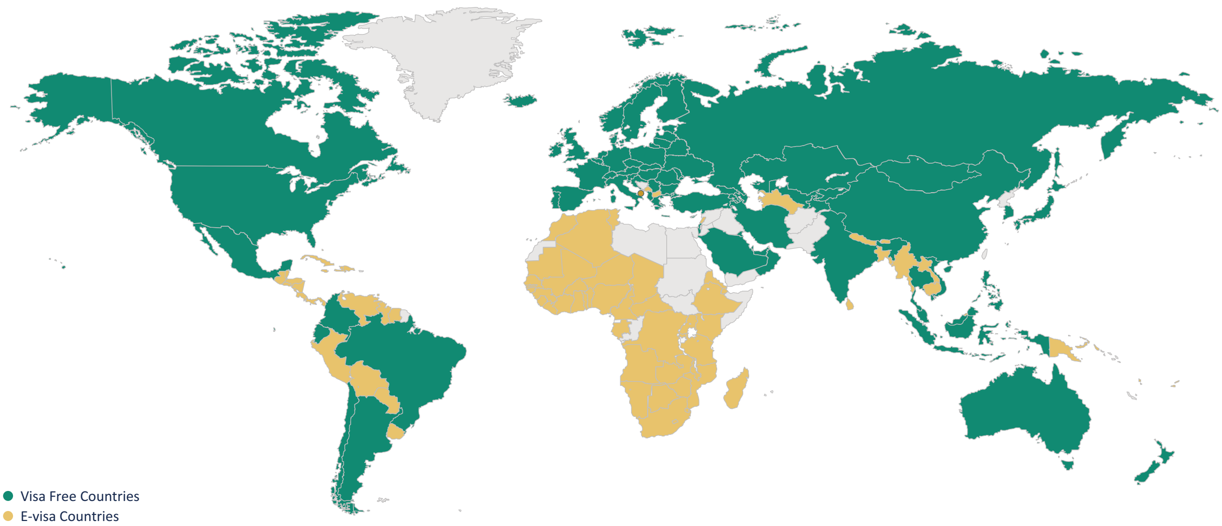
Key drivers for air travel originated from Kazakhstan

Kazakhstan's GDP per capita in 2022 was U.S. $11.2 thousand (Source: World Bank, World Development Indicators, 2022), and it is forecasted to grow at a 6.5% CAGR during the period from 2022 to 2030 (Source: EIU, Kazakhstan Country Report, 2023). In 2022, Kazakhstan's population was 19.6 million people, with an urban population of 57.6% (Source: IATA Report). By 2027, Kazakhstan's population is expected to increase by approximately one million, translating to approximately 400,000 incremental passenger journeys (Source: IATA Report). These factors, combined with 20% of the population in the middle class,[1] high internet penetration (approximately 81.9% in 2021) and good access to banking, show that Kazakhstan is well positioned for strong growth in air travel (Source: IATA Report).

The CAC has implemented an "open skies" policy at 13 international airports in the following key cities: Astana, Almaty, Taraz, Shymkent, Aktau, Semei, Karagandy, Ust-Kamenogorsk, Pavlodar, Petropavlovsk, Kokshetau, Turkistan and Aktobe (see "*Airline Regulation in Kazakhstan*"). Since the adoption of the policy, Kazakhstan has attracted new foreign carriers, developed healthy competition between carriers, stimulated the opening of new international routes and stimulated tourism demand. In January 2023, the CAC extended the "open skies" policy for five years, until December 2027.

Contributing factors to support international air travel include the Kazakhstan Government's continuous investment in tourism. Between 2020 and 2022, it invested U.S $4 billion into tourism development (Source: Government of Kazakhstan, Ministry of Tourism and Sports' statement, 20 September 2023) and continues to expand its visa-free programme with participating countries. Kazakhstan introduced its visa-free programme in 2014 with 19 countries. The visa-free programme has expanded over the years and led to rapid growth in tourism, with a 50% increase in visitor numbers between 2014 and 2018 (Source: ADB Report). By 2023, Kazakhstan had visa-free agreements with over 100 countries, including India and China, the world's most populous countries, and with another 100 countries allowing E-visas (Source: ADB Report).

Map of visa free programmes for Kazakhstani citizens



Source: ADB Report, Ministry of Foreign Affairs of the Republic of Kazakhstan.

Airport infrastructure and fleet capacity

As at September 2023, Kazakhstan had 27 airports with commercial operations (Source: IATA Report). The five bases from which Air Astana and FlyArystan operate account for the substantial majority of capacity of these airports. Regional terminals have shown the highest levels of growth in recent years. Kazakhstan is planning significant airport investments in the main cities and regions to support future market expansion (Source: IATA Report). Almaty Airport (operated by TAV and Groupe ADP) is currently investing U.S $200 million between 2022 and 2024 for a second international terminal (54,000 m^2), expected to be completed in 2024 (Source: TAV Airports, Almaty Airport, November 2023). This investment is expected to increase the total airport size from the current 25,000 m^2 to 79,000 m^2, providing capacity for approximately 14.0 million passengers annually (domestic: 8.0 million passengers; international: 6.0 million passengers), from its current capacity of 9.0 million passengers (domestic: 5.4 million passengers; international: 3.6 million passengers)

[1] Middle class cover the percentile 0.4 to 0.8 of the revenue pyramid within the total population.

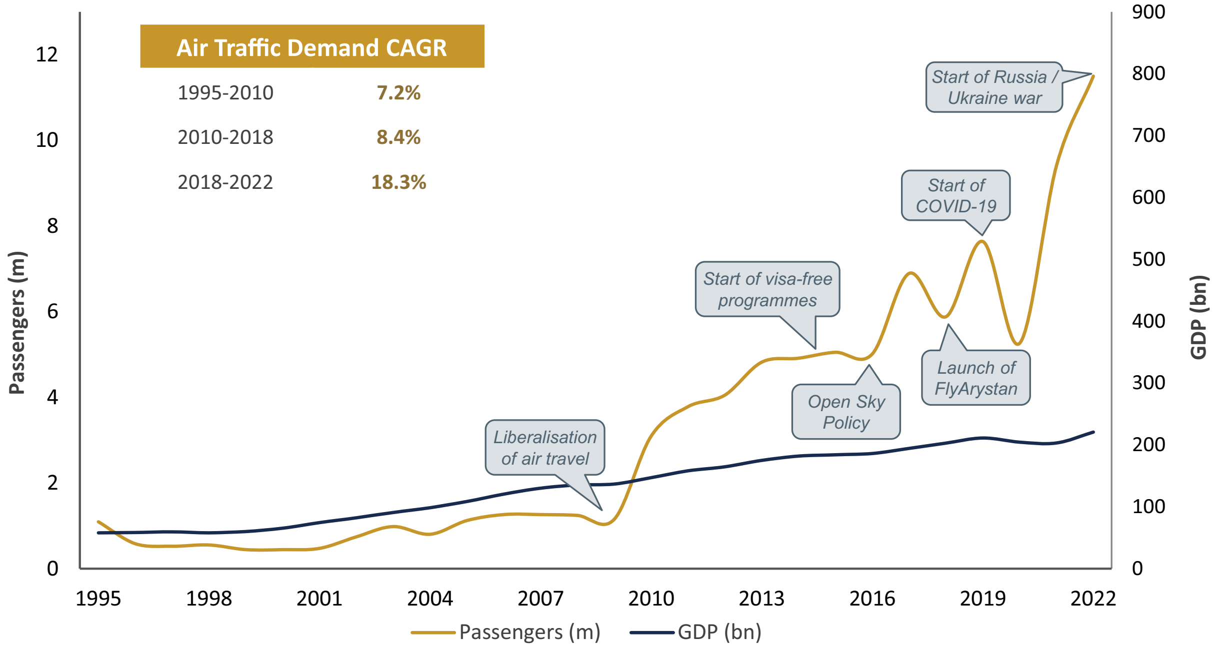
(Source: TAV Airports, Almaty Airport, November 2023). Astana Airport (operated by UAE's Terminal Holdings) also operates two terminals of approximately 72,200 m^2 following a 47,000 m^2 expansion completed in 2017, and currently provides capacity for 3.0 million domestic passengers, with the new terminal providing a capacity for 5.2 million international passengers.

In addition to airport infrastructure, the aviation capacity in Kazakhstan is also expected to expand rapidly (i.e., 13% CAGR in 2022 to 2027) to support the growing demand for air travel (Source: IATA Report). The domestic market constituted 9.1 million total seats in LTM September 2023 (Source: Company estimates).

Evolution of air travel demand in Kazakhstan

Since 2009, the aviation market has been stimulated by the liberalisation and growth of domestic airlines, launch of visa-free programmes and the "open skies" policy (Source: IATA Report). Demand has been accelerated further with the launch of FlyArystan in 2019. The LCC market in Central Asia more than tripled in size from 2019 to 2022, making it the fastest-growing low-cost travel market in the world (Source: ADB Report). The Kazakhstan aviation market has demonstrated significant resilience and recovery during the recovery from the COVID-19 pandemic.

GDP and air traffic demand in Kazakhstan (1995-2022)



Source: IATA Report.

Demand for air travel in Kazakhstan has been strongly correlated with GDP growth historically (Source IATA Report). Between 2010 and 2015, demand exceeded GDP growth, principally due to the expansion of local airlines (Source: IATA Report), with Air Astana increasing its fleet size from 22 aircraft to 30 aircraft over the period. From 2017, the introduction of the "open skies" policy enhanced the ability of foreign carriers to compete with local carriers. Notwithstanding the adverse impact on demand by the COVID-19 pandemic and the initial decrease in demand following the Russia-Ukraine conflict, passenger numbers have increased significantly between 2018 and 2022 by a CAGR of 18.3% (Source: IATA Report). In particular, the LCC market in Central Asia has more than tripled in size from 2019 to 2022, making it the fastest-growing low-cost travel market in the world (Source: ADB Report). This increase in demand for air travel since 2019 has been primarily driven by the launch and development of FlyArystan; FlyArystan's passenger traffic increased 366% from 700,000 passengers to 3.26 million passengers between 2019 and 2022 (Source: ADB Report).

Propensity to travel

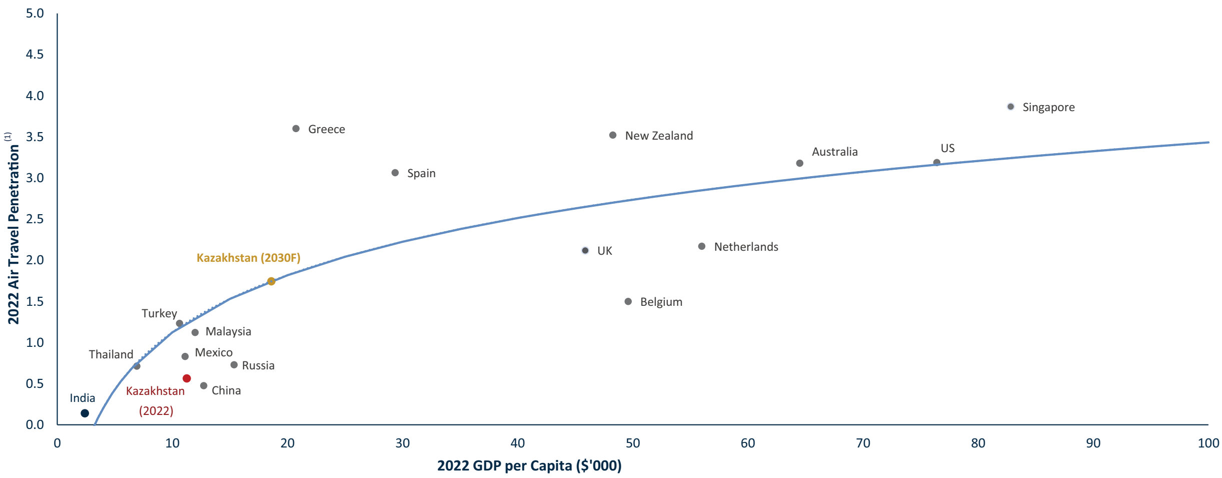
Growth in Kazakhstan's domestic passenger traffic has seen an improved propensity to travel in recent years. For example, domestic traffic grew from 4.0 million in 2016 to 7.5 million in 2022 (CAGR of 11.0%)

(Source: IATA Report). During the same period, the domestic propensity to travel nearly doubled, from 0.22 in 2016 to 0.42 in 2022.[2]

The adverse impact on air travel demand caused by the COVID-19 pandemic has been offset by a rebound after the disruption. In particular, the total annual passengers grew at a CAGR of 6.7% between 2015 and 2019 compared to a 6.0% CAGR post COVID-19 between 2019 to 2022, with total passenger numbers in 2022 reaching 13.0 million, surpassing pre-pandemic levels in 2019 of only 10.9 million. This growth was supported by an increase in the domestic propensity to travel over the same period (Source: IATA Report).

Despite growth in recent years, Kazakhstan's propensity to travel (including both domestic and international traffic) remains lower than countries with similar GDP per capita, for example, Turkey and Malaysia (Source: World Bank, World Development Indicators, 2022).[3] GDP per capita in Kazakhstan is expected to reach approximately U.S. $18.6 thousand by 2030, which, when compared to countries with similar GDP per capita, implies a propensity to travel of 1.75 compared to the propensity to travel in Kazakhstan of 0.6 in 2022.

Propensity to travel vs. GDP per capita in 2022



Source: Company information, EIU, RDC, Ministry of the National Economy, Kazakhstan Civil Aviation Committee, Kazakhstan IATA Direct Data Solutions. RDCapex.

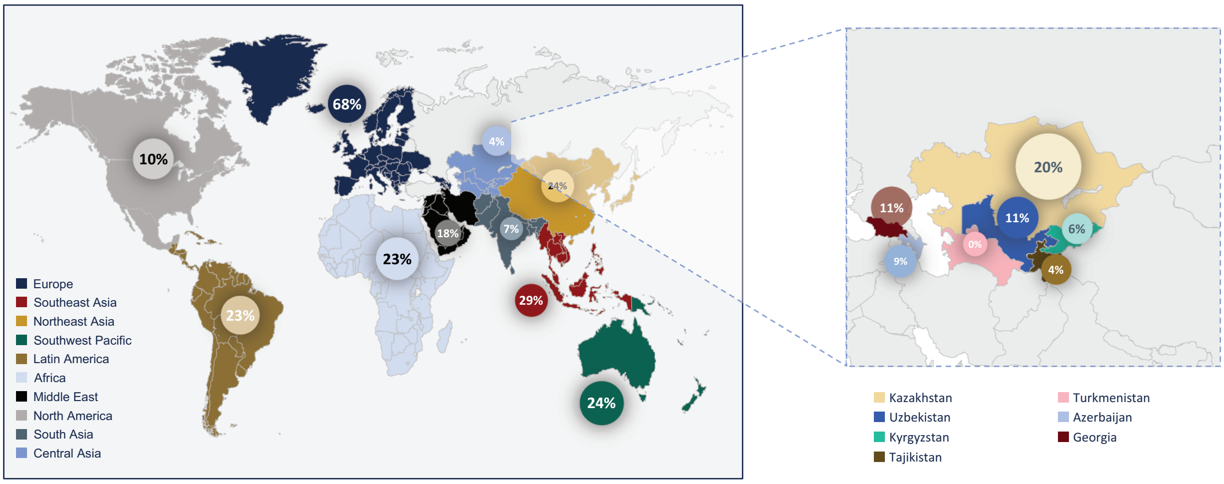
Compared to other regions (see map below), Central Asia has the least developed intra-regional connectivity by air (4%), as measured by an intra-regional seat capacity as a percentage of its total international seat capacity (Source: ADB Report). North America is one of the most developed regions in air travel, however the low intra-regional connectivity percentage is due to fewer countries in the region and the majority of international travel being to destinations outside of the region. Regions such as Southeast Asia and Europe, with recognised superior interconnectivity, show 29% and 68% in this ratio, respectively, evidencing the further upside potential of the Central Asian market (Source: ADB Report). Historical reasons for low connectivity within the region include taxes, fees and charges imposed by airports at levels above global average, extensive visa requirements and lack of government programmes to incentivise intra-regional travel. Low frequencies on intra-regional routes constitute an additional opportunity to increase connectivity. Higher frequency coverage tends to stimulate demand for both tourism and business travel, and in turn drive air travel demand.

Within Central Asia, Kazakhstan is the best-connected country to other countries in the region, with a 20% intra-regional seat capacity, compared to an overall regional connectivity of 4% only (Source: ADB Report). The Air Astana Group expects that Kazakhstan-based carriers will be able to capitalise their existing network to further improve connectivity within the region and views the existing low intra-regional connectivity as one of its three growth opportunities (accompanied by the low propensity for travel in Kazakhstan and its proximity to mega markets including China and India).

2 Domestic propensity to travel is measured by dividing the total domestic departing seats by the total population at the beginning of a given year.

3 Total propensity to travel calculated by dividing international and domestic departing seats by total population in a given year.

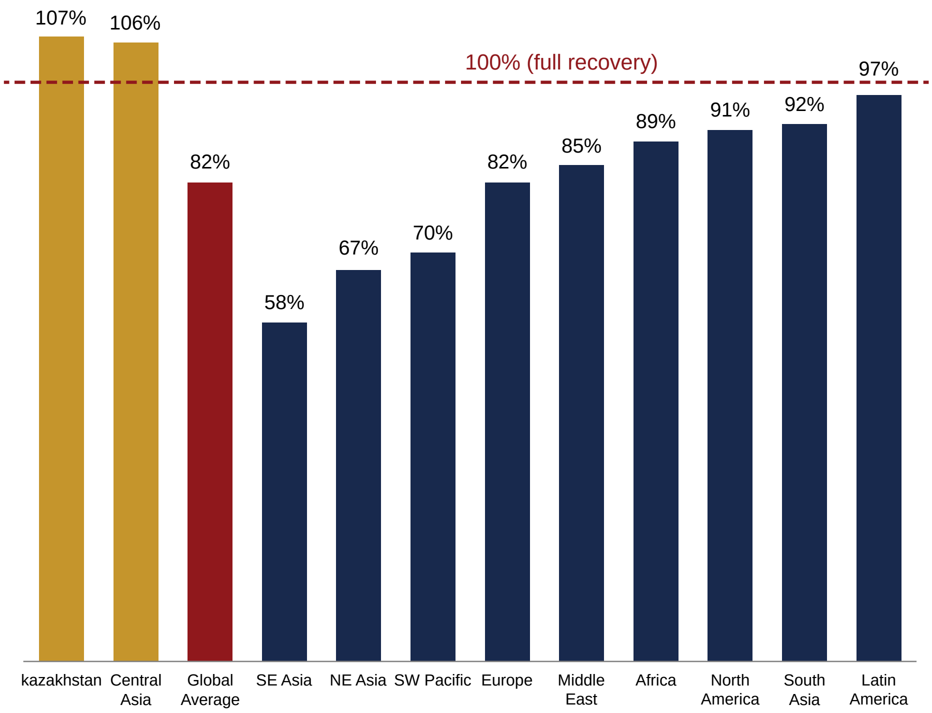
Intra-regional connectivity by region (2022)



Source: ADB Report.

Recovery from the COVID-19 pandemic

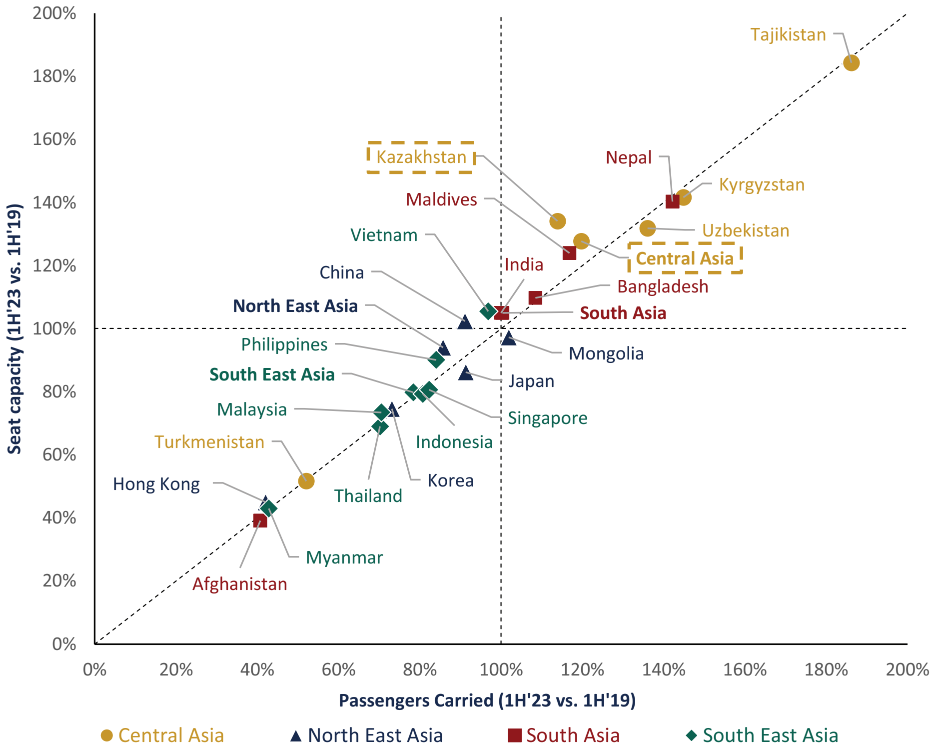
Seat capacity recovery (2022 vs. 2019)



Source: ADB Report.

Through to the end of 2022, global seat capacity continues to be below 2019 levels, while Central Asia has recovered at a faster rate, with capacity (measured by ASK) growing above 2019 levels (Source: IATA Report).

Seat capacity and passenger recovery in Asia (1H 2023 vs. 1H2019)



Source: © International Air Transport Association, 2019. IATA, Chart of the week, In Asia the recovery is strongly led by the central region. All Rights Reserved. Available on IATA Economics page.

All Central Asian countries, except for Turkmenistan, achieved a complete recovery in seat capacity and passenger numbers by the end of the first half of 2023 (compared to the first half of 2019 levels); Kazakhstan's recovery was mostly driven by a strong domestic market that increased by 56% in terms of annual passengers (compared to 2019 levels) (Source: IATA, Chart of the Week, In Asia the recovery is strongly led by the central region, 27 October 2023).

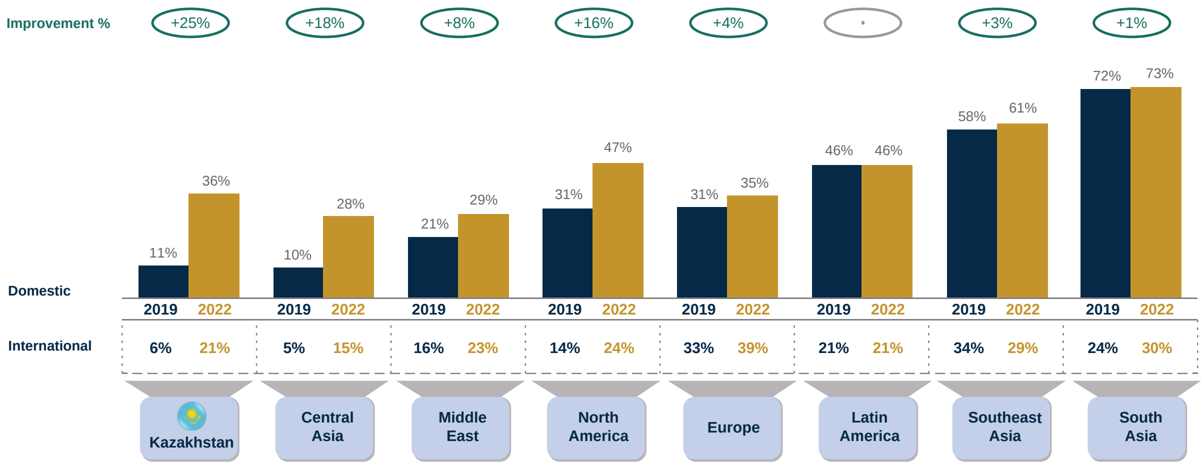
In relation to international seat capacity, the recovery of Kazakhstan to 2019 levels was adversely impacted by the advent of the Russia-Ukraine conflict resulting in the cessation of impacted routes for certain local carriers. For instance, Air Astana ceased routes to or over Russia and Ukraine following the Russia-Ukraine conflict. Nevertheless, international seat capacity in Kazakhstan during the first quarter of 2023 surpassed levels reported during the first quarter of 2019 (Source: ADB Report). Overall, domestic demand increased by a CAGR of 14.3% between 2018 and 2022 (Source: IATA Report), becoming one of the world's fastest-growing domestic air transport markets between 2019 and 2022 (Source: ADB Report). Domestic demand is estimated to increase by a CAGR of 9% between 2022 and 2027 (Source: IATA Report).

LCC market

The following chart shows the penetration rate[4] of LCCs split by domestic and international routes for the period and geographies indicated:

[4] Seats flown by LCCs as a percentage of total seats flown.

Low-cost carrier penetration rate (2019 vs. 2022)



Source: ADB Report.

In 2022, Central Asia was one of the few regions with LCC penetration rates below 25%, alongside Northeast Asia (11%), Africa (13%) and the Middle East (24%) (Source: ADB Report). In 2019, LCCs accounted for only 7% of total scheduled seat capacity in Central Asia growing to 20% in 2022.

Key international opportunities for Kazakhstani airlines

Kazakhstan's strategic location provides access, within a seven-hour range, to travel markets within some of the most populous regions of the world. This range includes destinations in Asia, the Middle East and the European Union, among others. As a result, in addition to the near-home opportunities in Central Asia and the Caucasus, carriers operating from Kazakhstan can reach markets with medium and large populations, relevant purchase power, active air travel dynamics and a favourable regulatory environment. Overall, international traffic is estimated to increase by a CAGR of 16% between 2022 and 2027 (Source: IATA Report).

The international market[5] constituted 5.9 million total seats in LTM September 2023 (Source: Company estimate). Within that total, Central Asia and the Caucasus region,[6] Europe and Turkey,[7] the Middle East[8] and Southeast and East Asia[9] constituted 2.1 million, 2.4 million, 1.4 million and 0.8 million total seats (Source: Company estimate).

Central Asia and Caucasus section

In 2022, GDP per capita in Uzbekistan, Georgia, Kyrgyzstan and Azerbaijan was U.S. $2.3 thousand, U.S. $6.6 thousand, U.S. $1.6 thousand and U.S. $7.7 thousand (Source: World Bank, World Development Indicators, 2022). In the same year, the population of these countries was 35.6 million, 3.7 million, 6.8 million and 10.2 million, (Source: World Bank) while air travellers totalled approximately 7.9 million, 4.4 million, 5.0 million and 1.0 million (Source: Company estimate).

European Union

In 2022, the GDP per capita, population and total air travellers in the EU were U.S. $37.1 thousand, 448 million (Source: World Bank, World Development Indicators, 2022) and 820 million, respectively (Source: EU Commission, Eurostat).

India

In 2022, the GDP per capita, population and total air travellers in India were U.S. $2.4 thousand, 1.4 billion (Source: World Bank, World Development Indicators) and 123.2 million, respectively (Source: India Ministry

[5] The international market means the international routes departing from airports in Kazakhstan.

[6] Total seats for Central Asia and Caucasus includes: Kazakhstan, Armenia, Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

[7] Total seats for Europe and Turkey includes: Germany, the UK, Greece, Hungary, Italy, Montenegro, Netherlands and Poland.

[8] Total seats for the Middle East includes: UAE, Egypt, Israel, Kuwait, Oman, Qatar and Saudi Arabia.

[9] Total seats for Southeast and East Asia includes: China, India, South Korea, Mongolia, Thailand, Pakistan and the Maldives.

of Civil Aviation). Since May 2023, travel to Kazakhstan is visa-free for Indian passport holders (Source: ADB Report).

China

In 2022, the GDP per capita, population and total air travellers in China were U.S. $12.7 thousand, 1.4 billion (Source: World Bank, World Development Indicators, 2022) and 253 million, respectively (Source: CEIC, China Tourism Industry Overview).

Turkey

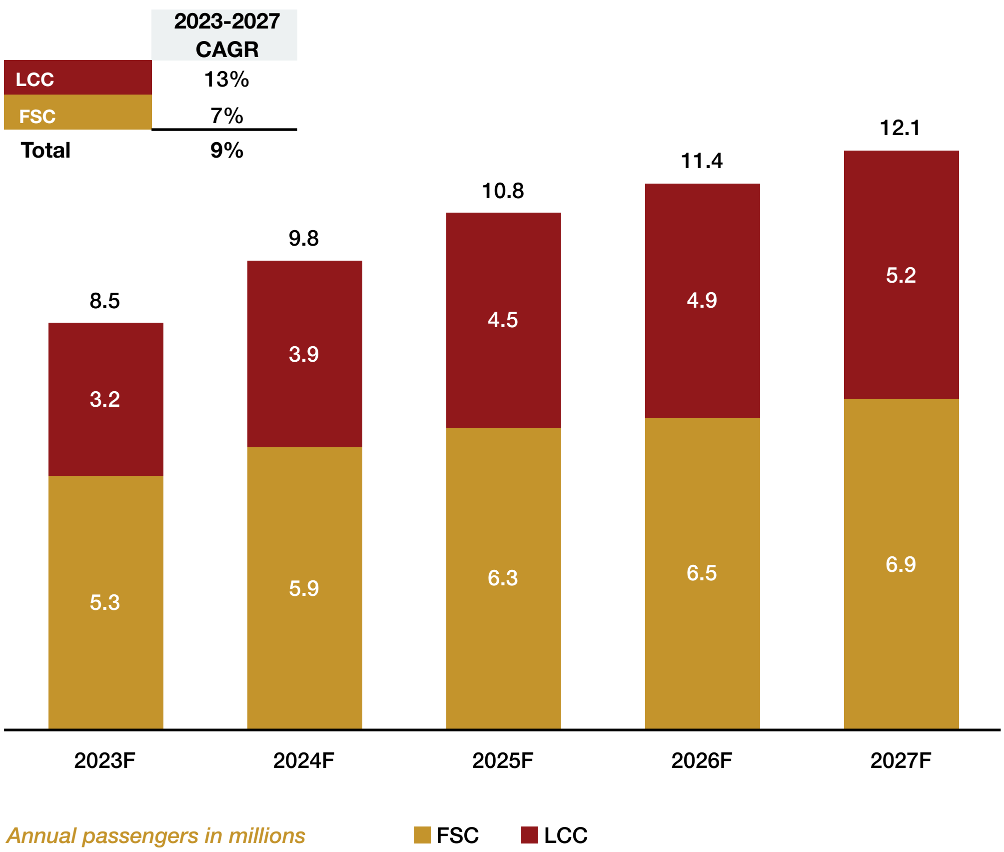
In 2022, the GDP per capita, population and total air travellers in Turkey were U.S. $10.6 thousand, 85 million (Source: World Bank, World Development Indicators, 2022) and 182.3 million, respectively (Source: Company estimate).

Middle East

In 2022, the GDP per capita, population and total air travellers in the Middle East were U.S. $45.1 thousand, approximately 59 million (Source: World Bank, World Development Indicators, 2022) and approximately 249 million,[10] respectively (Source: Company estimate).

Domestic and international air traffic outlook

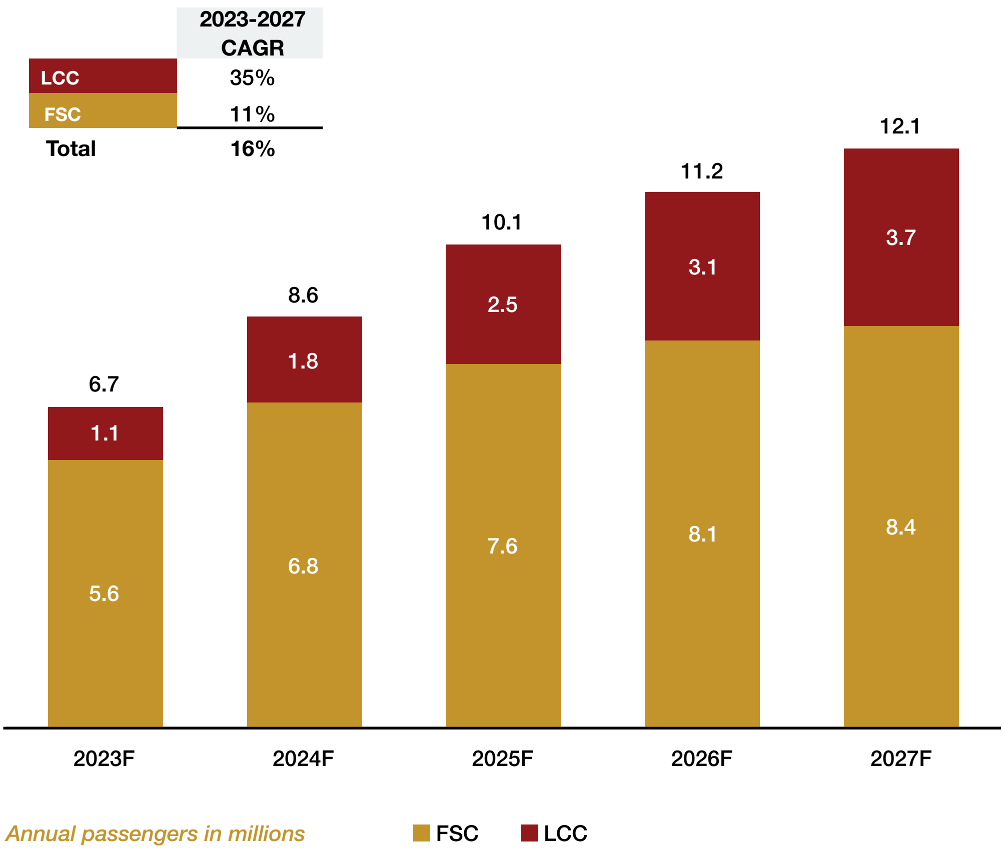
Kazakhstan domestic traffic outlook



Source: IATA Report.

[10] Middle East includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE and does not include Iran, Israel, Syria and Yemen.

Kazakhstan international traffic outlook



Source: IATA Report.

Kazakhstan's total air traffic is expected to increase from approximately 13.1 million passengers in 2022 to 24.2 million passengers in 2027, with a 13% CAGR during the five-year period (Source: IATA Report). The international market is expected to grow at a higher rate than the domestic market, which would result in an equal split of the two markets in 2027 (Source: IATA Report). The share of the LCCs would potentially increase to approximately 43% and 31% for the domestic and international markets, respectively, gaining further penetration as compared to current levels (Source: IATA Report).

Business

Overview

The Air Astana Group is the largest airline group in Central Asia and the Caucasus with 69% and 40% of market share on domestic and intra-regional routes from Kazakhstan, respectively (LTM September 2023). Through its young and modern fleet of 47 aircraft (30 September 2023), it provides scheduled, point-to-point and transit, short-haul and long-haul air travel and cargo on domestic, intra-regional and international routes across Central Asia, the Caucasus, Europe (including Turkey), the Middle East and Asia (including India and China). In the nine months ended 30 September 2023, the Air Astana Group carried approximately 6.0 million passengers on approximately 41.0 thousand flights on 99 routes across 21 countries, compared to approximately 7.3 million passengers on approximately 52 thousand flights on 88 routes across 16 countries in the year ended 31 December 2022. The Air Astana Group's two differentiated but complementary brands (Air Astana, its full-service brand and the flag carrier of Kazakhstan, and FlyArystan, its LCC brand) allow the airline to target different customer markets and geographies, providing choice across a range of customer needs and travel purposes.

From its two airport hubs and five bases in Kazakhstan, the Air Astana Group maintains high safety standards, providing maintenance and support to its own airline brands as well as 22 other airlines. Since 2019, the Air Astana Group has conducted its own heavy maintenance C-checks for its Airbus fleet, and its "Technical Centre" at Astana Airport consists of hangar designed to remain fully operational under severe weather conditions. The Air Astana Group's Training Academy at Almaty Airport is European Union Aviation Safety Agency ("**EASA**") Part 147 approved and performs all necessary technical training for engineering and maintenance, including A320 family technical training. Since 2023, the Flight Training Centre at Astana Airport has been equipped with an L3 Harris Reality Seven A320 Full-Flight Simulator, the first and only of its kind in Kazakhstan, as well as a Cabin Emergency Evacuation Trainer and Real Fire Fighting Trainer. Since the start of operations in 2002, the Air Astana Group has carried more than 65 million passengers safely with no accidents during passenger or cargo operations.

The Air Astana Group believes that it has demonstrated operational and financial resilience through the double crisis of the COVID-19 pandemic and the Russia-Ukraine conflict, for example, by redeploying capacity to new "lifestyle" destinations and expanding its "near-home" markets of Central Asia and the Caucasus. As a result, the Air Astana Group recovered at a faster rate compared to global averages. Between 2018 and 2022, the Air Astana Group's CAGR in domestic traffic was 27%, whereas its CAGR in international traffic decreased slightly by 3%.[11] The Air Astana Group grew from an operating loss of U.S. $69.3 million in the year ended 31 December 2020, to an operating profit of U.S. $148.7 million in the year ended 31 December 2022, while generating a CAGR in revenue of 60.6% for the three years ended 31 December 2022. During LTM September 2023, the Air Astana Group achieved 156% of 2019 passenger numbers (LTM September 2023: 8.0 million), 140% of 2019 RPK levels (LTM September 2023: 14.6 billion) and 132% of revenue generated in 2019 (LTM September 2023: U.S. $1,186 million). The Air Astana Group achieved this growth while maintaining competitive CASK levels; its CASK ex-fuel cumulatively decreased by 13% over the same period. Based on the Company's estimates, the Air Astana Group's CASK and CASK ex-fuel are among the lowest of its internationally comparable peers.

In the nine months ended 30 September 2023 and 2022, the Air Astana Group's profit for the period was U.S. $72.4 million and U.S. $61.0 million, respectively, in the years ended 31 December 2022 and 2021, its profit for the year was U.S. $78.4 million and U.S. $36.2 million, respectively, and in the year ended 31 December 2020, its loss for the year was U.S $93.9 million. In the nine months ended 30 September 2023 and 2022, the Air Astana Group's Adjusted EBITDAR was U.S. $249.8 million and U.S. $218.3 million, respectively and, during the same periods, its CASK was 5.8¢ and 5.4¢ and its CASK ex-fuel was 4.3¢ and 4.0¢. For the years ended 31 December 2022, 2021 and 2020, the Air Astana Group's Adjusted EBITDAR was U.S. $288.4 million, U.S. $224.9 million and U.S. $33.0 million, respectively, and during the same period, its CASK was 5.6¢, 5.0¢ and 5.8¢ and its CASK ex-fuel was 4.1¢, 4.0¢ and 4.7¢.

The Air Astana airline brand

Launched in 2002, Air Astana is Kazakhstan's flag carrier and largest airline brand by revenue and fleet size. As a full-service airline brand, it provides scheduled and charter, point-to-point and transit, short-haul and long-haul air travel and cargo on domestic, regional and international routes. Air Astana offers a network of predominately point-to-point routes in growing markets to tap into increasing levels of mobility in Kazakhstan and its near-home markets. Its primary focus is on business and leisure routes (branded as "lifestyle routes"),

[11] Based on passengers flown.

which include destinations such as the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey, Egypt and the UAE. Its partnership strategy is to work with carriers that provide the most compelling network distribution and opportunity from the hubs that Air Astana operates. As of 30 September 2023, Air Astana entered into agreements with seven code-share partners and 89 interline agreements (as defined in "*Glossary of Terms and Definitions*").

As at 30 September 2023, Air Astana operated 30 aircraft from two hubs (Almaty and Astana) in Kazakhstan, serving 39 routes internationally and 11 routes domestically. Air Astana has a natural advantage due to the location of its two principal hubs at the airports in Almaty and Astana, allowing Air Astana to reach Central Asia, the Caucasus, Europe, the Middle East and Asia with its narrow body fleet. The airline brand operates a fleet of young Airbus A320 family, Embraer E190 and Boeing B767 aircraft (average age: 4.7 years as at 30 September 2023), in dual-class configuration, with a dedicated crew providing a high level of hospitality aiming to generate high levels of passenger loyalty and satisfaction.

In the nine months ended 30 September 2023 and 2022, Air Astana's operating profit was U.S. $107.5 million and U.S. $96.1 million, respectively, for the years ended 31 December 2022 and 2021, its operating profit was U.S. $129.5 million and U.S. $100.8 million, respectively, and in the year ended 31 December 2020, its operating loss was U.S. $51.2 million. In the nine months ended 30 September 2023 and 2022, Air Astana's Adjusted EBITDAR was U.S. $226.2 million and U.S. $196.8 million, respectively and, during the same periods, its CASK was 6.9¢ and 6.4¢ and its CASK ex-fuel was 5.2¢ and 4.9¢. For the years ended 31 December 2022, 2021 and 2020, Air Astana's Adjusted EBITDAR was U.S. $266.8 million, U.S. $222.2 million and U.S. $50.9 million, respectively, and during the same period, its CASK was 6.6¢, 6.2¢ and 6.8¢ and its CASK ex-fuel was 5.0¢, 5.1¢ and 5.7¢.

The FlyArystan airline brand

Entering the market in 2019, FlyArystan was one of the first LCCs in Central Asia. It provides scheduled short-haul and medium-haul, point-to-point air travel across Kazakhstan and further into the Caucasus, Central Asia, Turkey and the Middle East. The Air Astana Group manages FlyArystan as an independent LLC brand, allowing the brand to leverage the LCC business model used in Asia, the US and Europe to offer its customers consistently low fares, aiming to stimulate demand in underserved markets. Focusing on point-to-point travel, management believes that FlyArystan has contributed to significant local market growth and a behavioural change of the local population in domestic air travel; in 2018, the year before FlyArystan's launch, domestic traffic totalled 4.3 million passengers, compared to 8.1 million passengers in 2022, an increase of approximately 88%. From 2019 to 2022, FlyArystan's CAGR in domestic traffic was 61%.

As at 30 September 2023, FlyArystan operated 17 narrow-body aircraft from all the Air Astana Group's five bases across Kazakhstan (Almaty, Astana, Shymkent, Aktau and Atyrau), serving ten routes internationally and 34 routes domestically. Its diversified base strategy allows FlyArystan to access key international destinations, such as Qatar (Doha) and Turkey (Istanbul). Key elements of its LCC business model include a strong focus on costs, a uniform A320 family aircraft fleet with high-density (180 or 188 seats) all-economy seating, outsourced services, direct sales strategies and strict supplier cost management (including airport discounts). Furthermore, in the year ended 31 December 2022, FlyArystan maintained a high daily aircraft utilisation of 10.1 hours in comparison with internationally comparable peers.

In the nine months ended 30 September 2023 and 2022, FlyArystan's operating profit was U.S. $28.6 million and U.S. $23.6 million, respectively, in the years ended 31 December 2022 and 2021, its operating profit was U.S. $25.3 million and U.S. $5.7 million, respectively, and in the year ended 31 December 2020, its operating loss U.S. $14.3 million. In the nine months ended 30 September 2023 and 2022, FlyArystan's Adjusted EBITDAR was U.S. $60.7 million and U.S. $48.0 million, respectively and, during the same periods, its CASK was 4.8¢ and 4.2¢ and its CASK ex-fuel was 3.4¢ and 3.0¢. For the years ended 31 December 2022, 2021 and 2020, FlyArystan's Adjusted EBITDAR was U.S. $58.6 million, U.S. $35.0 million and U.S. $3.0 million, respectively, and during the same period, its CASK was 4.3¢, 3.7¢ and 3.8¢ and its CASK ex-fuel was 3.0¢, 2.7¢ and 2.8¢.

Key strengths

The Company believes that the Air Astana Group competes successfully in the airline industry by exploiting the following business strengths:

A full-service carrier and a low-cost carrier under one group, with differentiated strategies to grow

By utilising its two distinct brands, the Air Astana Group operates more routes and serves more destinations than any other airline in Kazakhstan, Central Asia and the Caucasus. The Air Astana Group offered flights to 54 destinations through 92 routes in 2023. As at 30 September 2023, the Air Astana Group reaches these destinations with its predominantly narrow-body fleet of 47 aircraft, the largest of all airlines in Kazakhstan, Central Asia and the Caucasus. As a result, the Air Astana Group has established itself as the leading airline in Kazakhstan, with a combined market share in domestic, intra-regional and international routes of 69%, 40% and 47%, respectively, reflecting, in the same markets, a market share of Air Astana of 31%, 27% and 38%, respectively, and a market share of FlyArystan of 38%, 13% and 9%, respectively (LTM September 2023).

The Air Astana Group supplemented its established full-service brand with an LCC, one of the first in Kazakhstan. Since then, it has managed the growth of the brands using different strategies in parallel, with limited cannibalisation. The brands complement each other in several ways:

- **Market positioning.** Air Astana is positioned as a full-service carrier with a primary focus on business and lifestyle travel. FlyArystan is positioned as a low-cost market disrupter targeting price-conscious customers with a willingness to travel;
- **Network and destinations.** Air Astana services a broad network of locations within an approximately seven-hour radius of at least one of its Kazakhstan base airports. This allows the airline to service international routes to multiple locations across Europe (such as London and Frankfurt from Aktau) and Asia (such as Beijing and Bangkok from its hubs in Almaty and Astana). FlyArystan has an expanding network in the domestic markets and near-home markets within a four-and-a-half hour radius of its five bases in Kazakhstan; and
- **Fleet.** Air Astana operates a fleet of young, modern aircraft with a two-class configuration across the Airbus A320 family, Boeing 767 and Embraer E190. In comparison, FlyArystan operates Airbus A320 family aircraft, which have been configured to support high-density, single-class seating.

The Air Astana Group has focused on mitigating cannibalisation between the two brands by both accentuating differentiated market positioning and utilising complementary route planning. For example, a significant majority of Air Astana routes are operated from Almaty airport as compared to a much smaller proportion of routes of FlyArystan. A very small proportion of the Air Astana Group international routes are shared routes between the two brands and on those routes that are shared (for example, Almaty—Delhi and Astana—Tashkent).

Each of the Air Astana Group brands has been awarded for the quality of their services. Air Astana has been awarded “Best Airline in Central Asia and CIS” in the Skytrax World Airline Awards for 2022 and 2023. This is the eleventh time that Air Astana has received the regional award for Central Asia, with eight consecutive successes between 2012 and 2023. Within three years of launch, FlyArystan became one of 13 LCCs globally to be certified as a 4-Star Low-Cost Airline, with no other LCC having been awarded a 5-Star rating.

Operational efficiency which is supported by a young and modern fleet and advanced technical and training facilities

The Air Astana Group operates a modern fleet of Airbus, Embraer and Boeing aircraft with an average age across the entire fleet of 5.2 years as at 30 September 2023, which results in lower maintenance costs and lower fuel consumption as compared to an older or non-uniform fleet. The average fleet age for the Air Astana Group is lower than that of internationally comparable network carriers[12] and amongst the lowest of internationally comparable LCCs.[13]

The COVID-19 pandemic provided the Air Astana Group with the opportunity to begin a process of fleet simplification, beginning with the early retirement of the entire Embraer 190 and Boeing 757 fleets, the last of which departed in early 2021. As part of this strategy, the Air Astana Group will focus on eliminating all remaining Embraer aircraft from its fleet. This programme of fleet simplification is intended to result in a fleet that is focused on modern, fuel-efficient Airbus A320 and A321 family aircraft, alongside three Boeing 787 aircraft for longer international routes flown by Air Astana.

The simplification of the Air Astana Group fleet has also created additional opportunities for efficient, insourced routine and non-routine maintenance functions. The Air Astana Group is the first airline in

[12] Cathay Pacific, Delta, American Airlines, United Airlines, Lufthansa, IAG, Air-France KLM, Qantas, Singapore Airlines, Turkish Airways (based on most recent published annual reports).

[13] Southwest, EasyJet, IndiGo, Air Asia, Jazeera, RyanAir, Wizz Air (based on most recent published annual reports).

Kazakhstan to be EASA Part 145 certified for heavy maintenance C-checks on Airbus A320 family aircraft and, since 2019, the Air Astana Group has brought in-house heavy maintenance at C-check level for this aircraft type. The most complex of these heavy maintenance levels are the six-year and 12-year checks, which the Air Astana Group has performed regularly since the end of 2023. The Air Astana Group estimates that partially bringing in-house C-checks will result in annual savings of approximately U.S. $3.0 million and has reduced aircraft down-time for C-checks by between 14% and 18%.

The Air Astana Group also maintains a fully integrated aviation training centre for pilot, cabin crew and fire-fighting training. This includes Kazakhstan's first ever full-flight simulator (L3 Harris Reality Seven A320 Full-Flight Simulator). By providing flight training in-house, Air Astana Group benefits from a significant reduction in training and travel time (approximately 25% time saved over 1,000 pilot days) as its pilots can limit the time required to travel to complete training overseas, resulting in annual savings of approximately U.S. $4.0 million.

A clear leader in the home market and Central Asia and Caucasus regions which is well positioned for untapped growth opportunities

Kazakhstan

Air travel is positioned to be an important facilitator of economic growth in Kazakhstan. This is even more important given the geography of Kazakhstan, which is the ninth largest country in the world by surface area (Source: IATA Report). With a 27-hour drive from Almaty (Southeast Kazakhstan) to Aktobe (Northwest Kazakhstan), the same distance between airports in those cities can be covered in a flight of less than three hours. The Company considers that these large distances make internal air travel across 27 commercial airports in Kazakhstan (Source: IATA Report) a compelling alternative to ground transportation. The Kazakhstan air traffic market has demonstrated consistent recent growth. According to the CAC, the total domestic and international passengers in Kazakhstan increased at a CAGR of 15.0% from 2019 to 11.5 million passengers in 2022. This followed a prolonged period of growth, where Kazakhstan air traffic volumes expanded at a 10.3% CAGR from 2013 to 2019. Despite this growth, the propensity to travel, or air travel penetration (as measured by the number of annual trips by air per inhabitant), is 0.6 (2022), and 0.4 (2022) for domestic travel[14] which is approximately half of the air travel penetration of other countries with similar GDP per capita for the same period, including Malaysia (U.S. $12.0k GDP per capita, 1.1 air travel penetration), Turkey (U.S. $10.6k GDP per capita, 1.2 air travel penetration) and Mexico (U.S. $11.1k GDP per capita, 0.8 air travel penetration) (Source: Company information, EIU, RDC, Ministry of the National Economy, Kazakhstan Civil Aviation Committee, Kazakhstan IATA Direct Data Solutions, and RDCapex). As the incumbent market leader in aviation in a country with a large landlocked landmass and few viable transport alternatives, the Air Astana Group is well positioned to benefit from any increase in air travel penetration.

Central Asia and Caucasus regions

The Central Asia and Caucasus regions has a population of 95 million (including Kazakhstan) compared to 19.6 million in Kazakhstan (source: World Bank, World Development Indicators, 2022). The region comprises a set of economies that have undergone recent market reforms but remain developing economies. The Company considers that each of the major economies within the region can be differentiated based on economic standing (as measured by GDP per capita), population size and the degree to which each air travel market allows access to foreign carriers. Intra-regional air connectivity within Central Asia is 4%, measured by intra-regional seat capacity as a percentage of international seat capacity in the region, as compared to intra-regional seat capacity of, for example, 18% in the Middle East, 29% in Southeast Asia and 23% in Latin America (Source: ADB Report). The Company believes that this represents an opportunity for the airline to grow into its near-home markets with short-haul flights as demand for intra-regional travel expands. As of September 2023, the Air Astana Group operated 71 weekly frequencies to the Central Asia and Caucasus regions. In particular, the Air Astana Group takes advantage of the economic and demographic potential of the following near-home markets:

- Georgia (3.7 million population, U.S. $6.6 thousand GDP per capita (Source: World Bank, World Development Indicators, 2022)): the two countries benefit from an"open skies" regime. With 15 weekly flights by Air Astana and 12 by FlyArystan, Georgia has become the third largest international destination for the Air Astana Group, representing 11% of the Air Astana Group's international routes by destination (LTM September 2023). The highest number of frequencies served by the Air Astana Group in the Central

[14] Air travel penetration (international) is defined as the total international and domestic departing seats in 2022 divided by total population in 2022. Air travel penetration (domestic) is defined as the total number of domestic passengers divided by total population (at the beginning of the year)

Asia and Caucasus region were between Kazakhstan and Georgia: served by FlyArystan into Kutaisi, the secondary airport of the capital, and Air Astana into Tbilisi and the Black Sea resort of Batumi;

- Uzbekistan (35.6 million population, U.S. $2.3 thousand GDP per capita (Source: World Bank, World Development Indicators, 2022)): Uzbekistan is the second-largest economy in Central Asia, and Kazakhstan benefits from increasing trade between the two countries. The recent expansion of traffic rights in 2023 has resulted in higher international connectivity, with 17 weekly flights by Air Astana and four by FlyArystan (September 2023). Growth in air travel served by the Air Astana Group has particularly focused on main centres such as Tashkent and Samarkand, with the potential to further extend the network to other centres within Uzbekistan;
- Azerbaijan (10.2 million population, U.S. $7.7 thousand GDP per capita (Source: World Bank, World Development Indicators, 2022)): Azerbaijan is one of Kazakhstan's largest trade and economic partners in the region, with which Kazakhstan seeks to increase trade volumes. In September 2023, the Air Astana Group had four weekly flights by Air Astana and five by FlyArystan;
- Kyrgyzstan (6.8 million population, U.S. $1.6 thousand GDP per capita (Source: World Bank, World Development Indicators, 2022)): the two countries benefit from an"open skies" regime, supporting ten weekly flights by Air Astana (September 2023). In 2021, Kazakhstan was one of Kyrgyzstan's largest trading partners; and
- Tajikistan (10.0 million population, U.S. $1.1 thousand GDP per capita (Source: World Bank, World Development Indicators, 2022)): Tajikistan represents a smaller market for Air Astana, with four weekly flights to the country (September 2023).

Easy access to air travel mega markets, accelerating Air Astana's international expansion

The Air Astana Group has a geographic advantage due to the location of its two principal hubs at Almaty and Astana, with connectivity to Central Asia and the Caucasus, Europe, the Middle East and Asia with its narrow-body fleet. Narrow-body aircraft have a lower breakeven load factor to cover direct operational costs which creates the opportunity for greater profit generation on flights compared to other airlines operating wide-body aircraft travelling from more distant hubs. In particular, the Air Astana brand leverages its geographic position to serve as a Eurasian hub for traffic originating from the Western and Eastern hemispheres into the Central Asia and Caucasus region (and the reverse), providing a lower detour factor than competing hub locations for many transit flights. For example, Kazakhstan neighbours the Xinjiang region of China (capital Urumqi) with a flight time of only one hour and thirty minutes from Almaty, shorter than many domestic routes of the Air Astana Group, whilst central China, such as Xi'an, is within four hours, and Beijing five hours. India (Delhi) is within reach with a flight time of two hours and thirty minutes from Shymkent, and the UAE (Dubai) is less than four hours away.

The Air Astana Group was required to substantially reconstruct its route network in response to market disruption caused by the COVID-19 pandemic and the Russia-Ukraine conflict. This double crisis necessitated the cancellation of some routes, which Air Astana predominantly replaced with point-to-point travel focused on lifestyle destinations. Examples of these routes include the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey and the Red Sea. By focusing on lifestyle destinations, Air Astana targets a customer base which is less price-sensitive in order to improve unit revenue, while avoiding certain costs inherent in transit flights. This strategy has allowed Air Astana to generate a significant market share in many key markets, including a 35% market share in Europe and Turkey, 20% in the Middle East and 72% in Southeast and East Asia (LTM September 2023).

FlyArystan is an independently managed and scalable LCC which has driven demand for air travel in Central Asia and the Caucasus

Since FlyArystan was established in 2019, the Company believes that FlyArystan has stimulated demand by capturing price-sensitive customers with a willingness to travel. FlyArystan operates in accordance with internationally recognised LCC business models, featuring an unbundled pricing structure that delivers low average fares and enables customers to add ancillary products at an additional price. By promoting affordable airfares and thereby making air travel attainable for a greater proportion of the Kazakhstan population, FlyArystan increased its domestic market share to approximately 38% in LTM September 2023, from 24% in 2022 and 12% in 2019.

This business model has proved to be scalable within a region which, until the launch of FlyArystan, had comparatively low LCC penetration (Source: ADB Report). FlyArystan has used this scalability to grow operations on a range of routes in near-home markets within a four-and-a-half-hour radius (or shorter) of its base airports, which represent its optimal stage length. Since inception, FlyArystan has grown to operate a fleet of 18 aircraft across 65 routes and with an intra-regional market share of 13% (LTM September 2023).

FlyArystan believes that it is well positioned for growth relative to competing LCC carriers in Kazakhstan and the Central Asia and Caucasus region. The brand operates with one of the lowest CASKs among internationally comparable LCCs,[15] enabling it to compete on new routes at a lower breakeven load factor compared to the higher CASK airlines with which it competes. Other internationally comparable LCCs have their bases outside the Central Asia and Caucasus region, which makes it more difficult for those airlines to access the markets in the Central Asia and Caucasus region that FlyArystan is targeting for network expansion. With FlyArystan management's deep understanding of the regional landscape, FlyArystan is well-positioned to identify and exploit "blue ocean" markets where there is limited existing competition but strong potential demand. To support growth, FlyArystan has developed a technology-enabled strategy well-suited to a region where airport infrastructure is often less developed for a high-frequency LCC model. For example, FlyArystan's iJan platform facilitates mobile check-in and is used by approximately 80% of customers to remove choke points at airports.

Financial resilience through the double crisis enabled through cost leadership, operational agility and route planning

The Air Astana Group's management team enforces rigorous cost leadership and operational agility in all aspects of its business and has created a company-wide business culture that is keenly focused on driving efficiency and excellence. Each of the airline brands has a unit cost performance (measured by CASK) among the lowest of each brand's internationally comparable peers. The Company believes that this cost advantage enables it to compete effectively on air fares, stimulate demand in its markets and support market share and growth. The key drivers of the Air Astana Group's competitive CASK are:

- **A young and efficient modern fleet.** See "*—Key strengths—A full-service carrier and a low-cost carrier under one group, with differentiated strategies to grow*".
- **Low fuel costs.** The Air Astana Group sources approximately 75% of its total fuel consumption annually from refineries in Kazakhstan, which it can use to power all outbound flights and a proportion of inbound flights depending on stage length. Jet fuel pricing from domestic refineries was approximately U.S. $300 to U.S. $350 per tonne lower than jet fuel sourced internationally by the Air Astana Group in 2022. Direct negotiation and delivery from local refineries also allow the Air Astana Group to avoid higher pricing from airports. The price of jet fuel obtained from within Kazakhstan is typically less volatile than Jet A-1 which correlates to fluctuations in global oil pricing which, together with local and direct sourcing of supplies, results in the Air Astana Group having among the lowest fuel cost per ASK of the internationally comparable peers of both airlines.
- **High load factors.** In LTM September 2023, the Air Astana Group had an average load factor of 84%. Air Astana had an average load factor of 81% in the year ended 31 December 2022, while FlyArystan had an average load factor of 87% in the same period. Maintaining high load factors all year round improves revenue per flight, allows for lower average costs per flight while maintaining acceptable profitability, and accelerates route maturity. Load factors are particularly important for LCCs such as FlyArystan, since the business model is focused on maximising the volume of passengers transported at a lower average CASK. FlyArystan achieves high load factors by matching supply with demand, utilising dynamic pricing to fill seats while also balancing against yield, and having frequent sales promotions to capture impulse purchases.
- **Point-to-point route network.** Point-to-point flying allows Air Astana and FlyArystan to offer direct, non-stop routes and avoid the costs of providing through services for connecting passengers, including baggage transfer and transit passenger assistance costs associated with disruption and cancellation of connecting flights. In addition, point-to-point flying gives both brands the flexibility to avoid costs relating to crew overnighting.
- **High rate of crew utilisation.** Detailed crew scheduling has enabled the Air Astana Group to achieve high utilisation rates for its crew. In 2022, the Air Astana Group achieved utilisation rates for pilots of 78.5%, and for cabin crew of 80.3%, on a full-time equivalent basis of the legal maximum number of duty hours able to be flown. The Air Astana Group also believes that it has some of the most productive employees in the industry, assisted by a focus on insourcing pilot and cabin crew training within its aviation training centre. Between 2019 and 2022, captain flight hours per pilot per year increased by

[15] IndiGo, Pegasus, Wizz Air, Spirit, Ryanair, JetBlue, EasyJet, Jetstar, Southwest

101 hours, from 703 hours in 2019 to 800 hours in 2022, which is higher than internationally comparable peers in the Americas, Europe, the Asia-Pacific, the Middle East, India and Africa.

- **Stringent contract management with key suppliers.** Air Astana Group focuses on carefully managing its relationship with key suppliers to ensure a high level of quality and consistency of supply, while protecting its cost position. Key suppliers for Air Astana Group include its airports, caterers and external maintenance providers.

The Air Astana Group's operational agility was demonstrated through the double crisis of the COVID-19 pandemic and the Russia-Ukraine conflict. During the COVID-19 pandemic, the airline pivoted to domestic travel and then to point-to-point lifestyle routes to destinations with favourable COVID-19 travel protocols as international travel started to resume. Following Russia's invasion of Ukraine, the Air Astana Group cancelled existing routes and redeployed capacity to new lifestyle destinations and to other markets in Europe, Asia and the Caucasus. As a result of this reactive and agile route planning, the Air Astana Group has witnessed a significant change in its route mix. In 2018, the majority of its international passengers by destination comprised of 26% from routes to Russia, 10% from routes to Turkey, 9% from routes to China, 6% from routes to the UAE and 5% from routes to India. This is compared to 26% from routes to Turkey, 12% from routes to the UAE, 11% from routes to Georgia, 8% from routes to Uzbekistan and 7% from routes to Thailand in LTM September 2023. With no financial support or subsidy from the Government during these periods, Air Astana Group achieved the highest EBITDAR margin and EBITDAR in its history in 2021 and 2022, respectively, recording an EBITDAR margin of 27% in LTM September 2023. With a CAGR in EBITDAR between 2019 and 2022 of 19.0%, the Air Astana Group's CAGR in EBITDAR is the highest of its internationally comparable peers.

A strong commitment to ESG targets operational excellence and the sustainable growth of the business

The Air Astana Group strives to become the leading environmentally sustainable and socially responsible air carrier in Central Asia and the Caucasus. It commits to net-zero CO_2 emissions levels by 2050, in line with the collective long-term global aspirational goal (LTAG) adopted by the ICAO Assembly in 2022. To address the impact of its business on the environment and on the communities where it operates, the Air Astana Group takes a multifaceted approach to sustainability, which includes reducing emissions, waste management, resource conservation (such as energy) and supporting local communities. To align with its sustainability objectives, the Air Astana Group has designed an ambitious sustainability strategy, exceeding the minimum standards set by its regulator and governing bodies. Key initiatives have included:

- **Compliance with the Greenhouse Gas Protocol**, a global framework for measuring and managing greenhouse gas ("**GHG**") emissions. The Air Astana Group currently reports on its Scope 1 GHG emissions and plans to report on its Scope 2 and Scope 3 GHG emissions in the future. As jet fuel accounts for the majority of the Air Astana Group's Scope 1 GHGs, it has developed CO_2 Emissions Monitoring and Reporting Instructions, which prescribe the methodology of accounting for CO_2 emissions from the combustion of jet fuel.

- **Low-Carbon Development Programme**. The Air Astana Group developed this ten-year programme in 2023 to set goals for the reduction of GHG emissions and is consistent with Kazakhstan's aim to achieve carbon neutrality by 2060. As part of this programme, the Air Astana Group is substituting old generation Airbus-family aircraft with new generation A320 and A321neos equipped with new engines that, according to Airbus, can deliver up to 20% reduction in fuel consumption, 20% reduction in CO2 (NOX) emissions and 50% noise reduction when compared to the prior generation of A320ceo family aircraft. Since 2016, the Air Astana Group has taken proactive measures to reduce its CO_2 emissions, reducing by 36% from 0.122 CO_2 emissions per RPK in 2016 to 0.078 in 2022 comparing favourably to internationally comparable network carriers and similar to internationally comparable LCCs.

- **Sustainable aviation fuel.** Partnering with the European Bank for Reconstruction and Development and KazMunayGas, the Air Astana Group has launched a research study to explore the potential for developing the production and consumption of a sustainable aviation fuel ("**SAF**") in Kazakhstan. The Air Astana Group has also signed a memorandum of strategic partnership with PetroChina International Kazakhstan on potential co-operation on SAF.

- **Safety programmes**. Safety is a core value at the Air Astana Group and performing to the highest safety standards is a key corporate goal of the Air Astana Group. Since 2002, the Company has been a member of IATA, has been granted the EASA Part 145 approval and maintains its fleet in accordance with EASA requirements. In May 2023, the Air Astana Group completed the IATA Operational Safety Audit (IOSA) program, an evaluation system designed to assess the operational management and control systems of an airline, for the ninth time. The Air Astana Group is also certified as an EASA Part 147 Training Organisation and is a member of the Association of Asia Pacific Airlines, the IATA Clearing House and the Flight Safety Foundation.

- **Charity and funding projects to support the community.** The Air Astana Group's community support focuses on cooperating with national charitable organisations and other non-profit organisations, supporting individual charities, providing free or discounted flights and encouraging employee participation in volunteering opportunities. Since its inception, the Air Astana Group has sponsored several social initiatives and projects across both airline brands to support local enterprises, local communities and infrastructure and help increase the investment attractiveness of the region.

Business supported by a strong management team, strong governance practices and long-standing international partnerships

The Air Astana Group has an experienced and dynamic management team with an established track record, which the Company believes can deliver its dual-brand business model and execute its financial and growth objectives. The Senior Managers, led by Chief Executive Officer Peter Foster, have an average of over 32 years' service in the aviation industry and an average of over 15 years' service with the Air Astana Group. The management team is internationally and culturally diverse, with seven different nationalities represented at the Senior Manager and functional head level.

The Company has a strong Board of Directors, comprising nine members and including four independent non-executive directors and the Chief Executive Officer. Collectively, these members have the necessary mix of skills, knowledge and experience required to provide leadership, control and oversight of the Air Astana Group and to contribute to the development and oversight of its strategy. The Board of Directors includes professionals with extensive experience in corporate governance and the airline industry.

Air Astana has maintained high corporate governance standards, which the Company believes are comparable to those of a publicly traded company.

Strategy

The Air Astana Group frames its strategy around three key pillars of growth, supported by operational efficiency and excellence. Through these strategies, the Air Astana Group is aiming to realise its vision of growing from the heart of Eurasia to build one of the finest airline groups in the world.

Growth

The Air Astana Group believes that it has opportunities to grow across four major geographic and product areas:

- **domestic markets**, by protecting and extending the Company's position as the market leader in Kazakhstan;
- **near-home markets** (defined as Central Asia and the Caucasus), where the Company believes it can capitalise on growth in intra-regional air connectivity, particularly through FlyArystan's LCC business model;
- **adjacent international markets**, where the Company believes it can benefit from Kazakhstan's strategic geographic position as a Eurasian hub, servicing aviation mega-markets, such as China and India, using narrow-body fleet; and
- **ancillary revenue**, where the Company believes it can expand its passenger revenues from ancillary products and services, particularly within FlyArystan through an unbundled pricing structure.

Further untapped propensity to travel within Kazakhstan

The Air Astana Group is positioned to benefit from growth in passenger numbers within Kazakhstan. Kazakhstan's total air traffic is expected to increase from approximately 7.5 million passengers in 2022 to 12.1 million passengers in 2027, with a 13% CAGR during the five-year period (Source: IATA Report). With untapped growth potential in the domestic market, the Air Astana Group has established actionable strategies to protect and extend its market share, as follows:

- **an increased network density within Kazakhstan.** While the Air Astana Group has a large existing route network within Kazakhstan, it can offer a more convenient service by operating multiple flights per day across both of its airline brands. The Company believes that this strategy of "thickening" routes also helps to build customer loyalty, by ensuring that the Air Astana Group can provide a comprehensive service that targets a broad range of customer segments. The Air Astana Group's planned fleet expansion will provide the additional capacity to support this higher network density;

- **capitalising on increasing business travel.** The Company considers that the growth of the Kazakhstan economy will contribute toward increasing demand for business travel within Kazakhstan. The Air Astana Group believes that it is well placed to capitalise on this demand, including through its premium Air Astana offering and modern fleet; and
- **the continued growth of FlyArystan.** The Company believes that there is further potential to grow the domestic market by offering low average fares in a country where air travel is still relatively immature (as indicated by a low propensity to travel) and therefore an opportunity to drive behavioural change in attracting customers from other forms of internal transportation (such as trains).

Increasing air travel connectivity in Central Asia and Caucasus region

As intraregional air travel connectivity expands (see "*—Key strengths—A clear leader in the home market and Central Asia and Caucasus regions which is well positioned for untapped growth opportunities*"), the Air Astana Group believes that it is positioned to exploit growth opportunities through:

- **a large existing customer base and market share.** The Air Astana Group has already established a 40% market share in the Central Asia and Caucasus region (LTM September 2023), which the Company believes provides a solid foundation to capitalise on growing passenger numbers;
- **fleet expansion.** The Company considers that a larger fleet at the disposal of the airline brands will provide each with the increased flexibility to add capacity on new routes as opportunities arise. This is particularly important in a dynamic region where trade and transport relationships can quickly develop;
- **a strong understanding of regional requirements.** The Company believes it has an opportunity to expand the Air Astana Group's domestic business model to similar aviation markets in neighbouring countries. For example, by focusing on the use of technology to bypass typical congestion points within airports that sometimes have less developed infrastructure than airports in Europe or Asia; and
- **attractive competitive dynamic.** The Company considers that an inconsistent offering by international competitors, partly affected by COVID-19 restrictions from which airlines continue to recover, and the lack of competitors from its largest neighbouring country, Russia, provides a supportive platform from which to grow and compete on intra-regional traffic.

Growth of Air Astana through network expansion in adjacent international markets

Air Astana targets potential growth in its business through network expansion in three main areas:

- **Eurasian East-West traffic (and vice versa).** Building on the strength of its route connectivity established prior to the COVID-19 pandemic, the Company intends to establish Air Astana as a full-service hub airline which improves access between Central Asia and Caucasus and large aviation markets in Europe, the Middle East and Asia, predominantly with the use of narrow-body fleet;
- **point-to-point lifestyle travel.** The Company intends to further expand its successful recent strategy of establishing new routes on point-to-point, lifestyle-focused destinations where customers tend to be less price-sensitive with regard to their demand for travel; and
- **premium near-home business travel.** The Company intends to leverage Air Astana's premium, full-service offering that is suitable for business travel in the growth of intra-regional air connectivity (see "*—Key strengths—A clear leader in the home market and Central Asia and Caucasus regions which is well positioned for untapped growth opportunities*").

The Company intends to support growth in each of these markets by fleet expansion, with total aircraft rising from 49 at the end of 2023 to 80 at the end of 2028. With the addition of new narrow-body aircraft, the Company targets growth through the addition of new routes and the densification of existing routes. For example, it expects to increase the number of weekly flights to China to meet expected demand as passenger volumes recover from COVID-19. Further, the addition to the fleet of Boeing 787 aircraft will allow Air Astana to offer a premium service on longer international routes that the Company believes can be comparable to best-in-class global network carriers.

Development of FlyArystan into a regional LCC champion

The Company believes there are new opportunities to expand FlyArystan across international routes within its optimal stage length of approximately four to five hours. Through FlyArystan's diversified base strategy, with hub airports in North, East, South and West Kazakhstan, it is able to increase its radius of optimal stage lengths thereby capturing potential new routes and destinations. FlyArystan is particularly targeting network growth opportunities in Western and Central China, India, Saudi Arabia, Pakistan and Eastern Europe. In each case, FlyArystan will focus on "blue ocean" routes where it can target underserved or sole operator routes within a three-hour radius. It frequently evaluates a range of route alternatives to assess those markets that are most attractive. In addition, as a result of FlyArystan's low unit cost performance (*see* "*—FlyArystan is an independently managed and scalable LCC which has driven demand for air travel in Central Asia and the Caucasus*"), it is also well placed to compete in "red ocean" markets where there are existing incumbent airlines.

FlyArystan poised to continue to capture ancillary revenue

FlyArystan increased its revenue per passenger from ancillary products from U.S. $3.52 in the year ended 31 December 2020, to U.S. $5.69 in the year ended 31 December 2022. Despite this growth over a three-year period, the proportion of ancillary revenue as a proportion of passenger revenue remains below internationally comparable LCCs, such as Pegasus, EasyJet, Ryanair and WizzAir. The Company believes this demonstrates the potential to further grow ancillary revenue and revenue generated from other products and services, targeting a contribution of 25% in the mid-term.

In order to increase ancillary revenues, FlyArystan has established several strategic initiatives:

- **New products and services.** Based on ancillary revenue product lines of more established Western LCCs in Europe and the United States, the Company considers that FlyArystan has significant headroom to introduce additional revenue opportunities. Examples include a subscription-based membership programme with a fee from U.S. $5 per month, that offers discounts on fares and ancillary products, fast track security, further in-flight food and shopping and third-party partnerships;
- **Longer average stage length.** The Company considers that, as FlyArystan increases the proportion of international flights within its route mix, which have longer average stage lengths, it will increase the potential to grow ancillary revenues further. For longer flights, ancillary products become more valuable to the customer (for example, by enhancing comfort and convenience) and are more likely to be selected during the booking process or onboard; and
- **Investment in a new internet booking engine ("IBE").** The Company believes that the new IBE will more effectively market ancillary products and services to customers, increasing their visibility through the booking process and contributing to higher ancillary revenue conversion rates.
- **Enhanced dynamic ancillary pricing software.** In Q1 of 2024, FlyArystan is upgrading its dynamic ancillary pricing software where the value of its ancillary products (for example baggage) increases based on consumer demand and purchase options. This allows the airline to progressively increase charges closer to departure date (a standard approach used by other LCCs).

Operational efficiency and excellence

Capital investment to deliver enhanced training, engineering and maintenance operations

The Air Astana Group has a strong focus on ensuring growth is not at the expense of continued efficiency and excellence. Specific planned investments will be focused on engineering and maintenance, pilot training, ground handling and catering, and spare engines. Many of these strategies were initially put in place to maintain control of the supply chain and insource essential services. However, the Company believes that these functions are now a core component of the total customer offering and can also offer opportunities to generate revenue by providing services to third parties (for example, engineering and maintenance services).

In addition, the Company believes that its fleet simplification programme will contribute to its strategic pillars of operational efficiency and excellence. The Air Astana Group's fleet expansion is tactically focused on narrow-body Airbus A320 / A321neo aircraft, which are more fuel-efficient than the classic generation, supporting reduced CASK and aligning with the Air Astana Group's sustainability objectives. Redelivery by the Air Astana Group of the remaining Embraer aircraft by 2025 will also drive fleet simplification, which will generate synergies and lower the cost of pilot training and maintenance.

Major IT investments and digitalisation

The Air Astana Group considers itself a digital leader among airlines in Central Asia and Caucasus regions. During the COVID-19 pandemic the Air Astana Group Airline Performance Excellence (APEX) programme was launched. It aims to streamline processes, reduce bureaucracy and increase efficiency, enabling the Company to have access to information and simulate scenarios during periods of rapid change (such as during the COVID-19 pandemic). As part of the ongoing effort, several budget and forecast modules have been launched to manage fixed costs, variable costs, HR, operational costs, as well as procurement planning automation with stock controls and accrual management systems. The next target of the continuous improvement process is improving the ability of these modules to forecast events so that they can be fully considered as part of the Air Astana Group's strategic planning processes.

In addition, the Air Astana Group is investing in a new IBE to improve the return rate of website visitors, boost e-commerce conversion, and enhance the overall digital experience through faster performance and a more modern user experience design. A selection of the organic improvements will include:

- **Increasing the convenience of the online booking engine.** This will allow website users to locate their nearest airport and select "low fare" days. The system will additionally provide improved functionalities for storing passenger details and credit card details, enhancing customer loyalty and expediting the purchasing process;
- **Enhancements to the Nomad loyalty programme.** This will facilitate user registration for the loyalty programme and understanding the options for redeeming accrued points; and
- **Supporting sales of ancillary products.** This will allow a wider variety of ancillary products to be displayed during the booking process, contributing to increased uptake of these additional products.

History and corporate structure

History

Launch of Air Astana

2001	The Company was established, by Resolution of the Government of the Republic of Kazakhstan, as a joint venture between the Kazakhstan Government, acting through the State Property and Privatization Committee of the Ministry of Finance and BAE, a subsidiary of BAE Systems plc.
2002	Air Astana's inaugural flight was made on 15 May 2002: a Boeing 737 service from Almaty to Astana. In the same year, Air Astana also completed its first international flight, from Almaty to Dubai.
2003	The Company received its first Part 145 certification for engineering and maintenance by the EASA.
2005	The Air Astana Group entered into its first Codeshare Agreement with KLM Royal Dutch Airlines.
2007	The Government of the Republic of Kazakhstan transferred its shares in the Company to SK (which holds the shares on behalf of the Government of the Republic of Kazakhstan). The Nomad Club, the frequent flyer programme of Air Astana, was launched.
2008	Air Astana achieved 100% electronic ticketing target set by IATA following the launch of its BSP in Kazakhstan, being the first airline within the CIS to do so. The Company was registered by IATA as an IATA Operational Safety Audit ("IOSA") compliant carrier. The Air Astana Group launched its Ab-initio Cadet Programme.
2012	Air Astana obtained a 4-Star Rating in the Skytrax World Airline Awards, the first airline in the CIS to do so, and "Best Airline in Central and South Asia". Air Astana took delivery of its first fully-owned aircraft.
2014	The Association of Asia Pacific Airlines included Air Astana as a full member.
2016 and 2017	Air Astana added its first A320neo and A321neo aircraft.
2018	The Air Astana Group commissioned its aviation technical centre at Astana Airport to enable maintenance of its own fleet and provide services for third party airlines flying to Kazakhstan.

Launch of FlyArystan

2019	FlyArystan's inaugural flight was made in May from Almaty to Astana. Air Astana completed its first independent C check, at its base at Almaty Airport in November 2019.

Global pandemic

2020	In March, the Air Astana Group established its Crisis Management Group to respond to the impact of the global pandemic. FlyArystan carried 2 million passengers since launch.

Restoration of operations

2021	In 2021, the Air Astana Group carried in total over 6.6 million passengers, 1.3 internationally and 5.3 domestically, representing an increase of 79% and 29% over 2020 and 2019, respectively. Air Astana carried 3.6 million passengers, 1.2 million internationally and 2.4 million domestically, representing an increase of 59% and 80% over 2020 and 2019, respectively. FlyArystan carried 3.1 million passengers, representing an increase of 109% and 340% over 2020 and 2019, respectively. Air Astana was awarded APEX audit Diamond status for COVID prevention and 5-Star COVID-19 Safety Rating by Skytrax. Air Astana launched six new lifestyle routes. FlyArystan launched its first international routes to ten new destinations. FlyArystan became one of the largest domestic airlines in Kazakhstan based on available seats and launched its fourth and fifth bases.
2022	The Air Astana Group ceased all flights to, from, and over, Russian and Ukrainian airspace on 11 March 2022. Air Astana resumed services to Bangkok (Thailand) and London (United Kingdom) and launched the first route between Kazakhstan and Crete (Greece). Air Astana became the first Kazakhstani carrier to carry out a heavy maintenance "C2" check on an Airbus A320. FlyArystan launched iJan, its self-service airport experience in Astana, Almaty, Turkistan and Semey. In October 2022, FlyArystan took delivery of its first new Airbus aircraft.
2023	In February 2023, Air Astana resumed flights from Astana to Beijing (China), with a frequency of two per week. Air Astana received the APEX award for the "Best Entertainment System in Central and South Asia" for the second time. Air Astana received the Skytrax "Best Airline in Central Asia and the CIS" award for the eleventh time and the "Best Airline Staff Service in Central Asia and the CIS" for the second time. Skytrax "World's Top 100 Airlines 2023" ranks Air Astana in the top 50 airlines in the world. The Flight Training Centre at Astana Airport opened with a first-in-the-country L3 Harris Reality Seven A320 Full-Flight Simulator, Cabin Emergency Evacuation Trainer, supplied by Skyart, and Real Fire Fighting Trainer for A320 family aircraft, supplied by Flame Aviation B.V. FlyArystan was awarded the Skytrax "Best Low-Cost Carrier in Central Asia and CIS". and recognise as a "4 Star LLC". Air Astana received the APEX five-star rating in the major airline category.

Corporate structure

JSC Air Astana is the parent company and sole operating entity of the Air Astana Group. The Company has one wholly-owned subsidiary, FlyArystan Joint Stock Company, which is incorporated in the Republic of Kazakhstan and is currently non-operating. The Air Astana Group plans to apply for a separate AOC for FlyArystan in 2024, which will be held by FlyArystan Joint Stock Company. Once this process has been completed, the operations of FlyArystan will move to FlyArystan Joint Stock Company, which will remain within the Air Astana Group.

The Air Astana Group's business

The Air Astana Group's operations consist of two airline brands—Air Astana and FlyArystan—operating under a single AOC.

Air Astana: operates as a full-service airline, providing predominantly point-to-point passenger air transportation services on domestic, intra-regional and international routes, while also providing cargo services and transit traffic on these routes. As the flag-carrier of Kazakhstan, its services are primarily aimed at travellers seeking a premium travel option from a trusted brand. Air Astana is Kazakhstan's largest airline brand based on fleet size.

FlyArystan: is an LCC providing domestic and international passenger services within Kazakhstan and the surrounding region. Key elements of its business model include the operation of a uniform and efficient modern fleet of narrow-body aircraft in a high density (180 or 188 seats) all economy seating layout, high aircraft utilisation, a point-to-point network operating mainly to less congested secondary airports with typically lower airport fees, high load factors, a fully unbundled pricing structure with multiple customer interactions, use of scalable outsourced services, consumer direct distribution over the internet, high employee productivity and rigorous cost control procedures.

Route network

In 2023, the Air Astana Group's network (excluding codeshare flights operated by other airlines) covers five geographical areas and comprised of 92 routes to the following destinations:

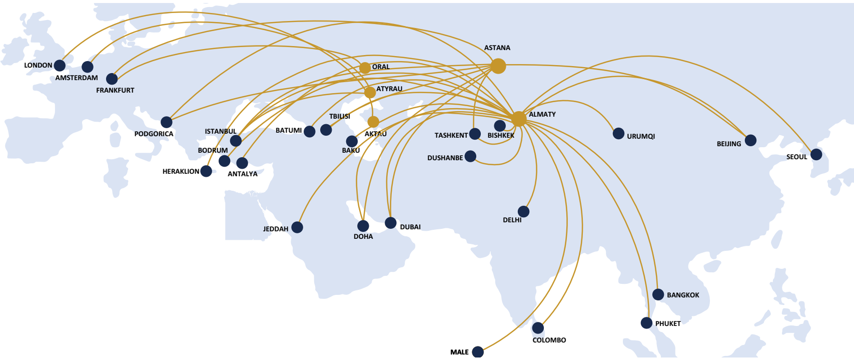
- **Domestic**: Aktau, Aktobe, Almaty, Astana, Atyrau, Karaganda, Kostanay, Kyzylorda, Pavlodar, Semey, Shymkent, Turkestan, Uralsk, Ust-Kamenogorsk;
- **Central Asia and Caucasus (other than Kazakhstan)**: Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Uzbekistan;
- **Europe and Turkey**: Germany, Greece, Netherlands, Montenegro, Turkey, UK;
- **Asia**: China, India, South Korea, Sri Lanka, Thailand; and
- **Middle East**: the United Arab Emirates, the Maldives, Egypt, Qatar, Saudi Arabia.

Air Astana route network

Air Astana primarily operates point-to-point and transfer routes on domestic, regional and long-haul services from two bases in Kazakhstan: Almaty and Astana. During 2020, and in response to the re-opening of destinations (see "*—Crisis management—COVID-19*"), Air Astana sought to stimulate interest in an expanded point-to-point network through an offering of new leisure routes, winter season routes and longer-stay destinations. These routes (referred to as "lifestyle routes" by the airline brand), which include destinations such as the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey, Egypt and the United Arab Emirates have sought to offset the impact of reduced international connectivity and a decline in business travel on transfer traffic. In 2023, Air Astana's route network grew to 50 routes, flying to 34 destinations.

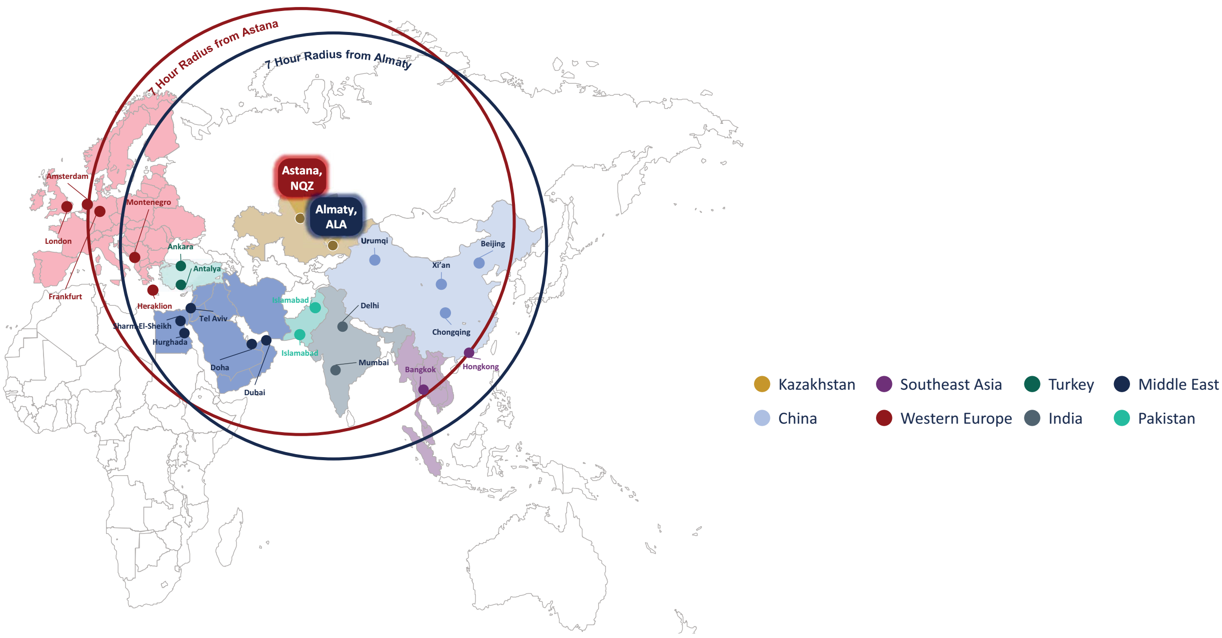
Air Astana international routes

A route map showing Air Astana's current international routes (including scheduled, seasonal, and charter) is set forth below:



Air Astana operates international flights with an average stage length of 3,418 km out of its two principal hubs at Almaty Airport and Astana Airport. This allows it to fly narrow-body aircraft to destinations in Central Asia and the Caucasus, Europe and Turkey, Asia and the Middle East, which includes the growing and densely populated areas of India and China. The population of Central Asia and the Caucasus is approximately 95 million (Source: World Bank, World Development Indicators, 2022), covers an area of approximately 4.19 million km^2 (Source: World Bank, September 2023) and can be reached within a 4-and-a-half-hour flight time of the Air Astana Group's five bases. These regions are therefore considered by the Air Astana Group as its near-home market, while also being strategically located to key markets outside this region, such as via Almaty to China (Beijing) and India (Delhi), within a seven-hour flight radius.

Narrow-body aircraft have a lower breakeven load factor to cover their direct operational costs, which creates the opportunity for profit generation on flights to cities with low passenger potential. Being able to reach these destinations with narrow body aircraft allows Air Astana to penetrate smaller underserved cities and serve them with greater frequency. Compared to competing flights that connect in other locations, a route travelling through Almaty when connecting Central Asia to Asia or Europe will generally have a lower detour factor, meaning the difference between the total distance of an indirect flight route (connecting via Almaty Airport) and the direct flight route distance between the origin and destination airports. The following diagram shows the catchment area of Air Astana's point-to-point network based on the range of its Airbus family aircraft from Almaty Airport and Astana Airport:

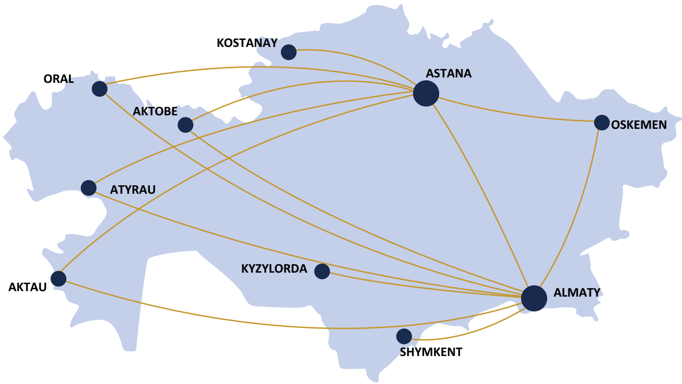


Air Astana's transfer traffic has significantly decreased since 2020 as a result of the reduction of international connectivity during 2020 due to the COVID-19 pandemic. Following the gradual resumption of international flights, but the reduced connectivity that supported transfer traffic, Air Astana sought to take advantage of routes with flexible COVID-19 protocols and a faster resumption of domestic demand by pivoting to point-to-point leisure destinations (known as "lifestyle" routes). Air Astana re-established connections in 2021 to

Germany, India, the Maldives, the Netherlands, Russia,[16] Turkey, Ukraine[17] and Uzbekistan and, in 2022, to China, South Korea, Thailand and the United Kingdom.

Domestic routes of Air Astana

A route map showing Air Astana's domestic scheduled routes as at the date of the Document is set forth below:



Following the double crisis of the COVID-19 pandemic and the Russia-Ukraine conflict, Air Astana has sought to place more emphasis on the strength of its domestic market by increasing domestic point-to-point leisure routes. The Kazakhstan air travel market remains heavily underdeveloped; in 2018, the propensity to travel by air in Kazakhstan was 0.22 trips per person which increased to 0.6 trips per person in 2022, as compared to the propensity to travel by air in Malaysia, Turkey and Mexico of 1.1, 1.2 and 0.8 trips per person in the same year, respectively (see "*Industry*"). The Air Astana Group believes that, as Kazakhstan's propensity to fly increases, the Kazakhstan domestic air travel market is poised to offer significant growth opportunities. In 2018, being the year prior to the launch of FlyArystan, Air Astana carried 2.07 million passengers and achieved a 67% load factor in its domestic scheduled operations. This is compared to 3.4 million passengers and an 82% load factor in the nine months ended 30 September 2023 and 4.1 million passengers and an 81% load factor in 2022.

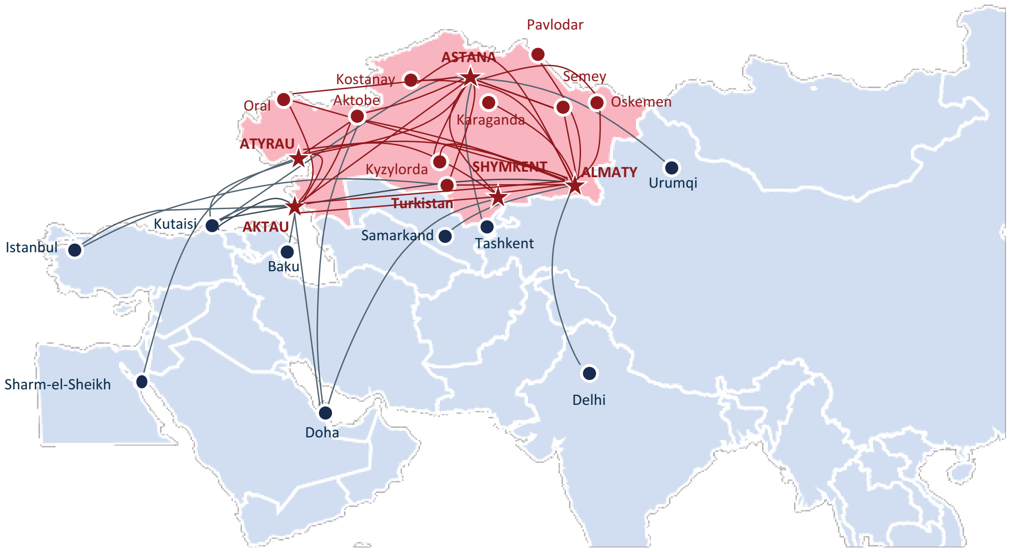
FlyArystan domestic and international route network

In 2023, FlyArystan operated a point-to-point network of 28 domestic routes, 14 international routes. Point-to-point flying allows an airline to offer direct, non-stop routes and avoid the costs of providing services for connecting passengers, including baggage transfer, transit assistance costs and missed-flight compensation associated with disruption and cancellation of connecting flights. Consistent with this, FlyArystan's scheduling is designed by its commercial and flight operations teams to optimise aircraft and crew utilisation and to develop an efficient schedule that does not compromise commercial and operational performance. Point-to-point flights also allow an airline to maximise its fleet utilisation; FlyArystan averaged an aircraft utilisation of 10.1 hours per day during 2022, which was higher than the publicly reported daily utilisation rates of other LCCs in 2022 including Ryanair (9.2 hours), within an optimal stage length of up to four-and-a-half-hours (such as from Aktau to Turkey (Istanbul) or Atyrau to Egypt (Sharm El Sheikh)) to enable same day round-trips. With respect to international destinations, FlyArystan mainly flies to less congested secondary airports (such as Kutaisi) that typically charge lower fees.

The following diagram sets out the routes served by FlyArystan as at the date of the Document.

[16] The Air Astana Group ceased all flights to, from and over Russia in 2022.

[17] The Air Astana Group ceased all flights to, from and over Ukraine in 2022.



The following table sets out increasing frequency of flights per week on FlyArystan's most frequent routes between the years 2020 and 2022.

	Frequency of flights per week		
Route	**2022**	**2021**	**2020**[(1)]
Almaty—Astana	27	21	14
Atyrau—Aktau	18	14	0
Astana—Shymkent	14	12	7
Astana—Kyzylorda	10	7	0
Almaty—Aktau	9	7	0

(1) The frequencies of flights per week on FlyArystan's most frequent routes for 2020 are based on September 2020 as the beginning of the year was significantly impacted by the COVID-19 pandemic.

FlyArystan operates from five bases in Kazakhstan: Almaty, Astana, Shymkent, Aktau and Atyrau. All of FlyArystan's aircraft start and end the day at one of its operating bases. Due to the geographic scale of Kazakhstan, a diversified base strategy removes the need to overnight FlyArystan's crew in hotels. Airport costs are a key element of the cost structure of LCCs. With respect to those charges which are not State regulated (for example, passenger service charges), FlyArystan conducts tender processes (including for airports).

Network development

Air Astana network development

Air Astana's network evaluation methodology includes the following criteria: lack of frequent or convenient flight service, population size in the destination city, migration statistics (gravity-pull) based on the number of people who are originally from that destination city and currently reside in the proximity of Air Astana's main hubs, lack of competition from alternative means of transport, airport availability, route costs, the presence of codeshare partners in the destination and the availability of appropriate ground and sales representation.

The performance of existing routes is evaluated with daily updates on route performances and weekly in-depth network analysis on a route-by-route basis and at monthly management meetings. Under-performing routes are placed on a "watch list" and if remedial actions are unsuccessful within specified time frames the routes are terminated and the resulting capacity is reallocated to other routes.

The Air Astana Group believes there are significant growth opportunities to thicken routes by increasing the frequencies to daily or twice daily, as well as expanding its route network to leisure destinations (or "lifestyle routes"). Air Astana evaluates approximately two to three potential additions to its route network per year, and for 2024, it currently plans to launch routes to Kuala Lumpur (Malaysia), Tokyo (Japan) and Singapore. As Air Astana continues to grow, the Air Astana Group intends to focus on point-to-point routes as well as regional and long-haul connections.

FlyArystan network development

FlyArystan's mission is to remain the leading LCC of Central Asia by leveraging its diversified base strategy to expand its Central Asia and Caucasus network, while also exploiting network growth opportunities in China, India, Saudi Arabia, Pakistan, Oman and Europe, all within a four-and-a-half-hour flight radius. FlyArystan intends to achieve this by increasing capacity on existing routes, adding new routes and offering low fares to stimulate demand. In particular, it employs its "blue ocean strategy" which targets under served international routes within a three-hour flight range, becoming the sole operator of these routes. In addition to relative market size and gravity-pull between those markets, the cost of operations based on an assumed 90% load factor is the primary consideration in route evaluation. Unlike Air Astana, it does not require local representation other than ground-handling services which it outsources at the destination. The FlyArystan team has a tolerance limit of one month for under-performance and some international routes (including Almaty to Yerevan) have been discontinued for this reason.

Landing rights for both airlines

The Air Astana Group has a team dedicated to obtaining the landing rights for both airline brands on international routes. Any such new route must be approved by the CAC, which also liaises with the relevant authority of the destination country through the Ministry of Foreign Affairs of the Republic of Kazakhstan. Once a route is designated for an airline, it does not expire save that, if unused, the CAC has the right to re-designate it to another airline. It takes approximately two to 12 weeks to open a new route and 65 routes have been opened from Kazakhstan between 2020 and 2023. Kazakhstan has a significant number of unutilised landing rights to a range of countries, including key markets such as China, India and the EU, to support potential expansion.

Other services

Cargo and mail transportation

The Air Astana Group's Cargo Division manages cargo, mail, and express mail services using space available on the lower decks of both Air Astana and FlyArystan's aircraft. As on-time departures and arrivals of its aircraft are important to the Air Astana Group's operations, the Air Astana Group only carries cargo that it does not expect to adversely affect its on-time departures. In August 2021, the Air Astana re-configured one of its Boeing-767 aircraft back to passenger layout after using the aircraft for cargo during the COVID-19 pandemic.

As of the date of the Document, the Air Astana Group offers cargo and mail transportation services through all of its route network and has two retail cargo and mail offices in Almaty and Astana. In recent years, the Air Astana Group has experienced a decrease in the amount of cargo transported on its network, from a peak of 20,091 tonnes in 2021 to 13,994 tonnes in 2022. The majority of Air Astana Group's cargo revenue in 2022 was generated by its Seoul/Almaty, Frankfurt/Astana and Dubai/Almaty routes, all of which operate B767-300 aircraft. The decrease in cargo revenue in 2022 was primarily due to increased truck capacity on domestic cargo routes, particularly between Almaty and Astana. On international routes, the volume of Kazakhstan cargo exports was negatively impacted by the suspension of flights to Russia and Ukraine and COVID-19 restrictions affecting China.

The Air Astana Group believes it is in full compliance with IATA cargo requirements and with cargo rules and regulations of local and relevant foreign civil aviation authorities.

In countries where the Air Astana Group has not established its own cargo operations, it has entered into general sales agency agreements with international cargo sales agents and appointed several freight forwarders in those countries for the promotion and sale of its air cargo services. The Air Astana Group serves major express service providers, such as DHL, DB Schenker, DSV, as well as retailers such as Inditex and Waikiki, on both international and domestic routes. In 2021, it also became a member of the Cargo Account Settlement System ("**CASS**") in India and Calogi in the United Arab Emirates which provides a simplified billing and accounts settlement mechanism between airlines and freight forwarders.

Ancillary services and revenue

Both airline brands of the Air Astana Group offer various ancillary products and services that are connected with its core air passenger services and charged as a separate fee. As part of FlyArystan's LCC business model, ancillary revenue generation is a key focus. The Air Astana Group views fast-track security, large cabin bag fees, onboard pay-per-view entertainment and in-flight food and shopping as potential growth areas of the ancillary services it provides

Air Astana ancillary services and revenue

The table below shows Air Astana's ancillary revenue, in total, per passenger and as a percentage of Air Astana scheduled passenger revenue, for the nine months ended 30 September 2023 and 2022 and for the years ended 31 December 2022, 2021 and 2020:

	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
	(unaudited)	(unaudited)			
Ancillary revenue (U.S. $ million)	11.2	7.5	10.6	7.8	3.0
Ancillary revenue per passenger (U.S. $) (unaudited)	3.4	2.6	2.7	2.3	1.4
Percentage of Air Astana passenger revenue (%)	1.7	1.3	1.4	1.4	1.0

Air Astana's flight-related ancillary services include:

- *MySeat*—preferred seating reserved in advance;
- *MyBaggage*—pre-purchased excess baggage allowance;
- *MyUpgrade*—upgrades to a different cabin; and
- *MyPress*—which enables passengers to download content to their personal devices from over 1,000 titles in 20 languages before or after the flight.

Air Astana adopts branded fares in the form of *MyChoice*. At any given level of supply and demand, customers have access to differentiated options, ranging from *Basic Fares*, with little travel flexibility and luggage entitlements, to *Classic* and *Plus* type fares, each with an increasing range of features and benefits for the traveller. This approach is adopted not only to drive revenue improvements but also to address the varying demands of travellers.

FlyArystan ancillary services and revenue

The strategy of FlyArystan is to unbundle traditional flight services in order to offer customers low ticket prices and a variety of "add-on" services for additional fees, thereby generating ancillary revenue. This gives customers the ability to fully customise their flight by flying without additional products and services or by creating a product with some or all of the additional products and services on offer. This common LCC approach has been pioneered by FlyArystan in Central Asia, including lobbying for a change of law to allow baggage fees to be charged separately from the ticket price. FlyArystan targets to increase its contribution of ancillary revenue, together with other services and products, as a proportion of its overall scheduled passenger revenue to 25% in the mid-term which it aims to meet through expanding its ancillary revenue opportunity, investing in new technology platforms, enhancing existing services, increasing interaction with customers at different stages of travel (from pre-purchase, through travel and post-trip), graduated pricing (see "*—Revenue management—FlyArystan revenue management*") and growing average stage lengths within its optimal radius. For longer flights, ancillary products become more valuable to the customer (for example, by enhancing comfort and convenience) and are more likely to be selected during the booking process or onboard. The table below shows FlyArystan's ancillary revenue, in total, per passenger and as a percentage of total scheduled passenger revenue of FlyArystan, for the nine months ended 30 September 2023 and 2022 and the years ended 31 December 2022, 2021 and 2020:

	Nine months ended 30 September		Year ended 31 December		
	2023	2022	2022	2021	2020
	(unaudited)	(unaudited)			
Ancillary revenue (U.S. $ million)	18.7	13.1	17.9	14.0	5.2
Ancillary revenue per passenger (U.S. $) (unaudited)	7.2	5.7	5.7	4.6	3.5
Percentage of FlyArystan passenger revenue (%)	9%	8%	8%	9%	9%

FlyArystan generates ancillary revenue through *travel products* (including checked-in baggage, large cabin baggage, oversized baggage and in-flight catering) and *convenience products* (including airport self-service check-in, extra legroom, seat allocation, SMS notification and priority boarding). In addition, FlyArystan generates revenue from other products and services including *booking products* (including currency conversion, booking fees, administration fees, rebooking charges and penalties) and *third-party products* (advertising).

Below are some examples of recently or soon to be launched products:

- *automated check-in service ("iJan"):* FlyArystan offers an automated check-in service at its hubs which is subject to a fee (in comparison with on-line check-in). FlyArystan has removed check-in desks at all domestic airports, requiring passengers to check-in via the FlyArystan mobile app or pay to check-in at an airport kiosk. The implementation of such streamlined processes has enabled FlyArystan to reduce costs associated with staffing check-in desks and to manage increased passenger volume.
- *new IBE*: to improve direct distribution and implement a user-friendly booking experience, FlyArystan engaged flyrlabs, the leading IBE provider specialising in LCC platforms, to further develop the airline's e-commerce suite. FlyArystan's management expects that this will increase direct distribution by approximately 10%.
- *membership programme*: to capitalise on growing domestic demand, FlyArystan has launched a subscription-based membership programme with a fee from U.S. $5 per month, that offers discounts on fares and ancillary products such as seats, baggage and early access to sale fares.
- *onboard retailing*: consistent with LCC business models, FlyArystan has outsourced its catering services. Whilst retaining control of branding and menu, FlyArystan has reduced its cost of sales, improved the product offering and retained a larger revenue share as ancillary revenue for FlyArystan.
- *onboard entertainment ("Fly&Fun")*: in January 2023, in cooperation with the onboard retailing provider, FlyArystan launched a streaming service on its aircraft using new technology that delivers content to passenger's personal electronic devices. Content includes films and music with charges beginning at U.S. $3 per film viewed.
- *other third-party products*: FlyArystan also offers add-on products from third-party suppliers, including hotels, car rental and travel insurance.

FlyArystan has also developed other revenue sources such as: onboard advertising, with third party branding on overhead bins, trays, announcements, and seat backs; website advertising tiles on *flyarystan.com* sold to advertisers; and cargo which, while not traditionally an LCC revenue source, FlyArystan considers its domestic network reach will allow cargo to become a larger revenue source in the future, provided its turn-around time is not impacted.

Fleet

As at 30 September 2023, the Air Astana Group operated a fleet of 47 aircraft, comprising 39 Airbus A320-family, five Embraer E190-E2 and three Boeing 767 aircraft. Of its 47 aircraft, 30 aircraft were operated by Air Astana and 17 aircraft were operated by FlyArystan under a single AOC held by the Company (see "*—Corporate structure*"). Overall, as of the 30 September 2023, the Air Astana Group's operating fleet had an average age of 5.2 years. Having retired its Boeing-757 and Embraer E190-E1 in 2020 and 2021, the Air Astana Group will continue to pursue its fleet simplification strategy as it aims to reduce its fleet to two aircraft types, with a view to increasing uniformity by 2028 to 77 Airbus A320 and A321 family aircraft out of a total of 80.

The Air Astana Group has developed a Low-Carbon Development Programme for 2023-2032, which is incorporated into the Air Astana Group's Environmental, Social and Governance ("**ESG**") Strategy and is consistent with Kazakhstan's goal to achieve carbon neutrality by 2060. As part of this programme, the Air Astana Group is substituting older generation Airbus-family aircraft with new generation A320 and A321neos with new Pratt & Whitney engines that, according to Airbus, can deliver up to 20% reduction in fuel consumption, 20% reduction in CO2 (NOX) emissions and 50% noise reduction when compared to the prior generation of A320ceo family aircraft. Problems with the PW1100G engines, produced by Pratt & Whitney, have recently had a significant impact on the airline industry, forcing many operators to ground their aircraft. As at the date of the Document, the Air Astana Group estimates it will need to remove and provide maintenance for 34 engines during 2024 and plans to manage engine utilisation for A320 aircraft to meet demand in peak periods. See "*Risk Factors—Risks relating to the Air Astana Group's business and industry—Recent difficulties with the performance of Pratt & Whitney PW1100G GTF engines used by the A320neo series aircraft could result in unscheduled grounding of aircraft*".

The following table sets forth the composition of the Air Astana Group's fleet as at the date indicated.

	As of 30 September 2023				
	Number of seats per aircraft				
Fleet	**Single class setting**	**Dual class setting**	**Flight range (km)**	**Number of aircraft**	**Narrow Body**
Airbus aircraft					
A321	N/A	179	5,950	6	Yes
A320neo	N/A	148	6,850	7	Yes
A321neo LR	N/A	166	7,400	10	Yes
FlyArystan A320	180	N/A	6,100	11	Yes
FlyArystan A320neo	188	N/A	6,300	5	Yes
Embraer					
E190-E2	N/A	108	6,500	5	Yes
Boeing aircraft					
Boeing 767	N/A	223	11,000	3	No

Air Astana operated fleet

As of 30 September 2023, Air Astana operated a fleet of 22 Airbus aircraft with an average age of 4.1 years, five Embraer aircraft with an average age of 4.4 years and three Boeing 767 aircraft with an average age of 9.7 years, resulting in an average fleet age, as at the same date, of 5.2 years. The entire fleet is configured for dual class seating. Going forward, Air Astana's fleet strategy is focused on, for domestic, regional and some international routes with lower traffic volumes, the Airbus A320/A321ceo/neo aircraft, and, for long-haul international routes, the Boeing 767 and A321neo LRs, all equipped with fully-flat business class seats. When the leases for the Embraer E190-E2 fleet expire in 2024 and 2025, Air Astana intends to replace this type of aircraft with A320neo aircraft. By 2027, this will reduce Air Astana's fleet to two types: the majority of the fleet comprising A320/A321 family aircraft, as supplemented by Boeing 787-9 Dreamliner wide-bodied aircraft. Air Astana has signed leases for three new wide-body Boeing 787-9 Dreamliner aircraft with delivery of each scheduled during 2025 and 2026.

FlyArystan operated fleet

As of 30 September 2023, FlyArystan operated a single fleet type of Airbus A320-family aircraft: 17 A320s, consisting of 11 A320ceo aircraft with an average age of 9.4 years and six A320neo with an average age, as at the same date, of 0.6 years, resulting in an average fleet age of 6.1 years. Since launch, most aircraft have been transferred to FlyArystan from Air Astana's operations and re-configured to FlyArystan's single class, economy 180/188-seat layout, however the first of seven A320neo aircraft have been delivered directly from the manufacturer configured to FlyArystan's specification all of which will have a single class dense lay-out (188-seat).

The Air Astana Group's fleet plan

The Air Astana Group intends to grow its fleet to 80 aircraft by the end of 2028, which will require the delivery of an additional 48 aircraft between 2024 and 2028, of which 22 are committed (as at 31 December 2023). See "*Risk Factors—Risks relating to the Air Astana Group's business and industry—The Air Astana Group acquires aircraft and expects to continue to acquire aircraft under lease agreements. If the Air Astana Group breaches existing lease agreements or is unable to source lease agreements for its expected fleet plan, it may result in repossession of its aircraft or have a material adverse effect on its growth strategy*".

The following table shows the planned delivery schedule and retirements (as at 31 December 2023) for Air Astana and FlyArystan for 2024 to 2028:

Aircraft type		Year of planned delivery				
		2024[(1)]	2025[(2)]	2026[(3)]	2027[(4)]	2028[(4)]
Current planned delivery						
Of which:	*FlyArystan A320*	—	—	—	—	—
	FlyArystan A320neo	4	2	5	8	4
	A320neo	3	2	—	1	1
	A321neo	1	3	—	1	1
	A321LR	—	2	2	3	2
	787	—	2	1	—	—
		8	**11**	**8**	**13**	**8**
Current planned retirements						
Of which:	*FlyArystan A320*	—	—	3	4	—
	A320neo	—	—	—	—	1
	A321	—	—	—	1	—
	E2 190	1	4	—	—	—
	767-300ER	—	2	1	—	—
		1	**6**	**4**	**5**	**1**
Net deliveries planned						
Of which:	*FlyArystan A320*	—	—	-3	-4	—
	FlyArystan A320neo	4	2	5	8	4
	A321	—	—	—	-1	—
	A320neo	3	2	—	1	—
	A321neo	1	3	—	1	1
	A321LR	—	2	2	3	2
	E2 190	-1	-4	—	—	—
	767-300ER	—	-2	-1	—	—
	787	—	2	1	—	—
		7	**5**	**4**	**8**	**7**
Total planned fleet						
Of which:	*FlyArystan A320*	11	11	8	4	4
	FlyArystan A320neo	11	13	18	26	30
	A321	2	2	2	1	1
	A320neo	9	11	11	12	12
	A321neo	5	8	8	9	10
	A321LR	11	13	15	18	20
	E2 190	4	—	—	—	—
	767-300ER	3	1	—	—	—
	787	—	2	3	3	3
		56	**61**	**65**	**73**	**80**

(1) All aircraft deliveries are committed.

(2) Of which ten aircraft deliveries are committed.

(3) Of which four aircraft deliveries are committed.

(4) All aircraft deliveries are uncommitted.

Fleet financing

As of 30 September 2023, 39 aircraft were operated under operating leases, with the remainder owned under finance leases. Operating leases impose return conditions which may result in end-of-lease compensation. Under the operating leases, the Air Astana Group pays aircraft rent for a lease term of typically six to 12 years. It enters into operating leases with lessors including Air Lease Corporation, AerCap, and SMBC. As the time lag between signing an operating lease or executing a purchase agreement is approximately one to two years and seven years, respectively, operating leases provide the Air Astana Group with more flexibility to lease aircraft to meet demand. The finance leases cover 75% to 85% of the total aircraft value including deferred maintenance assets, together with rolled-up interest at a rate of 2.5% to 3.4% on average and repayable over a 12-year term. At the end of the finance lease, the Air Astana Group has the option to purchase the aircraft for a nominal amount. The Air Astana Group finance lease payments to financial institutions (such as HSBC and the Royal Bank of Scotland), in respect of the Airbus fleet, are guaranteed by the EECA and to financial institutions (such as Private Export Funding Corporation), with respect to the Boeing fleet, are guaranteed by the EXIM Bank. Both operating and finance leases are secured at fixed rates established at the time of delivery of the relevant aircraft. From time to time, the Air Astana Group sells its aircraft on finance lease and leases them back on operating lease, with the consent of the finance lessor, in order to profit opportunistically from sale prices which exceed the value at which the aircraft is recorded in its financial statements.

The Air Astana Group expects to finance all of its aircraft scheduled for delivery between 2023 and 2028 through operating leases. See "*Risk Factors—Risks relating to the Air Astana Group's business and industry—The Air Astana Group acquires aircraft and expects to continue to acquire aircraft under lease agreements. If the Air Astana Group breaches existing lease agreements or is unable to source lease agreements for its expected fleet plan, it may result in repossession of its aircraft or have a material adverse effect on its growth strategy*".

Codeshare partnerships and interline arrangements

Air Astana has established strategic partnerships that enable it to enhance its overall network, allowing it to participate in passenger itineraries for which it may not have been considered otherwise. These strategic partnerships provide for expanded cooperation through codeshare and interline arrangements, as well as marketing initiatives, loyalty programme reciprocity or benefit sharing, and enhanced service levels at airports, including aircraft and engine maintenance. Air Astana's partnership strategy is to work with carriers that provide the most compelling distribution and opportunity from the hub that Air Astana operates. This is very nearly always the flag carrier in that airport: Lufthansa in Frankfurt; Turkish Airlines in Istanbul; Asiana in Seoul; and Azerbaijan Airlines in Baku. These partners tend to provide the largest possible network and thus improve the reach of Air Astana, and the contribution to the Air Astana-operated flights to and from that hub. As at the date of the Document, Air Astana has entered into cooperation agreements with seven code-share airlines and 89 interline agreements and during the nine months ended 30 September 2023 and 2022, codeshare partners were responsible for 23,211 and 26,914 passengers on Air Astana, respectively, and for the years ended 31 December 2022, 2021 and 2020, for 39,475, 26,463, and 21,957 passengers on Air Astana, respectively.

Sales and distribution

With differentiated approaches across each airline brand, the Air Astana Group offers customers multiple touch-points through which to purchase tickets. The Air Astana Group has experienced an increase of indirect sales primarily associated with the development of online third-party products such as Aviata.kz, Kaspi Travel and, to a lesser extent, Chocotravel for which the Air Astana Group does not pay commission. The following table shows the distribution of ticket sales volumes among Air Astana's distribution channels for the periods indicated.

	For the nine months ended 30 September		For the year ended 31 December		
	2023	2022	2022	2021	2020
	Percentage of Passengers[(1)]		Percentage of Passengers[(1)]		
Direct					
Website, mobile app	11%	11%	11%	15%	19%
Call centre	3%	3%	3%	3%	5%
City offices	2%	2%	2%	2%	4%
Airport offices	2%	3%	3%	3%	4%
Tour operators[(2)]	10%	11%	11%	9%	1%
Total direct	**28%**	**30%**	**30%**	**32%**	**33%**
Indirect					
Travel agents[(3)]	72%	70%	70%	68%	67%
Total indirect	**72%**	**70%**	**70%**	**68%**	**67%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Percentage of total tickets sold on scheduled flights.

(2) Includes sales made by tour operators through Air Astana's booking portal.

(3) Includes sales by travel agents, including online travel agents, which are booked through GDSs.

The following table shows the distribution of ticket sales volumes among FlyArystan's distribution channels for the periods indicated.

	For the nine months ended 30 September		For the year ended 31 December		
	2023	2022	2022	2021	2020
	Percentage of Passengers[(1)]		Percentage of Passengers[(1)]		
Direct					
Website, mobile app	16%	18%	18%	24%	28%
Offline agency	8%	14%	13%	12%	11%
Tour operators[(2)]	4%	6%	5%	3%	—
Airport offices	—	—	—	—	—
Call centre	—	—	—	—	—
Total direct	**28%**	**38%**	**36%**	**39%**	**39%**
Indirect					
Travel agents[(3)]	72%	62%	64%	61%	61%
Total indirect	**72%**	**62%**	**64%**	**61%**	**61%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Percentage of total tickets sold on scheduled flight ticket sales.

(2) Includes sales made by tour operators through FlyArystan's booking portal.

(3) Includes sales by travel agents, including online travel agents, which are booked through FlyArystan's booking portal.

Air Astana sales and distribution

Indirect distribution channels of Air Astana

Travel agents are the main sales channel for Air Astana domestic flights in Kazakhstan as well as in certain international markets, such as Uzbekistan and Tajikistan. Currently, there are approximately 74 active IATA travel agents in Kazakhstan, who themselves have a network of approximately 500 active sub-agents selling Air Astana's tickets. Tour operators in Kazakhstan have developed rapidly in recent years, both in terms of the extent of their committed ground and hotel content, as well as their approach to distribution across the market. As a response to the impact of COVID-19 on international demand, the airline brand focused on 'lifestyle routes' where flexible COVID-19 protocols allowed the airline to operate. These leisure routes largely depend on tourist traffic from the home market. This strategic approach has been facilitated by stronger commercial ties with key tour operators in Kazakhstan, either on a full charter basis or with blocks of seats sold. Tour operators in Kazakhstan use Air Astana's online system to issue tickets for charter flights and large group bookings.

Air Astana widely uses GDSs to connect with travel agencies inside and outside Kazakhstan. Air Astana distributes to all major GDSs including Amadeus, Travelport, Sabre and Sirena, through the Amadeus Altea Passenger Service System. The airline participates in IATA's BSP, enabling more than 7,000 travel agents to issue the airlines' electronic tickets and settle funds via global settlement mechanisms, of which Kaspi Travel is the largest OTA participant in Kazakhstan. Air Astana participates in similar programmes run in the United States (ARC—Airline Reporting Corporation) that enable sales from territories where it does not operate.

Air Astana partners with selected OTAs in addition to its own digital channels.

Direct distribution channels of Air Astana

Air Astana's IBE, *airastana.com*, launched in 2007, allows customers and corporate clients to book and pay for tickets at any time. Air Astana also has its own website version tailored for mobile devices, as well as a mobile application, both of which were updated in 2022 to enhance the customer experience and usability. While Air Astana intends to maintain, in particular for international flights, a mix of distribution channels, its strategy is to increase sales through online channels, in particular sales through its IBE and mobile applications, as they are generally more cost-efficient and involve lower distribution costs than sales through travel agencies. In the six months ended 30 June 2023, Air Astana's IBE benefited from a 1.9% conversion rate (being the number of completed transactions as a proportion of website visits) and in 2022 15% of its sales were generated through the IBE.

The Air Astana Group has a dedicated team of information technology specialists who are responsible for both the operation of the customer-facing website products and the infrastructure necessary to support regional coverage. To the extent necessary, the Air Astana Group also retains third-party services in connection with the development and improvement of its websites and mobile applications.

Air Astana also maintains an in-house call centre based in Almaty, Astana and Pavlodar (known as the "7/365 Call Centre"), that operates on a 24/7 basis, all year-round. The centre not only manages customer inquiries via telephone but has developed an extensive Omni-Channel including live-web chat, an automated WhatsApp chat-bot with live-consultant options available 24 hours a day, all year-round. To enhance its customer experience and direct distribution, Air Astana is implementing a market-leading Customer Relations Management ("**CRM**") and ticket management system (Zen Desk), improving customer service based on a profile-driven CRM technology. This will enable the airline brand to consolidate customer interaction across many of the airlines' passenger touch points including the Nomad Club (for a further description, see "*—Membership programmes*") and onboard through cabin attendants' crew-pads.

While the trend in customer interaction has shifted to remote customer engagement, the airline brand maintains a network of airport tickets offices across the network, and city ticketing offices in Astana, Almaty and Atyrau. Overseas, the airline has a network of representative offices staffed by the airlines own staff, as well as GSAs in some of the smaller or autonomous markets.

FlyArystan sales and distribution

Consistent with all LCC business models, FlyArystan minimises sales, marketing and distribution costs through consumer-direct marketing and sales. Despite travel agents being the main sales channel for domestic and international flights in Kazakhstan, FlyArystan is focused on increasing its percentage of total sales through its IBE, *flyarystan.com*, its mobile application and OTAs, primarily, Kaspi and Aviata. FlyArystan's mobile application is ranked among the top fourteen travel mobile applications on the Apple App store in Kazakhstan. It does not engage in GDSs distribution because of the cost and complexity involved. Travel agents use FlyArystan's booking portal and are required to pay deposits in advance of sales such that no credit is extended and no commissions are paid to any agent. While direct sales are low in comparison to European standards, they are approximately five times higher than other airlines in Central Asia, with a target of achieving 30% direct sales over the mid-term. The Kaspi mobile application, widely used in Kazakhstan, functions as a "super application" (being an application which integrates various services into a readily available mobile platform) and constitutes the highest share within FlyArystan's OTA sales. FlyArystan has also partnered with the travel technology company, Kiwi.com, which allows customers to create extended itineraries from or to Kazakhstan, with one of the flights being operated by FlyArystan, without needing to check the offers of other connecting airlines.

Revenue management

Through revenue management airlines can control how many seats are sold and at what fares. Generally, revenue management systems aim to maximise revenue by attempting to fill each available seat at the highest possible fare, by avoiding selling all seats at the lowest fares, increasing fares in response to demand and minimising the number of unsold seats including by permitting overbooking.

Air Astana revenue management

Air Astana divides its fares into two classes (economy and business) with multiple fare levels within each class. Air Astana's revenue management system is focused on effective pricing and yield management of these fare levels, which are closely linked to its route planning, sales and distribution methods and marketing strategies. The airline brand uses PROS, a well-recognised airline revenue management system. Air Astana has an internal team of 27 revenue managers divided into four interconnected sub-units: pricing, group desk, domestic route analysis and international route analysis. Air Astana's system allows it to apply a dynamic pricing strategy that considers factors such as the number of seats remaining available for sale and the number of days remaining before each individual flight, applying various additional algorithms to take into account, among other things, the timing of holiday seasons and school semesters in a number of countries and destinations, the type of passenger (leisure, business and transit), while also benchmarking against the prices charged by competitors for the relevant route. Generally, as the number of bookings on a flight increases, and as the departure date approaches, Air Astana typically raises the ticket prices for that flight. Air Astana uses a combination of approaches, taking into account the various factors depending on the characteristics of the markets served, to arrive at a strategy for maximising unit revenue by balancing the average fare charged against the corresponding effect on Air Astana's load factors. It is also able to adjust the pricing based on fluctuations in fuel price, which it includes within a fuel surcharge in international air fares. See *"Risk Factors—Increases in jet fuel costs or the inability to obtain sufficient quantities of jet fuel could have a material adverse effect on the Air Astana Group's business, financial position, results of operations and prospects*".

During the nine months ended 30 September 2023, Air Astana's average load factor was 82% compared to 81% for the nine months ended 30 September 2022. In 2022, Air Astana's average load factor was 81% compared to 78% in 2021 and 67% in 2020.

Air Astana's revenue management is also supported by the Air Astana Group's financial reporting systems, which can generate, among other things, a daily income statement with granularity down to operating metrics on a route-by-route basis to assist the revenue management team that monitors revenues on a daily basis and whose target is to maximise the revenue from each individual flight.

Through its group desk team, Air Astana also offers corporate accounts and a range of selected special fare arrangements, such as fixed rates or discounts over published fares, including on the routes where Air Astana believes there is business traffic potential. In its charter business, Air Astana contracts directly with tour operators up to a year in advance of flight times. In many cases, the charter fees charged to tour operators may be adjusted to account for fluctuations in fuel prices and exchange rates between the date of contract and the date of the flight. The Air Astana Group sells flights to tour operators on a per-seat or per-charter basis.

FlyArystan revenue management

FlyArystan has an internal team of revenue managers supported by a software system provided by Aviator (a global provider of LCC revenue management systems). FlyArystan offers a range of fares determined primarily by expected demand. Its strategy is to maximise load factors by optimising the frequency of flights per route to match supply with demand and by implementing frequent sales promotions to capture impulse purchases. Its revenue management model is focused on effective pricing and yield management, which are closely linked to its route planning and its sales and distribution methods. FlyArystan's fare segmentation strategy seeks to maximise revenue per seat through dynamic inventory adjustment depending on demand. In this way, the revenue management team reserves capacity for higher priced business traffic including last minute seat availability while attracting leisure travellers who usually pay lower fares and book in advance.

During the nine months ended 30 September 2023, FlyArystan's average load factor was 90% compared to 87% for the nine months ended 30 September 2022. In 2022, FlyArystan's average monthly load factors were maintained above 87% throughout the year. Whilst load factors are relatively stable throughout the year, FlyArystan's average revenue per passenger varies significantly throughout the year. In 2022, FlyArystan's highest average revenue per passenger was U.S. $83 in August and the lowest was U.S. $52 in April.

The FlyArystan fare strategy is supplemented by its ancillary revenue strategy; 13% of its revenue in the nine months ended 30 September 2023 and during 2022 was sourced through ancillary revenue and revenue from other products and services (cargo, advertising, rebooking charges and advertising). FlyArystan also manages its ancillary revenue pricing dynamically, adjusting the value of products depending on demand in a manner similar to passenger fare pricing.

Marketing and customer experience

Marketing

While Air Astana's marketing strategy aims at reinforcing awareness of its wide network, full-service and high-quality offering with departures at prime times, FlyArystan's marketing strategy aims to position it as the first low-cost Central Asian airline that has made air travel easier and more accessible. The Air Astana Group's goal is to reinforce this public perception and grow FlyArystan's network in synergy with Air Astana while also leveraging on the public's awareness of Air Astana's brand attributes.

Air Astana marketing

The Air Astana brand recognition is high within Kazakhstan and neighbouring countries as a result of above and below the line marketing communications over the years since launch, as well as the brand's ability to maintain the leading domestic market share during that time. As well as print, outdoor, radio, online and sponsorship activities to reinforce this position, its digital strategy has become central to the airline brand's marketing. It has a significant social media presence with activity in Instagram, Facebook and Telegram being among the most popular social media tools in Kazakhstan and most of its international markets. By embracing 'mobile first' initiatives, Air Astana's focus is in configuring its digital strategy around the user-experience. Personal notifications, web-pushes, affiliate programmes, search engine optimisation and paid search are all used to drive engagement, thereby aiding the communication of marketing and sales messages. The Air Astana Group believes these tactics retain their effectiveness due to the global reach, measurable nature, cost-effectiveness and quality of the digital content produced in-house, meaning that none of the messaging is lost in communication with third parties. Sponsorships and partnerships are important in aligning the airline brand with like-minded ventures, such as the Almaty and Astana marathon events, which share a dynamic, healthy, modern and progressive outlook.

In October 2022, Air Astana resumed its Stopover Holiday programme for transit passengers, offering passengers flying through Almaty and Astana accommodation for one night on a bed and breakfast basis and airport transfers at reduced rates. When originally launched, 59,000 passengers utilised the programme between 2013 and 2019 mainly travelling from Seoul to Dubai, Istanbul and Tbilisi, from New Delhi to Tashkent, Bishkek, Dushanbe, Baku and Tbilisi, and from Istanbul to Thailand, Maldives, Seoul and New Delhi.

Air Astana engages in marketing by maintaining planes' liveries painted with recognisable symbols, sometimes as part of social and environmental campaigns. For example, in order to help restore the snow leopard's status as a symbol of national pride and an icon of Kazakhstan's mountains, Air Astana decorated an aircraft in snow leopard livery. Through its branding, the Air Astana Group has placed particular emphasis on its Kazakh heritage, seeking to highlight and evoke the tradition and culture of Kazakhstan.

FlyArystan marketing

FlyArystan has a significant social media presence on Instagram, Facebook and Telegram. FlyArystan has a limited print and outdoor advertising campaign which is typically conducted in conjunction with airport partnerships to reduce marketing costs. When entering a new market FlyArystan employs a comprehensive launch campaign to build brand awareness in that market. For many of its new market opportunities (for example, Uzbekistan and Kyrgyzstan) the LCC concept is new and requires significant effort to explain the concept and FlyArystan's service offering. Its marketing objectives are to acquire new customers through focusing on new routes and markets engaging with existing customers through sales campaigns, email and push notifications and undertaking tactical marketing with price and destination promotions every month.

Customer experience and in-flight offering

Air Astana has developed an integrated programme for customer experience improvement, coordinated across all of its service delivery teams, which is managed through a dedicated Customer Experience Team. The team has developed quantitative and qualitative metrics to measure customer satisfaction including industry-adopted indicators such as NPS and Customer Satisfaction Rating ("**CSAT**"). Air Astana collects data onboard and on-line via an e-mail link that customers can use to respond voluntarily to survey requests after each flight. This data is then monitored, with any necessary follow-up actions reported to the relevant business units. In order to receive more accurate and up-to-date data, Air Astana has implemented automation via Power BI, which examines results of NPS and CSAT by route, date, age, gender, purpose of travel, Nomad Club tier, journey stages and touchpoints.[18] Passengers can access the onboard survey results by viewing the Power BI

[18] Touchpoints includes the four main phases of a passenger's journey: (i) booking and purchasing a ticket, (ii) pre-flight procedures at the airport and departure, (iii) flight time onboard the aircraft, and (iv) arrival and post-flight procedures.

Dashboard, which is available through the IFE system for all destinations and updated every seven hours. Every passenger is also provided access to the post-flight survey results, presented as a Power BI Dashboard, which covers every customer journey stage and is updated every six hours. The Air Astana Group has also implemented a mystery shopper analysis programme, covering all customer touchpoints. These surveys enable Air Astana to prioritise their efforts in product and services development, driving a positive customer experience, a high level of customer satisfaction and, therefore, customer loyalty. For the nine months ended 30 September 2023, Air Astana's NPS and CSAT averages were 46 and 79%, respectively, against the backdrop of an industry average in this period of 22 and 83%.

Air Astana also engages in service recovery in recognition of the theory that a customer that has been recovered well is more likely to display a greater degree of loyalty towards the brand. The Service Recovery Unit resolves customer issues and manages service disruptions, while focusing on customer satisfaction.

To align the customer experience across the organisation, the Customer Experience Team also covers product development and premium services development. A recent initiative is to relaunch the frequent flyer programme to make it more attractive, user friendly and with upgraded benefits on redemption. See "*—Membership programmes*". The Customer Experience Team runs monthly CXG (Customer Experience Group) meetings with the Senior Managers and CEO of the Air Astana Group and oversees monthly departmental Service Action Groups' meetings for In-Flight Services, Ground Services and Commercial.

FlyArystan tracks customer satisfaction every month based on feedback from passenger surveys. FlyArystan sends survey requests to every passenger, but has a low response rate that it is working to improve and to better understand the customer data it receives. The Air Astana Group believes that FlyArystan performs well compared to key competitors in its home market, based on customer responses in relation to price and quality of service. For the nine months ended 30 September 2023, FlyArystan's NPS and CSAT averages were 35 and 83%, respectively, against the backdrop of an industry average in this period of 22 and 83%.

Air Astana in-flight customer experience

Air Astana operates a two-class service, business and economy, on all aircraft. The quality of its onboard service and offering has been recognised by various awards (see below "*—Award-winning customer service*"). Business-class cabins on all Airbus LR NEO aircraft and Boeing 767 aircraft feature fully-flat seats. Two of Air Astana's A321neo aircraft, delivered in December 2023, are configured as Airbus "Airspace" cabins, increasing passenger comfort. Both Boeing and Airbus aircraft have personal IFE in both cabins, hand-held personal entertainment systems, such as iPads, in Business Class and in-flight entertainment streaming on its Embraer E190-E2 fleet. Air Astana has also signed an agreement with Disney for the provision of IFE services and now offers a digital in-flight magazine, "Tengri" to its passengers. In addition, Air Astana offers onboard customers complimentary hot meals and alcoholic beverages, snacks branded with Air Astana's logos, and soft drinks. Meal services provide destination specific meal choices and a variety of cuisines from across the network. Menu changes are implemented every 12 to 24 months depending on the airport, with more frequent changes on domestic short-haul flights. The airline brand provides comfortable seating with 30-to-32-inch seat pitches in economy class and between 37- and 59-inch seat pitches in business class narrow-body and wide-body aircraft, respectively. The appearance of the cabins is supported by mood lighting, with different scenarios for every phase of the flight. The overall passenger experience is enhanced by Air Astana's signature fragrance "*Uly Dala*" (meaning the "Great Steppe" in Kazakh) which has been developed and is now incorporated across all company products such as toiletries, diffusers and air fresheners.

FlyArystan in-flight customer experience

FlyArystan operates a single economy class service on the Airbus A320s it operates. These feature leather seats with 30-to-32-inch seat pitch, and offers onboard food branded under "*Arystan café*" and gift items at the "*Arystan Shop*".

On-time performance

As a key part of its customer service efforts, the Air Astana Group is committed to OTP. OTP calculations include all delays and provide an indication of how reliable an airline is with delivering on its departure time commitment. In the nine months ended 30 September 2023, the Air Astana Group's average OTP was 79.5%, which was higher than the average OTP of comparable EU carriers (67.9%) and US carriers (77.2%) during the same period.

The following tables show Air Astana and FlyArystan's OTP, flight regularity and mishandled bag rates for the periods indicated:

	Air Astana			
	For the nine months ended 30 September	For the years ended 31 December		
	2023	2022	2021	2020
OTP[(1)]	81%	74%	82%	86%
Flight regularity[(2)]	99.9%	97.4%	99.3%	97.0%
Mishandled Bag Rate[(3)]	2.9%	2.0%	1.7%	1.9%

	FlyArystan			
	For the nine months ended 30 September	For the years ended 31 December		
	2023	2022	2021	2020
OTP[(1)]	78%	75%	81%	91%
Flight regularity[(2)]	99.9%	98.0%	99.5%	98.6%
Mishandled Bag Rate[(3)]	1.0%	0.8%	0.3%	0.2%

(1) Percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, and departed on time (within 15 minutes of scheduled departure time).

(2) Percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, whether or not delayed (i.e., not cancelled).

(3) Number of bags mishandled per 1,000 passengers.

The decrease in OTP of the Air Astana Group in 2022 and 2021 is in line with global trends, as the airline industry faced significant challenges due to the rapid resurgence of international air travel following the COVID-19 pandemic. These challenges included the lack of employees in airports and supply-chain pressures. The Air Astana Group has introduced measures to improve its OTP, including restricting personal leave and training for operational crew to low-demand periods and improving communication with domestic airports to identify any planned construction work that has the potential to disrupt the Air Astana Group's OTP.

Award-winning customer service

Air Astana and FlyArystan have been awarded the following:

- Air Astana has been recognised as the "Best Airline in Central Asia and CIS" in the Skytrax World Airline Awards for 2022 and 2023. This is the eleventh time that Air Astana has received the regional award for Central Asia, with eight consecutive successes between 2012 and 2023.[19] Air Astana also received a Skytrax COVID-19 Excellence award;
- "Best Service in Central Asia and CIS" for 2022 and 2023 by Skytrax;
- FlyArystan was recognised as the "Best Low-Cost Carrier in Central Asia and CIS" for 2023 by Skytrax;
- Air Astana received the APEX award for the "Best Entertainment System in Central and South Asia" in 2022 and 2023;
- Five Star Major Airline Award from APEX for the third time;
- TripAdvisor Travellers' Choice Award in category "Regional Airlines in Asia" for the third time;
- Winner of the MRO Russia & CIS Award in 2020 for "Aircraft Maintenance achievements in Central Asia"; and
- FlyArystan has been certified by Skytrax as a "4-Star LCC" in 2023.

Membership programmes

The Nomad Club is Air Astana's frequent flyer programme, which drives customer engagement and loyalty, whilst also generating revenue from the sale of loyalty points. The membership database also provides a valuable tool for Air Astana to communicate directly with its customers about new routes or promotional offers.

19 The Skytrax World Airline Awards were not held in 2020.

As at 30 September 2023, the Nomad Club had approximately 501,000 members, with Air Astana focusing on improving online adoption amongst customers. Based on a traditional four tier approach (Blue, Silver, Gold and Diamond membership tiers), the airline rewards customers with points dependent on length of journey, travel cabin and the ticket price. The higher membership tiers come with an increasing range of loyalty benefits, including award tickets, cabin upgrades and ancillary services offered by Air Astana at check-in desks. Air Astana has also monetised the Nomad Club through partnership programmes, where partners, including airlines (Lufthansa), hotels (Ramada), car-hire companies (Avis) and retailers (Kcell), reward its members with points that the partners have purchased from the airline, in exchange for brand promotion on board Air Astana's fleet. Retail banks, such as AltynBank and Forte Bank, also partner with Air Astana, offering points towards Air Astana's air fares through co-branded credit card programmes.

Management of the Air Astana Group continually assesses the attractiveness of the Nomad Club to its members and plans to change the accrual of points from the amount of miles flown to members receiving more points for higher fares during the first quarter of 2024. Air Astana also plans to further expand the Nomad Club including the introduction of cash and points, where members can purchase up to 100,000 bonus points per flight, as well as wider redemption options, family memberships and the ability to donate points to charity.

FlyArystan's membership programme is accessible via a paid subscription that offers discounts on products and early access to sale fares, complementing FlyArystan's existing self-service initiative.

Flight operations and engineering

Operational control

The Flight Operations Department manages the daily flight execution of both Air Astana and FlyArystan aircraft. The Flight Operations Department operates 24 hours a day, seven days a week, and comprises operations control, crew control & planning, qualified dispatchers and performance engineers to assign aircraft and crew by selecting cost effective routes where fuel, en route charges and weather are key variables. The Flight Operations Department uses the Airbus-owned NavBlue system for planning. This unit also supports company commercial planning, evaluating potential route costs using aircraft OEM data. Crew control is responsible for the daily crewing of flights including disruption management, using the Airline Information Management System ("**AIMS**") provided by AIMs International Ltd (the global airline software supplier used for crew management, commercial planning and operations control systems). The Operational Control Centre monitors key operational indicators including punctuality (on-time performance), flight regularity, technical dispatch reliability and utilisation of pilots, cabin crew and aircraft. The following table sets forth such indicators for the Air Astana Group in the periods indicated.

	Air Astana Group			
	Nine months 30 September	Years ended 31 December		
	2023	2022	2021	2020
OTP(1)	80%	74.0%	82.0%	88.0%
Flight regularity(2)	99.9%	97.6%	99.4%	97.5%
Technical dispatch reliability(3)	99.1%	98.6%	99.0%	98.9%
Pilot utilisation(4)	72.3%	78.5%	87.6%	54.8%
Cabin crew utilisation(5)	79.2%	80.3%	80.3%	54.5%
Average daily aircraft utilisation (hours)	10.0	10.1	9.6	7.2

(1) Percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, and departed on time (within 15 minutes of scheduled departure time).

(2) Percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, whether or not delayed (i.e., not cancelled).

(3) Percentage of aircraft departing on time (within 15 minutes of scheduled departure time) without being delayed by a technical fault.

(4) Percentage of the maximum legal limit of 900 hours achieved by pilots.

(5) Percentage of the maximum legal limit of 900 hours achieved by cabin crew.

Part of the Air Astana Group's strategy is to improve utilisation. To meet this objective, the Air Astana Group seeks to minimise pilot and crew downtime through various operational improvements. The provision of local EASA Part 147/145 training, including the use of an L3 Harris Reality Seven A320 Full-Flight Simulator, Cabin Emergency Evacuation Trainer and a Real Fire Fighting Trainer, enables the Air Astana Group to reduce the time associated with pilots and crew travelling to other countries for training, positively impacting utilisation. Personal leave is also restricted for operational crew to low-demand periods. Heavy maintenance checks are typically performed in the off-peak winter season and line maintenance, or minor checks, occur out of hours to maximise aircraft utilisation. The Air Astana Group's flight scheduling aims to create rotations with optimal aircraft and crew utilisation, in particular, to develop an efficient schedule that does not compromise commercial and operational performance.

The Air Astana Group's bases of operations extend to western Kazakhstan where the remote bases are led by a base captain, a similar approach to many established low-cost airlines. The following is a table of fleet deployment as at 30 September 2023:

	Number of Air Astana Group aircraft				
	A320	**A321**	**A321LR**	**Embraer 190 E-2**	**Boeing 767**
Primary bases					
Astana	5	0.5	3.5	1	0
Almaty	11	5.5	7.5	4	3
Remote bases					
Atyrau	2	—	—	—	—
Aktau	2	—	—	—	—
Shymkent (seasonal)	2	—	—	—	—

Engineering and maintenance

Air Astana has a separate engineering and maintenance department which delivers maintenance and technical services, aircraft delivery/redelivery, workshop support, engineering sales and cabin cleaning for the entirety of the Air Astana Group fleet, as well as engineering training. The department, which consists of approximately 900 staff, is based in Almaty and Astana with line maintenance stations in Atyrau, Aktau and Shymkent. FlyArystan outsources all of its engineering and maintenance to Air Astana.

The Company's engineering and maintenance department holds an AAK certificate and EASA Part 145 certificate under which it is approved to perform line and base maintenance services of its aircraft. Air Astana also provides maintenance under its other National Aviation Administration certificates and EASA Part 145 approval to more than 20 other international and domestic airlines, such as Asiana, DHL, Air Arabia, VietJet, Jazeera Airways, Lufthansa, Qatar Airways, Wizz Air, Fly Dubai, Air China and Turkish Airlines, as well as Qazaq Air and SCAT Airlines. Within its Training Academy in Almaty, Air Astana also delivers Airbus A320 family training for different engine configurations within the Air Astana and FlyArystan fleet in accordance with its EASA Part 147 approval. The Air Astana Group's Maintenance Standards department employs airworthiness engineers, who provide mentoring of standards performance and coordinate training with the EASA Part 147 training department.

Aircraft maintenance and repair consists of routine and non-routine maintenance work and is divided into two general categories: line maintenance and base maintenance. Line maintenance consists of routine, scheduled daily and weekly aircraft maintenance checks, including "A" checks, diagnostics and non-routine defect rectification. Base maintenance consists of more complex inspections, maintenance and repairs of the aircraft that cannot be completed overnight, such as C-checks, engine replacements, landing gear replacements, aircraft structure repairs and modifications, and require well-equipped facilities, such as hangars.

Line maintenance checks are mostly performed by Air Astana's certified technicians. The Air Astana Group has a line maintenance station in each of Atyrau, Aktau and Shymkent, and it performs "A" checks at Astana Airport and Almaty Airport. The Air Astana Group is authorised to provide line maintenance up to "A" checks for all aircraft models in its fleet. At airports where the Air Astana Group does not have a line maintenance station, pre-flight servicing, troubleshooting and defect rectification services are performed contracted organisations certified through National Aviation Administration and/or EASA 145 approval and recognised by the AAK.

Base maintenance checks, including major overhauls, as defined by the aircraft's maintenance program, are performed based on the number of flights and hours flown by the aircraft as well as calendar days. Since 2019, the Air Astana Group has partially brought in-house heavy maintenance at C-check level for all of its Airbus A320 family aircraft, while continuing, where necessary, to contract C-checks with certified external maintenance providers for its Boeing 767 aircraft and those services for which it is not authorised for its Airbus aircraft. Its "Technical Centre" at Astana Airport, which is the first of its kind in Central Asia, consists of a hangar designed to remain fully operational under severe weather conditions and that can accommodate both wide-body aircraft and narrow-body aircraft (one Boeing 787or two Airbus A320s). The new centre has enabled the Air Astana Group to undertake aircraft engineering and servicing requirements up to certain heavy maintenance levels including C-checks for the A320 family, reducing downtime required for the completion of C-checks by approximately 14% to 18%. The Air Astana Group is the first airline in Kazakhstan to be EASA Part 145 certified for heavy maintenance C-checks on this aircraft type. The most complex of these heavy maintenance levels are the six year and 12 year checks, which the Air Astana Group performed regularly from the end of 2023. The Air Astana Group estimates that partially bringing in-house C-checks will result in annual savings of approximately U.S. $3 million and has reduced aircraft-on-ground time by two days.

The Air Astana Group has the capability to remove and install engines to its aircraft. The Air Astana Group contracts with Pratt & Whitney Corporation for engine repair and overhaul work on Airbus and Embraer aircraft engines, and with Israel Aircraft Industries for the repair and overhaul of Boeing 767 engines. In case of scheduled engine replacement, the Air Astana Group performs replacements itself, without service interruptions by using its own spare engines or by leasing an engine in advance. The Air Astana Group aims to reduce the amount of aircraft-on-ground during the peak season by scheduling engine downtime for the off-peak season. To mitigate the ongoing maintenance issues concerning the Pratt & Whitney PW1100G engines, the Air Astana Group has five spare engines, and plans to obtain six additional engines by 2028. Furthermore, the Air Astana Group has access to Pratt & Whitney's pool of spare engines.

The Air Astana Group plans to increase its maintenance capacity in line with its anticipated fleet growth by extending the current hangar space at Astana Airport and building a larger hangar at Almaty Airport, to provide capacity for two Boeing 787s or five Airbus A320s at one time. As its C-check experience grows, the Air Astana Group intends to offer C-checks to other aircraft operators by 2025

Crisis management

The Air Astana Group has experienced significantly changing market conditions due to events beyond its control throughout 2020-2023. The impact on the Air Astana Group operations has required management to adapt and employ a flexible, responsive and reactive approach to its business.

COVID-19

In order to respond to the COVID-19 pandemic, the Air Astana Group established its crisis management group ("**CMG**") in early 2020, comprising certain Senior Managers and representatives across departments to review its financial and operational data on a daily basis. The priority for the CMG was to strengthen its balance sheet, support liquidity and reduce costs, including:

- increasing, in various stages, its credit facility with Halyk Bank from U.S. $40 million to U.S. $160 million and extending its availability;
- reducing operating expense through cost control, including:
  - the termination of sub-contracted overseas pilots;
  - reducing discretionary spending;
  - allowing voluntary employee leaves of absence;
  - reducing fuel expense by negotiating lower pricing with suppliers; and
  - reducing work schedules and crew expenses;
- improving cash balances by:
  - the deferral of lease liabilities under finance leases with a total amount of U.S. $69.6 million for 2020 to 2022. The EECA and EXIM deferrals were repaid in full ahead of schedule in 2022 and 2023;
  - expediting VAT refunds through regular contact with the Kazakhstan State Revenue Committee;
  - the deferral of all non-essential capital expenditures (such as modifications to aircraft on operating lease and maintenance events of finance lease aircraft); and
  - the review and deferral of heavy maintenance events to aircraft (within utilisation limits recommended by the manufacturers);
- simplifying its fleet by the early retirement of the entire Embraer 190 and Boeing 757 fleets, the last of which departed in early 2021; and

- on a daily basis, reviewing flight profitability and sustainability by route, managing capacity accordingly to minimise loss making flights and reduce operating costs.

The CMG introduced COVID-19 safety measures, including onboard cleaning and decontamination of every surface in the galley and cabin prior to every flight and the requirement for flight attendants to wear masks and regularly use hand sanitizer. The Air Astana Group was recognised as the first airline from the CIS and Southeast Asia to successfully pass an APEX audit of Diamond status for minimising and preventing the spread of COVID-19. In addition, the COVID-19 pandemic provided the Air Astana Group with the opportunity to expedite the adoption of digital applications in this instance to meet COVID-19 requirements and passenger needs.

The CMG's continuous review of operations led to a reshaping of the business. As a response to the impact of COVID-19 on overseas demand, the airline began to focus on leisure routes where flexible COVID-19 protocols have enabled the airline to operate. These leisure routes largely depend on tourist traffic from the home market. As a result, the Air Astana Group's marketing and sales team refocused its sales effort on operations to lifestyle destinations and secured long-term contract*s* with key Kazakhstani tour operators (each committing to buy advance tranches of seats up to 12 months in advance) for popular tourist destinations, including Dubai, Antalya, Sharm El Sheikh and the Maldives. Increased demand led to a first-time extension into the winter season for Air Astana's flights to Antalya in Turkey and flights to Male in the Maldives launched in December 2020.

By 2021, and as a result of the efforts in reshaping the business, Air Astana and FlyArystan were the two largest carriers in Kazakhstan (Source: Company estimates). By 2022, as compared to 2019, the Air Astana Group's traffic had increased by 43%, with domestic traffic increasing by 89% and international traffic decreasing by 15%, carrying 5.3 million passengers domestically (2.8 million in 2019) and 2.0 million passengers internationally (2.3 million in 2019).

Russia-Ukraine conflict

As a result of the Russia-Ukraine conflict, the Air Astana Group moved swiftly to implement safety, compliance and operational mitigating measures, in addition to assisting with the humanitarian effort. The conflict, and the ensuing sanctions imposed on Russia, had a significant disruptive effect on the Air Astana Group's supply chain, necessitating the rerouting of its supplies directly from Europe and other countries, avoiding the Russian market, to remain compliant with EU and U.S. sanctions. The airline also ceased all flights to Russian and Ukrainian territory on 11 March 2022. It suspended its sales distribution network with all agents located in the Russian Federation. The restrictions imposed on Russia resulted in the re-routing of flight paths to avoid Russian airspace, resulting in extra flying time and an approximate increase in fuel burn of 25% for Air Astana flights to Frankfurt and Amsterdam, with an intermediate stop required at Aktau on the Eastern Caspian coast for flights to London. As a result, the airline re-allocated capacity to alternative routes (for example, introducing regular flights to Heraklion (Greece), increasing the frequency of flights to existing Turkish destinations (Istanbul, Antalya and Bodrum) and re-launching services to Bangkok (Thailand) and Beijing (China)). The Air Astana Group achieved this by negotiating new landing slots and using unutilised landing slots, for example flights to China. See "*—Key Factors affecting results of operations—Russia-Ukraine conflict*".

Events in Kazakhstan in January 2022

In response to the protests in Kazakhstan in January 2022 which led to the temporary occupation, and therefore shutdown, of the Almaty Airport and Astana Airport, the airlines responded immediately by cancelling flights and ensuring the safety of their personnel and customers at the two main hubs and airports to which flights were destined. The ensuing state of emergency in Kazakhstan affected Air Astana Group operations, resulting in a significant number of flights being cancelled between 5 and 12 January 2022 with the Air Astana Group being in a position to resume flights from Astana and other regional cities in Kazakhstan two days following the commencement of the interruptions. During this period, the management of the Air Astana Group was able to relocate operations to Astana pending the resumption of services from Almaty in order to minimise interruptions, which lasted just over one week. With scheduled flights to Istanbul, Antalya, Dubai, Sharjah, Kyiv, Moscow, Omsk, Novosibirsk, Saint-Petersburg, Frankfurt, Tashkent and Kutaisi, together with special repatriation flights from the Maldives, Phuket, Colombo, Antalya, Tbilisi, Baku and Goa, more than 7,500 passengers were returned to their home countries in just over a week. See "*Risk Factors—The Air Astana Group is largely dependent on the economic and political conditions prevailing in Kazakhstan which, in January 2022, resulted in a brief cessation of operations at the Air Astana Group*".

Safety and security

Safety is a core value at the Air Astana Group and performing to the highest safety standards is a key corporate goal of the Air Astana Group. It models its operational management structure on the EASA system which requires the appointment of "Nominated Persons" in key operational areas with defined responsibilities specifically in the area of safety. This goal is actively pursued through a Safety Management System ("**SMS**") that is built on compliance, quality training and pro-active risk management. Since the start of operations in 2002, the Air Astana Group has carried more than 65 million passengers safely without a single passenger or cargo accident.

The Air Astana Group is subject to safety oversight by the AAK as State of Operator and, under the ICAO Article 83bis agreement, the IAA as State of Registry. Operations and maintenance regulatory oversight is also conducted by other authorities, and the Air Astana Group was the first operator audited in December 2015 under the EASA Third Country Operator process, with the most recent audit in 2021. In July 2022 the Air Astana Group also received UK Third Country Operator authorisation. Since 2016, the Air Astana Group has consistently outperformed the Safety Audit of Foreign Aircraft (a European programme of ramp safety assessments) recommended standard. In May 2023, the Air Astana Group successfully passed its ninth IOSA programme, which is conducted once every two years. Participation in IATA's Accident Classification Technical Group, IATA's Global Aviation Data Management (Flight Data Exchange and Incident Xchange), IATA's Fatigue Task Force, the Flight Safety Foundation, the International Society of Air Safety Investigators and IOSA working groups helps Air Astana Group's safety programme managers to interact with leading professionals, determine trends and areas of concern related to operational safety and develop preventative strategies. As a member of the Association of Asia Pacific Airlines, Air Astana contributes to safety and security working groups, which allows the airline to remain informed of the latest technologies, innovations and processes. The SMS is coordinated by the Corporate Safety Compliance department which is independent from operational departments within the Air Astana Group and is staffed with a number of safety compliance specialists. The SMS aims to identify, risk assess and mitigate potential threats to the safety of all operations including flight, cabin, ground and cargo, security as well as Engineering and Maintenance. In addition, compliance and performance audits (including of outsourced functions) play a key role in the Air Astana Group's pro-active risk management, and the internal audit programmes are complemented by membership in the IATA Fuel Quality Pool (a group of airlines that actively share fuel inspection reports and workload at locations worldwide) and the IATA De-Icing/Anti-Icing Quality Control Pool. The Air Astana Group flight data monitoring programme analyses more than 99% of its flights to identify and address trends in operational risks. The Air Astana Group has adopted an unauthorized-substance-monitoring programme which is managed by a medical specialist, supported by safety-programme specialists.

While the relevant airport operators are responsible for security screening of passengers and baggage at the Air Astana Group's domestic and international airports, the Air Astana Group trains its staff to remain vigilant in identifying potential security breaches and in dealing with unruly passengers. The Air Astana Group also institutes secondary checks, such as passport or security screening, at certain airports. For example, risks associated with flights to Sharm El Sheikh were minimised by implementing additional pre-flight passenger profiling through a contracted external supplier. All potential employees are subjected to a background check before being hired and are subsequently screened by local regulators and airport police before being granted access to the relevant airports.

Ground services

The Air Astana Group currently carries out certain ground handling operations at its two main hubs and station management and supervision functions across the network. Ground handling services include ramp (such as handling supervision and baggage handling), passenger handling (including check-in, transfer and boarding services), flight operation coordination, weight and balance, and lost and found services. In addition, the Air Astana Group operates its own de-icing facilities, providing services to third parties as well and operates its own Shanyrak domestic lounge in Astana Airport. Other airport operations, including security screening of passengers and luggage, are primarily the responsibility of the authorities at the airports. While the Air Astana Group generally carries out passenger handling operations internally, it sub-contracts with third parties at airports outside Kazakhstan. See "*Risk Factors—The Air Astana Group's business and its growth strategy may be impacted by significant disruption to its operations as a result of its reliance on third-party service and facility providers*".

Similar to other airlines, the Air Astana Group must pay airport charges each time it lands and accesses facilities at the airports it serves. Depending on the policy of the individual airport, such charges may include landing and parking fees, passenger service charges, and security fees. As part of its low-cost strategy, the Air

Astana Group seeks to negotiate favourable terms for certain airport charges and other rebates whenever feasible.

Competition

Competition on domestic routes

FlyArystan's strategy is to compete on the basis of its low-cost model whilst Air Astana remains as a premium travel option. Currently, in addition to Air Astana and FlyArystan, there are two other domestic airlines that compete with the Air Astana Group on its point-to-point short-haul routes in Kazakhstan: SCAT and Qazaq Air. These airlines accounted for approximately 25% and 7% of domestic seat capacity in 2022, respectively (Source: ADB Report). SCAT currently serves 15 of the domestic airports that have commercial services, while Qazaq serves 14 airports; in comparison, Air Astana currently serves ten airports, while FlyArystan serves 14 airports (Source: ADB Report). SCAT and Qazaq have regional aircraft, which allows them to serve smaller airports on lower-demand routes, some of which are subsidised by the Kazakhstan Government to provide reduced fixed fares for residents of isolated communities.

The Air Astana Group's domestic market share was 69% during the LTM September 2023, comprising Air Astana's 31% market share and FlyArystan's 38% market share (of 9.1 million total seats). This compares to the Air Astana Group's domestic market share of 70% in 2022, comprising of Air Astana's 46% market share and FlyArystan's 24% market share (of 8.8 million total seats).

To some extent, the Air Astana Group's domestic routes also face competition from ground transportation alternatives, primarily bus companies and railways. The Air Astana Group believes, however, that FlyArystan's low-cost business model gives the Air Astana Group flexibility in setting fare levels to stimulate demand for air travel among passengers who previously did not travel at all or who travelled long distances primarily by bus or train.

Competition on international routes

The Air Astana Group competes with airlines on international routes to key markets such as:

- Turkey (Turkish Airlines, Pegasus and AnadoluJet) and Germany (Lufthansa), in respect of which the Air Astana Group's market share was 41% in Europe (including Turkey), comprising Air Astana's 35% market share and FlyArystan's 6% market share (of 2.4 million total seats) in LTM September 2023;
- South Korea (Asiana/Korean Airlines) in respect of which the Air Astana Group's market share was 74% in Southeast and East Asia, comprising Air Astana's 72% and FlyArystan's 2% (of 0.8 million total seats) in LTM September 2023; and
- Gulf states (flydubai, Jazeera Airways, Qatar Airways and Flynas) in respect of which the Air Astana Group's market share was 27% in the Middle East, comprising Air Astana's 20% market share and FlyArystan's 6% market share (of 1.4 million total seats) in LTM September 2023.

Overall, during LTM September 2023, the Air Astana Group's international market share was 47%, comprising of Air Astana's 38% market share and FlyArystan's 9% market share (of 5.9 million total seats).

Furthermore, the Air Astana Group competes on interregional routes (being non-domestic routes from Kazakhstan to Central Asia and the Caucasus) such as Uzbekistan and Georgia (Uzbekistan Airlines, Azerbaijan Airlines and Somon Air). During LTM September 2023, the Air Astana Group's intra-regional market share was 40%, comprising Air Astana's 27% market share and FlyArystan's 13% market share (of 2.1 million total seats).

Currently the majority of international routes operated by FlyArystan are exclusive routes, however, non-exclusive routes include Istanbul-Turkistan, which is operated by Turkish Airlines, Aktau-Istanbul, which is operated by SCAT airlines, and charter routes to Antalya (Source: ADB Report). In 2023, two other LCCs entered the market with the launch of services from IndiGo (Almaty—Delhi) and Salam Air (Muscat—Almaty) (Source: ADB Report). The Air Astana Group expects that other European carriers will commence operations into Kazakhstan and that FlyArystan's low-cost base, and the home advantage of the Air Astana Group, will be key in addressing this competition.

Human resources

The following table sets forth the number of the Air Astana Group's employees per category as at the dates indicated:

	As at 30 September		As at 31 December					
	2023		2022		2021		2020	
Employees[1]	Air Astana	FlyArystan	Air Astana	FlyArystan	Air Astana	FlyArystan	Air Astana	FlyArystan
Engineering and maintenance[2]	482	1	455	1	444	1	403	1
Pilots[3]	549	2	497	1	437	1	376	1
Cabin crew members	1,382	345	1,419	329	1,257	266	1,433	187
Ground staff	996	125	975	116	880	91	845	86
Office staff	818	79	772	78	663	53	612	44
Others	1,494	111	1,447	94	1,347	111	1,319	77
Total	5,721	663	5,565	619	5,028	523	4,988	396

(1) Including temporary employees as at the relevant date.

(2) FlyArystan engineering is undertaken by Air Astana. The number shown in the FlyArystan column is the FlyArystan Director Engineering & Maintenance.

(3) Air Astana's pilots serve both Air Astana and FlyArystan, with the cost split between both airline brands depending on block hours. The number shown in the FlyArystan column is the FlyArystan Chief Pilot.

In 2022, the Air Astana Group resumed its external recruitment programme in full, with a volume that exceeded the recruitment levels in 2019. The average number of temporary employees employed by the Air Astana Group in the nine-month period ended 30 September 2023 and the year ended 31 December 2022 was 392 and 372, respectively.

The Air Astana Group continually engages with employees through various initiatives, including employee pulse surveys, regular communications from the President and Chief Executive Officer and conferences held offline and streamed via YouTube. To measure labour relations, the Air Astana Group partners with Gallup to conduct Employee Social Stability Index surveys bi-annually. Employee engagement was assessed through surveys at 4.10, 3.85 and 3.92 (with five being the highest score) in 2022, 2021 and 2019, respectively (the employee engagement survey was not undertaken in 2020). Universum recognised the Air Astana Group as the "Best Employer" in Kazakhstan from 2016 to 2020 and Randstad Employer Brand Research recognised the Air Astana Group as the "Best Employer in Transport and Logistics" in 2020–2021.

The Company's employees have formed three labour unions. One union represents the Air Astana Group's cabin crew, engineers and other employees, while two other unions represent pilots. The Air Astana Group recognises the importance of actively engaging with the labour unions and other representative bodies across its operations to promote the success of the business. The Air Astana Group executes separate standard employment agreements with its pilots, cabin crew members and other personnel.

The Air Astana Group believes that, by pursuing its corporate *HEART* values for Air Astana (*Hospitable, Efficient, Active, Reliable, Trustworthy*) and *CHARM* values for FlyArystan (*Creative, Happy, Agile, Reliable, Modern*), it has created a positive work environment for its employees. It promotes a culture of recognition, with a focus on training and development, and provides equal opportunities to ensure that it retains its employees and attracts new talent. The average length of service as at 30 September 2023, 31 December 2022, 2021 and 2020 was 7.3 years, 6.7 years, 7.1 years and 7.0 years, respectively, and the turnover for the same periods was 9.8%, 12.0%, 12.9% and 9.0%.

The Air Astana Group's Training Academy, located at Almaty Airport, is the only EASA Part 147 certified training facility for engineering in Kazakhstan and delivers Parts 147/145 theoretical and practical training. The Air Astana Group's goal in establishing the Training Academy was to develop a centre of excellence for learning and development within the Air Astana Group in both operational and personal skill development training, both internally and externally, for the broader aviation industry in the CIS. Alongside the Flight Training Centre at Astana Airport, the Training Academy delivers all operational training and includes:

- approximately 79 programmes in engineering, ground and in-flight services based on international standards (ICAO, IATA, and EASA 147/145), which are accredited by the AAK, allowing the Training Academy to provide these courses for external organisations;
- training on an L3 Harris Reality Seven A320 Full-Flight Simulator based at Astana Airport, the first of its kind in Kazakhstan with a 7,000 hour annual training capacity. The Air Astana Group estimates that the

use of this equipment will result in an annual saving of U.S. $4.0 million and reduce the travel time required for staff to complete the training by approximately 25%, saved over 1,000 pilot days. The Air Astana Group currently plans to purchase a second L3 Harris Reality Seven A320 Full-Flight Simulator in 2025, with an expected cost of approximately U.S. $9.0 million;

- use of a Cabin Emergency Evacuation Trainer, supplied by Skyart, and a Real Fire Fighting Trainer, supplied by Flame Aviation B.V., for A320 family aircraft. The provision of advanced cabin safety training in Kazakhstan means the Air Astana Group does not rely on third party providers for initial or tri-annual crew and pilot training for its Airbus fleet, while also allowing flexible scheduling of training dates. The Air Astana Group estimates that bringing cabin safety training in-house has saved 1,000 man days and more than 500 blocked seats used to send pilots and crew to Germany and Turkey to complete the training. The Company estimates that this will result in approximately U.S. $3 million in savings over eight years. The Air Astana Group intends to provide safety and emergency procedures training to other airlines in Kazakhstan for Airbus aircraft going forward;
- procedural training on Aerosim fixed base trainers, which are supported by an L3 Harris;
- as part of the "Learning/Career Pathway" for the pilot community, an internal leadership programme course for Captains, "Leading for Command", was launched in January 2020, and is scheduled to run on a regular basis for newly promoted Captains;
- in 2008, the Air Astana Group launched the Pilot Ab-Initio Cadet Programme, in order to improve the local supply of qualified pilots. Approximately 40 cadets join the programme each year and 270 cadets have graduated from the programme. A significant proportion of flight crews are graduates of the programme, with a number of graduates being promoted to captain. The Air Astana Group intends to increase the intake size in 2024, to meet its demand for qualified pilots;
- all cabin crew safety training, completed over 35 days, including safety and emergency procedures, first aid and dangerous goods. The Air Astana Group also provides promotion training for crew moving to business class or other roles; and
- the Training Academy completed two EASA Part 66 programmes for trainee mechanics between 2018 and 2022. In August 2023, the Training Academy introduced an apprenticeship programme, where recruits participate in a five-year course and earn international and local certifications with the option to pursue the EASA B1/B2 licenced qualification.

To identify and develop future leaders among non-management staff, since 2010, the Air Astana Group has sponsored numerous candidates through the "Air Astana Talents Programme" at the Cranfield School of Management in the UK, the Corporate University of Samruk-Kazyna in Kazakhstan and the De Montfort University in Kazakhstan. Separately, succession planning is developed through identified candidates at the Henley Business School in the UK. The Air Astana Group supports initiatives to attract and develop new talent through internship programmes into the Finance, IT and e-Business, HR and Administration, Marketing and Sales and the Ground Services departments.

The Air Astana Group seeks to implement a competitive compensation strategy and align the interests of all employees with its own. It offers health and medical insurance, life insurance for pilots, pension plans and an annual bonus for all eligible employees. The Air Astana Group has made efforts to motivate staff at all levels through performance-based incentives. In line with this strategy, the Air Astana Group offers a pilots incentive programme consisting of a monthly bonus for mastering aviation English and a cumulative bonus payable after three years of service. FlyArystan cabin crew receive commission based on the amount of in-flight products/meals sales.

Insurance

The Air Astana Group maintains insurance policies as required by law and regulatory authorities as well as voluntary insurance to manage operational needs. The Air Astana Group's insurance coverage for third party and passenger liability is consistent with general airline industry standards in Kazakhstan and the Air Astana Group insures its aircraft against physical loss and damage on an "all risks" basis". The Air Astana Group maintains all mandatory insurance coverage for each of its aircraft and additional insurance coverage required by lessors. Aside from aviation insurance coverage, the Air Astana Group purchases other insurance policies to reduce the risk of damage to property, general liability, and coverage relating to employee accidents and medical expenses.

Environmental, social and governance

The Air Astana Group strives to become the leading environmentally sustainable and socially responsible air carrier in Central Asia and the Caucasus. To address the impact of its business on the environment and in the communities where it operates, the Air Astana Group takes a multifaceted approach to sustainability, which includes reducing emissions, waste management, resources conservation (such as energy) and supporting local communities.

The Air Astana Group's ESG Strategy for 2023–2032 is built on best practices and international standards, considers its already planned or ongoing steps in the field of sustainability and is guided by the United Nations' Sustainable Development Goals ("**SDGs**"). In particular, the Air Astana Group has identified six priority SDGs: Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10), Climate Action (SDG 13) and Partnerships for the Goals (SDG 17). The ESG Strategy's action plan identifies short-, medium- and long-term initiatives that target: (i) addressing environmental and social concerns in a proactive and transparent manner, (ii) long-term financial well-being, (iii) providing measurable and understandable data to investors, (iv) providing a systematic approach to the management of ESG aspects, (v) complying with international requirements in the field of sustainable development and (vi) monitoring its ESG agenda. The Air Astana Group monitors and reports ESG performance annually based on the Global Reporting Initiative (GRI) as its primary reference point including disclosure pursuant to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). From 2023, the Company's sustainability disclosures in the integrated annual report are subject to audit by external internationally reputable consultants, which is overseen, together with wider sustainability issues, by the Board of Directors through its ESG committee (the "**ESG Committee**") (see "*Directors, Management and Corporate Governance* " for further details). The development and implementation of sustainability objectives in general is overseen by the Compliance and Sustainability department, with the roll-out of initiatives delegated to department heads.

Emissions

Air travel contributes to the acceleration of climate change through the release of GHGs. The Air Astana Group is focused on reducing carbon emissions produced by its operations. This commitment involves continuous monitoring of its GHG emissions, while also implementing cost-effective and safe ways to increase fuel efficiency, including technological improvements and prioritising the use of fuel-efficient aircraft. The Air Astana Group's efforts to reduce GHG emissions also encompasses operational optimisation, for example route planning, aircraft weight reduction and flight crew training.

While there are no regulations on GHG emissions reporting and monitoring in Kazakhstan, the Air Astana Group is compliant with the Greenhouse Gas Protocol, a global framework for measuring and managing GHG emissions. The Greenhouse Gas Protocol categorises emissions as either direct (Scope 1), meaning GHG emissions from sources owned or operated by the reporting entity, and indirect (Scopes 2 and 3), meaning GHG emissions from the activities of the reporting entity using sources owned or operated by another company. The Air Astana Group currently reports on its Scope 1 GHG emissions and plans to report on its Scope 2 and Scope 3 GHG emissions in the future. As jet fuel accounts for the majority of the Air Astana Group's Scope 1 GHGs, it has developed CO_2 Emissions Monitoring and Reporting Instructions, which prescribe the methodology of accounting for CO_2 emissions from the combustion of jet fuel.

To set goals for the reduction of GHG emissions, the Air Astana Group has developed a Low-Carbon Development Programme for 2023-2032 which is incorporated into the Air Astana Group's ESG Strategy and is consistent with Kazakhstan's aim to achieve carbon neutrality by 2060. The Air Astana Group is committed to net zero by 2050, in line with the collective long-term global aspirational goal adopted by the ICAO Assembly in 2022. In 2024, the Air Astana Group commits to update its Low Carbon Development Programme to align with its net zero commitment by 2050 with credible near-term implementation milestones in the subsequent five years and as independently verified by a third party as a science-based target that is aligned with the mitigation objectives of the Paris Agreement. In line with the recent Association of Asia Pacific Airlines resolution, the Air Astana Group will target 5% SAF blending by 2030. This target will be increased if required following the Air Astana Group's update to align its Low Carbon Development Programme with its net zero by 2050 commitment, implementation of near-term milestones and verification by a third party.

The Air Astana Group has been a long-term supporter of the EU ETS scheme and all Air Astana flights within the EEA are covered by the scheme. Under the EU ETS, the Air Astana Group is required to surrender carbon credits on an annual basis relative to the amount of verified carbon emissions in the period and purchase carbon credits on the open market to fulfil this requirement. In 2019, the ICAO published a set of emissions unit eligibility criteria for use in the CORSIA. The Air Astana Group has incorporated EU ETS and CORSIA into its data flow management, analytical procedure and monitoring process. Under the Fit for 55 Package, the EU ETS allowances will be phased out over the period 2024 to 2027, reducing the total number of allowances in line with the new 55% target and aligning emissions treatment with CORSIA. For further discussion, see "*Risk Factors—The Air Astana Group may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances introduced by regulation or legislative instruments*".

The following table sets out the Air Astana Group's GHG emissions, by tonnes and by ASK, for the periods indicated:

	Nine months ended 30 September	Year ended 31 December		
	2023	2022	2021	2020
GHG emissions intensity (tonnes CO_2 per 000' ASK)	0.06325	0.06427	0.06403	0.06885
CO_2 emissions (tonnes of CO2)	836,919.5	1,023,202.8	836,429.0	544,235.6

Energy

The Air Astana Group's primary source of indirect GHG emissions is its consumption of purchased electricity and heating. In compliance with the Law of the Republic of Kazakhstan No. 541-IV dated 13 January 2012 "On Energy Saving and Improvement of Energy Efficiency", the Air Astana Group passed an Energy Audit in 2022, with the next Energy Audit taking place in 2027.

Partnering with the EBRD and KazMunaiGas, the Air Astana Group launched a research study to explore the potential for developing the production and consumption of a SAF in Kazakhstan. Once the study has concluded, the Air Astana Group intends to set feasible operational targets for using SAF. Alongside this initiative, the Air Astana Group closely monitors industry standards, trends and stakeholder demands. The Air Astana Group may be required to use SAF in the future under SAF mandates of particular countries such as, among others, Japan, France and the UK. Under these mandates the Air Astana Group may be required to use SAF on its flights departing from (potentially arriving to) these countries. In addition, as part of its memorandum of strategic partnership with PetroChina International Kazakhstan on the supply of Jet A-1 fuel, the Air Astana Group also intends to import SAF directly from oil refineries in China.

Waste management

The Air Astana Group's waste management practices are centred around reduction, recycling and disposal, using third parties as necessary.

In 2020, the Air Astana Group began using biodegradable materials for in-flight products, including switching from plastic to wood for drink stirrers, replacing onboard cups with recyclable cups, using paper belly bands instead of plastic bags for blankets and packaging the majority of its amenity kits in bamboo and craft paper.

To reduce other waste, the Air Astana Group has implemented recycling initiatives including PET bottles and used batteries, wastewater used to wash wheels and brakes and, by improving its business processes and embracing digitisation, has reduced the volume of paper used.

The Air Astana Group has also developed social projects to encourage employee engagement with its waste management initiatives, as well as raise awareness of waste reduction among all stakeholders, including Upcycling for the Future, a project that involves repurposing decommissioned aircraft parts from Boeing 767 and Airbus A320 into art projects, with the overarching goal of promoting sustainability and waste reduction through creative reuse. FlyArystan has also introduced an initiative to repurpose expired life jackets into shopping bags, with the sale proceeds donated to charity.

Compliance

Air Astana Group believes that it complies with the requirements of the Ecological Code of the Republic of Kazakhstan No.400-VI dated 02 January 2021. The requirements are incorporated into the Air Astana Group's environmental protection management system. During the nine months ended 30 September 2023 and the years ended 31 December 2022, 2021 and 2020, no significant fines and penalties for non-compliance with environmental laws and regulations were identified.

Social

The Air Astana Group has committed to expand its social engagement with the communities where it operates and provides services. Its community support focuses on cooperating with national charitable organisations and other non-profit organisations, supporting individual charities, providing free or discounted flights and encouraging employee participation in volunteering opportunities. Since its inception, the Air Astana Group has sponsored several social initiatives and projects across both airline brands to support local enterprises, local communities and infrastructure and help increasing the investment attractiveness of the region. Social and community activities carried out by the Air Astana Group include fundraisings, donations and sponsorships for various charitable and non-profit organisations. For example, Air Astana has provided free flights for sick children and their families who need to travel for medical purposes and modern equipment for children's intensive care units at hospitals in Kazakhstan. As Kazakhstan's official flag carrier, the Air Astana Group also supports projects that seek to contribute to the development of Kazakhstan and protect its unique heritage. In connection with this, the Air Astana Group provided 2,205 flight tickets for veterans of the Second World War in 2022, valid for travel within Kazakhstan and to the CIS.

As part of the Air Astana Group's commitment to SDG 5, it strives to promote gender equality and diversity in the workplace. As at 30 September 2023, 72 nationalities and ethnic groups were represented by its 6,384 employees of whom 3,829 were female. At management level, comprising 39 people, 44% are female (66% of total employees), exceeding the 25% target set by IATA.

Governance

The sustainable development of the Air Astana Group business is based on the principles of openness, accountability, transparency, ethical behaviour, justice, respect for human rights and zero tolerance for corruption. In support of this, the Air Astana Group's whistleblowing hotline, introduced in order to promote ethical behaviour, is open to both employees and third parties for reporting cases of fraud, corruption, discrimination, unethical behaviour, and other violations related to the Air Astana Group's activities. The Air Astana Group's Compliance and Sustainability Department provides quarterly reports to the Board of Directors on its fraud, anti-corruption and conflicts of interest policies. The Air Astana Group has generated a corrupt risk map in order to identify risk factors, evaluate their probability, identify potential damage and introduce effective controls. In response to the Russia-Ukraine conflict, the Air Astana Group engaged a third party to provide sanctions training to all employees. Through an automated service, all employees are required to declare any potential conflicts of interest at the recruitment stage, when changing their job position or due to personal circumstances. The Air Astana Group also uses a third-party service provider to assess the reliability of potential counterparties (including agents) to minimise possible compliance risks.

Information technology

Information technology, and continuing the expansion of its IT data centre and network infrastructure upgrades, including the expansion of air to ground communications infrastructure in Kazakhstan, is an essential element of the Air Astana Group's business infrastructure. The Air Astana Group invests in information technology as its use directly lowers costs, enables scalable operations, improves efficiency and is essential to its operations. The IT department works closely with the Air Astana Group's sales and distribution teams in order to constantly improve the efficiency of its online distribution channels.

The Air Astana Group is creating a database system to enable flight handling forecasting, analysing current situation and real-time checking for gaps in the business to support ground services. Moreover, the Air Astana Group utilises an accrual management system to control and manage the Air Astana Group's expenses and a station control system in order to transmit reliable and accurate operational and financial information about the aircraft maintenance process.

The Air Astana Group's key applications include: Amadeus for reservations and ticketing, PROS for origin and destination based revenue management, Champ's Cargospot for cargo, Trax for engineering and MonaLisa for revenue accounting. In addition, Air Astana's booking system is integrated with Amadeus.

FlyArystan's key applications include: iJan; HitIt for reservations, ticketing and airport check-in; HitIt for IBE and Mobile APP; Aviator for revenue management; and MonaLisa for revenue accounting.

The Air Astana Group operates its application systems in-house on its own hardware in two data centres located in Astana and Almaty, and aims to improve its IT functionality in line with its business plans. Its website, *www.airastana.com*, is hosted on Azure, a cloud-based solution. In view of the Air Astana Group's dependence on its software and systems, the Air Astana Group has established disaster recovery procedures, including a backup data centre with adequate data communication redundancies. The Air Astana Group operates its own off-site disaster recovery centres in both data centres based in Astana and Almaty. The Air Astana Group holds an ISO 27001:2013 certification which, as an international standard on information security management, is indicative of the strength of the Air Astana Group's performance in this regard. All the Air Astana Group's mission-critical systems are relayed in real time to the data centres over its wide area network to enable recovery in case of a disaster.

The Air Astana Group's Finance Department has implemented an Airline Performance Excellence Programme with the goal of improving the airline's financial and operational performance through optimisation and automation of business processes, as well as real-time monitoring of metrics from Power BI reports and dashboards.

Intellectual property

The Air Astana Group has registered, applied for registration or renewed licenses for eight trademarks with the National Institute of Intellectual Property including, among others, the trademarks "Air Astana", "FlyArystan" and the "Nomad Club". The Air Astana Group has also registered several domain names with National Information Technologies JSC, Kazakhstan's internet domain name registry, and other domain registrars, including, among others, "*www.airastana.com*" and "*www.flyarystan.com*".

The Air Astana Group operates software products under licenses from its vendors, including Oracle, Trax, Sabre, Amadeus and Comarch. Under its agreements with Embraer, Airbus and Boeing the Air Astana Group uses their knowledge and proprietary information to maintain its aircraft.

Legal proceedings

In the ordinary course of business, the Air Astana Group is, from time to time, involved in legal proceedings, both as a claimant and as a defendant. However, such proceedings are routine matters and do not have a significant impact on the business.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months preceding the date of this Document which may have or, other than as set out below, have had in the recent past significant effects on the Company's or the Air Astana Group's financial position or profitability.

In December 2022, the APDC and the aviation transport prosecutor's office concluded that the Company had abused its dominant position in the air transportation market by including a fuel surcharge in the price of each air ticket, resulting in higher ticket prices. On 8 June 2023, the SICAO issued a fine of 6.8 billion Tenge (approximately U.S. $15 million) to the Company, on the grounds that the Company lacked a valid reason to include the fuel surcharge in the price of certain Air Astana domestic airline tickets for the period from January 2021 to May 2022. On appeal, this fine was reduced to 876 million Tenge (approximately U.S. $1.9 million) in November 2023. Together with the payment of the fine, the Company has committed to certain steps to ensure ongoing compliance with anti-monopoly rules including: (i) the Company's agreement not to levy a fuel surcharge on the main domestic routes of Air Astana; (ii) freezing the fare tariffs on such routes during 2024; and (iii) ensuring at least 70% of sales on such routes are within the lower booking classes in 2024. See "*Risk Factors—The Air Astana Group may face anti-trust compliance risks due to its dominant position in the domestic market*".

Airline Regulation in Kazakhstan

A summary of the domestic and international regulatory framework relating to the airline sector in Kazakhstan is set out below. This summary is intended to provide a general overview of certain relevant aspects of the regulatory framework applicable to the Air Astana Group's operations in Kazakhstan and is not intended to be a comprehensive description thereof. Some technical, other airlines related terms and terms related to the airlines regulation in Kazakhstan are set out in the "Glossary of Terms and Definitions". New laws and regulations may be adopted that could increase the Air Astana Group's compliance costs or affect its business. See "Risk Factors".

Overview

The aviation industry is subject to considerable international and domestic regulation by authorities and governments, including international conventions and bilateral agreements. Both international and domestic authorities supervise and enforce these regulations.

The ICAO, a special organisation of the United Nations, is responsible for the coordination and regulation of international air traffic and has developed norms and recommendations of conduct on several issues, such as aircraft operations, staff licensing, aviation safety, accident investigation, navigation services, airport planning and operations and environmental protection. Kazakhstan is a member of the ICAO.

The IATA acts as an international forum for cooperation on issues concerning for example technical security, safety, navigation services, flight operations as well as communication norms and the development of administrative procedures.

The regulatory system applicable to international air transportation is based on a general principle that each state has sovereignty over the airspace above its own territory as well as a right to administer air traffic in its airspace. Hence, air traffic rights granted by individual states to other states form the main basis of international air traffic rights. States that have received air traffic rights resulting from bilateral or multilateral agreements, in turn, grant these rights to local air carriers.

The AAK is the authorised organisation for civil aviation in Kazakhstan.

International Regulation

The Chicago Convention

The Convention on International Civil Aviation 1944 (the "**Chicago Convention**"), was signed in Chicago, Illinois by 52 states, and entered into force on 4 April 1947. The Chicago Convention sets forth the general principle that each country has complete and exclusive sovereignty over the airspace above its territory and therefore has the right to control the operation of air services over or into its territory.

Establishing the ICAO, the Chicago Convention also provides airspace rules, aircraft registration, safety requirements, specifies air traffic rights for signatory countries and an exemption from taxation for jet fuel. In July 1992, Kazakhstan ratified the Chicago Convention.

Article 83bis of the Chicago Convention outlines the legal framework for aircraft operated in one country to be registered on the register of another country, subject to formal agreement between the two states. In May 2021, Kazakhstan and the Republic of Ireland agreed to transfer a number of the Air Astana Group's aircraft to the Irish aircraft register. The IAA is responsible for the airworthiness of the aircraft in line with ICAO standards. Other aspects of the IAA's regulatory oversight are delegated to the AAK. As of the date of this Document, the Air Astana Group has completed the transfer of its fleet to the Irish aircraft register.

Other international conventions

Kazakhstan is also party to a number of other international conventions and protocols, including the Montreal Protocol of 1977, the Montreal Protocol of 1980, the Montreal Protocol of 1984, the Tokyo Convention of 1963 (Convention on Offences and Certain Other Acts Committed on Board Aircraft), the Hague Convention of 1970 (Convention for Suppression of Unlawful Seizure of Aircraft), the Montreal Convention of 1971 (Convention for the Suppression of Unlawful Acts against Safety of Civil Aviation) and the Warsaw Convention of 1929 (Convention for the Unification of Certain Rules Relating to the International Carriage by Air).

More recently, Kazakhstan became a signatory to the following conventions:

- the Cape Town Convention of 2001 and its Protocol (Convention on International Interests in Mobile Equipment), which was ratified on 5 July 2012;
- the Montreal Convention of 1999 (Convention for the Unification of Certain Rules for International Carriage by Air), which was ratified on 19 March 2015; and
- the Beijing Convention of 2010 (Convention on the Suppression of Unlawful Acts Relating to International Civil Aviation), which was ratified on 5 November 2018.

ICAO audit

In 2016, Kazakhstan passed an ICAO audit, with a pass mark of 74%. Accordingly, all historic restrictions on flights to EU countries were removed from all Kazakhstani airlines. In 2021, Kazakhstan passed an audit conducted by the ICAO Coordinated Validation Mission, achieving an 82% compliance rating with ICAO standards.

Bilateral agreements

At the date of this Document, Kazakhstan has concluded bilateral intergovernmental air service agreements ("**ASAs**") for the grant of international air traffic rights with approximately 39 countries, facilitating approximately 250,000 international landings annually. Based on these bilateral agreements, participating states grant airlines the right to operate scheduled air transportation of passengers and cargo on certain routes. Such agreements also regulate airline capacity and approval of pricing procedures. Under an ASA, it can take approximately two to 12 weeks to open a new route, with 65 routes opened between 2020 and 2023.

ASAs also impose nationality requirements to protect national interests. Airlines are required to demonstrate that they are majority owned and controlled by nationals of the airline's home state. Should the Air Astana Group cease to be owned or controlled by Kazakhstani nationals or Kazakhstani corporations, the contracting states of such ASA could deny the Air Astana Group's landing rights. See "*Description of Share Capital and Certain Requirements of Kazakhstani Law*" for more information.

"Open skies"

"Open skies" regime between states aim to liberalise international commercial aviation regulation and establish a competitive global aviation system. The "open skies" regime with the granting of the ICAO "fifth freedom" can be established between countries on a bilateral or unilateral basis. On a bilateral basis, the introduction of "fifth freedom" in Kazakhstan (or with respect to certain airports in Kazakhstan) has been implemented within the framework of the ASA with USA and within the framework of various memorandum of understanding and protocols with Qatar, the United Arab Emirates, Malaysia, Uzbekistan, Austria, Bahrain, Jordan, Kuwait, Poland and Finland. In addition, approximately 17 ASAs allow for the implementation of the ICAO "fifth freedom" if aviation regulators conclude a separate agreement. Unilateral "open skies" regimes have also been implemented by other countries serviced by Kazakhstan airlines, including Armenia, Georgia and Kyrgyzstan.

Airports in Kazakhstan are mainly divided into two types of ownership, government-owned and privately-owned. As part of the Expo 2017 Astana, Kazakhstan declared an "open skies" regime over Astana Airport in Astana. In addition, pursuant to the MIID Order No. 747 dated 23.12.2022 (the "**Order No.747**"), the CAC has implemented an "open skies" regime at 13 airports, including Astana, Almaty, Taraz, Shymkent, Aktau, Semei, Karagandy, Ust-Kamenogorsk, Pavlodar, Petropavlovsk, Kokshetau, Turkistan and Aktobe.

The EASA and U.K. Civil Aviation Authority ("CAA")

The EASA is responsible for supervising safety and environmental protection in the civil aviation industry at the EU level. EASA's tasks include, among others, facilitating common regulation and certification, drafting technical rules for aviation, approving aircraft and their components as well as companies manufacturing and maintaining aircraft and their components, supervision of aviation safety and related support to EU member states, promotion of European and global safety standards as well as cooperation with international stakeholders to improve safety in Europe.

The Air Astana Group models its operational management structure on the EASA system, including the appointment of nominated persons in key operational areas specifically responsible for safety and compliance with regulatory standards.

In addition, Kazakhstan authorities cooperate with the U.K. CAA on matters of transformation of the Kazakhstan civil aviation regulatory framework. From 2019 to 2023, CAA International (the technical cooperation, consulting and aviation training arm of the U.K. CAA) collaborated with the AAK in order to grow Kazakhstan's air transport sector, including developing a five-year strategic and sustainability plan.

Domestic Regulation

The primary laws regulating the Kazakhstan aviation sector are (i) the Aviation Law and (ii) the Law of the Republic of Kazakhstan No.156-XIII dated 21 September 1994 "On Transport of the Republic of Kazakhstan" (as amended). The Aviation Law regulates the use of Kazakhstan airspace, aviation sector activities and determines policies in order to protect human life, public health, the environment, the interests of the state, aircraft safety and safeguard economic interests.

To operate in Kazakhstan, air carriers are required to hold a valid air operator certificate, attesting to their operational and technical competence to conduct airline services for certain types of aircraft. The Aviation Law, Rules of Certification and Issuance of Air Operator's Certificate of Civil Aircraft, approved by the Order of the acting Minister of Investments and Development of the Republic of Kazakhstan No. 1061 (dated 10 November 2015) and Certification Requirements for Civil Aircraft Operators, approved by the Order of the acting Minister of Investment and Development of the Republic of Kazakhstan No. 153 (dated 24 February 2015), provide the minimum compliance requirements applicable to Kazakhstan air carriers and conditions for obtaining the air operator certificate. The Company obtained an AOC on 20 March 2023, which expires on 20 March 2025.

The CAC is the principal regulator for the Kazakhstan civil aviation sector. The main responsibilities of the CAC are to implement the Ministry of Transport's policies, as well as those set by international organisations to ensure the safe use of Kazakhstan's airspace. The AAK was appointed as the competent organisation for civil aviation by the Decree of the Government of the Republic of Kazakhstan No.530, dated 25 July 2019. As of August 2019, the AAK has taken over the technical functions formerly conducted by the CAC, including, *inter alia,* air safety, aircraft certification, personnel certification and training.

Where international routes are subject to restrictions imposed by intergovernmental agreements, such as the frequency of flights or the number of airlines permitted to operate on a certain international route, airlines are required to participate in a tender process administered by the CAC. Once the tender process has been resolved, the CAC issues the successful airline with a certificate, evidencing the right to transport passengers, baggage, cargo and mail on the relevant international route. The CAC reserves the right to revoke such certificates issued to airlines if the airline does not comply with the terms of use of the air route in question.

The national air navigation services provider for Kazakhstan is the Kazaeronavigatsiya Republican State Enterprise, the main activity of which is ensuring flight safety in the 2.76 million sq. km airspace in Kazakhstan.

Airlines provide commercial air transportation services for passengers, baggage, and cargo in accordance with the Rules of Air Transportation, approved by the Order of the Minister of Investments and Development of the Republic of Kazakhstan No. 540 dated 30 April 2015 (the **"Rules of Air Transportation"**). Passenger transportation is carried out in accordance with contracts for air transportation between the airline and passengers. Additionally, airlines may offer passengers various services on board (such as information and assistance services, multimedia services, refreshments, etc.). Airlines have the right to independently determine the range of services based on the study of passenger needs, requests, and technical capabilities. As for baggage transportation, the weight, dimensions, and free hand luggage requirements are set by the airline.

According to the Aviation Law, the airline carrier is responsible for:

- harm to life and health of a passenger incurred during air transportation in the form of compensation of damages as determined by the rules of the Civil Code;
- loss, deficiency, and/or damage to baggage, cargo, and items carried by the passenger in the form of compensation of damages caused; and
- loss, deficiency, damage, and/or delay in the delivery of postal items—in the form of compensation of damages caused to the postal operator.

In the event of a change in flight status, the airline is responsible for (i) providing certain services without additional charges (such as accommodation in a hotel and providing meals), (ii) arranging transportation for the passenger on the next available flight to the destination or providing a full ticket refund and (iii) paying the penalty of 3% of the tariff cost for each hour of delay in delivering the passenger to the destination (provided the delay was not caused by force majeure) in addition to compensation of damages, if any.

Company's compliance and certifications

Since 2002, the Company has been a member of IATA. Membership of IATA is not compulsory to operate as a scheduled or non-scheduled air carrier. However, IATA membership is a route to inter-airline cooperation, promoting safe, secure and economical air transportation for the benefit of consumers. The Company has been granted the EASA Part 145 approval and maintains its fleet in accordance with EASA requirements. In May 2023, the Air Astana Group completed the IOSA for the ninth time. The Air Astana Group is also certified as an EASA Part 147 Training Organisation and is a member of Association of Asia Pacific Airlines, IATA Clearing House and Flight Safety Foundation.

The Air Astana Group cooperates closely with the CAC in order to develop sustainable civil aviation in Kazakhstan, establish Kazakhstan as a major Central Asian hub and promote a transparent and efficient aviation market.

Competition matters

The Entrepreneurial Code applies to the Air Astana Group and regulates competition related matters in Kazakhstan. The Entrepreneurial Code includes, *inter alia*, prohibition on (i) anti-competitive agreements and behaviour that amounts to collusion, (ii) the abuse of a dominant or monopolistic position in the market and (iii) unfair competition.

The Entrepreneurial Code prohibits the abuse of a dominant or monopolistic position in a market. It also provides that the abuse of a dominant or monopolistic position includes, *inter alia*: (i) the fixing and/or maintenance of monopolistic high or low prices or monopolistic low prices, (ii) the application of different prices or different conditions to equivalent agreements with market participants without objective justification, (iii) the establishment of limitations on the resale of goods, works or services purchased from a market participant based on criteria such as territory, types of purchasers, conditions of purchase, quantity or price, and (iv) an unjustified refusal to enter into agreements with certain purchasers (customers).

As at the date of this Document, the Air Astana Group holds a leading position in its domestic market. Although having a leading position in a given market is not in itself prohibited by the Entrepreneurial Code, undertakings with a leading position are at risk of violating the Entrepreneurial Code if such undertakings, amongst others *inter alia*, engage in excessive profiteering or collusion with a competitor. See "*Risk Factors—The Air Astana Group may face anti-trust compliance risks due to its dominant position in the domestic market*".

Insurance Law

The Civil Code and the Law of the Republic of Kazakhstan No. 126-II dated 18 December 2000 "On Insurance Activity" (as amended) (the "**Insurance Law**") are the primary legislation regulating the insurance sector in Kazakhstan. It establishes a framework for insurance activities. The Civil Code establishes the fundamental regulation of relations between the insurer and the policyholder, while the Insurance Law envisages the basic regulation of insurance as a business activity. Various compulsory insurance categories are subject to separate specific laws. In particular, activities of airline companies are subject to the Law of the Republic of Kazakhstan No. 444-II dated 1 July 2003 "On Compulsory Insurance of Civil Liability of a Carrier to Passengers".

In accordance with the Aviation Law, the Company is obliged to insure all its aircrafts, as well as its civil liability as the operator of aircrafts.

Personal Data Protection

The Personal Data Law applies to the Air Astana Group. Among other things, the Personal Data Law requires that an individual must consent to the collection and processing (e.g., any action on the accumulation, storage, modification, addition, use, distribution (including cross-border transfer), depersonalisation, blocking and destruction) of their personal data and must provide such consent prior to the personal data being collected/processed. Consent shall be provided in writing through a state service, non-state service or in any other way that allows confirming the receipt of consent. Under the Personal Data Law, the storage of personal data shall be carried out by the owners and (or) operators of personal databases, as well as by any third party which has contractual relationships with such owners and (or) operators, in the database which is physically located and stored within the territory of the Republic of Kazakhstan. Under the Personal Data Law, the Air Astana Group (acting as an owner and operator of personal data) must ensure security of personal data through legal, technical and organisational measures. Ensuring the security of the personal data contained in the electronic information resources must be carried out in accordance with requirements set forth by the Law of the Republic of Kazakhstan No. 418-V ZRK dated 24 November 2015 "On Informatisation" (as amended). In recent years, state authorities have paid great attention to the protection of personal data in Kazakhstan. The Air Astana Group may be subject to audits in terms of compliance with the requirements of the Personal Data Law. Please see "*Risk Factors—The Air Astana Group is exposed to the risk of cyber security breaches and other security vulnerabilities, either impacting its own systems or the systems of key suppliers*".

Advertising

The Law of the Republic of Kazakhstan No. 508-II dated 19 December 2003 "On advertisement" (as amended) (the **Advertising Law**) is the main statute governing advertising in Kazakhstan. Advertising is defined as information available to the general public through any means and in any form, provided that such information aims to form and maintain the interest of the general public in (i) individuals, or (ii) legal entities, or (iii) goods, or (iv) trademarks, or (v) products or services, so that to promote the selling of the same. According to the Advertising Law, advertising in the territory of Kazakhstan, regardless of the means of distribution, must be truthful and recognisable. In advertising of goods (works, services) sold in Kazakhstan, the price of such goods (works, services) shall be expressed in Tenge, and, subject to certain exceptions, the advertising itself shall be in the Kazakh language.

Furthermore, deceptive, inaccurate, unethical, knowingly false, and covert advertising, which violates the requirements for its content, timing, location, and distribution method, is prohibited. The Advertising Law also establishes specific requirements for advertising on television and radio channels, in periodicals, on vehicles, and for certain types of products. The Air Astana Group is subject to the general advertising requirements set forth in the Advertising Law.

Employment

Employment relationships between employees and employers, relationships directly related to labour, social partnership, and occupational safety and health, are regulated by the Labor Code No. 414-V dated 23 November 2015. Additionally, the labour of airline employees is also regulated by the Aviation Law, which establishes special regulations for:

- aviation personnel, not directly related to flight safety, including air traffic management, regarding working hours and rest time;
- aviation personnel and other workers who report or are mentioned in aviation incident reports, regarding disciplinary and financial responsibilities; and
- aviation inspectors of the AAK, including restrictions and types of disciplinary penalties.

The airline personnel must undergo professional training according to the programs approved by authorized bodies and obtain a certificate for aviation personnel. Additionally, individuals directly involved in the execution and support of aircraft flights and their technical maintenance must have qualifications allowing them to engage in such activities and/or a medical certificate of the appropriate class.

Customer protection

Customer protection, including for airline passengers, is set out in the Civil Code, the Law of the Republic of Kazakhstan No. 274-IV dated 4 May 2010 "On customers rights protection" (as amended) and the Aviation Law and the Rules of Air Transportation. This legislation establishes the fundamental principles of customer protection rights, consumer rights and obligations. The Rules of Air Transportation provide, amongst other things, as measures to protect customer rights:

- the passenger's right to compensation for expenses for accommodation, meals, transportation, and more if the airline cannot provide the passenger with a seat in the cabin of the corresponding service class as specified in the issued ticket;
- the obligation of the airline to provide specific services to passengers at no additional cost when there is a change in flight status due to the carrier's fault or due to the delayed arrival of the aircraft; and
- compensation for damages and expenses incurred by passengers as a result of the services provided by the airline.

Environmental matters

EU ETS

In 2003, the EU introduced the EU ETS to limit greenhouse gas emissions. The EU ETS is the world's largest "cap-and-trade" scheme, covering approximately 45% of the EU's greenhouse gas emissions. The airline industry was incorporated into the EU ETS from 2009, delivering a market price for emission allowances and limiting the total emissions to a fixed cap amount. Airlines subject to EU ETS are required to measure their CO_2 emissions and account for those emissions by surrendering credits. In 2012, the first carbon credit surrender took place. EU member states also sell additional allowances through an auction procedure.

On 14 July 2021, the European Commission adopted a set of proposals to revise and update legislation aimed at aligning current laws with the EU's greenhouse gas emission reduction target of at least 55% below 1990 levels by 2030, by, *inter alia*, extending the application of emissions trading to new sectors and tightening the existing EU ETS. Under the Fit for 55 Package, the EU ETS allowances will be phased out over the period 2024 to 2027, reducing the total number of allowances in line with the new 55% target and aligning emissions treatment with CORSIA. Any shortage of allowances has to be purchased in the open market and/or at government auctions

CORSIA

In 2016, the ICAO adopted the CORSIA, in order to monitor, report and offset annual CO_2 emissions for international civil aviation that exceed 2019 levels. CORSIA is an "offsetting scheme" under which total emissions may increase, but must be compensated by offsets. To compensate for CO_2 emissions above 2019 levels in international aviation and achieve carbon-neutral growth over time, emitters purchase emissions units. The scheme aims to deliver projects that will reduce carbon by around 2.5 billion tonnes between 2021 and 2035. As of 2023, over 100 countries have committed to CORSIA.

In June 2018, the Council of ICAO adopted the First Edition of Annex 16—Environmental Protection, Volume IV—CORSIA, also known as the International Standards and Recommended Practices ("**SARPs**"). The SARPs set, *inter alia*, the monitoring, reporting, verification and deletion of certificates rules.

In terms of timing, CORSIA is divided into three phases, including the pilot phase in 2021–2023, phase one in 2024–2026 and phase two in 2027–2035. Participation of ICAO member states in CORSIA is voluntary during the pilot and first phases, but will become mandatory for all member states from 2027. In 2020, Kazakhstan has expressed its willingness to participate in the pilot phase of CORSIA.

ICAO Committee on Aviation Environmental Protection ("CAEP")

The ICAO CAEP is a technical committee created to form new policies and SARPs relating to aircraft noise and emissions. In February 2013, the ICAO CAEP agreed to a new CO_2 certification requirement, as well as new global noise standards that will result in quieter skies and airports. The CO_2 certification requirement will form the basis of future work to complete an aircraft CO_2 standard. In February 2016, the ICAO CAEP further approved amendments to Annex 16 Volume I "Aircraft Noise" and Volume II "Aircraft Engine Emissions" of the Chicago Convention.

Kazakhstan Environmental Code

From July 2021, the new Code of the Republic of Kazakhstan No. 400-VI dated 2 January 2021 "Environmental Code of the Republic of Kazakhstan" (as amended) (the "**Environmental Code**") came into effect in Kazakhstan. The Environmental Code is based on the principle that the polluter bears the responsibility for rectification. With the adoption of the new Environmental Code, appropriate changes have been made to the legislation to toughen administrative responsibility for environmental offenses. Businesses that adversely affect the environment must obtain a comprehensive environmental permit or an environmental impact permit. From 2025, category I facilities (i.e., facilities causing significant negative impact on the environment) will be transferred to mandatory comprehensive environmental permits. The requirement to obtain mandatory comprehensive environmental permit does not apply to companies whose activities fall within category I facilities and where relevant facilities were put into operation or received a positive conclusion of environmental examination before 1 July 2021. The activities of the Company do not fall within Category I facilities.

The new Environmental Code also sets out a hierarchy of waste disposal including a step-by-step management of waste disposal.

Sanctions for violation of airline legislation

Kazakhstani legislation provides for liability incurred by airline companies and their personnel for violations of the Aviation Law and by-laws in the form of various administrative fines, the amount of which may vary depending on the type of a particular breach, disqualification of officers and suspension or prohibition of activities of an airline company. In addition, the law provides that such violations may result in the suspension or revocation of relevant licences or permits held by airline companies.

Senior executives and their deputies of aviation security services at airports, airlines, aircraft operators, and air navigation service providers bear personal responsibility for ensuring aviation safety. Violation of rules for the safe operation of aircraft, operating an aircraft under the influence of alcohol, narcotics, and/or toxic substances, as well as allowing individuals who are not authorised to operate an aircraft to do so, are considered criminal offenses.

Directors, Management and Corporate Governance

Board of Directors

As at the date of this Document, the current members of the Board of Directors (the "**Directors**") consist of the non-executive chair nominated by SK (the "**Chair**"), one executive Director (the "**Executive Director**"), four non-executive Directors determined by the Board to be independent in character and judgement and free from commercial relationships or circumstances which may affect, or could appear to impair, the director's judgement (the "**Independent Non-Executive Directors**") and three non-executive Directors nominated by the Selling Shareholders who are not considered independent (the "**Non-Executive Directors**").

The Directors are as follows:

Name	Year of birth	Position	Date of election to the Board	Term of current mandate
Nurlan Zhakupov	1978	Chair(2)	11 December 2023	1 year
Peter Foster	1960	President and Chief Executive Officer	31 March 2023	1 year
Aidar Ryskulov	1981	Non-Executive Director(2)	5 September 2023	1 year
Myles Westcott	1971	Non-Executive Director(3)	31 March 2023	1 year
Simon Wood	1975	Non-Executive Director(3)	31 March 2023	1 year
Yeldar Abdrazakov	1972	Independent Non-Executive Director(1)	31 March 2023	1 year
Janet Heckman	1954	Independent Non-Executive Director(1)	31 March 2023	1 year
Keith Gaebel	1962	Independent Non-Executive Director(1)	31 March 2023	1 year
Garry Kingshott	1952	Independent Non-Executive Director(1)	31 March 2023	1 year

(1) Independence is determined by the Board of Directors, taking into account the criteria set out in the Corporate Governance Code of the Company (see below).

(2) Representative of SK.

(3) Representative of BAE.

The business address of each Director is 4A Zakarpatskaya Street, Turksib District, Almaty, 050039, Republic of Kazakhstan.

The management expertise and experience of each of the Directors is set out below:

Nurlan Zhakupov*—Chair*

Mr. Zhakupov was born in 1978 and is a citizen of the Republic of Kazakhstan. He began his career at Eurasian Industrial Association as a financial analyst. From 2009 he held a variety of management and senior management positions, including serving as a managing director at National Mining Company Tau-Ken Samruk from 2009 to 2011 and as a managing director for Development and Investment at NAC Kazatomprom JSC from 2016 to 2017. In 2020, Mr. Zhakupov was appointed as chief executive officer of Kazakhstan Investment Development Fund (KIDF) Management Company Ltd, prior to his appointment as a chief executive officer of SK. Mr. Zhakupov graduated from MGIMO University of the Ministry of Foreign Affairs of the Russian Federation in 2001: Candidate of economic sciences; Master of Economics (International Economic Relations Department); Bachelor of Economics (International Economic Relations Department).

Peter Foster*—President and Chief Executive Officer*

Mr. Foster was born in 1960 and is a citizen of the United Kingdom. He began his career at 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 within Cathay Pacific Airways in Hong Kong, Asia, Australia and Europe. In 1999, he joined Philippine Airlines Inc. as chief company advisor. He subsequently served as chief executive officer of Royal Brunei Airlines from 2002 to 2005 prior to his appointment as President and Chief Executive Officer of the Company in 2005. In the 2015 United Kingdom New Year's Honours List, Mr. Foster was awarded Officer of the Order of the British Empire (OBE) for his services to British aviation in Kazakhstan. Mr. Foster is a graduate of Cambridge University, United Kingdom and has a business management training certificate from INSEAD.

Aidar Ryskulov*—Non-Executive Director*

Mr. Ryskulov was born in 1981 and is a citizen of the Republic of Kazakhstan. He began his career at Kazakhstan Temir Zholy National Company Joint Stock Company as an engineer economist and has subsequently held a number of banking and finance positions. He is also the managing director of the department of Economics and Finance at SK, the chair of the board of directors of Qazaq Air Joint Stock Company, the chair of the board of directors of Kazakhstan Temir Zholy National Company Joint Stock Company and a member of the board of directors of NAC Kazatomprom Joint Stock Company. Mr. Ryskulov obtained a bachelor's degree in finance and credit from the Karaganda State University, Kazakhstan and an MBA from Nazarbayev University, Kazakhstan. Mr. Ryskulov was first elected to the Board of Directors of the Company in 2023.

Myles Westcott*—Non-Executive Director*

Mr. Westcott was born in 1971 and is a citizen of the United Kingdom. He began his career in 1992 in accounting, subsequently holding various accounting and management roles including within retail and consultancy. In 2001, Mr. Westcott joined BAE Systems plc and has since held a number of finance leadership positions, most recently as Group Financial Controller. Mr. Westcott is a Fellow of the Institute of Chartered Accountants in England & Wales, and a graduate of Bristol University, United Kingdom. Mr. Westcott was first elected to the Board of Directors of the Company in 2018.

Simon Wood*—Non-Executive Director*

Mr. Wood was born in 1975 and is a citizen of the United Kingdom. Mr. Wood began his career in 1996 in the defence and aerospace sector. He joined BAE Systems plc in 1996 and has held a number of finance positions, most recently as Finance Director Maritime & Land. Mr. Wood is a Fellow of the Chartered Institute of Management Accountants, a member of the UK Institute of Directors, and a graduate of Kingston Business School, Kingston University. Mr. Wood was first elected to the Board of Directors of the Company in 2019.

Yeldar Abdrazakov*—Independent Non-Executive Director*

Mr. Abdrazakov was born in 1972 and is a citizen of the Republic of Kazakhstan. He was Managing Director at Kazkommertsbank from 1995 to 2003, chief executive officer at Kazkommerts Securities from 2002 to 2004, and founder and chief executive officer from 2004 at Centras Group. Mr. Abdrazakov holds a Bachelor of Science and Master of Science degree in economics from the Akhmet Yassawi International Kazakh-Turkish University, Almaty and has also completed the General Management Programme at Harvard Business School, United States. Mr. Abdrazakov is a Chartered Director of the United Kingdom's Institute of Directors. Mr. Abdrazakov was first elected to the Board of Directors of the Company in 2020.

Janet Heckman*—Independent Non-Executive Director*

Ms. Heckman was born in 1954 and is a citizen of the United States of America. Between 1980 and 2012 she held various positions at Citi Group 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 the European Bank for Reconstruction and Development in 2012 as a country director for Kazakhstan and managing director for the Southern and Eastern Mediterranean region from 2017 to 2019. Mrs. Heckman holds a Master of Science degree in foreign service from Georgetown University in Washington, D.C., United States and a Bachelor of Arts from Kenyon College, Ohio. Ms. Heckman was first elected to the Board of Directors of the Company in 2019.

Keith Gaebel— *Independent Non-Executive Director*

Mr. Gaebel was born in 1962 and is a citizen of Canada. Mr. Gaebel has held various positions within accounting firms including head of the CIS financial reporting group at PricewaterhouseCoopers (2000 to 2004) and Ernst & Young (2004 to 2008) and managing partner for Central Asia and Caucasus at Ernst & Young (2008 to 2013). Mr. Gaebel holds a degree from Lakehead University. Mr. Gaebel was first elected to the Board of Directors of the Company in 2020.

Garry Kingshott*—Independent Non-Executive Director*

Mr. Kingshott was born in 1952 and is a citizen of Australia. He began his career in 1973 at Johnson & Johnson and held various positions within the retail sector until 1990. In 1990, Mr. Kingshott joined Ansett Airlines (Australia) after which he continued in the aviation, travel and tourism sector, most recently serving as chief executive at Cebu Air Inc. from 2008 to 2016. Mr. Kingshott is a member of the Australian Institute of Company Directors. Mr. Kingshott was first elected to the Board of Directors of the Company in 2019.

Committees of the Board of Directors

The Company has established the following committees of the Board of Directors:

(i) strategic planning committee;

(ii) audit committee;

(iii) treasury committee;

(iv) nomination and remuneration committee; and

(v) ESG committee.

Under the Law of the Republic of Kazakhstan No. 415-II dated 13 May 2003 "On Joint Stock Companies" (as amended) ("**JSC Law**") and the internal regulations of the Company, each of the committees are advisory boards of the Board of Directors and are required to be chaired by an Independent Non-Executive Director.

Strategic Planning Committee

The members of the Strategic Planning Committee are as follows:

Name	Position in the Committee	Member since
Garry Kingshott	Chair	2019
Janet Heckman	Member	2019
Myles Westcott	Member	2019
Aidar Ryskulov	Member	2023

The Strategic Planning Committee meets regularly and is responsible for: (i) the Air Astana Group's priority areas of business activity and development; (ii) recommending potential amendments to the Company's long-term development strategy; (iii) reviewing the Air Astana Group's performance against budget, business plan and ten-year strategy; (iv) corporate governance issues; (v) the Air Astana Group's strategy in view of changes in the economic, political, social and competitive environment; and (vi) suggested improvements to the Company's long-term performance and competitiveness in the aviation transportation market.

Nomination and Remuneration Committee

The members of the nomination and remuneration committee of the Company (the "**Nomination and Remuneration Committee**") are as follows:

Name	Position in the Committee	Member since
Janet Heckman	Chair	2019
Garry Kingshott	Member	2019
Myles Westcott	Member	2018
Yeldar Abdrazakov	Member	2020
Nurlan Zhakupov	Member	2023

The Nomination and Remuneration Committee meets regularly and is responsible for: (i) the development of requirements for candidate qualifications and recommendations on election or nomination for the roles of, amongst others, the Independent Non-Executive Directors and the President and Chief Executive Officer; (ii) the development of a succession planning policy; and (iii) recommendations on the policy and structure of remuneration including conducting comparative analyses of remuneration levels.

Audit Committee

The members of the audit committee of the Company (the "**Audit Committee**") are as follows:

Name	Position in the Committee	Member since
Keith Gaebel	Chair	2020
Janet Heckman	Member	2019
Yeldar Abdrazakov	Member	2020

Meetings of the Audit Committee are expected to be held at least once a quarter. The Audit Committee is responsible for: (i) reviewing and controlling the effectiveness of internal controls, compliance and risk management systems; (ii) controlling the independence of internal and external audits; (iii) developing recommendations on the appointment or change of the external auditor, remuneration of the same and evaluating the quality of such services; (iv) developing recommendations for the Board of Directors on the appointment (or removal) of employees within the permanent collective body of the Company that performs internal audits of the Company (the "**Internal Audit Service**") ; and (v) reviewing reports from the Company's management and external auditor on material accounting matters and decisions.

ESG Committee

The members of the ESG Committee are as follows:

Name	Position in the Committee	Member since
Yeldar Abdrazakov	Chair	2020
Janet Heckman	Member	2019
Simon Wood	Member	2019
Aidar Ryskulov	Member	2023

The ESG Committee meets regularly and is responsible for: (i) oversight of the Company's ESG-related goals, metrics and initiatives; (ii) monitoring the Company's progress towards achieving its ESG objectives; (iii) review and recommendations with respect to approval of ESG-related policies; and (iv) review and approval of ESG-related disclosures in the Company's annual report.

Treasury Committee

The members of the Treasury Committee are as follows:

Name	Position in the Committee	Member since
Keith Gaebel	Chair	2020
Simon Wood	Member	2019
Aidar Ryskulov	Member	2023

The Treasury Committee meets regularly and is responsible for: (i) verifying control mechanisms for the Company's treasury activities and ensuring the effectiveness and improvement of policies and procedures in the treasury function; and (ii) monitoring treasury activities and notifying the Board of Directors of risks and opportunities associated with them.

Senior Managers

The following persons are senior managers of the Company who are relevant to establishing that the Company has the appropriate expertise and experience for the management of its business (the "**Senior Managers**").

Name	Year of birth	Function	Year when joined the Air Astana Group
Peter Foster	1960	President and Chief Executive Officer	2005
Ibrahim Canliel	1971	Chief Financial Officer	2003
Alma Aliguzhinova	1976	Chief Planning Officer	2001
Filippos Siakkas	1966	Chief Operating Officer	2013
Adrian Hamilton-Manns	1970	President and Managing Director, FlyArystan	2020
Gerhard Coetzee	1959	Chief Safety Compliance Officer	2008
Yevgeniya Ni	1977	Vice President, HR and Administration	2002
Keith Wardle	1967	Vice President, Engineering and Maintenance	2013
Bella Tormysheva	1966	Vice President, Corporate Communications	2008
Yerdaulet Shanshiyev	1966	Vice President, Strategy Development and Government Relations	2002

The business address for each Senior Manager is the registered office of the Company, which is 4A Zakarpatskaya Street, Turksib District, Almaty, 050039, Republic of Kazakhstan.

Peter Foster*—President and Chief Executive Officer*

See above.

Ibrahim Canliel*—Chief Financial Officer*

Mr. Canliel was born in 1971 and is a citizen of the Republic of Türkiye. He started his career in 1994 in tourism management and subsequently held various aviation management roles including within KLM, Northwest Airlines and Alitalia. He joined the Air Astana Group in 2003 and since has held senior management positions as director, VP, SVP across a range of departments prior to his appointment as CFO in 2017. He is currently a member of the board of directors of EUROBAK. Mr. Canliel holds an undergraduate degree in economics from the Marmara University and an MBA degree from Bosphorus University, Turkey. He completed the Director Development Programme at the Cranfield School of Management, United Kingdom.

Alma Aliguzhinova*—Chief Planning Officer*

Ms. Aliguzhinova was born in 1976 and is a citizen of the Republic of Kazakhstan. She joined the Air Astana Group in 2001 as a corporate development manager and has subsequently held a number of planning positions. Ms. Aliguzhinova holds an MBA degree from East Carolina University, United States. She also holds an Aerospace MBA from the Toulouse Business School, France and a bachelor's degree from Almaty State University.

Filippos Siakkas*—Chief Operating Officer*

Mr. Siakkas was born in 1966 and is a citizen of the Republic of Greece. In 1989, he joined Olympic Airways (now known as Olympic Airlines), the flag carrier of Greece, where he flew several aircraft types as first officer and captain and held a number of senior appointments. After leaving Olympic Airlines in 2013, he joined the Company as director of operational training and in November 2022 was appointed to the role of Chief Operating Officer.

Adrian Hamilton-Manns*—President and Managing Director, FlyArystan*

Mr. Hamilton-Manns was born in 1970 and is a citizen of New Zealand. In 1996, he began his aviation career at Air New Zealand and of the United Kingdom. Prior to joining FlyArystan, he held several operations and sales positions, including within Qatar Airways (head of sales performance), South African Airways (executive vice president), IndiGo (chief commercial officer), Pacific Blue (commercial director), Radixx (managing director, Asia), Tiger Airways (chief commercial officer) and FlyAfrica (chief executive officer). Mr. Hamilton-Manns holds a bachelor's degree in aviation from Massey University in New Zealand and an MBA degree from the University of Cumbria, United Kingdom.

Gerhard Coetzee*—Chief Safety Compliance Officer*

Mr. Coetzee was born in 1959 and is a citizen of South Africa. He started his career in 1978 in aviation safety management and has subsequently held a number of aviation safety management positions, including a secondment from BAE Systems to Air Astana as Head of Safety from 2006-2008. Mr. Coetzee holds a bachelor's degree in Commerce and an Honours degree in Transport Economics from the University of South Africa, South Africa.

Yevgeniya Ni*—Vice President, HR and Administration*

Ms. Ni was born in 1977 and is a citizen of the Republic of Kazakhstan. She started her career at the Air Astana Group in 2002 as executive assistant to the President and has subsequently held various human resources roles. Ms. Ni holds a diploma in law from Karaganda State University, Republic of Kazakhstan and completed the Director Development Programme at the Cranfield School of Management, United Kingdom. She is a certified senior HR professional international (SPHRi) and a member of the Airline People Directors Council. Ms. Ni is a member of the Association of HR Managers in Kazakhstan.

Keith Wardle*—Vice President, Engineering and Maintenance*

Mr. Wardle was born in 1967 and is a citizen of the United Kingdom. In 1985, he started his career in the Royal Air Force. Since 2001, he has held a number of management roles for both passenger and cargo airlines in the UK, Germany and Dubai. Mr. Wardle holds a first class honours bachelor's degree in aircraft engineering and MSc in professional engineering gained at Kingston University, London.

Bella Tormysheva*—Vice President, Corporate Communications*

Ms. Tormysheva was born in 1966 and is a citizen of the Republic of Kazakhstan. She started her career in 1996 in public relations and has subsequently held a number of public relations positions including press, information and culture coordinator at the Delegation of the European Commission to Kazakhstan, the Kyrgyz Republic and the Republic of Tajikistan. Ms. Tormysheva has a master's degree in international relations from Kainar University, Kazakhstan.

Yerdaulet Shamshiyev*—Vice President, Strategy Development and Government Relations*

Mr. Shamshiyev was born in 1966 and is a citizen of the Republic of Kazakhstan. He started his career at the Company in 2002 in strategy and has held a number of strategy positions, most recently as regional general manager China and Mongolia at the Company. Mr. Shamshiyev is a graduate from the Beijing Language and Culture University, Republic of China and the Civil Aviation Academy, Almaty, Republic of Kazakhstan.

Other directorships

In addition to their directorships of the Company, or their positions as Senior Managers, the Board of Directors and Senior Managers are, or have been, members of the following administrative, management or supervisory bodies or partners of the following companies or partnerships, at any time in the five years prior to the date of this Document:

Name	Current positions	Prior positions
Nurlan Zhakupov	Chief Executive Officer for JSC SWF Samruk-Kazyna	Chief Executive Officer of Kazakhstan Investment Development Fund Management Company Ltd Chief Executive Officer of Social-Entrepreneurial Corporation Astana JSC Member of the Board of Directors of Central Asian Metals Plc
Peter Foster	None	None
Aidar Ryskulov	Managing Director for Economics and Finance of Samruk-Kazyna JSC Chair of the Board of Directors of Qazaq Air Joint Stock Company	None

Name	Current positions	Prior positions
	Chair of the Board of Kazakhstan Temir Zholy National Company Joint Stock Company Member of the Board of NAC Kazatomprom Joint Stock Company	
Myles Westcott	Group Financial Controller for BAE Systems plc Director of Cotham Flats Management Company Ltd	Director of BAPFIM Ltd
Simon Wood	Finance Director Maritime & Land for BAE Systems plc Director of BSL WLL Director of BAE Systems Land Systems (Finance) Limited Director of Holdwood Limited	Director of BAE Systems (Military Air) Overseas Limited Director of BAE Systems (Kuwait) Limited Director of BAE Systems (Oman) Limited Director of Blush&Co Limited Director of Kellwood Limited Director of Exposed Limited
Yeldar Abdrazakov	Founder and Chief Executive Officer of Centras Group Chair of the Board of Directors of ForteBank Member of the Board of Directors of the KASE	None
Janet Heckman	Member of the Board of Directors of the AIX Member of the Board of Directors for Citibank, Kazakhstan Member of the Board of Directors for TBC Bank, Georgia	Managing Director for Southern and Eastern Mediterranean (SEMED) Region for EBRD
Keith Gaebel	Member of the Board of Directors of the National Payment Corporation of the National Bank of the Republic of Kazakhstan	None
Garry Kingshott	Member of the Advisory Board at Cebu Air Inc	None
Ibrahim Canliel	Member of the Board of Directors at Eurobak	None
Alma Aliguzhinova	None	None
Filippos Siakkas	None	None
Adrian Hamilton-Manns	None	Managing Director (Asia) of Radixx
Gerhard Coetzee	None	None
Yevgeniya Ni	Member of the Airline People Directors Council	None
Keith Wardle	None	None
Bella Tormysheva	None	None
Yerdaulet Shanshiyev	None	None

Save as set out above, none of the directors or the Senior Managers has any business interests, or performs any activities, outside the Air Astana Group which are significant with respect to the Air Astana Group.

Governance structure

Overview

The Air Astana Group is committed to maintaining high standards of corporate governance. The corporate governance system of the Company aims:

- to be managed with due responsibility, accountability and effectiveness in order to maximise Company and shareholder value;
- to ensure transparency and the due disclosure of information; and
- to ensure the effectiveness of risk management and its internal control system.

Corporate governance

The Company complies with the mandatory corporate governance regime applicable to AIX listed companies and mandatory rules of Kazakhstan law. The Company has adopted its own corporate governance code (the "**Corporate Governance Code**"). The code is based on Kazakhstan law and is aligned with the Principles and Standards of the AIFC Market Rules (the "**AIFC MAR Principles and Standards**"). Pursuant to the Corporate Governance Code, the Company is required to comply with the seven Corporate Governance Principles of the AIFC Market Rules that represent mandatory rules for all issuers of securities listed on the AIX. The Standards within the AIFC MAR Principles and Standards set out, by way of guidance, best practice standards relevant to each of the Corporate Governance Principles and are subject to a comply-or-explain disclosure requirement. The standards adopted in the Corporate Governance Code adopt or, in some cases exceed, the threshold requirements presented by the AIFC MAR Principles and Standards.

The Company acknowledges that Standard 20 of the AIFC MAR Principles and Standards recommends that the chair of a board of directors meet the criteria for independence. However, as adopted by principle 2.5 of the Corporate Governance Code, if the Board of Directors decides that an individual who does not meet the criteria for independence according to the Corporate Governance Code is best suited to hold a position of chair, the Company is required to explain such deviation from Standard 20. To do so, the Board of Directors must satisfy itself that there are appropriate mitigating measures in place providing it with a sufficient degree of independence and allowing it to properly discharge its functions in the interest of all shareholders and other stakeholders in the Company. The General Shareholders Meeting has elected Mr. Zhakupov as Chair who does not meet the criteria of independence. The Directors have determined that the Board of Directors, which is the management body of the Company, has an appropriate balance of independence through its four Independent Non-Executive Directors notwithstanding the lack of independence of the Chair.

General meetings of shareholders

The highest governing body of the Company is the General Shareholders Meeting which 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, the provisions of the Charter and internal documents.

The Board of Directors must convene, and the Company must hold, General Shareholders Meetings (including annual and extraordinary General Shareholders Meeting) in accordance with the requirements of the JSC Law. The Board of Directors may call General Shareholders Meetings at such times as it determines. In addition, an extraordinary General Shareholders Meeting may be convened on the written request of a major shareholder, being any shareholder or group of shareholders representing not less than 10% of the voting shares (individually or collectively, as applicable) (a "**Major Shareholder**").

The Board of Directors cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of an extraordinary General Shareholders Meeting convened upon request of a Major Shareholder. However, the Board of Directors may include additional items onto the agenda at its own discretion. Shareholders are entitled to receive not less than 30 days' notice (or, in the event of a meeting in absentia and in combined voting cases, 45 days' notice) of the holding of any General Shareholders Meeting.

Board of Directors

The Board of Directors is the management body of the Company which carries out the overall management of the affairs of the Company. The Board of Directors makes decisions on all issues relating to the activities of the Company except for the matters which fall within the exclusive competence of a General Shareholders Meeting or which are reserved for the Chief Executive Officer. The Board of Directors operates in accordance with the principles specified in the Charter.

Members of the Board of Directors are elected by the General Shareholders Meeting. The Charter provides that the Board of Directors shall comprise eight or nine members of which, unless otherwise decided at a General Shareholders Meeting, two shall be nominated by SK, two shall be nominated by BAE, one shall be the Chief Executive Officer and at least three shall be independent. Members are elected by cumulative voting (whereby the number of votes a Shareholder has is equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at a meeting of Shareholders) for a one-year term. A Shareholder has the right to give all such votes fully for one candidate or to distribute votes among several candidates for membership of the Board of Directors. Candidates who receive a majority of votes are considered to be elected to the Board of Directors. If two or more candidates gain an equal number of votes, then additional cumulative voting is carried out with regard to such candidates. Members may be re-elected for an unlimited number of times. The chair of the Board of Directors is elected from among its members, which are nominated by SK, by the General Shareholders Meeting. Pursuant to the Corporate Governance Code, the chair must meet the criteria of independence unless the Board of Directors satisfies itself that there are appropriate mitigating measures in place providing it with a sufficient degree of independence and allowing it to properly discharge its functions in the interest of all shareholders and other stakeholders in the Company. The Corporate Governance Code requires that at least one third of the Board of Directors be independent (including the Chair).

In accordance with the Charter, the quorum required for a duly convened meeting of the Board of Directors is all the then elected members of the Board of Directors.

Each member of the Board of Directors has one vote. The decisions of the Board of Directors are made by a simple majority of those members present at the meeting of the Board of Directors (or participating remotely).

The General Shareholders Meeting has the right of early termination with respect to the powers of any or all members of the Board of Directors.

Chief Executive Officer

The Chief Executive Officer represents the sole executive function of the Company and undertakes management of the day-to-day activity of the Company. The Chief Executive Officer is entitled to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company. The Chief Executive Officer is elected by the Shareholders and a corresponding individual employment contract is entered into setting out the person's terms of engagement. The Board of Directors may terminate the employment contract by its decision subject to notice requirements the terms of which are determined by law or the employment contract. See "*Remuneration* " for further details of the terms of the Chief Executive Officer's employment contract.

Internal Audit Service

The Internal Audit Service is a permanent collective body of the Company that performs internal audits of the Company, monitors its operations, its compliance with Kazakhstan law, and its internal procedures and policies. The Internal Audit Service reports to the Board of Directors. The members of the Internal Audit Service are appointed and removed by the Board of Directors for a term determined by the Board of Directors.

Remuneration

In accordance with the Charter and its remuneration policy, the remuneration of the members of the Board of Directors is determined by the General Shareholders Meeting. Members of the Board of Directors who are nominated on behalf of Shareholders of the Company are not entitled to remuneration. Members of the Board who are independent are entitled to a fixed fee and expenses together with additional payments based on the number of meetings attended per year. The remuneration of the Chief Executive Officer is determined by the Board of Directors and the remuneration of the Senior Managers is determined by the Chief Executive Officer. During the year ended 31 December 2022 and the nine months ended 30 September 2023, the total remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the members of the Board of Directors and Senior Managers by the Company and its subsidiary for services in all capacities to the Company and its subsidiary, was U.S. $3.2 million and U.S. $2.8 million, respectively.

Upon termination of the appointment of the Chief Executive Officer on the initiative of the Company, the Chief Executive Officer will be entitled to a notice period of six months (which may be paid in lieu of notice) and a compensation payment of six months' salary. The remaining directors, all of whom are non-executive directors, are not entitled to benefits upon termination of employment.

Employment contracts with Senior Managers

The Company enters into employment contracts for a fixed term with its Senior Managers. Under these contracts, the Senior Managers receive bonuses or other forms of compensation in addition to their regular salary. Each Senior Manager signs an employment contract, the terms and conditions of which must be in full compliance with relevant Kazakhstani legislation, including the Labour Code of the Republic of Kazakhstan No. 414-V dated 23 November 2015 (as amended). Such terms usually include five-day, 40-hour work weeks, eight hour work days and annual vacations of 30 calendar days, Company insurance against life and health hazards to the employee arising from the performance of their duties and medical insurance.

Litigation statement

As at the date of this Document, none of the Directors or the Senior Managers has at any time within the last five years:

(a) had any convictions in relation to fraudulent offences;

(b) been associated with any bankruptcy, receivership, liquidation or administration of any company while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of such company; or

(c) been subject to any official public incrimination and/or sanctions of him by any statutory or regulatory authority (including any designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

Conflicts of interest

Save as set out below, there are:

- no potential conflicts of interest between the duties of any Director or any Senior Manager towards the Company, on the one hand, and their private interests and/or other duties, on the other; and
- no arrangements or understandings with the Shareholders, customers, suppliers or others, pursuant to which any Director or any Senior Manager was selected.

Each of the members of the Board of Directors has a statutory duty to perform his or her duties in good faith, act in the best interests of the Company and Shareholders and maintain confidentiality of all information on the Company's activities, including for three years from ceasing to be a member. Members are also required to monitor and, to the extent possible, eliminate potential conflicts of interest, including with respect to the unlawful use of the Company's assets and their misuse in transactions with related parties. In this connection, the members of the Board of Directors are under an obligation to disclose information with respect to persons with whom they are affiliated. Under the JSC Law, transactions with related parties require board or shareholders' approval where the relevant member, if related or affiliated to the related counterpart to the transaction, would be prevented from voting in such decision-making process.

Each of Nurlan Zhakupov and Aidar Ryskulov have been nominated for appointment to the Board of Directors as representatives of SK. SK may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Air Astana Group, or with which the Air Astana Group conducts business (see "*Related Party Transactions*"). As at the date of this Document, Aidar Ryskulov is appointed as chair of the board of directors of Qazaq Air Joint Stock Company. In the event of any transactional conflict that arises between any duties to the Company and his other duties, or may possibly arise, the Company is required to procure that the transaction be authorised in accordance with the JSC Law and the Charter without his involvement.

Each of Nurlan Zhakupov and Aidar Ryskulov are nominated for appointment by SK and each of Myles Westcott and Simon Wood are nominated by BAE. These nominations are made pursuant to the rights granted to each of SK and BAE in the Charter. Such rights allow SK and BAE to each nominate two members of the Board of Directors for election.

There are no family relationships between any of the Directors and/or Senior Managers.

Shareholders

The table below sets forth certain information regarding the ownership of the Company's share capital as at the date of this Document.

Shareholder	Shares owned as at the date of this Document — Number	% [1]	Notifiable shareholdings [2] — Yes/No
SK [3]	156,060,000	51	Yes
BAE [4]	140,040,000	49	Yes
Total	306,000,000	**100%**	—

Notes:

(1) Percentage shareholding of Shares.

(2) Based on the JSC Law and the Charter.

(3) SK is wholly-owned by the Kazakhstan Government.

(4) BAE is indirectly, wholly-owned by BAE Systems plc.

As at the date of the Document, SK owned 51% and BAE owned 49% the Company's share capital. Under the JSC Law and the Charter, the disclosure obligations applicable to the shareholders of the Company appear in the last column of the table set out above. The Shareholders do not have different voting rights. See also "*Description of Share Capital and Certain Requirements of Kazakhstani Law—Disclosure of interests in Shares*".

Other than the protections afforded to minority shareholders outlined below, no additional measures have been put in place by the Company to prevent an abuse of the rights of minority shareholders resulting from the exercise of control over the Company.

Certain protections are afforded to minority shareholders of a joint stock company under the JSC Law, albeit indirectly. In particular, the JSC Law:

- requires all interested party transactions to be approved by disinterested directors and all major transactions to be approved by the board of directors of the joint stock company;
- empowers shareholders to request certain information from the joint stock company;
- empowers shareholders holding, either independently or collectively, 10% or more of the voting shares of the joint stock company to request its board of directors to call general meetings of shareholders and request audits;
- provides for cumulative voting when members of the board of directors of the joint stock company are being elected;
- empowers shareholders to request the joint stock company to buy-back (repurchase) their shares in certain circumstances;
- empowers shareholders holding, either independently or collectively, 5% or more of the voting shares to:
  - file a claim with a court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials and return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution approving the conclusion of major transactions and/or interested party transactions in instances provided by the JSC Law;
  - propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders; and
  - receive information on the amount of remuneration of each member of the board of directors and/or the management board, in the manner established under the JSC Law; and
- empowers minority shareholders to apply to the registrar of securities of the company in order to enable them to combine their votes at general meetings of shareholders for the purposes of voting.

SK

SK is a company incorporated as a joint stock company under the laws of the Republic of Kazakhstan, registered with the Ministry of Justice of the Republic of Kazakhstan under number 829-1901-02-AO. The registered office of SK is at 17/10 Syganaq Street 010000, Astana, Republic of Kazakhstan.

SK is wholly owned by the Kazakhstan Government and is the national managing holding company for substantially all state enterprises. SK's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long term value and increasing competitiveness of such legal entities in world markets.

The governance of SK's activities is subject to general corporate governance applicable to all joint stock companies in Kazakhstan. Accordingly, the corporate governance structure of SK is as follows: the Kazakhstan Government as the sole shareholder constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body. Members of SK's board of directors are appointed by the Kazakhstan Government, and its members are the Minister of National Economy, Assistant of the President of Kazakhstan, independent directors and the chair of the management board of SK. In addition, the board of directors is chaired by the Prime Minister of Kazakhstan.

BAE

BAE is a company incorporated as a private limited company under the laws of the United Kingdom, registered with Companies House under file number 03550759, having its registered office at Victory Point, Lyon Way, Frimley, Camberley, Surrey, GU16 7 EX, United Kingdom, and is 100% owned by BAE Systems Operations Ltd.

Related Party Transactions

The relationships between the Air Astana Group and its related parties, identified according to the principles of International Accounting Standard 24, primarily consist of business transactions relating to the provision of air transportation services and the purchase of airport, navigation and meteorological forecasting services. They fall within the activities carried out by the Air Astana Group in the ordinary course of its business. Please see Note 27 of the Interim Financial Information for information on the Air Astana Group's related party transactions conducted in the nine-month period ended 30 September 2023 and note 29 of the Annual Financial Statements for information on the Air Astana Group's related party transactions conducted in the years ended 31 December 2022, 2021 and 2020.

Related parties of the Air Astana Group include entities under the control or joint control of the Kazakhstan Government, which controls SK.

The Air Astana Group has established buying, pricing strategy and approval processes 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.

From 1 October 2023, the Company continued to enter into similar transactions for services received and provided through to the date of the Document.

Description of Share Capital and Certain Requirements of Kazakhstani Law

Introduction

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders of common shares and related provisions of the Charter in effect on the date of this Document and of relevant laws of Kazakhstan.

Share capital

As at the date of this Document, the Company has 384,300,000 authorised Shares, of which 306,000,000 Shares are placed with shareholders and fully paid and 78,300,000 Shares are unallotted. No preference Shares are authorised or outstanding. The Company's share capital comprises Shares of no par value, in registered form only. The currency of the Company's share capital is Tenge. The principal legislation under which the Company operates, and under which the Shares have been created, is the JSC Law.

Ownership of Shares is evidenced by extract of the Company's shareholders register maintained by the Kazakhstan Central Depository. The Kazakhstan Central Depository is the only entity authorised to maintain shareholders registers of companies incorporated in Kazakhstan and is majority-owned by the NBK. The address of the Kazakhstan Central Depository is 050040, Republic of Kazakhstan, Almaty, 30/8 Satpayev street, non-residential premise 163.

Declaration (authorisation of issuance) of 17,000 Shares, was approved by the foundation meeting of the Company on 2 September 2001 (minutes No. 1), of which:

- Two Shares were issued and registered by the NBK on 30 October 2001 (certificate of registration dated 30 October 2001). The Shares were placed with the founding shareholder of the Company between 30 October 2001 and 8 November 2001, the report on results of share placement was notified to the NBK on 23 January 2002; and
- 16,998 Shares were issued and registered by the NBK on 25 January 2002 (certificate of registration dated 25 January 2002). The Shares were placed with the existing shareholders of the Company between 25 January 2002 and 29 January 2002, the report on results of share placement was notified to the NBK on 1 February 2002.

On 31 May 2022, the General Shareholders Meeting declared (authorised issuance) of 1,683,000 Shares (minutes of the General Shareholders Meeting No. 177). This share issuance was registered by the FMRDA on 8 July 2022. As at the date of the Document, 1,683,000 Shares issued and registered remain unallotted.

On 22 December 2023, the General Shareholders Meeting (i) authorised a split of 17,000 issued and placed Shares at the ratio of 1:18,000 into 306,000,000 issued and placed Shares and (ii) increased the total number of declared (authorised) Shares to 366,000,000 (including the 306,000,000 of issued and placed Shares after split) (minutes of the General Shareholders Meeting No. 192). This share issuance was registered by the FMRDA on 28 December 2023. The split of issued and placed Shares and additional number of authorised unalloted Shares was registered by the Kazakhstan Central Depository on the Company's shareholders register on 9 January 2024.

Summary of the Charter

The charter of the Company was initially approved by the foundation meeting of the Company on 2 September 2001 and subsequently amended by General Shareholders Meeting on 29 April 2005, 15 August 2007, 3 December 2009, 10 August 2018, 11 September 2020 and 28 September 2023.

The Charter provides that the Company's main subject of activity is the carriage by air of passengers and cargo by civil aviation aircraft. The Company shall operate in accordance with Kazakhstani legislation and applicable standards of the Republic of Kazakhstan in aviation, EASA and IOSA standards and other appropriate operational requirements and shall comply with customer service standards on international air lines of the European Union (to the extent not contrary to Kazakhstani legislation). The Company's subject of activity is set out in full in Article 3 of the Charter.

Share rights

Subject to the provisions of the JSC Law and without prejudice to any rights attaching to any existing Shares or class of shares, the Company may issue shares, bonds and other securities (including convertible securities).

Rights attaching to Shares and variation of rights

The JSC Law provides for two types of shares: common and preferred. Each type has attached to it the rights set out in the JSC Law. These rights may be extended by a company's charter (although the Charter does not purport to extend such rights), but these rights cannot be restricted.

A shareholder has the right:

- to participate in the management of a joint stock company in the manner provided for under the JSC Law and/or the charter of the joint stock company;
- to receive dividends;
- to receive information concerning the activity of the joint stock company, including to conduct a review of the financial statements of the joint stock company in accordance with the procedure determined by a general shareholders' meeting or the charter, except with respect to information:
    - which is published on the website of the depository of financial statements on the date request for information;
    - which was already requested within the last three years (provided that the previously requested information was provided to the shareholder in full); and
    - relating to the past periods of the company's activity (beyond the three years preceding the date of the shareholder's request), except for information on transactions performance of which is continuing on the date of the request of the shareholder;
- to receive extracts from the central depository or the nominal holder confirming the ownership right in securities;
- to propose to a general meeting of shareholders candidates for election to the board of directors;
- to contest in court the resolutions adopted by the bodies of the joint stock company;
- to file with the joint stock company written requests for information regarding its activities and to receive a substantiated response within 30 calendar days from the date of receipt of such requests by the Company;
- to receive part of the joint stock company's property in the event of the joint stock company's liquidation;
- of pre-emption in relation to the purchase of shares or other securities convertible into shares of the joint stock company in the manner established under the JSC Law, except for cases established by the law;
- to participate in the adoption of resolutions by the general meeting of shareholders in respect of a change in the amount or type of the shares in the manner established under the JSC Law; and
- if such shareholder or a group of shareholders holds 5% or more of the voting shares of the joint stock company to:
    - bring, on its/his/her or their own behalf, in a situation provided for by the JSC Law, a claim before the courts seeking reimbursement by the officials of the company of damages caused to the company and seeking an account by the officials of the company or their affiliates of profits (income), gained by them as a result of decisions on entry into (or proposals on entry into) major transactions and/or interested party transactions;
    - propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders in accordance with the JSC Law; and
    - receive information on the amount of remuneration of each member of the board of directors and/or the executive body, in the manner established under the JSC Law provided that the following conditions are both met: (i) determination by the court of the fact of deliberately misleading the joint stock company's shareholders by the person in question in order to obtain profit (income) by him (them) or his/her affiliated persons; (ii) it is proven that actions and/or omissions to act of the person in question in bad faith resulted in loss being incurred by the joint stock company.

In addition to the above, a Major Shareholder has the right:

- to request the convening of an extraordinary general meeting of shareholders, or to file a claim with the court seeking the same when the board of directors refuses to convene a general meeting of shareholders;

- to request the convening of a meeting of the board of directors of the joint stock company; and
- to request that an audit of the joint stock company be performed at the expense of the relevant Major Shareholder.

Kazakhstani law restricts dividends rights for a violating shareholder or holder of a derivative thereof in case of breach by it of the Nationality Restriction.

Voting rights

Subject to any rights or restrictions attached to any class of shares by or in accordance with the Charter or the JSC Law, each holder of voting shares present at a General Shareholders Meeting, whether in person or by proxy, shall have:

- one vote on all procedural issues decided by the General Shareholders Meeting; and
- one vote per each fully paid share of which he is the holder, on all substantive issues decided by the General Shareholders Meeting (except in the case of electing the directors, where the number of votes such holder has shall be equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at such a meeting, or other cases specified by the law) (see "*—Board of Directors*").

A shareholders' resolution shall not be effective without a quorum, which requires the attendance of persons holding 50% or more of the voting share capital of the Company or, for a repeated meeting called due to the absence of the 50% quorum, persons holding 40% or more of the voting share capital of the Company. Under the Charter, no Shareholder has voting rights that differ from those of any other Shareholder.

Kazakhstani law also restricts voting rights for a violating shareholder or holder of a derivative thereof in case of breach by it of the Nationality Restriction.

Dividends and other distributions

The JSC Law and the Charter set out the general procedure for determining the dividends that the Company distributes to its Shareholders. The net income of the Company shall be distributed in accordance with the procedure provided for by the laws of the Republic of Kazakhstan and the Charter. See "*Dividend Policy*".

Subject to the provisions of the JSC Law, the Company may, by a resolution passed by a simple majority of shareholders present and voting at a General Shareholders Meeting, declare dividends on the Shares. The Charter establishes that the dividends on the Shares may be paid either annually, semi-annually or quarterly in accordance with the decision of the General Shareholders Meeting. Under the JSC Law, the General Shareholders Meeting may declare an annual, semi-annual or quarterly dividend on the shares only after the audit of the financial statements of the Company for the relevant period has been carried out. Under the JSC Law, the Company may distribute dividends on the Shares only if the Company has net income.

The JSC Law prohibits payment of dividends on shares if:

- the balance of the Company's own capital is negative or would become negative as a result of such payment; or
- the Company demonstrates, or the payment of dividends would cause the Company to demonstrate, characteristics of insolvency.

The list of shareholders entitled to receive dividends is drawn up on a date preceding the date of payment of dividends. If a dividend payable in respect of a Share is delayed by the Company, then additional interest is payable by the Company to the Shareholder. The amount of such interest is based on the official refinancing rate set by the NBK as at the date of payment of the relevant outstanding amount. The JSC Law provides that a Shareholder's right to dividends does not lapse.

If the Company receives written consent from a shareholder, the Company may pay dividends in respect of such Shares in the form of issued Shares or bonds issued by the Company (but not in the form of any other type of securities). The JSC Law permits a Shareholder with an unpaid dividend to receive such unpaid dividend after such Shareholder sells or otherwise transfers the Shares to a third party if the agreement for the transfer of Shares explicitly provides for this.

Distributions to Shareholders on Liquidation

In the event of liquidation, the property of a joint stock company which is left after the satisfaction of the creditors' claims is distributed among the shareholders in the following order of priority:

- *first*—payments for shares which must be repurchased pursuant to the JSC Law;
- *second*—payments of accrued and outstanding dividends on preferred shares; and
- *third*—payments of accrued and outstanding dividends on common shares.

If the property of the liquidated joint stock company is insufficient to pay the accrued and outstanding dividends on preferred shares, such property is distributed among the holders of preferred shares in proportion to the number of shares held by them. The remaining property of the joint stock company is distributed, in cash or payment-in-kind, among the holders of shares in proportion to the number of shares held by them subject to the JSC Law's requirement that holders of preferred shares have a priority right to receive dividends and a share in the joint stock company's property in the event of its liquidation.

Exchange of Shares

The JSC Law and the Charter permit the Company to issue common and preferred shares. The Company may exchange its issued shares of one type to shares of another type. A decision on such exchange falls within the exclusive competence of the General Shareholders Meeting. The terms, timing and procedure of such exchange shall be determined by a decision of the General Shareholders Meeting.

Unpaid Shares and repurchased Shares

The JSC Law states that, until a share has been paid in full, such share cannot be issued, and the respective company must refrain from instructing that the share be credited to the personal account of the would-be acquirer. Instead, the share is credited to the personal account of the company with the Kazakhstan Central Depository. Shares which have been repurchased by a company are credited to another special account of the company with the Kazakhstan Central Depository. No dividends accrue or are payable on unplaced shares or shares repurchased by the Company, and such shares are not counted for the purposes of determining a quorum and do not carry the right to vote.

Transfer of Shares

To transfer a share, the shareholder (or its representative) must sign a written order and submit it to the Kazakhstan Central Depository or nominee for execution or, in the alternative, give suitable electronic instructions as permitted by law. The Kazakhstan Central Depository or nominee will execute a sell order by pairing it with a buy order signed by the buyer (or its representative), and vice versa. All dealings with the shares must be registered by making entries in the relevant personal accounts in the registry system or the nominee's books. Legal title to a share passes at the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title passes at the moment when the transaction is registered in the personal accounts of each nominee with the Kazakhstan Central Depository). An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share. The Kazakhstan Central Depository or a nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements. Additionally, the FMRDA has the right (by notifying the relevant issuer and the Kazakhstan Central Depository) to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing the following have been violated: (i) the rights and interests of investors when acquiring securities; or (ii) the terms and procedures for trading securities.

A fee will ordinarily be payable to the Kazakhstan Central Depository or nominee for registering the transfer, under contractual terms.

Alteration of Share capital

The Company may from time to time, by a three-quarters majority of the total number of voting shares, increase its authorised share capital. The Board of Directors may issue shares within the permitted authorised number of shares. Any decision to issue shares must state the quantity, the price and the manner of placement of the shares.

Split of Shares

The Company may, by a simple majority of votes of the total voting shares present at a General Shareholders Meeting, split its allotted shares. A split of shares does not lead to an alteration of the share capital. Any decision to split the shares must state the type of shares to be split, the split coefficient, number of shares to be split and into what number they will subsequently become, and the time period by when the split of the shares will occur.

Buy-back/Repurchase of own Shares

Subject to the JSC Law and the Law of the Republic of Kazakhstan No. 461-II dated 2 July 2003 "On Securities Market" (as amended), and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or otherwise). Such shares will be credited to the Company's account with the Central Securities Depository.

The Company cannot purchase any of its shares which are being placed in a primary offering. Any purchase by the Company must be effected with the consent of the relevant shareholder using a valuation method that has been approved in advance by a foundation meeting or approved/amended by a General Shareholders Meeting (save for any purchase which is effected through a stock exchange by way of an open trade). In certain circumstances provided for by the JSC Law, and subject to certain conditions set out in the JSC Law, the Company must repurchase shares belonging to a shareholder within 30 days of receiving a duly formalised request from such shareholder.

In both cases, shares being repurchased by the Company together with the shares repurchased previously cannot exceed 25% of the total number of allotted shares of the Company, and the purchase price for such shares cannot exceed 10% of the size of the Company's equity capital. It is considered that the same limit shall apply in case of buy-back of GDRs by the Company.

Pre-emptive rights

Under the JSC Law, a shareholder of the Company has a pre-emptive right to acquire newly allotted shares of the Company (including newly issued shares or shares previously repurchased by the Company). Holders of shares have pre-emptive rights for shares or for securities convertible into shares and holders of preferred shares have pre-emptive rights for preferred shares.

Within ten calendar days of the date on which the Company adopts a decision to allot a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication on the website of the financial statements depository) for the shareholder to acquire the shares pro rata to its shareholding at the placement price established by the Company. Each shareholder then has 30 calendar days from the date of such notification or publication to submit an application to acquire shares (i.e. to exercise its pre-emptive right). Upon the expiry of such period, the right to submit an application will lapse. Where a shareholder submits an application to acquire shares, the shareholder then has 30 calendar days from the date of the application to pay for the shares being acquired, unless provided otherwise in the Charter. If no payment is made upon the expiry of such period, the application is deemed to be void.

The Company may allot shares without following the procedures for pre-emptive rights stated above in the following exceptional cases:

- payment of remuneration to the members of the Board of Directors of the Company by shares or other securities convertible into Company's shares;
- payment of incentives to employees of the Company by shares or other securities convertible into Company's shares;
- initial placement of the Company's shares or GDRs on stock exchanges operating in Kazakhstan or abroad.

The manner, total number of shares, and maximum time frame for the allotment without application of pre-emptive rights needs to be approved by the general meeting of shareholders of the Company or in the Charter of the Company.

There is no express definition of "initial placement" under the laws of Kazakhstan, but this term is used where new shares ("authorized" or "declared" by shareholders and never placed or allotted before) are introduced into circulation for the first time (regardless of whether such placement is public or private).

General Meetings

The Board of Directors must convene, and the Company must hold General Shareholders Meetings (including annual and extraordinary General Shareholders Meetings) in accordance with the requirements of the JSC Law. The Board of Directors may call General Shareholders Meetings at such times as it determines. In addition, an extraordinary general meeting may be convened on the written request of a Major Shareholder.

The Board of Directors cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of an extraordinary General Shareholders Meeting convened upon request of the Major Shareholder. However, the Board of Directors may include additional items onto the agenda at its own discretion. Shareholders are entitled to receive not less than 30 days' notice (or, in the event of a meeting in absentia and in combined voting cases, 45 days' notice) of the holding of any General Shareholders Meeting.

See "*Directors, Management and Corporate Governance* " for the summary of the exclusive competence of the general meeting of shareholders.

Board of Directors

The Charter provides that the Board of Directors shall consist of either eight or nine persons who are elected by cumulative voting by using voting slips, save for the cases provided for by the JSC Law. The size, composition and term of office of the Board of Directors is established by the decision of the General Shareholders Meeting. Under the JSC Law, not less than 30% of members of the Board of Directors must be independent directors. The "independent director" criteria are set out in the JSC Law.

The Charter provides that the Board of Directors are elected by cumulative voting (whereby the number of votes a Shareholder has is equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at a meeting of Shareholders) for a term to be determined by Shareholders at a General Shareholders Meeting. A Shareholder has the right to give all such votes fully for one candidate or to distribute votes among several candidates for membership of the Board of Directors. Candidates who receive a majority of votes are considered to be elected to the Board of Directors. If two or more candidates gain an equal number of votes, then additional cumulative voting is carried out with regard to such candidates. Under the JSC Law, the quorum for holding a meeting of the Board of Directors is specified by the charter of the company, but must not be less than half of the members of the Board of Directors. In accordance with the Charter the quorum required for a duly convened meeting of the Board of Directors is all the then elected members of the Board of Directors.

Unless otherwise determined by the decision of the General Shareholders Meeting, the Board of Directors shall consist of two members of the Board of Directors who shall be nominated for election by SK, two members of the Board of Directors who shall be nominated for election by BAE, President of the Company, three independent directors and, if there are nine members Board of Directors, one other member to be determined by the Shareholders.

Each member of the Board of Directors has one vote. The decisions of the Board of Directors are made by a simple majority of those members present at the meeting of the Board of Directors or participating remotely.

The General Shareholders Meeting has the right of early termination with respect to the powers of any or all members of the Board of Directors. See "*Directors, Management and Corporate Governance* " for the summary of the exclusive competence of the Board of Directors.

The President of the Company

The President is a person who solely performs the functions of the executive body of the Company. According to the Charter, the President is elected by the General Shareholders Meeting. The President is obliged to implement the decisions of the General Shareholders Meeting and the Board of Directors. The President is entitled to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company.

See "*Directors, Management and Corporate Governance* " for more information on the competence of the President.

Remuneration of Directors

The remuneration of members of the Board of Directors is determined by the General Shareholders Meeting. See "*Directors, Management and Corporate Governance* " for more information on the remuneration of the Board of Directors.

Permitted interests of Directors

A director of the Company cannot participate in voting on any related party transaction proposed to be entered into by the Company if:

- such director is a party to the transaction or he or she participates in the transaction as a representative or intermediary; or
- such director is an affiliate of a legal entity that is a party to the transaction or such legal entity which participates in the transaction as a representative or intermediary.

Disclosure of interests in Shares

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Kazakhstan Central Depository on the basis of information recorded in the register of shareholders of the Company. However, any shareholder holding shares through a nominee, whose identity is not disclosed to the Kazakhstan Central Depository, shall not be entitled to vote at a meeting of shareholders.

In addition, any person acquiring 10% or more of the voting shares of the Company, or otherwise falling within the definition of an affiliate as provided for in article 64 of the JSC Law, is considered an affiliate of the Company and must disclose to the Company its identity and information about its affiliated persons in accordance with the Charter. Information about the identity of such person and its affiliates is not confidential.

Related party transactions

Under the JSC Law, a related party transaction is a transaction in which (a) an affiliate of the company either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary or (b) an affiliate of the company is an affiliate of the legal entity which either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary. The JSC Law excludes certain types of transactions from the definition of a related party transaction (such as, for instance, an acquisition of the company's shares or other securities by its shareholder or a repurchase by the company of the placed shares of the company).

Under the JSC Law, related party transactions must be approved by the majority of dis-interested members of the Board of Directors or, if all members of the Board of Directors are interested, by the decision of a meeting of shareholders made by: (a) the majority of dis-interested shareholders; or (b) a simple majority of the total number of voting shares of the Company if all shareholders are interested.

Major transactions

Under the JSC Law, a major transaction is (a) a transaction or a set of inter-related transactions, as a result of which the company acquires or sells (or will acquire or sell) property whose value equals 25 or more per cent. of the total book value of the company's assets; (b) a transaction or a set of inter-related transactions, as a result of which the company may buy its allotted securities or sell the securities bought by the company in the amount of 25 or more per cent. of the total number of issued securities of the same type; or (c) another transaction recognised by the company's charter as a major transaction.

Under the JSC Law, major transactions shall be approved by the board of directors. In the event the company enters into a major transaction, as a result of which the company acquires or sells (may be acquired or sell) property whose value equals 50 or more per cent. of the total book value of the company's assets (as of the date of adoption of the decision on entering into such transaction), such transaction shall be approved by the general meeting of shareholders.

The decision on entering into a major transaction which is a related party transaction shall be approved by the general meeting of shareholders by a simple majority of votes of the total number of voting shares in the company.

Mandatory Offers

Under the JSC Law, a person who, acting either alone or jointly with its affiliated persons, has acquired:

- 30% or more of the voting shares of the Company; or
- any other number of voting shares of the Company where such acquisition would result in such person alone or jointly with its affiliated persons holding 30% or more of the voting shares of the Company, is required within 15 working days after acquisition to send an offer to the Company proposing the remaining shareholders to sell their shares at the market price which shall be determined by the acquirer on the basis of the guidelines provided for in the JSC Law (the "**Mandatory Offer**"). Any failure by the acquirer to make such an offer would result in the acquirer being obliged to reduce its shareholding to not more than 29% and the acquirer would be disenfranchised until such reduction has taken place.

Squeeze-out rules

Squeeze-out rules were introduced into the JSC Law in July 2018, and became effective from 1 January 2019 (the "**Squeeze-Out**").

Under the JSC Law, a person who, acting either solely or jointly with its affiliated persons, has acquired:

- 95% or more of the voting shares of the company; or
- other number of voting shares in aggregate constituting not less than 10% of the voting shares of the company, as a result of which this person acquired, independently or jointly with its affiliates, 95% or more of the voting shares of the company, has the right to demand from the other shareholders of the company to sell their voting shares.

The offer price shall be the highest price of the following:

- *for shares that are traded on a stock exchange in Kazakhstan:* (a) the average weighted market price formed at the stock exchange during the last 6 months preceding the transaction through which 95% or more voting shares are required; or (b) the price under the transaction through which 95% or more voting shares;
- *for other shares:* (a) the market value determined by the independent appraisal or (b) the price under the transaction on acquisition of 95% or more voting shares are required.

The remaining shareholders are obliged to sell their voting shares within 60 calendar days after the date of publication of the request on the internet resource of the depository of financial statements. It is prohibited for such remaining shareholders to enter into any other transactions with the company's voting shares within such 60-days period except for transactions on termination of pledge or trust management, or arrest removal.

The requirements of the JSC Law regarding the Mandatory Offer do not apply to an acquirer who exercises their right to initiate a Squeeze-Out.

Nationality requirements for airlines

In order to secure international traffic rights (i.e., to ensure that the Republic of Kazakhstan or citizens of the Republic of Kazakhstan retain substantial ownership and effective control over a Kazakhstani airline), in 2019, certain restrictions on foreign participation in the airlines' charter capital were introduced into the Aviation Law and further implemented into the Charter.

Article 74-1 of the Aviation Law provides that non-Kazakhstani persons (individually or together with other non-Kazakhstan persons) are prohibited from:

- directly and/or indirectly possessing, using and/or disposing Shares or securities derivative of the Shares (which includes GDRs), in an amount exceeding 49% of the total number of Shares of the Company, or
- exercise "effective control" over the Company.

(the "**Foreign Ownership Restriction**").

If, as a result of future transactions, the Republic of Kazakhstan or citizens of the Republic of Kazakhstan cease to have substantial ownership and effective control over the Company, the Company may face the risk of suspension of its international traffic rights by a challenger state which is a party to the relevant bilateral treaty, which could have a material adverse effect on the Company's business, results of operations, financial condition and/or other prospects.

The Aviation Law provide for a procedure aimed at ensuring that the concerned restrictions are not breached or, if a breach has taken place, remedied in a way that would restore the foreign ownership and foreign control down to 49%, and thus prevent the suspension of the airline's international traffic rights.

Such mechanics include (in summary): (a) the obligations of shareholders and GDR holders to disclose information about themselves and persons exercising effective control over them, up to the ultimate owners exercising effective control, (b) the Company's duty to monitor the disclosure of percentage of foreign ownership (foreign control), (c) the right of the Company's board of directors to determine the breaching shareholder or GDR holder and require that shareholder or GDR holder remedy the breach, (d) suspension of voting rights and dividend rights for a violating shareholder or GDR holder, and (e) the obligation of the violating shareholder or GDR holder to reduce its stake to meet the 49% threshold.

See also "*Risk Factors—Breach of restrictions on substantial ownership and effective control over a Kazakhstan airline by foreign persons may result in loss of international traffic rights*".

Independent Auditors

The consolidated financial statements of the Company as of 31 December 2022, 2021 and 2020, and for each of the years then ended, included in this Document, have been audited by KPMG Audit LLC, independent auditors, as stated in their report appearing herein (the "**Independent Auditor's Report**"). KPMG Audit LLC have registered offices at Business Center Koktem, Dostyk avenue, 180, Almaty 050051, the Republic of Kazakhstan. KPMG Audit LLC is a member of the Chamber of Auditors of the Republic of Kazakhstan.

Additional Information

1. The Company (LEI: 2549000TO500ZGSE7T26) is incorporated and registered as a joint stock company under the laws of the Republic of Kazakhstan with business identification number 010940000162 and its registered office at 4A, Zakarpatskaya Street, Turksib District, City of Almaty, 050039, Republic of Kazakhstan; telephone number: +7 (727) 258 41 35/36. The Company operates under the laws of the Republic of Kazakhstan. The Company was initially founded by the Resolution of the Government of the Republic of Kazakhstan No. 1118 dated 29 August 2001 as a closed joint stock company on 14 September 2001. The Company was subsequently re-registered in connection with legislative reforms into a joint stock company on 17 May 2005.

2. The Company can exist for an unlimited duration.

3. There has been no significant change in either the financial performance or the financial position of the Air Astana Group since 30 September 2023 to the date of this Document. There has been no significant change in the trading position of the Air Astana Group since 30 September 2023 to the date of this Document.

4. Copies of the following documents are available for inspection free of charge upon request at the registered office of the Company during normal business hours on any weekday (public holidays excepted):

   (a) a copy of this Document, together with any supplement to this Document;

   (b) the Charter; and

   (c) the Financial Statements.

Glossary of Terms and Definitions

In this Document, the following terms and expressions have the following meanings, unless the context otherwise requires:

AAK	Aviation Administration of Kazakhstan;
ADB	the Asian Development Bank;
ADB Report	the report on Low-Cost-Carrier Opportunities, Air Transport Liberalization, and Post-Pandemic Recovery in CAREC dated September 2023 published by the Asia Development Bank;
AIFC	the Astana International Financial Centre;
AIFC Market Rules	the AIFC Market Rules (AIFC Rules No. FR0003 of 2017) of the AIFC (as amended);
AIFC MAR Principles and Standards	the Principles and Standards of the Market Rules of the AIFC;
AIMS	Airline Information Management System;
Air Astana Group	the Air Astana Joint Stock Company and its consolidated subsidiary FlyArystan Joint Stock Company;
AIX	the Astana International Exchange Ltd;
Almaty Airport	Almaty International Airport;
Annual Financial Statements	the Company's audited consolidated financial statements as at and for the year ended 31 December 2022 prepared in accordance with IFRS as issued by the International Accounting Standards Board;
AOC	an air operator certificate;
APDC	the Agency for the Protection and Development of Competition of the Republic of Kazakhstan;
APEX	the Airline Passenger Experience Association;
APMs	certain financial measures that are considered alternative performance measures, which are financial metrics which are not defined or recognised under IFRS;
ASAs	bilateral intergovernmental air service agreements;
ASK	available seat kilometres, being the number of seats available for scheduled passengers multiplied by the number of kilometres those seats were flown (also referred to in this Document as capacity);
Astana Airport	Nursultan Nazarbayev International Airport;
Audit Committee	the audit committee of the Company;
average aircraft in service	the average number of aircraft used in flight operations, as calculated on a daily basis;
average fare	the sum of passenger revenue from scheduled flights and fuel surcharge revenue divided by the number of passengers for scheduled flights;
average revenue per passenger	total revenue and other income divided by the number of passengers (including scheduled operations and charter);
Aviation Law	the Law of the Republic of Kazakhstan No. 339-IV dated 15 July 2010 "On Use of the Air Space of the Republic of Kazakhstan and Operation of Aviation" (as amended);
BAE	BAE Systems (Kazakhstan) Limited;

block hour	each hour from the moment an aircraft's brakes are released at the departure airport's parking place for the purpose of starting a flight until the moment the aircraft's brakes are applied at the arrival airport's parking place;
Board of Directors	the board of directors of the Company;
BSP	billing settlement plans;
CAA	Civil Aviation Authority;
cabin crew utilisation	the percentage of the maximum legal limit of 900 hours achieved by cabin crew;
CAC	the Civil Aviation Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan;
CAEP	the ICAO Committee on Aviation Environmental Protection;
CAGR	compound annual growth rate;
CAREC	Central Asia Regional Economic Cooperation Program;
CASK ex-fuel	operating cost net of fuel expenses per ASK;
CASK	cost per available seat kilometre;
Charter	the charter of the Company adopted by decision of the General Shareholders Meeting dated 29 April 2005 (Minutes No.22), as amended on 15 August 2007 (Minutes No.45), 3 December 2009 (Minutes No.58), 10 August 2018 (Minutes No.149), 11 September 2020 (Minutes No.164) and 28 September 2023 (Minute No.187) and as summarised in "*Description of Share Capital and Certain Requirements of Kazakhstani Law—Summary of the Charter*";
Chicago Convention	the Convention on International Civil Aviation 1994;
CIS	Commonwealth of Independent States;
CIS and regional countries (other than Kazakhstan) .	Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Uzbekistan;
Cities within Kazakhstan . .	Aktau, Aktobe, Almaty, Astana, Atyrau, Karaganda, Kostanay, Kyzylorda, Pavlodar, Semey, Shymkent, Turkestan, Uralsk, Ust-Kamenogorsk;
Citi Loan	the revolving loan facility with Citibank Kazakhstan JSC dated 27 July 2011, as amended and/or restated;
Civil Code	the Kazakhstan Civil Code (General Part) dated 27 December 1994 and the Kazakhstan Civil Code (Special Part) No. 409-I dated 1 July 1999., enacted by the Decree of the Supreme Council of the Republic of Kazakhstan No. 269-XII dated 27 December 1994 and the Law of the Republic of Kazakhstan No. 410-I dated 1 July 1999, respectively
CMG	the Air Astana Group's crisis management group;
CO_2	carbon dioxide;
Codeshare Agreement	an arrangement that allows an airline to sell tickets on flights operated by another airline, coded with the flight number of the selling airline. The operating airline will also continue to sell seats on such flights, coded with its own flight number. This means that flights operated by a single airline are included within both airlines' route networks, and flights on that route may be sold by both airlines in exchange for an agreed amount or portion of the overall fare;
Company	Air Astana Joint Stock Company;
Corporate Governance Code	the corporate governance code of the Company;
CORSIA	the Carbon Offsetting and Reduction Scheme for International Aviation;
CRM	customer relations management;

CRS	Computer Reservation System;
CSAT	customer satisfaction rating;
DCA	the Department of Civil Aviation of Aruba;
Directors	the current members of the Board of Directors;
Document	this document dated 12 January 2024;
EASA	the European Union Aviation Safety Agency;
EBRD	the European Bank for Reconstruction and Development;
EEA	European Economic Area;
EECA	the European Export Credit Agency;
effective control	for the purposes of Foreign Ownership Restriction (for both Shares and GDRs), "effective control" means the ability to determine the decisions of a legal entity or a foreign organization that is not a legal entity, arising if one of the following conditions exists: (i) direct and/or indirect possession, use and/or disposal of more than 50% of placed shares (excluding preference shares and shares repurchased by the legal entity itself), participatory interest, units or other forms of equity in a legal entity or a foreign organization that is not a legal entity; (ii) the possibility to directly or indirectly elect at least half of the composition of the governing body or the executive body of a legal entity or a foreign organization that is not a legal entity; and (iii) the ability of one person to, independently or jointly with one or several persons, directly or indirectly determine the decisions of a legal entity or a foreign organization that is not a legal entity, on the basis of a legislative act, court decision, by virtue of an agreement (supporting documents) or otherwise in cases provided for by the rules on limitations of foreign ownership (control) in an airline company created in the form of a joint stock company approved by the Kazakhstani authorised body in the field of civil aviation;
EIU	the Economist Intelligence Unit of Kazakhstan;
Entrepreneurial Code	the Code of the Republic of Kazakhstan No. 375-V dated 29 October 2015 "Entrepreneurial Code of the Republic of Kazakhstan" (as amended);
Environmental Code	the Code of the Republic of Kazakhstan No. 400-VI dated 2 January 2021 "Environmental Code of the Republic of Kazakhstan" (as amended);
ESG	environment, social and governance;
ESG Committee	the Environmental, Social and Governance committee of the Company;
EU	the European Union and each Relevant State as at the date of this Document;
EU ETS	the EU emissions trading system;
EUR or Euro	the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended;
Euromonitor	Euromonitor International Ltd;
EUWA	the European Union (Withdrawal) Act 2018 (as amended);
EXIM Bank	the Export Import Bank of the United States;
FAA	Federal Aviation Administration;
FCA	the Financial Conduct Authority of the United Kingdom;
Financial Statements	the Interim Financial Information and the Annual Financial Statements;
Fit for 55 Package	a set of proposals to revise and update legislation aimed at aligning current laws with the EU's greenhouse gas emission reduction target of at least 55%

	below 1990 levels by 2030, by, inter alia, extending the application of emissions trading to new sectors and tightening the existing EU ETS;
flight hours	means each hour from the moment the aircraft takes off from the runway for the purposes of flight until the moment the aircraft lands at the runway of the arrival airport;
flight regularity	the percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, whether or not delayed (i.e., not cancelled);
FMRDA	the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market;
FSMA	the Financial Services and Markets Act 2000 of the United Kingdom;
FTE	full-time employees;
GDP	gross domestic product;
GDRs	global depositary receipts representing interests in Shares;
GDSs	global distribution systems;
General Shareholders Meeting	the general meeting of shareholders of the Company;
GHG	greenhouse gases;
GSA	General Sales Agent;
Halyk Bank	Halyk Bank JSC;
Halyk Bank Loan	the Company's committed facility agreement with Halyk Bank dated 12 August 2019, as amended;
IAA	the Irish Aviation Authority;
IASB	the International Accounting Standards Board;
IATA	the International Air Transport Association;
IATA Report	the report on Kazakhstan Passenger Traffic Forecast 2023–2027 dated 25 September 2023 and produced by IATA;
IBE	internet booking engine;
ICAO	the International Civil Aviation Organisation;
IFE	in-flight entertainment;
IFRS	International Financial Reporting Standards;
Insurance Law	the Civil Code and the Law of the Republic of Kazakhstan No. 126-II dated 18 December 2000 "On Insurance Activity" (as amended);
Interim Financial Information	the Company's unaudited consolidated interim financial information for the nine-month period ended 30 September 2023 prepared in accordance with IAS 34 Interim Financial Reporting;
Interline Agreement	an agreement that is entered into among individual airlines to handle passengers traveling on itineraries that require multiple airlines, allowing passengers to utilize a single ticket and to check their baggage through to their final destination. Interline agreements differ from codeshare arrangements in that codeshare arrangements allow airlines to identify a flight with an airline's code;
Internal Audit Service	the permanent collective body of the Company that performs internal audits of the Company;
IOSA	the IATA's Operational Safety Audit;
IPO	initial public offering;

IT	information technology;
JSC Law	the Law of the Republic of Kazakhstan No. 415-II dated 13 May 2003 "On Joint Stock Companies" (as amended);
KASE	the JSC Kazakhstan Stock Exchange;
Kazakhstan or Republic of Kazakhstan	the Republic of Kazakhstan;
Kazakhstan Central Depository	the Kazakhstan Central Securities Depository, JSC;
Kazakhstan Government	the Government of the Republic of Kazakhstan;
KZT or Tenge	Kazakhstani Tenge;
LCC	low-cost carrier;
load factor	the proportion of the Air Astana Group's capacity that is utilised by fare-paying passengers, calculated by dividing RPK by ASK;
LTM	last twelve months;
LTM September 2023	the last 12 months ended 30 September 2023;
MIID	means the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan;
Mishandled Bag Rate	the number of bags mishandled per 1,000 passengers;
Nationality Restriction	Article 74-1 of the Aviation Law provides that non-Kazakhstani nationals (acting individually or jointly) are prohibited from directly and/or indirectly possessing, using and/or disposing Shares or securities derivative of the Shares (which includes GDRs), in an amount exceeding 49% of the total number of shares of the Company;
NATS	the National Air Traffic Service;
NBK	the National Bank of Kazakhstan;
neo	the new engine option available on certain Airbus family aircraft;
Nomination and Remuneration Committee	the nomination and remuneration committee of the Company;
non-Kazakhstani person	a foreign legal entity, a foreign organisation which does not form a legal entity, a foreign individual and/or a stateless person (legal or natural);
NPS	net promoter score;
OEM	Original Equipment Manufacturer;
OPEC	the Organisation of the Petroleum Exporting Countries;
OTAs	online travel agencies;
OTP	on-time performance measured by the percentage of scheduled flights that were operated by Air Astana, or FlyArystan, as the case may be, and departed on time (within 15 minutes of scheduled departure time);
PDPs	pre-delivery payments typically required by airline manufacturers before the due delivery date of an aircraft;
Personal Data Law	the Law of the Republic of Kazakhstan No. 94-V dated 21 May 2013 "On Personal Data and its Protection" (as amended);
pilot utilisation	the percentage of the maximum legal limit of 900 hours, achieved by pilots;
Prospectus Regulation	Regulation (EU) 2017/1129;
Prospectus Regulation Rules	the prospectus regulation rules of the FCA made pursuant to section 73A of the FSMA, as amended;

Qazstat	the Bureau of National Statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan;
RASK	the amount of revenue earned for each ASK calculated by dividing total revenue and other income by ASKs (also referred to in this Document as unit revenue);
RPKs	revenue passenger kilometres, being the number of seat kilometres utilised by fare-paying passengers (also referred to in this Document as traffic);
Rules of Air Transportation	the Order of the Minister of Investments and Development of the Republic of Kazakhstan No. 540 dated 30 April 2015;
SAF	sustainable aviation fuel;
SDGs	the United Nations' Sustainable Development Goals;
Securities Act	the United States Securities Act of 1933, as amended;
Senior Manager	the persons named as senior managers in the "*Directors, Management and Corporate Governance—Senior Managers*" section of this Document;
Share	common shares of the Company;
Shareholder	means, unless specified otherwise, holder(s) of Share(s);
SK	Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company;
SICAO	Specialised Interdistrict Court for Administrative Offenses of Almaty;
SMS	Safety Management System;
Squeeze-Out	squeeze-out rules as introduced into the JSC Law in July 2018 and as effective from 1 January 2019;
State Commission	the State Commission on the Issues of Modernisation of the Economy of the Republic of Kazakhstan;
Strategic Planning Committee	the strategic planning committee of the Company;
Tax Code	Code No.120-VI of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget (Tax Code)", dated 25 September 2017;
technical dispatch reliability	the percentage of aircraft departing on time (within 15 minutes of scheduled departure time) without being delayed by a technical fault;
Training Centre	the Air Astana Training Centre;
Treasury Committee	the treasury committee of the Company;
UAE	the United Arab Emirates;
U.K. or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
U.K. Prospectus Regulation	the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of EUWA;
U.S., USA or United States	the United States of America;
USD, U.S. $, U.S. Dollar or dollar	the lawful currency for the time being of the United States;
utilisation	the total block hours for a period divided by the total number of aircraft in the fleet during the period and the number of days in the relevant period;
Violation Notice	a notice sent by the Board of Directors to the Violating Shareholder;
Violating Shareholder	a shareholder that breaches the Nationality Restriction;
World Bank	the World Bank Group;
yield	the total revenue and other income divided by RPK.

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JOINT STOCK COMPANY
AIR ASTANA

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

Management is responsible for the preparation and presentation of the condensed consolidated interim financial information of JSC Air Astana (the "Company") and its subsidiary (the "Group") as at 30 September 2023, the results of its operations for the three- and nine-month periods ended 30 September 2023 and 2022 and cash flows and changes in equity for the nine-month period ended 30 September 2023, in compliance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34).

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

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

Management is also responsible for:

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

The condensed consolidated interim financial information as at 30 September 2023, and for the three- and nine-month period ended 30 September 2023 and 2022 was authorised for issue on 9 December 2023 by management of the Group.

On behalf of the Group's management:

Peter Foster	**Ibrahim Canliel**	**Saule Khassenova**
President	**Chief Financial Officer**	**Chief Accountant**
9 December 2023 Almaty, Republic of Kazakhstan	9 December 2023 Almaty, Republic of Kazakhstan	9 December 2023 Almaty, Republic of Kazakhstan

АО «ЭЙР АСТАНА»

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
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+7 (727) 298-08-98

KPMG Audit LLC
180 Dostyk Avenue, Almaty,
A25D6T5, Kazakhstan

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

To the Shareholders of JSC Air Astana

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of JSC Air Astana (the "Company") and its subsidiary (the "Group") as at 30 September 2023 and the related condensed consolidated interim statements of profit or loss, other comprehensive income for the three- and nine-month periods ended 30 September 2023 and 2022 and the related condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended 30 September 2023 and 2022, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our reviews.

Scope of Reviews

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 September 2023 and for the three- and nine-month periods ended 30 September 2023 and 2022 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

M. Kocaef

Mukhit Kossayev

Engagement Partner

KPMG Audit LLC

Almaty, Republic of Kazakhstan

9 December 2023

JOINT STOCK COMPANY AIR ASTANA

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

(in thousands of USD)

	Notes	Three-month period ended 30 September 2023 (unaudited)	Three-month period ended 30 September 2022 (unaudited)	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
Revenue and other income					
Passenger revenue	6	365,540	329,831	877,929	726,974
Cargo and mail	6	5,340	6,494	15,681	15,649
Other income	6	1,678	1,251	6,996	4,614
Total		**372,558**	**337,576**	**900,606**	**747,237**
Operating expenses					
Fuel		(85,824)	(79,974)	(208,791)	(163,578)
Employee and crew costs	7	(54,277)	(46,685)	(143,643)	(110,097)
Depreciation and amortisation	11	(41,438)	(33,945)	(118,429)	(98,884)
Engineering and maintenance	7	(34,215)	(32,357)	(83,154)	(81,906)
Handling, landing fees and route charges	7	(30,485)	(23,826)	(77,427)	(61,082)
Passenger service	7	(31,771)	(24,794)	(75,895)	(59,436)
Selling costs	7	(10,595)	(9,300)	(30,332)	(23,807)
Insurance		(2,909)	(2,535)	(8,070)	(5,774)
Information technology		(1,757)	(1,333)	(4,883)	(4,215)
Consultancy, legal and professional services		(1,363)	(1,287)	(3,601)	(3,359)
Taxes, other than income tax		(776)	(729)	(2,885)	(963)
Aircraft lease costs		(192)	(614)	(2,263)	(3,105)
Property and office costs		(915)	(538)	(2,650)	(1,760)
Impairment loss		(50)	(64)	(59)	(72)
Other		(2,946)	(3,826)	(9,649)	(13,310)
Total operating expenses		**(299,513)**	**(261,807)**	**(771,731)**	**(631,348)**
Operating profit		**73,045**	**75,769**	**128,875**	**115,889**
Finance income	8	4,304	2,208	10,774	3,666
Finance costs	8	(12,532)	(8,717)	(36,702)	(28,440)
Foreign exchange loss, net		(5,601)	(4,578)	(12,909)	(13,075)
Profit before tax		**59,216**	**64,682**	**90,038**	**78,040**
Income tax expense	9	(10,324)	(13,201)	(17,646)	(17,073)
Profit for the period		**48,892**	**51,481**	**72,392**	**60,967**
Basic and diluted earnings per share (in USD)	19	**2,876**	**3,028**	**4,258**	**3,586**

On behalf of the Group's management:

Peter Foster
President
9 December 2023
Almaty, Republic of Kazakhstan

Ibrahim Canliel
Chief Financial Officer
9 December 2023
Almaty, Republic of Kazakhstan

Saule Khassenova
Chief Accountant
9 December 2023
Almaty, Republic of Kazakhstan

АО «ЭЙР АСТАНА»

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

JOINT STOCK COMPANY AIR ASTANA

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

(in thousands of USD)

	Notes	Three-month period ended 30 September 2023 (unaudited)	Three-month period ended 30 September 2022 (unaudited)	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
Profit for the period		**48,892**	**51,481**	**72,392**	**60,967**
Other comprehensive income to be reclassified into profit or loss in subsequent periods:					
Cash flow hedges – effective portion of changes in fair value	18	1,210	(2,976)	(273)	(2,976)
Corporate income tax related to cash flow hedges – effective portion of changes in fair value		(242)	595	55	595
Realised net loss from cash flow hedging instruments	24	3,111	3,029	9,274	9,028
Corporate income tax related to loss from hedging instruments	24	(622)	(606)	(1,855)	(1,806)
Other comprehensive income for the period, net of income tax		**3,457**	**42**	**7,201**	**4,841**
Total comprehensive income for the period		**52,349**	**51,523**	**79,593**	**65,808**

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

JOINT STOCK COMPANY AIR ASTANA

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

	Notes	30 September 2023 (unaudited)	31 December 2022
ASSETS			
Non-current assets			
Property and equipment	10	825,702	817,585
Intangible assets		2,567	1,553
Prepayments for non-current assets	14	17,272	15,517
Guarantee deposits	12	31,280	29,520
Deferred tax assets	9	34,802	18,487
Trade and other receivables	15	1,665	1,300
		913,288	**883,962**
Current assets			
Inventories	13	58,702	49,175
Prepayments	14	17,130	21,011
Income tax prepaid		1,932	8,978
Trade and other receivables	15	28,227	21,307
Other taxes prepaid	16	7,630	8,378
Guarantee deposits	12	1,722	3,516
Cash and bank balances	17	314,366	252,888
Other financial assets	18	-	1,660
		429,709	**366,913**
Total assets		**1,342,997**	**1,250,875**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	17,000	17,000
Functional currency transition reserve		(9,324)	(9,324)
Reserve on hedging instruments, net of tax		(18,197)	(25,398)
Retained earnings		225,606	169,990
Total equity		**215,085**	**152,268**
Non-current liabilities			
Loans	23	105	4,162
Lease liabilities	24	529,566	574,211
Provision for aircraft maintenance	21	144,779	117,958
Other non-current liabilities		3,059	2,268
		677,509	**698,599**
Current liabilities			
Loans	23	406	7,934
Lease liabilities	24	167,413	158,593
Deferred revenue	20	91,780	80,152
Provision for aircraft maintenance	21	95,307	71,685
Trade and other payables	22	95,497	81,405
Other financial liabilities		-	239
		450,403	**400,008**
Total liabilities		**1,127,912**	**1,098,607**
Total equity and liabilities		**1,342,997**	**1,250,875**

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)
(in thousands of USD)

	Notes	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
At 1 January 2022		**17,000**	**(9,324)**	**(35,278)**	**91,576**	**63,974**
Profit for the period (unaudited)		-	-	-	60,967	60,967
Other comprehensive income: Realised loss on cash flow hedging instruments and effective portion of changes in fair value of fuel call options, net of tax (unaudited)		-	-	4,841	-	4,841
Total comprehensive income for the period (unaudited)		**-**	**-**	**4,841**	**60,967**	**65,808**
At 30 September 2022 (unaudited)		**17,000**	**(9,324)**	**(30,437)**	**152,543**	**129,782**
At 1 January 2023		**17,000**	**(9,324)**	**(25,398)**	**169,990**	**152,268**
Profit for the period (unaudited)		-	-	-	72,392	72,392
Other comprehensive income: Realised loss on cash flow hedging instruments and effective portion of changes in fair value of fuel call options, net of tax (unaudited)		-	-	7,201	-	7,201
Total comprehensive income for the period (unaudited)		**-**	**-**	**7,201**	**72,392**	**79,593**
Dividends declared (unaudited)	19	-	-	-	(16,776)	(16,776)
At 30 September 2023 (unaudited)		**17,000**	**(9,324)**	**(18,197)**	**225,606**	**215,085**

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)
(in thousands of USD)

	Notes	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
OPERATING ACTIVITIES:			
Profit before tax		**90,038**	**78,040**
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets	11	118,429	98,884
Gain on sale of property, equipment and inventory		(866)	(1,151)
Change in impairment allowance for prepayments, trade receivables, guarantee deposits and cash and bank balances	12, 14, 15,17	(299)	(2,144)
Change in write-down of obsolete and slow-moving inventories	13	(592)	4,356
Change in vacation accrual	22	287	(127)
Change in provision for aircraft maintenance	7, 21	62,648	48,239
Change in customer loyalty program provision	20	1,401	(312)
Foreign exchange loss, net		12,909	13,075
Finance income, excluding impairment		(10,388)	(3,546)
Finance costs, excluding impairment		36,273	28,437
Operating cash flow before movements in working capital		**309,840**	**263,751**
Change in trade and other accounts receivables		(6,870)	(8,470)
Change in prepayments		4,805	(2,085)
Change in inventories		(8,069)	1,070
Change in trade and other payables and provision of aircraft maintenance		3,772	(2,993)
Change in deferred revenue		10,227	34,249
Change in other financial assets		1,387	2,285
Cash generated from operations		**315,092**	**287,807**
Income tax paid		(30,277)	(9,708)
Interest received		10,148	3,546
Net cash generated from operating activities		**294,963**	**281,645**
INVESTING ACTIVITIES:			
Purchase of property and equipment		(34,116)	(27,103)
Proceeds from disposal of property and equipment		2,510	962
Purchase of intangible assets		(1,627)	(573)
Bank and Guarantee deposits placed		(6,940)	(19,992)
Bank and Guarantee deposits withdrawn		4,832	10,331
Net cash used in investing activities		**(35,341)**	**(36,375)**

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

JOINT STOCK COMPANY AIR ASTANA

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED) (UNAUDITED)
(in thousands of USD)

	Notes	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
FINANCING ACTIVITIES:			
Repayment of lease liabilities	24	(135,811)	(109,805)
Interest paid	24	(31,489)	(28,326)
Repayment of borrowings and additional financing from sale and leaseback	24	(46,540)	(102,426)
Proceeds from borrowings	24	35,000	52,706
Dividends paid	19	(16,776)	-
Net cash used in financing activities		**(195,616)**	**(187,851)**
NET INCREASE IN CASH AND BANK BALANCES		**64,006**	**57,419**
Effect of exchange rate changes on cash and bank balances held in foreign currencies		(2,528)	(2,092)
Effects of movements in ECL on cash and bank balances		-	(3)
CASH AND BANK BALANCES, at the beginning of the period	17	**252,888**	**226,357**
CASH AND BANK BALANCES, at the end of the period	17	**314,366**	**281,681**

The notes on pages 9-34 form an integral part of this condensed consolidated interim financial information.

1. NATURE OF ACTIVITIES

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

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

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

In November 2019 the Company obtained control of the Subsidiary by acquiring one hundred percent of the shares, which are 101,665 shares, and voting interests for KZT 2. At the time of the acquisition the Subsidiary had negative net assets of KZT 7 thousand (USD 18). Taking control of the Subsidiary will enable the Group segregating part of the business within the Group structure. The Subsidiary did not operate during 2022 and the nine-month of 2023. In October 2023 the Subsidiary has been renamed from JSC "Aviation Company "Air Kazakhstan" to JSC "FlyArystan". In November JSC "FlyArystan" issued additional 240,000 shares in favor of the Company, additional investment totaled KZT 960,000 thousand.

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

As at 30 September 2023 and 31 December 2022, the Group operated 47 and 43 turbojet aircraft that are acquired under lease.

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

Regional geopolitical conflicts

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

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

2. BASIS OF PREPARATION

Statement of compliance

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

Segmental Information

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

Functional currency

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

As requested by shareholders, the Group prepares two sets of financial statements with presentation currency Kazakhstani tenge and USD as shareholders believe that both currencies are useful for the users of the Group's financial statements. This condensed consolidated interim financial information as at 30 September 2023 and for the three- and nine-month periods ended 30 September 2023 and 2022 has been presented in USD. All financial information presented in USD has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the last annual financial statements. A number of new standards that came into force on 1 January 2023 did not have a significant impact on the Group's condensed consolidated interim financial information.

New standards and interpretations not yet adopted

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

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

- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1;*
- *Non-current Liabilities with Covenants – Amendments to IAS 1;*
- *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12;*
- *Lease liability in a Sale and Leaseback – Amendments to IFRS 16.*

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

5. SEGMENT REPORTING

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

Air Astana

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

FlyArystan

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

In 2023, the Group amended the treatment of intercompany leases costs between Air Astana and FlyArystan in its segment reporting to consistently apply IFRS 16 in both operating segments. As a result of this change the Group has recognized the depreciation of right-of-use assets arising from these intercompany lease transactions with FlyArystan. treated as an inter-segment transactions reflected in elimination section of the segment report. These amendments have been applied for the nine-month periods ended 30 September 2023 and 2022. The Group does not conduct separate analyses of the financial position for each segment.

Operating results for the nine-month period ended 30 September 2023 and 30 September 2022:

'000 USD	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2023 (unaudited)**		
Condensed consolidated interim profit or loss statement	**Air Astana**	**FlyArystan**	**Inter-group elimination (unaudited)**	**Total (unaudited)**
Revenue and other income				
Passenger revenue	666,562	211,367	-	877,929
Cargo and mail	14,507	1,174	-	15,681
Other income	6,180	816	-	6,996
Lease	62,423	231	(62,654)	-
Total revenue and other income	**749,672**	**213,588**	**(62,654)**	**900,606**
Operating expenses				
Fuel	(156,743)	(52,048)	-	(208,791)
Employee and crew costs	(110,619)	(33,024)	-	(143,643)
Depreciation and amortisation	(116,326)	(30,924)	28,821	(118,429)
Engineering and maintenance	(76,563)	(32,167)	25,576	(83,154)
Handling, landing fees and route charges	(60,599)	(16,828)	-	(77,427)
Passenger service	(65,078)	(10,817)	-	(75,895)
Selling costs	(27,351)	(2,981)	-	(30,332)
Insurance	(5,701)	(2,369)	-	(8,070)
Information technology	(3,729)	(1,154)	-	(4,883)
Consultancy, legal and professional services	(3,502)	(99)	-	(3,601)
Taxes, other than income tax	(2,885)	-	-	(2,885)
Property and office costs	(2,440)	(210)	-	(2,650)
Aircraft lease costs	(1,647)	(1,625)	1,009	(2,263)
Other	(8,954)	(754)	-	(9,708)
Total operating expenses	**(642,137)**	**(185,000)**	**55,406**	**(771,731)**
Operating profit	**107,535**	**28,588**	**(7,248)**	**128,875**

'000 USD **Condensed consolidated interim profit or loss statement**	**Nine-month period ended 30 September 2022 (unaudited)** **Air Astana**	**Nine-month period ended 30 September 2022 (unaudited)** **FlyArystan**	**Inter-group elimination (unaudited)**	**Total (unaudited)**
Revenue and other income				
Passenger revenue	565,356	161,618	-	726,974
Cargo and mail	14,641	1,008	-	15,649
Other income	4,402	212	-	4,614
Lease	45,322	-	(45,322)	-
Total revenue and other income	**629,721**	**162,838**	**(45,322)**	**747,237**
Operating expenses				
Fuel	(123,844)	(39,734)	-	(163,578)
Employee and crew costs	(86,352)	(23,745)	-	(110,097)
Depreciation and amortisation	(97,282)	(22,017)	20,415	(98,884)
Engineering and maintenance	(76,396)	(24,367)	18,857	(81,906)
Handling, landing fees and route charges	(47,362)	(13,720)	-	(61,082)
Passenger service	(50,844)	(8,592)	-	(59,436)
Selling costs	(22,334)	(1,473)	-	(23,807)
Insurance	(4,194)	(1,580)	-	(5,774)
Information technology	(3,117)	(1,098)	-	(4,215)
Consultancy, legal and professional services	(3,310)	(49)	-	(3,359)
Aircraft lease costs	(2,981)	(2,343)	2,219	(3,105)
Property and office costs	(1,659)	(101)	-	(1,760)
Taxes, other than income tax	(963)	-	-	(963)
Other	(12,944)	(438)	-	(13,382)
Total operating expenses	**(533,582)**	**(139,257)**	**41,491**	**(631,348)**
Operating profit	**96,139**	**23,581**	**(3,831)**	**115,889**

6. REVENUE AND OTHER INCOME

'000 USD **Passenger revenue**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Scheduled passenger flights	833,404	674,378
including:		
Fuel surcharge	*84,071*	*65,842*
Airport services	*42,635*	*33,422*
Excess baggage	*5,030*	*4,950*
Charter flights	44,525	52,596
	877,929	**726,974**

Passenger revenue increased by USD 150,955 thousand, or 21%, for the period ended 30 September 2023 as compared to the same period in 2022.

’000 USD **Cargo and mail**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Cargo-Regular	14,142	13,274
Mail	1,539	1,272
Cargo-Charter	-	1,103
	15,681	**15,649**

’000 USD **Other income**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Gain on disposal of spare parts and other assets	3,376	1,150
Incidental income	1,149	1,779
Income from ground services	1,094	952
Advertising revenue	843	624
Other	534	109
	6,996	**4,614**

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

’000 USD	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Domestic	337,671	267,111
Asia and Middle East	227,543	160,275
Europe	240,246	225,802
CIS	88,150	89,435
Total passenger, cargo and mail revenue	**893,610**	**742,623**

7. OPERATING EXPENSES

’000 USD **Employee and crew costs**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Wages and salaries	109,762	84,062
Accommodation and allowances	13,057	9,216
Social tax	9,492	8,241
Training	5,085	4,336
Other	6,247	4,242
	143,643	**110,097**

The average number of employees during the nine-month period ended 30 September 2023 was 6,351 (30 September 2022: 5,749).

’000 USD **Engineering and maintenance**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Maintenance – provisions (Note 21)	62,648	48,239
Maintenance – variable lease payments	10,827	9,658
Spare parts	9,615	9,992
Technical inspection	1,941	1,987
Maintenance – components*	(1,877)	12,030
	83,154	**81,906**

* During the nine-month period ended 30 September 2023 the Group received compensation amounts of USD 6,068 thousand from suppliers.

’000 USD **Handling, landing fees and route charges**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Handling charge	31,903	25,089
Aero navigation	28,446	21,558
Landing fees	15,713	13,268
Other	1,365	1,167
	77,427	**61,082**

’000 USD **Passenger service**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Airport charges	36,804	29,202
Catering	22,991	16,265
In-flight entertainment	3,734	4,148
Security	4,515	3,078
Other	7,851	6,743
	75,895	**59,436**

’000 USD **Selling costs**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Reservation costs	16,591	14,546
Commissions	6,935	4,896
Advertising	6,198	3,857
Interline commissions	277	252
Other	331	256
	30,332	**23,807**

8. FINANCE INCOME AND COSTS

’000 USD **Finance income**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Interest income on bank deposits	10,137	3,546
Other	637	120
	10,774	**3,666**

’000 USD **Finance costs**	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Interest expense on lease liabilities (Note 24)	32,451	25,328
Unwinding of the discount of provision for aircraft maintenance (Note 21)	2,328	-
Interest expense on bank loans (Note 24)	1,415	3,051
Other	508	61
	36,702	**28,440**

9. INCOME TAX EXPENSE

The Group's income tax expense for the nine-month period ended 30 September was as follows:

'000 USD	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
Current income tax		
Current income tax	(37,624)	(30,254)
Adjustment recognised in the current year in relation to the current tax of prior years	1,862	1,618
	(35,762)	**(28,636)**
Deferred tax		
Deferred income tax benefit	18,116	11,563
	18,116	**11,563**
	(17,646)	**(17,073)**

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

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

'000 USD Deferred tax assets	30 September 2023 (unaudited)	31 December 2022
Lease liabilities	126,299	123,633
Provision for aircraft maintenance	48,017	37,929
Trade and other payables	6,452	3,843
Trade receivables	4,351	3,805
Other	1,052	1,172
Total	**186,171**	**170,382**
Deferred tax liabilities		
Right of use assets	(115,090)	(113,204)
Difference in depreciable value of property, plant and equipment and intangible assets	(30,667)	(34,074)
Inventories	(3,068)	(2,809)
Prepaid expenses	(1,713)	(768)
Other	(831)	(1,040)
Total	**(151,369)**	**(151,895)**
Net deferred tax assets	**34,802**	**18,487**

Movements in deferred tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 1,800 thousand related to carried forward corporate income tax losses, which were recognised in equity relating to the realised portion of deferred tax on cash flows hedge and effective portion of changes in fair value (nine-month ended 2022: USD 1,211 thousand).

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

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

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

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

'000 USD	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Profit before tax	**90,038**	**78,040**
Corporate income tax %	20%	20%
Income tax expense at statutory rate	(18,008)	(15,608)
USD forex effect	2,000	533
Tax effect of non-deductible expenses	(1,638)	(1,998)
Income tax expense	**(17,646)**	**(17,073)**

10. PROPERTY AND EQUIPMENT

’000 USD	Rotable spare parts	Office and training equipment	Building, premises and land	Vehicles	Aircraft under lease	Equipment-in-transit and construction-in-progress	Total
Cost							
At 1 January 2022	**79,514**	**9,107**	**38,049**	**2,781**	**1,083,420**	**184**	**1,213,055**
Additions (unaudited)	5,859	1,028	136	116	66,461	883	74,483
Disposals (unaudited)	(6,520)	(119)	-	(84)	(3,808)	-	(10,531)
Transfers to inventory (unaudited)	(2)	-	-	-	-	-	(2)
At 30 September 2022 (unaudited)	**78,851**	**10,016**	**38,185**	**2,813**	**1,146,073**	**1,067**	**1,277,005**
At 1 January 2023	**102,892**	**11,987**	**38,324**	**2,682**	**1,265,967**	**10,179**	**1,432,031**
Additions (unaudited)	13,737	2,513	9,119	251	101,578	1,562	128,760
Disposals (unaudited)	(4,955)	(501)	(2,139)	(65)	(14,455)	-	(22,115)
Other transfers (unaudited)	-	8,312	2,106	-	-	(10,418)	-
At 30 September 2023 (unaudited)	**111,674**	**22,311**	**47,410**	**2,868**	**1,353,090**	**1,323**	**1,538,676**
Accumulated depreciation							
At 1 January 2022	**36,722**	**6,861**	**10,444**	**1,505**	**435,323**	**-**	**490,855**
Charge for the period (unaudited) (Note 11)	6,052	650	2,710	138	88,847	-	98,397
Disposals (unaudited)	(5,669)	(108)	-	(61)	(3,798)	-	(9,636)
At 30 September 2022 (unaudited)	**37,105**	**7,403**	**13,154**	**1,582**	**520,372**	**-**	**579,616**
At 1 January 2023	**39,485**	**7,595**	**14,051**	**1,534**	**551,781**	**-**	**614,446**
Charge for the period (unaudited) (Note 11)	9,183	1,209	3,010	140	104,300	-	117,842
Disposals (unaudited)	(2,939)	(492)	(1,615)	(49)	(14,219)	-	(19,314)
At 30 September 2023 (unaudited)	**45,729**	**8,312**	**15,446**	**1,625**	**641,862**	**-**	**712,974**
Net book value							
At 30 September 2022 (unaudited)	**41,746**	**2,613**	**25,031**	**1,231**	**625,701**	**1,067**	**697,389**
At 30 September 2023 (unaudited)	**65,945**	**13,999**	**31,964**	**1,243**	**711,228**	**1,323**	**825,702**

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

The Group's obligations under leases are secured by the leased assets which have a carrying amount of USD 711,228 thousand (unaudited) (30 September 2022: USD 625,701 thousand) (Note 24). The total amount of Aircraft Under Lease as at 30 September 2023 includes 17 Airbus aircraft related to the FlyArystan division with a net book value of USD 251,755 thousand (30 September 2022: 12 Airbus aircraft with a net book value of USD 129,590 thousand).

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Aviation Technical Centre in Astana with a carrying amount of USD 18,638 thousand was pledged in favour of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 23). In 2022 the land plot, where the above-mentioned Aviation Technical Centre is located, was divided into two separate parts. The main land plot where Aviation Technical Centre is located will remain pledged in JSC Halyk Bank of Kazakhstan. The second part of the land was released from pledge.

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

Rotable spare parts include aircraft modification costs.

The cost of fully depreciated items as at 30 September 2023 is USD 17,566 thousand (30 September 2022: USD 18,964 thousand).

11. DEPRECIATION AND AMORTISATION

'000 USD	**Nine-month period ended 30 September 2023 (unaudited)**	**Nine-month period ended 30 September 2022 (unaudited)**
Depreciation of property and equipment (Note 10)	117,842	98,397
Amortisation of intangible assets	587	487
Total	**118,429**	**98,884**

12. GUARANTEE DEPOSITS

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Non-current		
Guarantee deposits for leased aircraft	31,262	29,311
Other guarantee deposits	661	481
Impairment allowances	(643)	(272)
	31,280	**29,520**
Current		
Other guarantee deposits	1,323	1,723
Guarantee deposits for leased aircraft	400	538
Guarantee deposits to secure Letters of Credit for maintenance liabilities	-	1,258
Impairment allowances	(1)	(3)
	1,722	**3,516**
	33,002	**33,036**

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Group. Guarantee deposits are denominated primarily in US Dollars. The Group assesses credit risk for such deposits as low mainly because almost all lessors are rated from AA to BBB in accordance with Standard and Poor's Global Ratings (S&P Global Ratings) credit quality grades. For those lessors who are not credit rated by international rating agencies, the management calculates the expected credit loss based on the assumption that such lessors are rated at CCC by S&P Global Ratings. The amount of deposits with such lessors is USD 4,467 thousand and USD 1,721 thousand as of 30 September 2023 and 31 December 2022, respectively.

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

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

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Within one year	400	1,796
After one year but not more than five years	10,618	10,517
More than five years	20,696	18,842
	31,714	**31,155**
Fair value adjustment at initial recognition	(52)	(48)
	31,662	**31,107**

13. INVENTORIES

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Spare parts	40,209	36,980
Fuel	8,351	6,581
Crockery	4,058	2,879
Goods in transit	2,646	2,277
De-icing liquid	2,040	1,791
Promotional materials	1,756	670
Uniforms	1,706	1,288
Blank forms	272	269
Other	2,930	2,298
	63,968	**55,033**
Less: cumulative write-down for obsolete and slow-moving inventories	(5,266)	(5,858)
	58,702	**49,175**

14. PREPAYMENTS

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Non-current		
Advances for services	9,008	9,165
Prepayments for long-term assets	8,264	6,352
	17,272	**15,517**
Current		
Advances for services	9,714	8,138
Advances for goods	5,932	11,088
Prepayments of leases without transfer of legal title	1,668	2,003
	17,314	**21,229**
Less: impairment allowance for prepayments	(184)	(218)
	17,130	**21,011**

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

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

15. TRADE AND OTHER RECEIVABLES

’000 USD	30 September 2023 (unaudited)	31 December 2022
Non-current		
Other financial assets	45,009	45,524
Due from employees and Ab-initio pilot trainees	1,665	1,300
	46,674	**46,824**
Less: impairment allowance	(45,009)	(45,524)
	1,665	**1,300**
Current		
Trade receivables	27,761	20,119
Due from employees and Ab-initio pilot trainees	1,344	1,337
Receivable from lessors – variable lease reimbursement	-	848
	29,105	**22,304**
Less: impairment allowance	(878)	(997)
	28,227	**21,307**

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

’000 USD	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
At the beginning of the period	**(46,521)**	**(48,539)**
Accrued during the period	(197)	(218)
Reversed during the period	627	952
Foreign currency difference	204	868
At the end of the period	**(45,887)**	**(46,937)**

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

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

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

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

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

’000 USD	30 September 2023 (unaudited)	31 December 2022
Tenge	19,047	8,161
US Dollar	2,960	8,353
Euro	2,205	1,232
Other	5,680	4,861
	29,892	**22,607**

16. OTHER TAXES PREPAID

'000 USD	30 September 2023 (unaudited)	31 December 2022
Value-added tax recoverable	7,628	7,826
Other taxes prepaid	2	552
	7,630	**8,378**

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

17. CASH AND BANK BALANCES

'000 USD	30 September 2023 (unaudited)	31 December 2022
Term deposits with an initial maturity of less than 3 months	203,653	155,476
Current accounts with foreign banks	101,881	82,254
Current accounts with local banks	8,384	14,712
Cash in hand	102	183
Accrued interest	355	272
	314,375	**252,897**
Impairment allowance	(9)	(9)
	314,366	**252,888**

Cash and bank balances are denominated in the following currencies:

'000 USD	30 September 2023 (unaudited)	31 December 2022
US Dollar	297,400	229,006
Euro	7,905	4,634
Tenge	2,776	12,766
British Pound	2,058	1,520
Indian Rupee	1,999	2,705
Other	2,228	2,257
	314,366	**252,888**

18. OTHER FINANCIAL ASSETS

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

Loss on fuel options of USD 2,509 thousand was added to fuel costs during the nine-month period ended 30 September 2023 (nine-month period ended 30 September 2022: gain of USD 14,646 thousand).

'000 USD	Call option (purchase)
At 1 January 2022	**7,383**
Gain included in "fuel costs" (unaudited)	14,646
Payments on exercised contracts (unaudited)	(15,916)
Reclassification to accounts receivable on exercised instrument (unaudited)	(1,015)
Loss included in OCI - Net change in fair value (unaudited)	(2,976)
At 30 September 2022 (unaudited)	**2,122**
At 1 January 2023	**1,660**
Acquisition of fuel options (unaudited)	1,709
Loss included in "fuel costs" (unaudited)	(2,509)
Payment on exercised contracts (unaudited)	(8)
Reclassification to accounts receivable on exercised instrument (unaudited)	(579)
Loss included in OCI - Net change in fair value (unaudited)	(273)
At 30 September 2023 (unaudited)	**-**

19. EQUITY

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

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

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS standards. A distribution cannot be made when equity is negative or if distribution would result in negative equity or the Company's insolvency. As at 30 September 2023 the Company had retained earnings, including the profit for the current period, of USD 225,606 thousand (31 December 2022: USD 169,990 thousand), and total equity of USD 215,085 thousand (31 December 2022: USD 152,268 thousand).

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

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

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

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

	Nine-month period ended 30 September 2023 (unaudited)	**Nine-month period ended 30 September 2022 (unaudited)**
Profit for the period	72,392	60,967
Number of ordinary shares	17,000	17,000
Earnings per share – basic and diluted (USD)	**4,258**	**3,586**

20. DEFERRED REVENUE

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Unearned transportation revenue	81,225	70,998
Customer loyalty program provision	10,555	9,154
	91,780	**80,152**

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.

21. PROVISION FOR AIRCRAFT MAINTENANCE

’000 USD	30 September 2023 (unaudited)	31 December 2022
Engines	199,615	155,955
D-Check	17,805	13,464
Landing gear	6,054	4,880
C-Check	5,970	5,683
Provision for redelivery of aircraft	5,566	4,963
Auxiliary Power unit	5,076	4,698
	240,086	**189,643**

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

’000 USD	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
At 1 January	**189,643**	**127,166**
Accrued during the period (Note 7)	64,252	50,118
Reversed during the period (Note 7)	(1,604)	(1,879)
Unwinding of the discount (Note 8)	2,328	-
Used during the period	(14,533)	(16,275)
At 30 September (unaudited)	**240,086**	**159,130**

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

The planned utilisation of these provisions is as follows:

’000 USD	30 September 2023 (unaudited)	31 December 2022
Within one year	95,307	71,685
During the second year	47,658	38,651
During the third year	61,933	46,648
After the third year	35,188	32,659
Total provision for aircraft maintenance	**240,086**	**189,643**
Less: current portion	95,307	71,685
Non-current portion	**144,779**	**117,958**

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

The estimates are based on the following key assumptions:

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

22. TRADE AND OTHER PAYABLES

’000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Trade payables	55,199	47,425
Accrued bonuses	13,979	6,559
Advances received	7,798	12,232
Deposits received from agents	7,185	6,844
Due to employees	6,591	5,071
Taxes payable	2,153	1,065
Vacation pay accrual	1,608	1,321
Pension contribution	877	773
Other	107	115
	95,497	**81,405**

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

’000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Tenge	38,953	33,088
US Dollar	37,695	33,230
Euro	5,560	3,900
British Pound	849	671
Other	12,440	10,516
	95,497	**81,405**

23. LOANS

’000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Non-current		
Loan	105	4,162
	105	**4,162**
Current		
Current portion of loan	406	7,889
Interest payable	-	45
	406	**7,934**

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

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

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

As of 30 September 2023 the Group had available credit lines totalling USD 143,700 thousand with the option to be utilised until September 2025 at JSC Halyk Bank of Kazakhstan. Additionally, there are revolving credit line of USD 20,000 thousand at City Bank.

24. LEASE LIABILITIES

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

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

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

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

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

The Group's obligations under leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 711,228 thousand (30 September 2022: USD 625,701 thousand) (Note 10).

	Minimum lease payments		**Present value of minimum lease payments**	
'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**	**30 September 2023 (unaudited)**	**31 December 2022**
Not later than one year	204,092	196,804	167,413	158,593
Later than one year and not later than five years	504,358	537,167	428,642	463,293
Later than five years	108,615	119,600	100,924	110,918
	817,065	**853,571**	**696,979**	**732,804**
Less: future finance charges	(120,086)	(120,767)	-	-
Present value of minimum lease payments	**696,979**	**732,804**	**696,979**	**732,804**
Included in the financial information as:				
- current portion of lease obligations			167,413	158,593
- non-current portion of lease obligations			529,566	574,211
			696,979	**732,804**

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

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

'000 USD	Loans (Note 23) (unaudited)	Lease liabilities (unaudited)	Total (unaudited)
Balance as at 1 January 2023	**12,096**	**732,804**	**744,900**
Changes from financing cash flows			
Repayment of borrowings	(46,250)	-	(46,250)
Proceed from borrowings	35,000	-	35,000
Repayment of lease liabilities	-	(135,811)	(135,811)
Interest paid	(1,460)	(30,029)	(31,489)
Repayment of additional financing	(290)	-	(290)
Total changes from financing cash flows	**(13,000)**	**(165,840)**	**(178,840)**
The effect of changes in foreign exchange rates	-	(114)	(114)
Other changes			
New leases and modifications	-	97,678	97,678
Interest expense (Note 8)	1,415	32,451	33,866
Total other changes	**1,415**	**130,129**	**131,544**
Balance as at 30 September 2023	**511**	**696,979**	**697,490**

'000 USD	Loans (Note 23) (unaudited)	Lease liabilities (unaudited)	Total (unaudited)
Balance as at 1 January 2022	**62,286**	**726,893**	**789,179**
Changes from financing cash flows			
Repayment of borrowings	(102,058)	-	(102,058)
Proceed from borrowings	52,706	-	52,706
Repayment of lease liabilities	-	(109,805)	(109,805)
Interest paid	(3,167)	(25,159)	(28,326)
Repayment of additional financing	(368)	-	(368)
Total changes from financing cash flows	**(52,887)**	**(134,964)**	**(187,851)**
The effect of changes in foreign exchange rates	1,610	(376)	1,234
Other changes			
New leases and modifications	-	61,108	61,108
Interest expense (Note 8)	3,051	25,328	28,379
Total other changes	**3,051**	**86,436**	**89,487**
Balance as at 30 September 2022	**14,060**	**677,989**	**692,049**

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

In connection with the transition of the functional currency to US Dollar, this hedge ceased to be economically effective from 31 December 2017. At 30 September 2023, a foreign currency loss of 22,746 USD thousand (31 December 2022: USD 32,020 thousand), before income tax of USD 4,549 thousand (31 December 2022: USD 6,404 thousand) on the lease liabilities with transfer of title, representing an effective portion of the hedge, is deferred in the hedging reserve within equity. As a result of the change, the hedge relationship has been discontinued so that starting from 1 January 2018 no further foreign currency translation gains or losses are transferred from profit or loss to the hedge reserve, and the hedge reserve recognised in equity as at 31 December 2017 is reclassified to profit or loss in line with the forecasted hedge recognition which is expected to happen annually until 2025.

During the nine months of 2023 the amount reclassified from the hedging reserve to foreign exchange loss in the condensed consolidated interim statement of other comprehensive income was USD 9,274 thousand (before income tax of USD 1,855 thousand) (nine months ended 30 September 2022: USD 9,028 thousand (before income tax of USD 1,806 thousand).

25. FINANCIAL INSTRUMENTS

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

Capital management

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

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

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

The Group does not have a target gearing ratio.

Credit risk

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

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

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

As at 30 September 2023 and 31 December 2022 there was no significant concentration of credit risk in respect of trade accounts receivable (Note 15).

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

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

As at 30 September 2023 and 31 December 2022, the majority of current accounts with local banks are placed with top rated local Kazakhstan banks with a credit rating of BBB-, Fitch.

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

Interest rate risk

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

Foreign currency risk

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

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

Foreign currency sensitivity analysis

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

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

’000 USD	Notes	30 September 2023 KZT (unaudited)	30 September 2023 EUR (unaudited)	31 December 2022 KZT	31 December 2022 EUR
Assets					
Other taxes prepaid	16	7,630	-	8,378	-
Trade and other receivables	15	19,047	2,205	8,161	1,232
Income tax prepaid		1,932	-	8,978	-
Cash and bank balances	17	2,776	7,905	12,766	4,634
Guarantee deposits		178	307	177	306
Total		**31,563**	**10,417**	**38,460**	**6,172**
Liabilities					
Trade and other payables	22	38,953	5,560	33,088	3,900
Lease liabilities		4,410	-	3,260	-
Total		**43,363**	**5,560**	**36,348**	**3,900**
Net position		**(11,800)**	**4,857**	**2,112**	**2,272**

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

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

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

	Weakening of US Dollar (unaudited)		Strengthening of US Dollar (unaudited)	
’000 USD	**Tenge**	**Euro**	**Tenge**	**Euro**
30 September 2023	**10%**	**10%**	**(10%)**	**(10%)**
Profit/(loss)	(944)	389	944	(389)

	Weakening of US Dollar		Strengthening of US Dollar	
’000 USD	**Tenge**	**Euro**	**Tenge**	**Euro**
31 December 2022	**21%**	**10.6%**	**(21%)**	**(10.6%)**
Profit/(loss)	355	193	(355)	(193)

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

Liquidity risk management

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

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

Liquidity and interest risk tables

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

’000 USD	**Up to 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
30 September 2023 (unaudited)					
Financial assets					
Non interest bearing					
Trade and other receivables	26,883	1,344	1,665	-	29,892
Guarantee deposits	633	1,089	11,239	20,093	33,054
Cash and bank balances	314,366	-	-	-	314,366
Financial liabilities					
Non interest bearing					
Trade and other payables	78,361	7,185	-	-	85,546
Fixed rate					
Loans	133	273	105	-	511
Lease liabilities	50,429	153,663	504,358	108,615	817,065

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

Fair values

Cash and bank balances

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

Fuel call options

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

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

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

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

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

Guarantee Deposits

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

Trade and other receivables and payables

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

Loans

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

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Management believes that their fair values are lower than carrying amounts by approximately 1.8% (31 December 2022: lower by 3.6%).

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

In 2011 the Group finalised an agreement with Boeing to purchase three Boeing 787-8 aircraft (Note14). The Group is committed to pre-delivery payments in accordance with the agreed payment schedule.

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

Future commitments

Aircraft

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

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

Commitments for leases of aircraft to be delivered from the fourth quarter of 2023 to 2025:

'000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Within one year	21,470	14,070
After one year but not more than five years	529,275	406,869
More than five years	922,309	747,355
	1,473,054	**1,168,294**

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

During 2022 three A320neo aircraft were delivered in September, November and December 2022, three A321neo aircraft were delivered in May, October and December 2022, and one A320ceo aircraft was delivered in May 2022, rest are expected during 2023 and 2024.

During 2023 three A320neo aircraft were delivered in March, July and September and three more expected till end of 2023.

In 2023 the Group has signed operating lease agreements for two Airbus 320ceo aircraft, both were delivered in June and August 2023. Also, the Airline executed operating lease contracts for two A320neo aircraft and three A321neo aircraft with deliveries in 2024-2025.

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

Non-cancellable commitments related to the Simulator project:

’000 USD	**30 September 2023 (unaudited)**	**31 December 2022**
Within one year	-	993
	-	**993**

Insurance

Aviation insurance

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

Types of insurance coverage are stated below:

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

Non – Aviation Insurance

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

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

Taxation contingencies

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

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

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

Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The Group initially incurred a fine imposed by the court following an investigation by the Antimonopoly agency of the Republic of Kazakhstan regarding an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered during the period January 2021 – May 2022. Initially, the court determined a penalty amounting to KZT 6,806,138 thousand (USD 15,041 thousand); however, after the Group appealed the court decision, the fine was decreased significantly to the amount of KZT 876,863 thousand (USD 1,848 thousand). The Group has not made provision as at 30 September 2023. Following the initial court decision, the Group faces the possibility of legal proceedings with the Antimonopoly agency of the Republic of Kazakhstan concerning an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered starting from June 2022. If such legal proceedings were to occur, the Group may be subject to a fine which cannot be estimated reliably because the principle underlying the assessment of the fine by the latest court was unclear. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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

27. RELATED PARTY TRANSACTIONS

Control relationships

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

Management remuneration

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

'000 USD	Nine-month period ended 30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)
Wages and salaries	5,338	5,081
Social tax	481	458
	5,819	**5,539**

Transactions with related parties

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

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

The following transactions require disclosure as related party transactions:

'000 USD	Nine-month period ended 30 September 2023 (unaudited)	30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)	31 December 2022
Services received	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
State-owned companies	100,000	(52)	101,289	(2,279)
Shareholders and their subsidiaries	46,682	(1,883)	15,005	(3,236)
	146,682	**(1,935)**	**116,294**	**(5,515)**

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

'000 USD	Nine-month period ended 30 September 2023 (unaudited)	30 September 2023 (unaudited)	Nine-month period ended 30 September 2022 (unaudited)	31 December 2022
Services provided by the Group	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Shareholders and their subsidiaries	905	140	890	205
	905	**140**	**890**	**205**

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

Transactions with government-related entities

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

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

28. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved by management of the Group and authorised for issue on 9 December 2023.

JOINT STOCK COMPANY
AIR ASTANA

Consolidated Financial Statements
for the year ended 31 December 2022

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2022

The management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Joint Stock Company Air Astana and its subsidiary (the "Group") as at 31 December 2022, and the results of its consolidated operations, cash flows and changes in equity for the year then ended in compliance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

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 standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

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 standards;
- maintaining statutory accounting records in compliance with the legislation of Kazakhstan and IFRS standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue on 24 February 2023 by the management of the Group.

On behalf of the management of the Group:

Peter Foster	**Ibrahim Canliel**	**Saule Khassenova**
President	**Chief Financial Officer**	**Chief Accountant**
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

24 February 2023

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KPMG Audit LLC
180 Dostyk Avenue, Almaty,
A25D6T5, Kazakhstan

Independent Auditors' Report

To the Shareholders of Joint Stock Company Air Astana

Opinion

We have audited the consolidated financial statements of Joint Stock Company Air Astana (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2022, 2021 and 2020, 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 2022, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 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 Standards, 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.

— 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:

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

KPMG Audit LLC

State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

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

24 February 2023

'000 USD	Notes	2022	2021	2020
Revenue and other income				
Passenger revenue	7	998,120	715,794	358,413
Cargo and mail revenue	7	22,124	33,570	24,561
Other income	7	12,138	7,846	11,033
Gain from sale and leaseback transaction	7	-	4,628	6,257
Total revenue and other income		**1,032,382**	**761,838**	**400,264**
Operating expenses				
Fuel and oil costs*		(231,884)	(136,558)	(89,212)
Employee and crew costs**	8	(148,907)	(116,265)	(87,130)
Depreciation and amortization	12	(135,178)	(120,832)	(101,035)
Engineering and maintenance	8	(125,891)	(94,582)	(43,198)
Handling, landing fees and route charges	8	(84,933)	(70,097)	(47,225)
Passenger service	8	(80,321)	(60,894)	(36,565)
Selling costs	8	(33,254)	(25,075)	(17,093)
Insurance		(8,317)	(8,050)	(6,176)
IT and communication costs		(5,743)	(4,575)	(4,223)
Consultancy, legal and professional services		(4,258)	(3,392)	(3,254)
Aircraft lease costs	8	(3,893)	(3,662)	(3,401)
Property and office costs		(2,483)	(2,641)	(2,425)
Taxes		(1,427)	(2,501)	(4,158)
Impairment loss on trade receivables		(394)	(113)	(117)
Other operating costs		(16,784)	(10,428)	(24,366)
Total operating expenses		**(883,667)**	**(659,665)**	**(469,578)**
Operating profit/(loss)		**148,715**	**102,173**	**(69,314)**
Finance income	9	6,995	2,405	1,427
Finance costs	9	(39,254)	(47,066)	(36,076)
Foreign exchange loss, net		(15,065)	(12,522)	(12,673)
Profit/(loss) before tax		**101,391**	**44,990**	**(116,636)**
Income tax (expense)/benefit	10	(22,977)	(8,831)	22,703
Profit/(loss) for the year		**78,414**	**36,159**	**(93,933)**
Basic and diluted earnings/(loss) per share (in USD)	20	**4,613**	**2,127**	**(5,525)**

* Gain on fuel options of USD 12,145 thousand was netted off with fuel costs for the year ended 31 December 2022. Comparative figures for the year ended 31 December 2021 of USD 8,013 thousand have been reclassified from finance income to fuel costs accordingly.

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

On behalf of the Group's management:

Peter Foster	Ibrahim Canliel	Saule Khassenova
President	**Chief Financial Officer**	**Chief Accountant**
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

24 February 2023

АО «ЭЙР АСТАНА»

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 11 to 62.

’000 USD	Notes	2022	2021	2020
Profit/(loss) for the year		**78,414**	**36,159**	**(93,933)**
Other comprehensive income to be reclassified into profit or loss in subsequent periods:				
Cash flow hedges – effective portion of changes in fair value	19	272	-	-
Corporate income tax related to cash flow hedges – effective portion of changes in fair value		(54)	-	-
Realised net loss from cash flow hedging instruments	25	12,078	11,760	11,449
Corporate income tax related to loss from hedging instruments	25	(2,416)	(2,352)	(2,290)
Other comprehensive income for the year, net of income tax		**9,880**	**9,408**	**9,159**
Total comprehensive income for the year		**88,294**	**45,567**	**(84,774)**

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 11 to 62.

'000 USD	Notes	31 December 2022	31 December 2021	31 December 2020
ASSETS				
Non-current assets				
Property, plant and equipment	11	817,585	722,200	705,112
Intangible assets		1,553	1,528	1,646
Prepayments	15	15,517	16,299	12,353
Guarantee deposits	13	29,520	17,974	20,410
Deferred tax assets	10	18,487	2,711	8,771
Trade and other receivables	16	1,300	3,611	3,285
		883,962	**764,323**	**751,577**
Current assets				
Inventories	14	49,175	51,555	46,371
Prepayments	15	21,011	26,534	15,386
Income tax prepaid		8,978	2,630	3,266
Trade and other receivables	16	21,307	14,134	10,220
Other taxes prepaid	17	8,378	7,709	15,166
Guarantee deposits	13	3,516	1,568	5,814
Cash and bank balances	18	252,888	226,357	201,354
Other financial assets	19	1,660	7,383	-
		366,913	**337,870**	**297,577**
Total assets		**1,250,875**	**1,102,193**	**1,049,154**
EQUITY AND LIABILITIES				
Equity				
Share capital	20	17,000	17,000	17,000
Functional currency transition reserve		(9,324)	(9,324)	(9,324)
Reserve on hedging instruments, net of tax		(25,398)	(35,278)	(44,686)
Retained earnings		169,990	91,576	55,417
Total equity		**152,268**	**63,974**	**18,407**
Non-current liabilities				
Loans	24	4,162	4,759	53,004
Lease liabilities	25	574,211	580,539	572,322
Provision for aircraft maintenance	22	117,958	86,456	45,537
Employee benefits		2,268	1,625	1,559
		698,599	**673,379**	**672,422**
Current liabilities				
Loans	24	7,934	57,527	111,009
Lease liabilities	25	158,593	146,354	132,340
Deferred revenue	21	80,152	57,260	38,112
Provision for aircraft maintenance	22	71,685	40,710	37,533
Trade and other payables	23	81,405	62,989	39,331
Other financial liabilities		239	-	-
		400,008	**364,840**	**358,325**
Total liabilities		**1,098,607**	**1,038,219**	**1,030,747**
Total equity and liabilities		**1,250,875**	**1,102,193**	**1,049,154**

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 11 to 62.

'000 USD	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
Balance 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**
At 1 January 2022	**17,000**	**(9,324)**	**(35,278)**	**91,576**	**63,974**
Profit for the year	-	-	-	78,414	78,414
Other comprehensive income: Realised loss on cash flow hedging instruments and effective portion of changes in fair value of fuel call options, net of tax	-	-	9,880	-	9,880
Total comprehensive income for the year	**-**	**-**	**9,880**	**78,414**	**88,294**
At 31 December 2022	**17,000**	**(9,324)**	**(25,398)**	**169,990**	**152,268**

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 11 to 62.

'000 USD	Notes	2022	2021	2020
OPERATING ACTIVITIES:				
Profit/(loss) before tax		**101,391**	**44,990**	**(116,636)**
Adjustments for:				
Depreciation and amortization of property, plant and equipment and intangible assets	12	135,178	120,832	101,035
Gain on disposal of property, equipment and other assets	7	(2,239)	(7,117)	(6,257)
Change in impairment allowance for trade receivables, prepayments, guarantee deposits and cash and bank balances	13,15, 16,18	(2,428)	(363)	(464)
Change in write-down of obsolete and slow-moving inventories	14	4,290	(139)	(413)
Change in vacation accrual	23	(76)	318	(570)
Change in provision for aircraft maintenance	8	80,514	60,818	20,344
Change in customer loyalty program provision	21	962	(1,415)	826
Foreign exchange loss, net		15,065	12,522	12,673
Finance income, excluding impairment	9	(6,274)	(1,789)	(1,183)
Finance costs, excluding impairment	9	39,140	46,813	35,370
Effect of COVID-19 related rent concessions	8, 25	-	881	(1,986)
Gain from early return of engine/aircraft	25	-	(490)	(2,844)
Impairment of property, plant and equipment	11	-	-	14,722
Operating cash flow before movements in working capital		**365,523**	**275,861**	**54,617**
Change in trade and other receivables		(3,807)	(3,830)	23,486
Change in prepaid expenses and prepayments		3,271	(6,402)	30,099
Change in inventories		(481)	(3,515)	4,043
Change in trade and other payables and provision for aircraft maintenance		(732)	4,081	(76,397)
Change in deferred revenue		21,930	20,563	(30,632)
Change in other financial instruments		5,995	(7,383)	(308)
Cash generated from operations		**391,699**	**279,375**	**4,908**
Income tax paid		(47,003)	(3,965)	(3,517)
Interest received		6,274	1,627	1,170
Net cash generated from operating activities		**350,970**	**277,037**	**2,561**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		(48,270)	(31,682)	(30,287)
Proceed from sale and leaseback transaction		-	8,719	33,410
Proceeds from disposal of property, plant and equipment		1,974	3,982	2,967
Purchase of intangible assets		(659)	(541)	(828)
Bank and Guarantee deposits placed		(25,286)	(4,115)	(3,578)
Bank and Guarantee deposits withdrawn		11,882	10,583	6,788
Net cash (used in)/generated from investing activities		**(60,359)**	**(13,054)**	**8,472**

Continued on the next page

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 11 to 62.

’000 USD	Notes	2022	2021	2020
FINANCING ACTIVITIES:				
Repayment of lease liabilities	25	(173,501)	(93,553)	(100,020)
Interest paid	25	(38,354)	(49,088)	(29,587)
Repayment of borrowings and additional financing from sale and leaseback	25	(104,395)	(106,794)	(66,290)
Proceeds from borrowings and additional financing from sale and leaseback	25	52,706	12,305	210,958
Net cash (used in)/generated from financing activities		**(263,544)**	**(237,130)**	**15,061**
NET INCREASE IN CASH AND BANK BALANCES		**27,067**	**26,853**	**26,094**
Effect of exchange rate changes on cash and bank balances held in foreign currencies		(535)	(1,849)	(1,180)
Effects of movements in ECL on cash and bank balances		(1)	(1)	(2)
CASH AND BANK BALANCES, at the beginning of the year		226,357	201,354	176,442
CASH AND BANK BALANCES, at the end of the year	18	**252,888**	**226,357**	**201,354**

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 11 to 62.

1. Nature of activities

Joint Stock Company 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 (USD 18). Taking control of the Subsidiary will enable the Group to separate part of its business in the future. The Subsidiary did not operate during 2020, 2021 and 2022.

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, Astana. As at 31 December 2022, the Group operated 43 aircraft that are acquired under lease.

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

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

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 IFRS 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 2022. 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

Since the first quarter 2020, the COVID-19 pandemic had a significant impact on the aviation industry. As of 31 December 2022, travel restrictions related to COVID-19 were abolished in Kazakhstan and most countries around the world. The Group is monitoring the situation on an ongoing basis.

Going concern

The Group's cash position remains strong. As of 31 December 2022 the Group's cash and bank balances increased by USD 26,531 thousand compared to 31 December 2021, whereas the Group had repaid substantial part of its bank loans in the amount of USD 104,027 thousand. As at 31 December 2022, the Group's net current liabilities were USD 33,095 thousand (2021: USD 26,970 thousand; 2020: USD 60,748 thousand).

With regard to a possible new COVID-19 wave, management believes that its impact would not be as significant as the impact of the first wave in March-April 2020. Whereas increase in price of jet fuel has negative effect on the Group's profitability, the Group's strong fuel hedge positions lessens the adverse effect.

Management has concluded that there is no material uncertainty regarding the Group's ability to continue as a going concern and management considered it appropriate for the going concern assumption to be adopted in preparing the consolidated financial statements.

Regional geopolitical conflicts

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

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

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 value, 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.

Segment 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 standards 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 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.

Customer loyalty program

Sales of tickets that result in award credits for customers, under the Group'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 Group's performance obligations have been fulfilled.

Travel agents' commissions

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

Reservation costs

Reservation costs 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 same entity, the Group accounts for the transfer contract and the lease according to IFRS 16 *Leases*.

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 2.66% per annum (2021: 2.25%, 2020: 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 functional currency of the Group entities (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 2022, 31 December 2021 and 31 December 2020 and for the years then ended:

	Average rate			Reporting date spot-rate		
USD	**2022**	**2021**	**2020**	**31 December 2022**	**31 December 2021**	**31 December 2020**
1,000 Tenge (KZT)	2.17	2.35	2.42	2.16	2.32	2.38
Euro (EUR)	1.05	1.18	1.14	1.07	1.13	1.23
British Pound (GBP)	1.23	1.38	1.28	1.20	1.35	1.37

The following table summarises KZT exchange rates at 31 December 2022, 31 December 2021 and 31 December 2020 and for the years then ended:

	Average rate			Reporting date spot-rate		
KZT	**2022**	**2021**	**2020**	**31 December 2022**	**31 December 2021**	**31 December 2020**
US Dollar (USD)	460.48	426.03	412.95	462.65	431.8	420.91
Euro (EUR)	484.22	503.88	471.44	492.86	489.1	516.79
British Pound (GBP)	568.22	586.25	529.91	556.57	583.32	574.88

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 measured on an undiscounted basis and are expensed 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, tax paid for the current period 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.

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 amortization and impairment losses. Amortization 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.

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 – 12,000 flight hours, 3,000 - 8,000 flight cycles and 18-36 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.

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. However, see Note 19 for derivatives designated as hedging instruments.
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.

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 SOFR, 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.

Derivatives and hedging activities

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as commodity derivatives to hedge its risks associated with jet-fuel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity derivatives are determined by reference to available market information and swap/forward valuation methodology. Any gains or losses arising from changes in fair value of derivatives are taken directly to consolidated statement of profit or loss, except for the effective portion and cost of hedging for cash flow hedges, which arerecognised in OCI.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- Hedges of a net investment in a foreign operation.

The Group considers transactions with the probability of occurrence more than ninety percent highly probable transactions.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio).

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

The Group uses fuel options contracts as hedges of its exposure to jet fuel price fluctuations in forecast transactions and firm commitments. The ineffective portion relating to the ineffective portion relating to commodity contracts is recognised in the consolidated statement of profit or loss.

Amounts recognised as OCI are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, such as when the hedged financial expense is recognised or when a forecast transaction occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in OCI remains in OCI until the forecast transaction or firm commitment affects consolidated statement of profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

Cost of hedging

If the time value of a purchased option is separated and excluded from the designated hedging instrument, then the excluded portion is separately accounted for as a cost of hedging. As such, the change in fair value of the excluded portion is recognised in OCI and accumulated in a separate component of equity to the extent that it relates to the hedged item.

As a result of the above accounting, fluctuations in the fair value of the time value element will be accounted in OCI, both positive and negative. At the maturity date, the time value of option becomes zero, the fair value is equal to the intrinsic value.

Crude oil commodity options

The Group has also entered into certain crude oil commodity options to mitigate the risk of variability of future cash flows on jet fuel consumptions. These are just purely economic hedges and changes to its value are directly charged to the consolidated statement of profit or loss within ‘Fuel and oil costs’.

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.

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

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *IFRS 17 Insurance Contracts and amendments to* IFRS 17 *Insurance Contracts;*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;*
- *Definition of Accounting Estimate – Amendments to IAS 8;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.*

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS standards 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 22).

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.

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 analyzing 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 and 2022 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 dollar denominated sales will continue in 2023, thus, the functional currency of the Company is still 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.

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 2022, 2021 and 2020, allowances for doubtful accounts were equal to USD 997 thousand, USD 1,935 thousand and USD 2,096 thousand, respectively (Note 16).

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 2022 impairment allowances were equal to USD 45,524 thousand as disclosed in Note 16 (31 December 2021: USD 46,604 thousand, 31 December 2020: USD 47,538 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 2022, the Group recognised a write-down for obsolete and slow-moving inventories in the amount of USD 5,858 thousand (2021: USD 1,568 thousand, 2020: USD 1,707 thousand) (Note 14).

Customer loyalty program

The Group'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 Group uses critical judgements and estimates in regard to the value per point by Nomad club members.

The Group uses estimated ticket values to calculate the program's point value. Outstanding unutilized 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 Group 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 and compliance with tax legislation

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. As at 31 December 2022 the Group concluded that it is probable that future taxable profits will be available against which the deferred tax asset will be utilised.

Tax 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.

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 analyze the financial position of the segments separately. Instead, the Group recognizes lease payments which FlyArystan would have to pay to lease an aircraft over a similar term and in a similar economic environment as for Air Astana leases. Those amounts are reflected in the inter-group elimination.

Operating results for the years ended 31 December 2022, 2021 and 2020:

'000 USD **Profit or loss statement**	**2022** **Air Astana**	**2022** **FlyArystan**	**Inter-group elimination**	**Total**
Revenue and other income				
Passenger revenue	782,911	215,209	-	998,120
Cargo and mail revenue	20,673	1,451	-	22,124
Other income	10,853	1,285	-	12,138
Lease	61,474	-	(61,474)	-
Total revenue and other income	**875,911**	**217,945**	**(61,474)**	**1,032,382**
Operating expenses				
Fuel and oil costs	(175,701)	(56,183)	-	(231,884)
Employee and crew costs	(116,876)	(32,031)	-	(148,907)
Depreciation and amortization	(132,959)	(2,219)	-	(135,178)
Engineering and maintenance	(118,252)	(33,582)	25,943	(125,891)
Handling, landing fees and route charges	(65,835)	(19,098)	-	(84,933)
Passenger service	(68,639)	(11,682)	-	(80,321)
Selling costs	(31,057)	(2,197)	-	(33,254)
Insurance	(6,148)	(2,169)	-	(8,317)
IT and communication costs	(4,252)	(1,491)	-	(5,743)
Consultancy, legal and professional services	(4,181)	(77)	-	(4,258)
Aircraft lease costs	(3,737)	(35,687)	35,531	(3,893)
Property and office costs	(2,344)	(139)	-	(2,483)
Taxes	(1,427)	-	-	(1,427)
Impairment loss on trade receivables	(447)	53	-	(394)
Other operating costs	(16,040)	(744)	-	(16,784)
Total operating expenses	**(747,895)**	**(197,246)**	**61,474**	**(883,667)**
Operating profit	**128,016**	**20,699**	**-**	**148,715**

’000 USD **Profit or loss statement**	**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 income	6,414	1,432	-	7,846
Lease	54,375	-	(54,375)	-
Gain from sale and leaseback transaction	4,628	-		4,628
Total revenue and other income	**659,740**	**156,473**	**(54,375)**	**761,838**
Operating expenses				
Fuel and oil costs	(97,895)	(38,663)	-	(136,558)
Depreciation and amortization	(119,505)	(1,327)	-	(120,832)
Employee and crew costs	(92,006)	(24,259)	-	(116,265)
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)
Selling costs	(23,130)	(1,945)	-	(25,075)
Insurance	(6,395)	(1,655)	-	(8,050)
IT and communication costs	(3,832)	(743)	-	(4,575)
Aircraft lease costs	(3,432)	(32,272)	32,042	(3,662)
Consultancy, legal and professional services	(3,334)	(58)	-	(3,392)
Property and office costs	(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 expenses	**(559,203)**	**(154,837)**	**54,375**	**(659,665)**
Operating profit	**100,537**	**1,636**	**-**	**102,173**

’000 USD Profit or loss statement	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 income	10,557	476	-	11,033
Lease	29,464	-	(29,464)	-
Gain from sale and leaseback transaction	6,257	-	-	6,257
Total revenue and other income	**372,358**	**57,370**	**(29,464)**	**400,264**
Operating expenses				
Depreciation and amortization	(100,756)	(279)	-	(101,035)
Employee and crew costs	(77,285)	(9,845)	-	(87,130)
Fuel and oil costs	(70,637)	(18,575)	-	(89,212)
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 lease costs	(3,297)	(18,982)	18,878	(3,401)
Insurance	(5,389)	(787)	-	(6,176)
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 and office costs	(2,400)	(25)	-	(2,425)
Impairment loss on trade receivables	115	(232)	-	(117)
Other operating costs	(24,091)	(275)	-	(24,366)
Total operating expenses	**(425,508)**	**(73,534)**	**29,464**	**(469,578)**
Operating loss	**(53,150)**	**(16,164)**	**-**	**(69,314)**

7. Revenue and other income

’000 USD	2022	2021	2020
Passenger revenue			
Scheduled passenger flights including:	931,393	663,379	340,599
Fuel surcharge	*91,836*	*60,764*	*39,406*
Airport services	*45,773*	*32,459*	*16,845*
Excess baggage	*6,920*	*5,718*	*3,449*
Charter flights	66,727	52,415	17,814
	998,120	**715,794**	**358,413**

Passenger revenue increased by USD 282,326 thousand during 2022 as compared to 2021 primarily due to the restoration in demand.

Passenger revenue for 2020 was lower by USD 357,381 thousand as compared to 2021 primarily due to the decrease in demand for air travel in 2020 as a result of the worldwide spread of COVID-19 and the associated shelter-in-place directives and travel restrictions.

’000 USD	2022	2021	2020
Cargo and mail revenue			
Cargo – Regular	19,121	13,975	9,754
Cargo – Charter	1,207	17,910	13,511
Mail	1,796	1,685	1,296
	22,124	**33,570**	**24,561**

’000 USD	2022	2021	2020
Other income			
Other income	7,421	3,183	6,496
Gain on disposal of property, plant and equipment and other assets	2,239	2,489	1,458
Income from ground services	1,204	1,281	1,140
Other	1,274	893	1,939
	12,138	**7,846**	**11,033**

In December 2022 the Group recognized income from insurance claim in other income in the amount of USD 4,581 thousand. The insurance claim was based on an incident with aircraft which happened in July 2022.

Based on negotiations with the manufacturer in 2015, the Group purchased a spare engine in November 2021 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.

During 2022, 2021 and 2020 passenger, cargo and mail revenue, representing total revenue from contracts with customers, were generated from the following destinations:

'000 USD	**2022**	**2021**	**2020**
Domestic	364,204	309,171	173,063
Asia and Middle East	256,729	155,897	84,440
Europe	286,330	136,080	76,935
CIS	112,981	148,216	48,536
Total revenue from passenger and cargo	**1,020,244**	**749,364**	**382,974**

8. Operating expenses

'000 USD	**2022**	**2021**	**2020**
Employee and crew costs			
Wages and salaries of operational personnel	87,182	69,930	49,846
Wages and salaries of administrative personnel	19,701	16,941	10,835
Accommodation and allowance	12,875	8,427	6,349
Social tax	10,668	8,159	4,904
Wages and salaries of sales personnel	6,641	5,178	3,853
Training	5,894	4,002	4,828
Contract crew	27	19	3,695
Other	5,919	3,609	2,820
	148,907	**116,265**	**87,130**

The average number of employees during 2022 was 5,001 (2021: 4,683; 2020: 5,035).

'000 USD	**2022**	**2021**	**2020**
Engineering and maintenance			
Maintenance – provisions (Note 22)	80,514	60,818	20,344
Maintenance – components	19,315	7,417	5,749
Maintenance – variable lease payments	11,314	12,914	5,988
Spare parts	12,150	10,709	9,023
Technical inspection	2,598	2,724	2,094
	125,891	**94,582**	**43,198**

'000 USD	**2022**	**2021**	**2020**
Handling, landing fees and route charges			
Handling charge	35,989	28,832	18,489
Aero navigation	29,497	23,247	16,608
Landing fees	17,826	16,612	10,792
Meteorological services	142	164	49
Other	1,479	1,242	1,287
	84,933	**70,097**	**47,225**

'000 USD	**2022**	**2021**	**2020**
Passenger service			
Airport charges	39,148	29,596	15,329
Catering	22,301	16,249	10,252
In-flight entertainment	5,317	4,664	3,482
Security	4,130	2,842	1,685
Other	9,425	7,543	5,817
	80,321	**60,894**	**36,565**

'000 USD	2022	2021	2020
Selling costs			
Reservation costs	19,719	15,965	11,142
Commissions	7,129	4,157	2,978
Advertising	5,669	4,431	2,648
Interline commissions	370	234	93
Other	367	288	232
	33,254	**25,075**	**17,093**

'000 USD	2022	2021	2020
Aircraft lease costs			
Leased engine on wing costs	2,390	656	994
Lease of engines and rotable spare parts	868	1,413	1,413
Variable lease charges	393	332	133
Lease return costs	242	380	663
Effect of COVID-19 related rent concessions (Note 25)	-	881	(1,986)
Fixed lease charges of aircraft and engine	-	-	2,184
	3,893	**3,662**	**3,401**

In 2022, due to restorations of the operating activity, the Group's operating expenses increased in comparison with 2021 and 2020.

9. Finance income and costs

'000 USD	2022	2021	2020
Finance income			
Interest income on bank deposits	6,274	1,621	1,157
Reversal of impairment allowance on financial assets	721	616	244
Other	-	168	26
	6,995	**2,405**	**1,427**

'000 USD	2022	2021	2020
Finance costs			
Interest expense on lease liabilities (Note 25)	35,239	35,448	28,640
Interest expense on bank loans (Note 25)	3,256	11,296	6,104
Financial assets and liabilities held at FVTPL	239	-	542
Impairment allowance on financial assets	114	253	706
Other	406	69	84
	39,254	**47,066**	**36,076**

10. Income tax (expense)/benefit

The Group's income tax (expense)/benefit for the years ended 31 December was as follows:

'000 USD	2022	2021	2020
Current income tax			
Current income tax	(42,599)	(4,707)	(1)
Adjustment recognised in the current year in relation to the current tax of prior years	1,376	(416)	(597)
	(41,223)	**(5,123)**	**(598)**
Deferred tax expense			
Deferred income tax benefit/(expense)	18,246	(3,708)	23,301
	18,246	**(3,708)**	**23,301**
	(22,977)	**(8,831)**	**22,703**

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 2022, 2021 and 2020 is presented in the table below:

'000 USD	2022	2021	2020
Deferred tax assets			
Lease liabilities	123,633	106,091	102,052
Provision for aircraft maintenance	37,929	25,433	16,614
Trade and other payables	3,843	5,482	2,030
Trade receivables	3,805	2,285	1,562
Tax loss carried forward	-	1,381	21,561
Other	1,172	355	-
Total deferred tax assets	**170,382**	**141,027**	**143,819**
Deferred tax liabilities			
Right of use assets	(113,204)	(97,434)	(94,146)
Difference in depreciable value of property, plant and equipment and intangible assets	(34,074)	(36,043)	(37,300)
Inventories	(2,809)	(2,182)	(2,031)
Prepaid expenses	(768)	(1,091)	(1,451)
Other	(1,040)	(1,566)	(120)
Total deferred tax liabilities	**(151,895)**	**(138,316)**	**(135,048)**
Net deferred tax assets	**18,487**	**2,711**	**8,771**

As at 31 December 2022 the Group concluded that it is probable that future taxable profits will be available against which the deferred tax asset will be utilised.

During 2022, the total amount of tax loss carried forward was utilized fully (tax loss carried forward as of 31 December 2021: USD 6,905 thousand; 31 December 2020: USD 107,805 thousand).

Movements in deferred tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 2,470 thousand related to carried forward corporate income tax movements, which were recognised in equity relating to the realised portion of deferred tax on cash flows hedge and effective portion of changes in fair value. (2021: USD 2,352 thousand; 2020: USD 2,290 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 tax asset was recognized for tax losses from derivative instruments. During 2021 and 2022 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 2022, 2021 and 2020 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% (2021 and 2020: 20%) to the actual income tax (expense)/ benefit recorded in the Group's consolidated statement of profit or loss:

'000 USD	**2022**	**2021**	**2020**
Profit/(loss) before tax	**101,391**	**44,990**	**(116,636)**
Corporate income tax, %	20%	20%	20%
Income tax at statutory rate	(20,278)	(8,998)	23,327
Recognition of previously unrecognized tax losses	-	1,381	-
USD forex effect	350	617	2,550
Tax effect of non-deductible expenses	(3,049)	(1,831)	(3,174)
Income tax (expense)/benefit	**(22,977)**	**(8,831)**	**22,703**

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 2020	**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**
Additions	30,274	3,069	275	116	187,365	9,995	231,094
Disposals	(6,894)	(189)	-	(215)	(4,818)	-	(12,116)
Transfers to inventories	(2)	-	-	-	-	-	(2)
At 31 December 2022	**102,892**	**11,987**	**38,324**	**2,682**	**1,265,967**	**10,179**	**1,432,031**

Accumulated depreciation

’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
At 1 January 2020	**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**
Charge for the year	8,579	907	3,607	186	121,265	-	134,544
Disposals	(5,816)	(173)	-	(157)	(4,807)	-	(10,953)
At 31 December 2022	**39,485**	**7,595**	**14,051**	**1,534**	**551,781**	**-**	**614,446**
Net book value							
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**
At 31 December 2022	**63,407**	**4,392**	**24,273**	**1,148**	**714,186**	**10,179**	**817,585**

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 714,186 thousand (2021: USD 648,097 thousand; 2020: USD 633,115 thousand) (Note 25). The total amount of Aircraft Under Lease as at 31 December 2022 includes fourteen Airbus aircraft related to the FlyArystan division with a net book value of USD 181,708 thousand (2021: ten Airbus aircraft with a net book value of USD 118,216 thousand; 2020: seven Airbus aircraft with a net book value of USD 91,254 thousand).

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Technical Center (Hangar) in Astana with a carrying amount of USD 18,730 thousand was pledged in favor of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 24). In 2022, the land plot, where the above-mentioned Aviation Technical Center is located, was divided into two separate parts. A new separated land plot, where the Group plans to allocate the Flight Simulation Equipment, is planned to be pledged to the European Bank for Reconstruction and Development (EBRD). The main land plot where Aviation Technical Center is located will remain pledged in JSC Halyk Bank of Kazakhstan.

The cost of fully depreciated items in 2022 is USD 6,929 thousand (2021: USD 3,864 thousand; 2020: USD 4,993 thousand).

Impairment

As at 31 December 2022 and 31 December 2021 there were no indicators of impairment.

The COVID-19 outbreak developed rapidly in early 2020. Since many countries required businesses to limit or suspend operations and implemented travel restrictions and quarantine measures, the management concluded at the time that there are indications that the assets might be impaired. One of the responses to the crisis was 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 would no longer be in use until the end of existing leases terms. The impairment losses for these aircraft were 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 exceeded 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 exceeded the net book value of the Group’s assets.

12. Depreciation and amortization

’000 USD	**2022**	**2021**	**2020**
Depreciation of property, plant and equipment (Note 11)	134,544	120,173	100,158
Amortization of intangible assets	634	659	877
Total	**135,178**	**120,832**	**101,035**

13. Guarantee deposits

’000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Non-current			
Guarantee deposits for leased aircraft	29,311	17,549	19,064
Other guarantee deposits	481	828	1,491
Impairment allowances	(272)	(403)	(145)
	29,520	**17,974**	**20,410**
Current			
Other guarantee deposits	1,723	1,450	1,277
Guarantee deposits to secure Letters of Credit for maintenance liabilities	1,258	-	4,425
Guarantee deposits for leased aircraft	538	124	124
Impairment allowances	(3)	(6)	(12)
	3,516	**1,568**	**5,814**
	33,036	**19,542**	**26,224**

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 judgement that such lessors are rated at CCC by S&P Global Ratings.

In 2020 the Group 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 Group’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 2022**	**31 December 2021**	**31 December 2020**
Within one year	1,796	124	4,549
After one year but not more than five years	10,517	6,305	5,925
More than five years	18,842	11,288	13,212
	31,155	**17,717**	**23,686**
Fair value adjustment	(48)	(44)	(73)
	31,107	**17,673**	**23,613**

The main driver for increases in guarantee deposits for leased aircraft in 2022 was the additional 16 aircraft committed for delivery in 2023-2026.

14. Inventories

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Spare parts	36,980	34,258	32,193
Fuel	6,581	7,112	4,687
Crockery	2,879	3,902	4,553
Goods in transit	2,277	2,530	715
De-icing liquid	1,791	827	853
Uniforms	1,288	1,049	1,284
Promotional materials	670	1,470	2,042
Blank forms	269	282	413
Other	2,298	1,693	1,338
	55,033	**53,123**	**48,078**
Less: cumulative write-down for obsolete and slow-moving inventories	(5,858)	(1,568)	(1,707)
	49,175	**51,555**	**46,371**

The movements in the cumulative write-down for obsolete and slow-moving inventories were as follows for the years ended 31 December:

'000 USD	**2022**	**2021**	**2020**
Cumulative write-down for obsolete and slow-moving inventories at the beginning of the year	**(1,568)**	**(1,707)**	**(2,120)**
Write-down for the year	(8,029)	(34)	(573)
Reversal of previous write-down for the year	3,739	173	986
Cumulative write-down for obsolete and slow-moving inventories at the end of the year	**(5,858)**	**(1,568)**	**(1,707)**

15. Prepayments

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Non-current			
Advances for services	9,165	7,306	4,593
Prepayments for long-term assets	6,352	8,993	7,760
	15,517	**16,299**	**12,353**
Current			
Advances for goods	11,088	13,288	1,467
Advances for services	8,138	12,594	13,435
Prepayments of leases without transfer of legal title	2,003	1,147	982
	21,229	**27,029**	**15,884**
Less: impairment allowance for prepayments	(218)	(495)	(498)
	21,011	**26,534**	**15,386**

As at 31 December 2022, prepayments for long-term assets include prepayments to Boeing as pre-delivery payment for three aircraft (Note 28).

The movements in the impairment allowance for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 were:

'000 USD	**2022**	**2021**	**2020**
At the beginning of the year	**(495)**	**(498)**	**(423)**
Accrued during the year	(451)	(8)	(100)
Reversed during the year	728	11	25
Allowance for doubtful debt at the end of the year	**(218)**	**(495)**	**(498)**

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.

16. Trade and other receivables

’000 USD	31 December 2022	31 December 2021	31 December 2020
Non-current			
Other financial assets	45,524	47,092	47,538
Due from employees and Ab-initio pilot trainees	1,300	3,123	3,285
	46,824	**50,215**	**50,823**
Less: impairment allowance	(45,524)	(46,604)	(47,538)
	1,300	**3,611**	**3,285**
Current			
Trade receivables	20,119	14,906	10,897
Due from employees and Ab-initio pilot trainees	1,337	993	1,419
Receivable from lessors – variable lease reimbursement	848	170	-
	22,304	**16,069**	**12,316**
Less: impairment allowance	(997)	(1,935)	(2,096)
	21,307	**14,134**	**10,220**

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 Group 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 Group 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 Group recognised an additional impairment allowance for KazInvestBank JSC, Alfa Bank and Delta Bank JSC.

As at 31 December 2022 the allowance for those banks comprises 100% of the gross balances.

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

Amounts due from trainees of the Ab-initio pilot program in respect of 50% of their initial training costs are classified as interest free loans. The remaining costs are classified by the Group as a prepayment of its expenses and are amortised over a period of seven years, during which period the Group has a right to oblige these expenses also to become payable by the pilot trainees should such pilot trainee terminate his/her employment. The alumni of the Ab-initio pilot program can either repay the remaining training cost by cash or defer for the future so that this amount becomes payable only if they leave the Company. Amounts due from those cadets who selected the option were reclassified to deferred expenses and are amortized using the straight-line method over the remaining amortization term.

The Group's net trade and other receivables are denominated in the following currencies as at 31 December:

'000 USD	2022	2021	2020
US Dollar	8,353	2,453	2,359
Tenge	8,161	12,334	8,364
Euro	1,232	756	1,330
Russian Rouble	7	401	214
Other	4,854	1,801	1,238
	22,607	**17,745**	**13,505**

The movements in impairment allowance for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 were:

'000 USD	2022	2021	2020
At the beginning of the year	**(48,539)**	**(49,634)**	**(49,881)**
Accrued during the year	(220)	(1,562)	(2,623)
Reversed during the year	1,588	2,175	1,917
Foreign currency difference	650	482	953
At the end of the year	**(46,521)**	**(48,539)**	**(49,634)**

17. Other taxes prepaid

'000 USD	31 December 2022	31 December 2021	31 December 2020
Value-added tax recoverable	7,826	7,590	14,896
Other taxes prepaid	552	119	270
	8,378	**7,709**	**15,166**

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

18. Cash and bank balances

'000 USD	31 December 2022	31 December 2021	31 December 2020
Term deposits with local banks with an initial maturity of less than 3 months	155,476	81,595	62,705
Current accounts with foreign banks	82,254	102,172	85,451
Current accounts with local banks	14,712	42,488	53,074
Cash in hand	183	107	122
Accrued interest	272	3	9
	252,897	**226,365**	**201,361**
Impairment allowances	(9)	(8)	(7)
	252,888	**226,357**	**201,354**

Cash and bank balances are denominated in the following currencies as at 31 December:

'000 USD	2022	2021	2020
US Dollar	229,006	217,119	177,753
Tenge	12,766	2,285	18,187
Euro	4,634	1,652	752
Indian Rupee	2,705	425	635
British Pound	1,520	2,712	284
Chinese Yuan	558	203	2,493
Uzbek Som	336	266	61
Russian Rouble	188	285	582
Other	1,175	1,410	607
	252,888	**226,357**	**201,354**

19. Other financial assets

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

Gain on fuel options of USD 12,145 thousand was netted off with fuel costs for the year ended 31 December 2022. Comparative figures for the year ended 31 December 2021 of USD 8,013 thousand have been reclassified from finance income to fuel costs accordingly.

	Call option (purchase)
At 1 January 2020	**234**
Acquisition	308
Net realized loss on financial assets and liabilities at fair value through profit or loss	(542)
At 31 December 2020	**-**
At 1 January 2021	**-**
Acquisition	4,460
Gain included in “fuel and oil costs”	8,013
Payments on exercised contracts	(5,090)
At 31 December 2021	**7,383**
At 1 January 2022	**7,383**
Acquisition	1,388
Gain included in “fuel and oil costs”	12,145
Payments on exercised contracts	(19,121)
Reclassification to accounts receivable on exercised instruments	(407)
Gain included in OCI - Net change in fair value	272
At 31 December 2022	**1,660**

20. Equity

As at 31 December 2022, 2021 and 2020, 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 standards. A distribution cannot be made when equity is negative or if distribution would result in negative equity or the Company’s insolvency.

As at 31 December 2022 the Company had retained earnings, including the profit for the current year, of USD 169,990 thousand (2021: USD 91,576 thousand; 2020: USD 55,417 thousand).

No dividends were declared during 2022 (2021: nil; 2020: nil).

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

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 (2021: 17,000 shares; 2020: 17,000 shares). The Company has no instruments with potential dilutive effect.

'000 USD	**2022**	**2021**	**2020**
Profit/(loss) for the year	78,414	36,159	(93,933)
Number of ordinary shares	17,000	17,000	17,000
Earnings/(loss) per share – basic and diluted (USD)	**4,613**	**2,127**	**(5,525)**

21. Deferred revenue

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Unearned transportation revenue	70,998	49,068	28,505
Customer loyalty program provision	9,154	8,192	9,607
	80,152	**57,260**	**38,112**

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 2022.

22. Provision for aircraft maintenance

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Engines	155,955	98,667	62,906
D-Check	13,464	12,430	6,807
C-Check	5,683	3,588	4,314
Provision for redelivery of aircraft	4,963	3,936	3,701
Auxiliary Power unit	4,698	4,002	2,301
Landing gear	4,880	4,543	3,041
	189,643	**127,166**	**83,070**

The movements in the provision for aircraft maintenance were as follows for the years ended 31 December:

'000 USD	**2022**	**2021**	**2020**
At 1 January	**127,166**	**83,070**	**91,262**
Accrued during the year (Note 8)	82,503	61,348	34,718
Used during the year	(18,037)	(16,722)	(33,870)
Reversed during the year (Note 8)	(1,989)	(530)	(14,374)
Recognised in property, plant and equipment	-	-	5,334
At 31 December	**189,643**	**127,166**	**83,070**

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 Group 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 and 2022 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 with favourable contractual conditions, where variable maintenance reserves are paid to lessors decreased due to return of such aircraft.

The planned utilisation of these provisions is as follows:

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Within one year	71,685	40,710	37,533
During the second year	38,651	37,809	16,428
During the third year	46,648	30,159	7,921
After the third year	32,659	18,488	21,188
Total provision for aircraft maintenance	**189,643**	**127,166**	**83,070**
Less: current portion	71,685	40,710	37,533
Non-current portion	**117,958**	**86,456**	**45,537**

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.

23. Trade and other payables

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
Trade payables	47,425	35,375	21,847
Advances received	12,232	5,424	5,869
Deposits received from agents	6,844	3,441	2,010
Accrued bonuses	6,559	11,425	139
Due to employees	5,071	4,490	5,892
Vacation pay accrual	1,321	1,397	1,079
Taxes payable	1,065	740	1,109
Pension contribution	773	580	424
Deferred revenue refund	6	-	843
Other	109	117	119
	81,405	**62,989**	**39,331**

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

'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**
US Dollar	33,230	16,361	11,240
Tenge	33,088	39,424	21,745
Euro	3,900	2,846	3,111
GBP	671	519	147
Russian roubles	43	312	150
Other	10,473	3,527	2,938
	81,405	**62,989**	**39,331**

24. Loans

’000 USD	31 December 2022	31 December 2021	31 December 2020
Non-current			
Loan	4,162	4,759	53,004
	4,162	**4,759**	**53,004**
Current			
Current portion of loan	7,889	57,320	105,968
Interest payable	45	207	5,041
	7,934	**57,527**	**111,009**

On 3 December 2015 the Group concluded a loan agreement of USD 14,000 thousand with the EBRD for 10 years for the purpose of construction of a Technical Centre (Hangar) in Astana, which was also pledged to the EBRD under this loan. 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).

On 12 August 2019, the Group opened a Credit Line in JSC Halyk Bank of Kazakhstan for USD 40,000 thousand for 3 years, for the purpose of working capital financing. Later, during 2020, the credit line was increased up to USD 160,000 thousand and tenor extended until 10 September 2025. The credit line in JSC Halyk Bank of Kazakhstan allows taking borrowings both in KZT and USD. The average interest rate for borrowings in USD is 6% per annum and 19.75% per annum for loans in KZT (mirroring current economic and financial situation in the country). In order to release the Hangar in Astana from the pledge and respond to collateral requirement of JSC Halyk Bank of Kazakhstan the loan with EBRD for the hangar and aviation technical centre in Astana was fully refinanced with JSC Halyk Bank of Kazakhstan’s credit facilities on 20 September 2020. The EBRD loan has been fully repaid in 2020 in the amount of KZT 2,978,000 thousand (equivalent USD 6,969 thousand). In January 2020, the Group has repaid its short-term loan from JSC Halyk Bank of Kazakhstan which was received in 2019 in the amount of USD 9,000 thousand. During 2020 The Group has received USD 95,000 thousand and KZT 47,322,000 thousand (equivalent USD 114,118 thousand) under the Credit Line from JSC Halyk Bank of Kazakhstan out of which USD 50,000 thousand was repaid during 2020 according to the schedule.

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Technical Center (Hangar) in Astana with a carrying amount of USD 18,730 thousand was pledged in favor of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 11). During 2021 the Group received borrowings from JSC Halyk Bank of Kazakhstan within the existing Credit Line in the amount of USD 10,000 thousand and KZT 1,000,000 thousand (equivalent USD 2,305 thousand). At the same year the Group has repaid USD 25,000 thousand and KZT 35,013,000 thousand (equivalent USD 81,444 thousand), out of which significant part was ahead of schedule.

In the first quarter of 2022 the Group has received available facilities from JSC Halyk Bank of Kazakhstan in the amount of USD 10,000 thousand and KZT 13,500,000 thousand (equivalent USD 27,705 thousand). During 2022 the Group has fully repaid all the borrowed facilities from JSC Halyk Bank of Kazakhstan. In 2022, the land plot, where the above-mentioned Aviation Technical Center is located, was divided into two separate parts. A new separated land plot, where the Group plans to allocate the Flight Simulation Equipment, is planned to be pledged to EBRD. The main land plot where Aviation Technical Center is located will remain pledged in JSC Halyk Bank of Kazakhstan.

On 31 August 2021, the Group entered into a multi-currency Loan Agreement with EBRD for the total amount of USD 50,000 thousand. Uncommitted Tranche 2 in the amount of USD 15,000 thousand is for the purpose of financing capital expenditures (flight simulation facility, which will be pledged to the EBRD) and Committed Tranche 1 in the amount of USD 35,000 thousand is for working capital needs (COVID-19 package). In February and March 2022, the Group withdrew USD 5,000 thousand and USD 10,000 thousand, respectively for working capital needs.

In April 2022, EBRD committed Tranche 2. The Group partially repaid its loan from EBRD in amount of USD 3,750 thousand, according to the existing schedule.

The Group's loans are denominated in the following currencies:

'000 USD	31 December 2022	31 December 2021	31 December 2020
US Dollar	12,096	31,196	48,148
Tenge	-	31,090	115,865
	12,096	**62,286**	**164,013**

25. 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 2022 the Group has five Airbus and three Boeing 767 aircraft under fixed interest lease agreements with transfer of title (2021: five Airbus and three Boeing 767 aircraft; 2020: five Airbus and three Boeing 767 aircraft).

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

The Group's leases with transfer of title are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain lease agreements with transfer of title include covenants as regards to change of ownership of the Group. These requirements have been met as at 31 December 2022, 2021 and 2020.

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

The Group's obligations under leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 714,186 thousand (2021: USD 648,097 thousand; 2020: USD 633,115 thousand) (Note 11).

	Minimum lease payments			Present value of minimum lease payments		
'000 USD	31 December 2022	31 December 2021	31 December 2020	31 December 2022	31 December 2021	31 December 2020
Not later than one year	196,804	177,178	161,337	158,593	146,354	132,340
Later than one year and not later than five years	537,167	545,269	525,764	463,293	484,301	463,503
Later than five years	119,600	101,281	114,849	110,918	96,238	108,819
	853,571	**823,728**	**801,950**	**732,804**	**726,893**	**704,662**
Less: future finance charges	(120,767)	(96,835)	(97,288)	-	-	-
Present value of minimum lease payments	**732,804**	**726,893**	**704,662**	**732,804**	**726,893**	**704,662**

	Minimum lease payments			Present value of minimum lease payments		
'000 USD	**31 December 2022**	**31 December 2021**	**31 December 2020**	**31 December 2022**	**31 December 2021**	**31 December 2020**
Included in the consolidated financial statements as:						
- current portion of lease obligations	-	-	-	158,593	146,354	132,340
- non-current portion of lease obligations	-	-	-	574,211	580,539	572,322
	-	-	-	**732,804**	**726,893**	**704,662**

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

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

'000 USD	**Loans (Note 24)**	**Lease liabilities**	**Total**
Balance as at 1 January 2022	**62,286**	**726,893**	**789,179**
Repayment of borrowings	(104,027)	-	(104,027)
Proceed from borrowings	52,706	-	52,706
Repayment of lease liabilities	-	(173,501)	(173,501)
Repayment of additional financing	(368)	-	(368)
Interest paid	(3,367)	(34,987)	(38,354)
Total changes from financing cash flows	**(55,056)**	**(208,488)**	**(263,544)**
Effect of changes in foreign exchange rates	1,610	(298)	1,312
Other changes			
Additional adjustment - new leases	-	179,458	179,458
Interest expense (Note 9)	3,256	35,239	38,495
Total other changes	**4,866**	**214,399**	**219,265**
Balance as at 31 December 2022	**12,096**	**732,804**	**744,900**

'000 USD	**Loans (Note 24)**	**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 24)	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**

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 2022 a foreign currency loss of USD 32,020 thousand (2021: USD 44,098 thousand; 2020: USD 55,857 thousand), before deferred income tax of USD 6,404 thousand (2021: USD 8,820 thousand; 2020: USD 11,171 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 2022 the amount reclassified from the hedging reserve to foreign exchange loss in the consolidated statement of comprehensive income was USD 12,078 thousand (before deferred income tax of USD 2,416 thousand) (2021: 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).

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, derecognized 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.

26. 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 and interest rate risks arising from lease contractual obligations 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 Notes 24 and 25) and equity of the Group (comprising issued capital, functional currency translation reserve, reserve on hedging instruments and retained earnings as detailed in Note 20).

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

The Group does not have a target gearing ratio.

Credit risk

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

The maximum exposure to credit risk related to financial instruments, such as cash, guarantee deposits and accounts receivable, is calculated 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 2022, 31 December 2021 and 31 December 2020 there was no significant concentration of credit risk in respect of trade accounts receivable (Note 16).

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 in 2017 and reviewed the credit ratings of the major banks in Kazakhstan and placed its main amounts due from banks in banks with ratings of “BBB- or higher. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss were as follows:

’000 USD	Note	2022	2021	2020
Reversal/(accrual) of impairment loss on trade and other receivables and prepayments	15, 16	1,645	616	(706)
Reversal/(accrual) of impairment loss on guarantee deposits	13	134	(252)	244
Accrual of impairment loss on cash and bank balances	18	(1)	(1)	(2)
		1,778	**363**	**(464)**

Trade and other receivables

’000 USD	31 December 2022	31 December 2021	31 December 2020
Default banks	45,524	47,092	47,538
Trade receivables	20,119	14,906	10,897
Amounts due from employees	2,637	4,116	4,704
Receivable from lessors	848	170	-
Total gross carrying amount	**69,128**	**66,284**	**63,139**
Impairment allowance	(46,521)	(48,539)	(49,634)
Total net carrying amount	**22,607**	**17,745**	**13,505**

Trade receivables

The sale of tickets is the main revenue source of the Group. The Group uses agents who sell tickets on behalf of the Group 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. 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 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 Group then decides whether to stop dealing with such agents until the negative factors are resolved.

The Group works only with IATA accredited agents.

The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

At 31 December 2022, fifteen debtors including IATA Billing Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 52% of the Group's trade and other receivables excluding banks in default (at 31 December 2021: eight debtors comprised 46%; at 31 December 2020: eight debtors comprised 58%).

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:

Credit rating

'000 USD	**31 December 2022**	**31 December 2021**
BBB- to AAA	848	-
Without ratings	-	170
Gross carrying amounts	848	**170**
Impairment allowance	-	(5)
Balance at 31 December	**848**	**165**

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	**2022**	**2021**	**2020**
Balance at 1 January	**48,539**	**49,634**	**49,881**
Accrual of impairment allowance	220	1,562	2,623
Foreign currency difference	(650)	(482)	(953)
Reversal of impairment allowance	(1,588)	(2,175)	(1,917)
Balance at 31 December	**46,521**	**48,539**	**49,634**

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:

'000 USD	31 December 2022	31 December 2021	31 December 2020
Credit rating			
BBB- to AAA	27,990	15,289	22,736
C to CCC+	1,721	2,850	826
Without ratings	3,600	1,812	2,819
Gross carrying amounts (amortised cost before impairment)	**33,311**	**19,951**	**26,381**
Impairment allowance	(275)	(409)	(157)
Total net carrying amount	**33,036**	**19,542**	**26,224**

The Group did not have any guarantee deposits that were either past due or impaired.

'000 USD	2022	2021	2020
Balance at 1 January	**(409)**	**(157)**	**(401)**
Net remeasurement of loss allowance	134	(252)	244
Balance at 31 December	**(275)**	**(409)**	**(157)**

Cash and bank balances

The Group held cash and bank balances of USD 252,888 thousand at 31 December 2022 (2021: USD 226,357 thousand; 2020: USD 201,354 thousand). The cash and bank balances are held with bank and financial institution counterparties, which are rated BBB- to A+, based on S&P Global ratings.

Impairment on cash and bank balances 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 bank balances 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 bank balances to those used for bank and guarantee deposits. The following table presents an analysis of the credit quality of cash and bank balances measured at amortised cost:

'000 USD	31 December 2022			31 December 2021			31 December 2020		
Credit rating	**Gross carrying amount**	**12 month ECL**	**Carrying amount**	**Gross carrying amount**	**12 month ECL**	**Carrying amount**	**Gross carrying amount**	**12 month ECL**	**Carrying amount**
BBB- to A+	232,795	(8)	232,787	189,811	(5)	189,806	152,381	(3)	152,378
B+ to BB+	19,919	(1)	19,918	36,447	(3)	36,444	48,858	(4)	48,854
Without ratings	183	-	183	107	-	107	122	-	122
	252,897	**(9)**	**252,888**	**226,365**	**(8)**	**226,357**	**201,361**	**(7)**	**201,354**

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 16, 18, 23 and 24. The management believes that it has taken appropriate measures to support the sustainability of the Group's business under the current circumstances.

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.

’000 USD	Notes	31 December 2022		31 December 2021		31 December 2020	
		Tenge	Euro	Tenge	Euro	Tenge	Euro
Assets							
Other taxes prepaid	17	8,378	-	7,709	-	15,166	-
Trade and other receivables	16	8,161	1,232	12,334	756	8,364	1,330
Income tax prepaid		8,978	-	2,630	-	3,266	-
Cash and bank balances	18	12,766	4,634	2,285	1,652	18,187	752
Guarantee deposits		177	306	145	443	59	504
Total		**38,460**	**6,172**	**25,103**	**2,851**	**45,042**	**2,586**
Liabilities							
Trade and other payables	23	33,088	3,900	39,424	2,846	21,745	3,111
Loans	24	-	-	31,090	-	115,865	-
Lease liabilities		3,260	-	4,427	-	2,099	-
Total		**36,348**	**3,900**	**74,941**	**2,846**	**139,709**	**3,111**
Net position		**2,112**	**2,272**	**(49,838)**	**5**	**(94,667)**	**(525)**

In 2022 the following table details the Group's sensitivity of weakening of the US Dollar against the Tenge by 21% (2021 and 2020: 10% and 11%) and Euro by 10.6% (2021 and 2020: 9% and 7%) and strengthening of the US Dollar against the Tenge by 21% (2021 and 2020: 13% and 11%) and Euro by 10.6% (2021 and 2020: 9% and 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:

’000 USD	Weakening of US Dollar		Strengthening of US Dollar	
	Tenge	Euro	Tenge	Euro
31 December 2022	**21%**	**10.6%**	**(21%)**	**(10.6%)**
Profit/(loss)	355	193	(355)	(193)

’000 USD	**Weakening of US Dollar**		**Strengthening of US Dollar**	
	Tenge	**Euro**	**Tenge**	**Euro**
31 December 2021	**10%**	**9%**	**(13%)**	**(9%)**
Profit/(loss)	(3,987)	-	5,183	-

’000 USD	**Weakening of US Dollar**		**Strengthening of US Dollar**	
	Tenge	**Euro**	**Tenge**	**Euro**
31 December 2020	**11%**	**7%**	**(11%)**	**(7%)**
Profit/(loss)	(8,331)	(29)	8,331	29

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 and assets. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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

’000 USD	**Up to 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
31 December 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	53,384	3,441	-	-	56,825
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**
31 December 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	30,343	2,010	-	-	32,353
Fixed rate					
Loans	8,020	116,511	58,092	-	182,623
Lease liabilities	38,045	123,292	525,764	114,849	801,950

Fair values

Cash and bank balances

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

Fuel call options

The Group uses options to hedge the risk of jet fuel price movement. The Group uses standard market instruments for fuel hedging purposes, such as "call option" (where the premium is paid in advance by the Group to cover the risk of increases of commodity price above the predetermined level). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from call option suppliers, the Group 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 Group determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Group. The Group determines the economic relationship between the hedge instrument and the hedge item by analyzing the historic price movement of aviation fuel and Brent by performing a regression analysis. The resulting Beta coefficient is assessed for statistical significance and used as a hedge ratio.

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

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

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 Group in their model:

- Spot: Brent Crude Oil futures last price as at 31 December 2022;
- 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: 3% according to the Group estimations.

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

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

Interest rate option

In November 2022, the Group has entered into Zero-Cost Collar option (hereinafter referred as "Collar") agreement in order to hedge against the interest rate fluctuations related to operating lease contracts of one future aircraft delivery. An interest risk arises from the time difference between the contract signature and actual delivery of an aircraft. The planned delivery date and contract maturity is February 2023.

To estimate the payouts and fair value of the Collar, Binomial Tree method was applied. The following key inputs were included in the evaluation model:

- SOFR spot rate 3.60%;
- The Collar Strike Rate-Cap 3.59%;
- Risk-free rate based on the U.S. Treasury notes;
- Risk-free rate based on the Kazakhstan Eurobonds.

Level 2 fair values for financial assets and liabilities at fair value through profit or loss have been generally derived using the inputs which are observable. The most significant input into this valuation approach is time left to maturity of the deal.

The Group 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.

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 3.6% (2021: lower by 1%; 2020: lower by 1%).

27. 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 standards, 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 2022, 2021 and 2020 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 26.

28. 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 supplier precludes it from disclosing information on the purchase cost of the aircraft.

Lease commitments

Aircraft

Aircraft leases are for terms of between 5 to 12 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 2022	31 December 2021	31 December 2020
Within one year	14,070	9,372	8,958
After one year but not more than five years	406,869	64,494	131,245
More than five years	747,355	55,489	129,689
	1,168,294	**129,355**	**269,892**

In 2021 the Group signed operating lease agreements for four A320neo aircraft with expected delivery dates in 2022-2023, one was delivered in December 2022 and for one A320CEO aircraft that was delivered in May 2022.

In 2022 the Group signed operating lease agreements for twelve A320neo aircraft, two were delivered in September and November 2022, rest are expected in 2023-2024 and for three A321neo with expected delivery dates in 2023-2024 both for expansion and replacement of retiring aircraft. Also, the Airline signed the operating lease for three B787-9 aircraft with deliveries in 2025-2026.

In 2021 the Group has signed agreements for Full-flight simulator delivery and Simulator center construction in Astana. The simulator has been delivered to the airline. Full-flight simulator installation and commissioning are scheduled for the second quarter of 2023.

Non-cancellable commitments related to the Simulator project:

'000 USD	31 December 2022	31 December 2021
Within one year	993	6,385
	993	**6,385**

Insurance

Aviation insurance

Air Astana puts substantial attention in contracting insurance coverage for its aircraft operations and hence hedges aviation risks with major international insurance markets (e.g. Lloyd's) with a high rating of financial stability through the services of an international reputable broker. Types of insurance coverage are stated below:

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

Non – Aviation Insurance

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

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

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS standards treatment of revenues, expenses and other items in the 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.

29. 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	2022	2021	2020
Salaries and bonuses	6,582	6,010	5,149
Social tax	625	556	448
	7,207	**6,566**	**5,597**

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

The following table represents the related party transactions:

'000 USD	2022		2021		2020	
Services received	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
State-owned companies	104,951	2,279	37,025	(1,608)	15,205	(3,952)
Shareholders and their subsidiaries	31,642	(32)	11,408	(2,203)	1,610	(26)
	136,593	**2,247**	**48,433**	**(3,811)**	**16,815**	**(3,978)**

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

'000 USD	2022		2021		2020	
Services provided by the Group	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Shareholders and their subsidiaries	1,305	3,469	1,254	430	1,031	177
State-owned companies	-	-	-	3	-	8
	1,305	**3,469**	**1,254**	**433**	**1,031**	**185**

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

Transactions with government-related entities

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

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

30. Approval of the consolidated financial statements

The consolidated financial statements were approved by the management of the Group and authorised for issue on 24 February 2023.

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