air astana FlyArystan

# Powering ahead

## with purpose and passion



INTEGRATED REPORT 2022

POWERING AHEAD WITH PURPOSE AND PASSION

# The Air Astana Group (Air Astana and FlyArystan brands) is one of the largest airline groups in Eurasia[1] by revenue and fleet size. Building on our heritage and with the foundations for growth in place, we are now able to focus on future opportunities.

Through our commitment to powering ahead across every aspect of the business, we have the capability to create one of the finest airlines in the world.

We link Kazakhstan and the rest of Eurasia with true Kazakh hospitality. Air Astana is a major economic and social enabler, helping to connect Kazakhstan with neighbouring countries. Since the launch of FlyArystan, we have stimulated both mobility and growth in the world's largest landlocked country – where less than 50% of the local population had previously flown domestically.

1 Eurasia refers to the group of countries comprising Afghanistan, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Republic of Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan (Organisation for Economic Co-operation and Development's (OECD) definition).

## Our HEART values

- Hospitable
- Efficient
- Active
- Reliable
- Trustworthy

## Our culture

Excellence lies at the centre of all we do and, by embedding it into our culture, we build an engaged and satisfied workforce that is fully invested in our core values.

**1.03bn[1]**

**Total revenue in 2022**

**7.4m**

**Passengers carried in 2022**

**5.6¢**

**CASK[2] in 2022**

1 Rounding differences may occur.
2 Cost of Available Seat Kilometre.

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## Clear purpose

We are rapidly changing domestic travel in Kazakhstan and are uniquely positioned to capture growth in our near home markets of Asia and Europe.

10



## Growing potential

Our ability to respond innovatively to the changing market situation and maintain our high standards of customer service has brought continued growth and further international recognition.

18



## Driving passion

Our investment in modern, fuel-efficient aircraft provides passengers with safe, comfortable travel and demonstrates our commitment to a sustainable future.

30



## Dedicated people

We have created a positive environment for our employees with a focus on training, development and equal opportunities to help us attract and retain the best talent.

40

# A twenty-year record of achievement

In May 2022 Air Astana celebrated the 20th anniversary. We are proud of the significant progress achieved since those early days and of how we have maintained the Company's independence, with no call for external financial support, despite numerous macroeconomic shocks over the last two decades.

**600,000**
flights

**57m**
passengers carried

**250,000**
tonnes of cargo transported

**>USD600m**
contributed to the State budget in taxes and obligatory payments

**>6,000**
jobs created

**10**
Skytrax Awards for Best Airline in Central Asia

> Air Astana's 20th anniversary is a truly remarkable achievement, which I hold with great pride together every one of our dedicated 6,184 employees.
>
> **Peter Foster**
> President and CEO



# Air Astana Group today

Air Astana is one of the largest airlines in Kazakhstan and Central Asia, offering a domestic and international network of 39 destinations from its hubs of Almaty and Astana. With the guiding principles of resilience, determination and innovation, we have worked tirelessly to overcome every obstacle in order to consistently deliver the very highest levels of safety, service and efficiency to our loyal customers. As we start our third decade, backed by this solid performance, Air Astana is well positioned for future growth.

## 2022 HIGHLIGHTS

air astana

| | | |
|---|---|---|
| 4.1m passengers | 48 routes | 5,565 employees |
| 29 aircraft in the fleet | 20 years in operation | 3.9 years average fleet age |

## 2022 HIGHLIGHTS

FlyArystan

| | | |
|---|---|---|
| 3.2m passengers | 40 routes | 619 employees |
| 14 aircraft in the fleet | 3 years in operation | 7.3 years average fleet age |

## OUR VISION

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

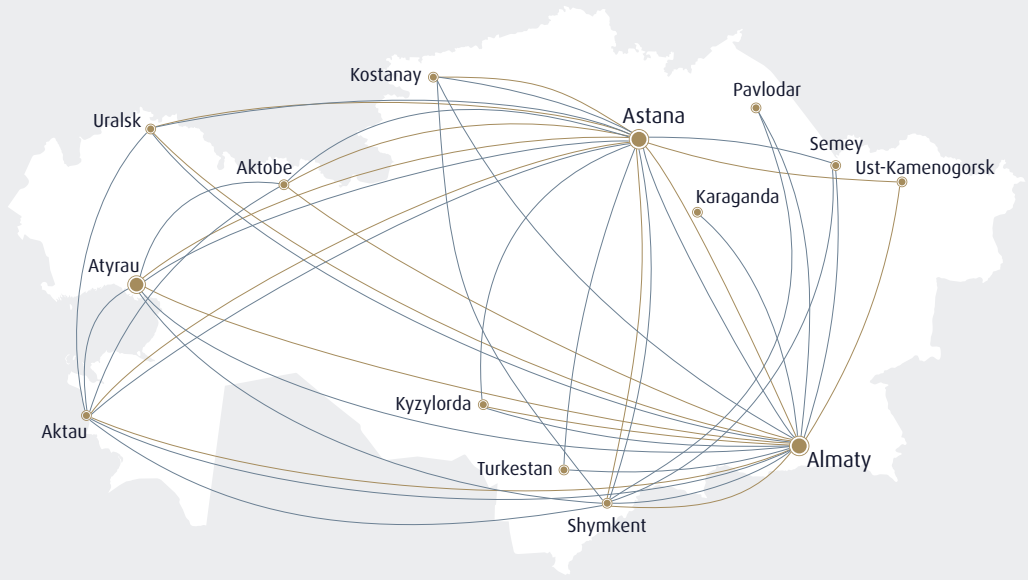


# Opening up to the world

Our willingness to seize new opportunities and adapt our offer to accommodate the desires and needs of our passengers has boosted our profitability.

air astana — FlyArystan — Charter flights

## DOMESTIC ROUTES




### Resuming the Stopover Holiday programme

To help boost tourism in Kazakhstan, Air Astana resumed the previously popular Stopover Holiday programme for transit passengers. When flying through Astana and Almaty, passengers are offered special deals for accommodation and air transfers to give them time to explore and enjoy the sights of these cities. Over 59,000 transit passengers previously took advantage of the programme when travelling into the country en route other destinations, including Baku, Bishkek, Delhi, Dubai, Dushanbe, Istanbul, the Maldives, Seoul, Thailand, Tbilisi and Tashkent.

### Domestic routes in 2022

| 15 | 26 |
|---|---|
| Air Astana | FlyArystan |

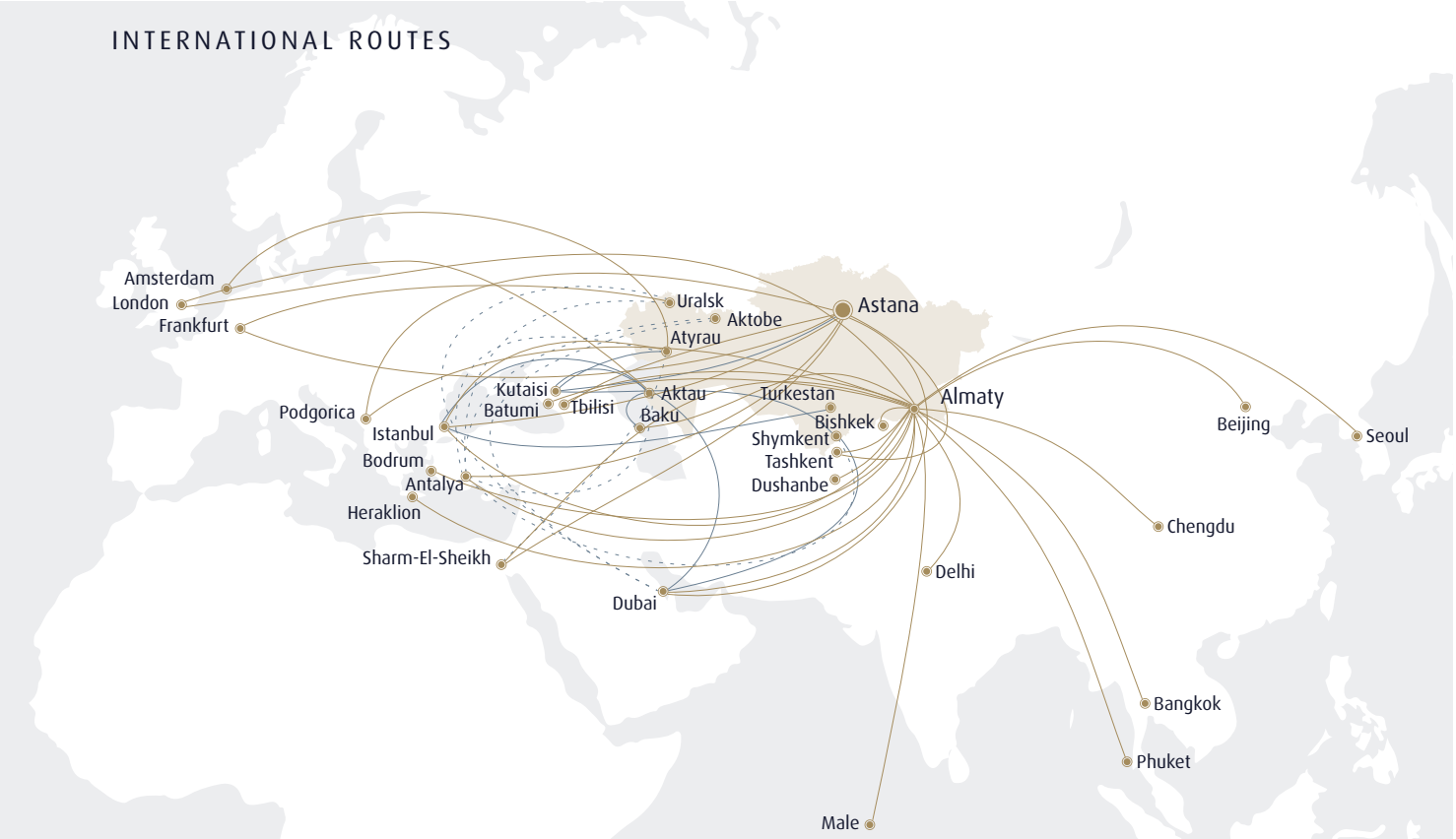
COVID-19 presented the Company with a unique opportunity to refocus and reconfigure our strategic plans for growth. By embracing this, we have recovered at a faster rate than many other global markets and closed 2022 with passenger traffic on domestic and international routes up 44% on pre-pandemic levels.

The Air Astana Group's network (excluding codeshare flights operated by other airlines) covers five geographical areas and comprises 78 routes[1]. In 2022 Air Astana's network expanded to 48 routes and FlyArystan's to 40 routes.

1 Excluding double counting routes for FlyArystan and Air Astana.



## INTERNATIONAL ROUTES




## 20 years of flying overseas

Air Astana Group experienced strong passenger growth on international routes, with over 2 million passengers carried in 2022, which represents a 55% increase over 2021. The network continued to expand with the resumption of flights to destinations including London and Istanbul, together with the launch of new services to Greece. Frequencies to Dubai, Delhi and Phuket were significantly increased and we resumed services to Bangkok and Beijing, which represent a significant step in re-building the Asian network.

### International routes in 2022

**33**
Air Astana

**14**
FlyArystan

# A clear purpose that drives everything we do



**Nurzhan Baidauletov**
Chairman of the Board of Directors

Two decades on, the Air Astana Group is now a force to reckon with within the global airline industry. Our revenue stream from international destinations is flourishing again, and we have major share of the domestic market in Kazakhstan. We have shown enormous resilience given the turmoil of 2022, and have generated record revenues along with a healthy profit for our shareholders.

## Overview

In May 2022, we celebrated the 20th anniversary of Air Astana's first commercial flight from Almaty to Astana. Over the last two decades, we have worked tirelessly to consistently deliver the very highest performance of safety, service and efficiency to our dedicated customers. I am very proud of the significant progress made since those early days and that we have managed to maintain our financial independence, without receiving subsidies and financial support from the Government, despite numerous macroeconomic shocks.

2022 was another challenging year. In early January we found ourselves under curfew due to civil unrest in Kazakhstan. While this was short-lived, nonetheless airports were closed and flights cancelled for over a week. Conflict between Russia and Ukraine brought new challenges for the Air Astana Group, which still

have repercussions for the business today. It caused the disruption and rerouting of flights as well as international sanctions immediately impacting our supply chains.

Nevertheless, despite global and local challenges, we have strengthened our position in both domestic and international markets. With the guiding principles of flexibility, resilience and determination, we quickly redeployed employees to crew our flourishing lifestyle routes, complied with all the relevant sanctions legislation and increased the agility of our supply chains. Thanks to the entrepreneurial management style of the Group's leadership team and their handling of the situation, we have created record revenues for the business of USD 1.03 billion, up 36% on last year. Our solid financial performance in 2022 positions us well for growth at the start of Air Astana's third decade.

## People and culture

None of this would have been possible without the dedication and professionalism of our employees. It is their efforts that have helped to shape the Company over the last 20 years, and this should be celebrated, along with the anniversary itself. Our people have a vital role to play now and in implementation of our strategic plans for the future. Having a workforce that is engaged, satisfied and invested in our core values is central to our success. That is why we provide a positive workplace environment with a focus on training, development and equal opportunities to help us attract and retain the best talent.

Our commitment to high quality standards was once again proven when Air Astana received the prestigious Skytrax awards for 'Best Airline in Central Asia and CIS' for the tenth time and 'Best Service in Central Asia and CIS' for the first time. FlyArystan also won industry recognition in 2022 when it achieved certification as a 4-Star Low-Cost Airline from Skytrax.

## Stakeholder engagement

Engaging with our diverse group of stakeholders in an open, transparent and trustworthy manner is particularly crucial during uncertain times. We have a duty of care to engage and respond positively to their concerns, which inform our decision-making. During the pandemic, both listening to and keeping employees informed helped boost morale; in 2022, negotiations with Government have resolved issues around the relaxing of COVID-related restrictions; we have worked with our suppliers to minimise the negative impacts on our supply chain post-pandemic and, more recently, to stay compliant with international sanctions; we engage with clients across multiple touchpoints to make their experience meaningful, measurable and memorable. An ongoing dialogue with all our stakeholders is fundamental to both our licence to operate and our success.

## Sustainability

We are committed to our sustainable development and recognise the critical role that we play in promoting sustainable practices in the aviation industry in Kazakhstan. We understand that our commitment to sustainable development is not just an obligation, but an opportunity to lead by example and contribute to a better world. We fully support the global determination to achieve decarbonisation and have developed a Low-Carbon Development Programme (LCDP) for 2023–2032, which is also consistent with Kazakhstan's aim to achieve carbon neutrality by 2060.

We are committed to taking meaningful steps to reduce our environmental impact while still meeting the needs of our customers. We have a range of measures, including investing in fuel-efficient aircraft, optimising flight routes and implementing sustainable practices in our operations, all of which are aimed at reducing our emissions. We are also committed to reducing waste and improving recycling efforts across all areas of our business. This includes reducing single-use plastics on our flights and in our operations, as well as developing partnerships with suppliers who share our commitment to sustainability. In addition to our environmental initiatives, we promote social responsibility and ethical business practices. We prioritise the safety and well-being of our employees and passengers, and we work hard to support the Kazakhstani communities in which we operate through initiatives, such as charitable giving and volunteer programmes.

In order to better govern the Group's sustainability matters, the Board approved the creation of the Environmental, Social and Governance (ESG) Committee in 2022 (by replacing the Corporate Social Responsibility (CSR) Committee). In 2022 we started developing the integrated ESG Strategy of the Company for 2023–2032, which is built on best practice and international standards, and it was approved in February 2023. We recognise that achieving sustainable development in the aviation industry will require a collective effort from all stakeholders, and we are committed to working with our partners, suppliers, customers and the wider community to build a more sustainable future for all.

## KEY COMPETITIVE ADVANTAGES

### Strict financial discipline and strong cash position

28%

Y-o-Y EBITDAR increase

### Full service and low-cost offer

air astana FlyArystan

### Modern, fuel-efficient fleet

43

aircraft today

### Award-winning customer service

36 Air Astana NPS[1]

31 FlyArystan NPS[1]

(industry average is 22)

1 Net Promoter Score.

## Priorities for the future

I am certain that 2023 will be another year that brings substantial change. Air Astana Group is now positioned to make the most of the opportunities that await it and reaffirm its place as a Top 50 global airline. With the support of our shareholders and other stakeholders, we will certainly be powering ahead.

# Leading through efficiency and agility



**Peter Foster**
President and CEO

In 2022, our 20th year, the Air Astana Group recorded its best ever annual result. Profit after tax was USD 78.41 million, an increase over 2021 of 117%. Total revenue was USD 1.03 billion, an increase of 36%, and EBITDAR was USD 288.38, an increase of 28%. Capacity grew by 22% and passenger load factor for the year was 83%.

The profit figure was marginally higher than the previous record of 2010, which enables us to reflect on the profound changes of the last twelve years. Back then, the airline had a virtual monopoly of domestic services, the Kazakh Tenge traded at 250% higher to the US dollar than presently, local fuel price was fixed on the basis of an oil price equivalent to USD 45 per barrel, and the world was a mostly peaceful place still enjoying the benefits of globalisation in spite of the recent global financial crisis. That by every measure the micro and macro politico-economic climate has significantly deteriorated in the intervening period allows us to review some of the decisions which have enabled us to navigate such stormy waters, in the expectation that we can use the lessons of the past as a guide to the future.

Transformation began in 2015 with the decision to replace the fleet of reliable if ageing and fuel-thirsty Boeing 757 with (at the time) the untried and untested Airbus 321neo Long Range aircraft. Fortunately, in retrospect, manufacturing delays led to the LRs only arriving in 2020 and 2021, at the height of the COVID-19 pandemic when we had a pressing need for more efficient and customer-friendly aircraft and a simpler fleet structure. The decision to start a low cost airline, FlyArystan, taken in late 2018 and launched in May 2019, was a radical solution to our steep loss of domestic market share following liberalisation of the domestic aviation market in 2012. FlyArystan's launch was also timely because in the wake of the pandemic, a combination common to all recessions of repressed demand and depressed spending power led to a surge in demand for low cost travel. The result has been that since 2019, FlyArystan has grown by 366% and helped increase the Group's domestic market share to 71%, from 43% in 2018.

In summary, the Air Astana of 2022 has a larger, simpler fleet structure and a structurally lower cost and higher service delivery capability than its 2010 predecessor, with brand depth spanning all travel segments from premium to low cost, and regional breadth reinforcing a leadership position across the CIS. These are the fundamentals which enable us to plan for the future with a degree of confidence and optimism in spite of the political and economic challenges facing all businesses in this volatile region.

Those challenges assumed a tragic nature in January 2022 when Kazakhstan's politically-driven riots caused air travel to be suspended for several days. The so-called January events did not, however, have a lasting effect on travel, which had largely returned to normal levels by the end of that month. The outbreak of war in Ukraine at the end of February had and continues to have profound macroeconomic and geopolitical effects on this region and beyond. The war's outset on 24 February resulted in the immediate closure of Ukraine's airspace, and I am thankful that in the following days we were able, together with the Kazakhstan Embassy in Kyiv, to safely evacuate 896 Kazakhstan citizens (and one cat) across the western Ukrainian land border, and home via Katowice in Poland.

On 11 March, sanctions-related insurance and state of registration issues led the Group to suspend all flights to, from and over the territory of the Russian Federation, a state of affairs likely to persist for the foreseeable future. The sudden loss of approximately 10% of the network was, however, less damaging than at first feared because of redeployment of the spare capacity on lifestyle and business routes to Turkey, Greece, the UK, Asia, India and the Caucasus, all of which have performed well as a result of the general recovery of aviation markets.

Airlines cannot develop sustainable business models on fleet and route decisions alone. At the Air Astana Group we never forget that it is not the smart business cabins in the LRs and 767s which drive Skytrax awards and customer satisfaction indices, but the skill and persistence of the mechanics and engineers who maintain them, the professionalism and grace of the cabin staff who serve in them. High quality service delivery and total commitment to safety cannot be ordered or assigned. It must come from a willingness of each team member to meet and exceed his or her own expectations in the knowledge that such efforts are acknowledged and appreciated, and that what we are creating here is of true and lasting value. The Company runs numerous motivational and soft skills programmes in addition to mandatory training, all of which have continued at full tilt during these three difficult years, with the fundamental aim of maintaining and enhancing an internal atmosphere of professionalism, mutual respect, fairness, recognition and kindness. 2022 may have been a somewhat spectacular year in terms of results and awards, however, it is our 18th profitable year out of 20 years in business, the 10th year in succession we have won the regional Skytrax award, testament to the fact that the internal culture underpinning the business metrics is sound. Culture is a fragile thing, more easily destroyed than created, and we aim never to lose sight of the fact that this is our greatest strength.

As we look forward to 2023, the short-term challenges continue to be mostly of an operational nature. Supply chains at OEMs and other service providers are only slowly unclogging, and resources at airports across the network remain well below pre-pandemic levels.

## SUSTAINABILITY FOCUS

### Environment

Our Low-Carbon Development Programme for 2023–2032 is incorporated into the Group's ESG Strategy and is consistent with Kazakhstan's aim to achieve carbon neutrality by 2060.

### Social

Engaging with and responding to our diverse groups of stakeholders in order to better understand their needs and expectations is vital to both our licence to operate and the success of the business.

### Governance

The sustainable development of the business is based on principles of openness, accountability, transparency, ethical behaviour, justice, human rights and zero tolerance of corruption.

Scarcity of resources, including skilled airline personnel, and high inflation are therefore our greatest challenges, and I anticipate another difficult year in terms of flight punctuality and aircraft dispatch reliability. Notwithstanding the above, the robust market recovery coupled with a sound business model will enable the Group to continue to focus on its core mission of delivering a safe, high quality, profitable airline as we grow our network and brands.

I would like to acknowledge and thank my colleagues, our customers, our stakeholders, and our shareholders Samruk Kazyna and BAE Systems PLC, for their continued support.



# Clear Purpose

We are rapidly changing domestic travel in Kazakhstan and are uniquely positioned to capture growth in our near home markets of Asia and Europe.

## FOCUS ON PEOPLE

Despite suspension of flights to Russia and Ukraine and yet limited China operations, 2022 has been the most successful year for the airline thanks to quick and efficient reallocation of capacity. The commercial strategy for the Group focused on maintaining growth through the re-deployment of resources to support the increased passenger demand on our developing 'lifestyle' routes and growing domestic market.

The Group carried 11% more passengers than in 2021 and 44% more that in pre-pandemic 2019, mainly driven by a combination of making the right network decisions for Air Astana and expanding the market for FlyArystan. The return of flights to Asia presents a significant opportunity in the year ahead for the Group, while enhancing the growth of FlyArystan also remains a priority.



Given the strong expectation of continued development in both international and domestic markets in the future, it is now timely for the Group to progress with its investment in its fleet, together with new pilot training and maintenance capabilities, in order to achieve our long-term goals.

# 89%

**Growth in domestic traffic compared with pre-pandemic levels**

# 44%

**Growth in total number of passengers carried compared with pre pandemic levels**

## Stimulating growth in the domestic market

Since the launch of FlyArystan in 2019, Air Astana Group has created a growing demand in the domestic market. With new and more frequent flyers within Kazakhstan, this has increased by 89% measured against pre-pandemic levels. The Air Astana Group currently accounts for 71% of domestic traffic.

**Read more on page 21**

## Connecting Kazakhstan

While international traffic has still to recover fully, there was an encouraging increase in passenger numbers on international routes, up 55% year-on-year to 2 million. This is largely due to the Air Astana Group opening up routes to 'lifestyle' destinations within Asia and Europe and developing commercial ties with tour operators as COVID-19 restrictions gradually lifted.

**Read more on page 32**

# Driving long-term value creation

## RESOURCES AND INPUTS

### Financial capital
Operating independently, with no need for Government support, the Company imposes stringent financial disciplines across the business in order to preserve cash and liquidity. Air Astana Group is also in the enviable position of having one of the lowest cost structures in the airline industry.

### Human capital
The success of our business – both in the long term and its sustainability – relies on the expertise, skills and motivation of our 6,184 employees. By investing in our Training Academy to provide education and training, we are also reinforcing the strength of this core asset to underpin our future development.

### Manufactured capital
As part of our commitment to a sustainable future, we are investing in a modern and fuel-efficient fleet. On domestic, regional and some international passenger flights, we operate Airbus A320/A321 ceo/neo and Embraer E190-E2 aircraft and, for longer range, we fly Boeing 767 and A321LRs. Alongside passenger services, we are also expanding our charter flights business.

### Relationship capital
We are committed to providing our passengers with improved efficiencies and greater choice through access to a wider network. We achieve this through continued code-sharing agreements with other international airlines, primarily on trunk routes and some third country routes.

### Natural capital
The needs and expectations of all our stakeholders are central to our business operations, which we undertake in a responsible, transparent and sustainable manner.

### Intellectual capital
Achieving competitive advantage, improved customer service, reduced costs and increased operational efficiency in order to enhance our revenue streams is reliant on our keen focus on and investment in IT and e-Business programmes.

### Social capital
We continue to fly the flag as a global ambassador for Kazakhstan through our international leisure and business travel, while our domestic flights have made a positive impact on local economies and infrastructure, acting as a social enabler for communities.

## HOW WE ARE DIFFERENT




### Maximising opportunity
In an industry that has been changed by the recent global pandemic and geopolitical situation, we have refocused our business and reshaped our networks. Through our investment in FlyArystan, increasing the number of destinations and frequency of flights, we have become the world's fastest growing domestic airline. We made the highly effective move to reposition Air Astana as a lifestyle airline, boosting travel to leisure destinations and introducing winter sunshine flights. We have further expanded our fleet of modern and fuel-efficient aircraft for better passenger comfort, to minimise costs and reduce our environmental impact.

See page 32

### Driven by strict financial discipline
Through our collective focus on and commitment to efficiency and cost reduction, we have been able to maximise returns and mitigate risk across the business. Protecting our financial viability in turn provides us with the profits to invest in our future growth as well as underpinning our operational, commercial and managerial independence.

See page 66

## THE VALUE WE CREATE

### For shareholders

Our focus on financial discipline and consistently sustainable performance will enable shareholders to benefit from the growth of our operations and potential dividends.

### For our people

We are committed to the financial and emotional well-being of our employees, offering competitive salaries and benefits as well as investing in their professional development.

### For passengers

The hospitality, comfort and safety of our award-winning customer service is enjoyed by all our passengers whether flying on full service or low-cost carrier (LCC) flights.

### For suppliers and partners

Maintaining long-term, positive relationships with our suppliers and business partners provides mutually beneficial terms for all parties.

### For Government, regulators and local authorities

We meet all regulatory requirements while creating jobs and contributing the development of local, social and economic infrastructures.

## HOW WE MEASURE VALUE CREATION

Dividends paid since the Company's inception

**>USD140m**

Investments in training in 2022

**USD5.9m**

Excellence awards

10th Skytrax award for 'Best Airline in Central Asia and CIS'
Skytrax award for 'Best Service in Central Asia and CIS'
Skytrax 4-Star Low-Cost Airline rating (FlyArystan)

Taxes paid in 2022

**USD90.6m**

## UNDERPINNED BY FACTORS THAT DETERMINE OUR LONG-TERM GROWTH

| Culture and values | Sustainability | Risk management | Governance |
|---|---|---|---|
| See page 89 | See page 42 | See page 70 | See page 82 |

# Proactive dialogue with our stakeholders

Our stakeholders are diverse and drawn from a wide geographical range – local, regional and international. Interacting with stakeholders to better understand their needs and expectations – whether they are impacted by our activities or influence our long-term ambitions – is fundamental to ensuring both our licence to operate and the continued success of the business. By engaging with and responding to all our stakeholders in an open and transparent manner, we have built strong and trusted relationships.



## OUR PEOPLE

Our talented employees – with their expertise, skills and motivation – are an invaluable asset and help to make us a successful business, both today and looking to the future. We honour this by offering safe and healthy working environments with competitive salaries and equal opportunities for all, while nurturing careers through training and individual development plans. The integrity of our business ethics and corporate values underpins our approach to the well-being of our employees.

### Material needs

- Remuneration
- Equal opportunities for all genders, different ages, nationalities
- Growth and personal development
- Training and learning opportunities
- Safe and healthy environment
- Well-being and mental health
- Business ethics
- Corporate values

### How we engaged in 2022

- Employee pulse surveys (to measure emotional concerns and identify worries)
- Regular (weekly/monthly) communication from the President and CEO
- Employee Social Stability Index surveys, conducted by the Centre for Social Co-operation and Communication, which measure labour relations, well-being and workplace satisfaction
- Management conference with YouTube broadcast for non-managers
- Departmental forums
- Team building activities
- Face-to-face communication with management
- HEART Employee Recognition Programme (HEART Awards)
- Mobile application for sharing ideas and communicating news and initiatives
- Corporate magazine
- Performance reviews
- Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)
- Feedback platform for mutual recognition among employees

### Outcome of our engagement

- During 2022, the Company raised salaries for most employees to address the highest inflation in Kazakhstan for 12 years
- Compared with 2021 results of 3.85, employee engagement has increased to 4.10 out of 5. This brings our rating within the 63rd percentile of the Air Transportation field in Gallup's database[1]
- The engagement ratio has almost doubled over that timeframe with 5.89 engaged employees for each actively disengaged person
- Confidence in leadership has increased and is now within the 57th percentile of Gallup's database

1 Gallup Analytics provides subscribers with access to internationally comparable, broad coverage, in-depth research, with trend lines on important measurements of human development.

## SHAREHOLDERS

We have a positive and long-term relationship with our shareholders, who support the continued and consistent success of the business, and increasing of the value of the Company while taking into consideration its environmental, human and social impact. Our shareholders are involved in key strategic decisions and have representation at Board level. We value ongoing dialogue with our shareholders and regularly keep them informed of material developments in the business.

### Material needs

- Financial and sustainable performance and growth
- Corporate values and business ethics
- ESG performance

### How we engaged in 2022

- Shareholders meeting(s)
- Presentations, reports, publications
- Conference calls
- Site visits
- Direct communication

### Outcome of our engagement

- Following engagement with our shareholders, we were able to secure their support for a range of strategic issues related to the Company's growth plans, financial and sustainable performance
- The shareholders also supported endorsing the Company's focus on ESG matters by constituting the ESG Committee of the Board of Directors, along with new Terms of Reference
- There were eight General Meetings of shareholders, which among other matters addressed: approval of the 5-year Business Plan and Annual Budget; approval of remuneration matters; fleet renewal and expansion

## SUPPLIERS AND BUSINESS PARTNERS

We rely on a broad base of suppliers from start-ups and small businesses to large multinational companies to deliver quality goods and services promptly. Our transparent and effective procurement process and mutually advantageous terms have helped us develop positive, long-term relationships with our suppliers and business partners.

### Material needs

- Long-term positive relationships
- Business ethics
- Treatment of suppliers (timely payments)
- Compliance with regulations
- Procurement practices

### How we engaged in 2022

- Code of Conduct (Code of Ethics)
- Direct correspondence
- Social media
- Website
- Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)
- Visit to Maintenance, Repair, Overhaul (MRO) conferences and industry exhibitions
- Organising Open house days for suppliers
- Inviting core suppliers to Company events (new aircraft presentations)

### Outcome of our engagement

- We have open, transparent and trustworthy relationships with our core and strategic suppliers. These allowed us to minimise negative impacts on our supply chain during the post-pandemic period, when we experienced issues with shortages of materials, parts, goods, manpower, etc.
- Agile supply chain processes allowed us to re-route major supplies in order to stay compliant with the UK, EU and US sanctions and make sure our operations were not jeopardised
- In 2022, we carried out a number of supply chain initiatives to reduce overheads as part of the Company's cost-cutting programme. We were able to decrease significant overheads within the logistic process by implementing new means of delivering routine shipments and approaches to deliveries, economy of scale in logistics, etc.
- We receive up-to-date information and news within the industry, which helps us to respond proactively. This is vital given the current instability of our supply chains

## PASSENGERS

The success of our business depends upon our ability to please the passengers who choose to fly with us. With their safety and comfort being our highest priority, our teams work hard to ensure that the customer experience of travelling with us exceeds their expectations and earns their loyalty. We engage with customers across multiple touchpoints to listen and respond to their needs.

### Material needs

- Safety
- Comfortable travel
- High quality of services
- Cost and affordability
- Availability of ticketing offices at the airports and/or in the city
- Availability of call centre employees and other channels for contacting the airline when problems arise
- User-friendly app and website (in relation to the ease of booking, making changes, online check-in, etc.)
- Ancillary services across the website, ticketing offices, agencies and on check-in desks

### How we engaged in 2022

- Various pre-flight communication channels in our Call Centre and other contact centres (24/7, 365 days per year, Live-web chat, an automated WhatsApp chat-bot with live-consultant options)
- We increased the number of Customer Help Centre staff, who interact and provide a high quality service to our passengers
- Service Recovery Unit
- Monitoring of customer experience
- Online customer service evaluation survey
- Nomad Club Loyalty Programme
- Codeshare and interline partnerships
- Safety and regulatory audits
- Inflight safety instructions and videos
- 'Tengri' inflight magazine
- Expanding the Group's operations within Kazakhstan and beyond
- Website and app – iJan – FlyArystan self-service terminals at airports
- Social media
- Whistleblowing line for reporting violations of legislation and the Code of Conduct (fraud, corruption, discrimination, unethical behaviour, etc.)
- On-board standards coaches for qualitative feedback
- Crew interaction and feedback to management in form of reports

### Outcome of our engagement

In developing our Customer Experience Strategy for our passengers, we are focused on creating the following key attributes for our clients:

**Meaningful experiences** with easy access to our services, by implementing convenient digital tools, an eco-system approach and increasing the efficiency of our team's performance. In 2022, we began adopting a service-oriented strategy that enables customers to manage different aspects of their journey through our extended service lines, whether booking car rental or hotels or simply arranging dry cleaning.

The Customer Experience department also expanded during 2022, with product development across the airline now part of the remit. The objective is to align our product offering across all departments to create a consistent service experience. Monthly Service Action Groups for in-flight shutdown (IFSD), Ground Services and Commercial are co-ordinated by the Customer Experience team to highlight both positive results and the improvements needed in both products and service delivery.

**Measurable experiences** that help us to understand who our current and future customers are, what products they need and how they perceive the Air Astana brand. Research is king: we regularly survey our customers to find out about their experiences at airports, before and after their journey, during the flight and post travel, and we monitor sentiment via social media tracking. Our crews interact with customers every day and keep management informed through crew feedback reports. We also glean vital information from our call centres and social media, for example, when customers contact us for extra support or help with special assistance or when travel is disrupted.

Enhancements have been made in our customer experience research allowing us to measure our performance and our customers' experience by route, by date, by age, by gender, by purpose of travel, by Nomad Club tier, by journey stages and by touchpoints. It enables us to prioritise our efforts in product and services development, driving a positive customer experience, satisfaction level and, therefore, loyalty.

Our aim is to deliver enjoyable moments and positive emotions which make for the best and the most lasting impression. Through our emphasis on customer experience and service excellence, we aim to win customers' loyalty by making their journey with us both easy and comfortable, whether for business or leisure.

Achieving customer satisfaction is at the core of Air Astana's business ethos. In 2022, Air Astana's and FlyArystan's annual average NPS were 36 and 31, and Customer Satisfaction Ratings (CSAT) came in at 75 and 82, respectively; with ratings higher than or closer to the recorded industry averages of 22 for NPS and 79 for CSAT.

Once again, we gained international recognition for the excellent quality of on-board service and offering. Air Astana was rated a 4-star airline by Skytrax and now ranks among the top 50 airlines in the world. In the Skytrax World Airline Awards for 2022, it was named 'Best Airline in Central Asia and CIS' for the 10th time and, for the 1st time, recognised for 'Best Service in Central Asia and CIS'.

The highlight of 2022 was the award of 4 stars to FlyArystan in the Skytrax ratings, following an assessment of 800 different indicators by the world's major aviation rating agency. This makes it one of only 12 LCCs in the world to achieve this rating – as yet none has a 5-star rating – and while FlyArystan and Air Astana are the only airlines in Kazakhstan to be recognised by Skytrax.

## GOVERNMENT, REGULATORS AND LOCAL AUTHORITIES

We work closely with Government, regulators and local authorities, which is essential in order to fulfil our remit to operate. We contribute to national and local taxes, and invest in social and economic development through job creation and supporting infrastructure.

### Material needs

- Business ethics
- Compliance with the regulatory requirements
- Compliance with the anti-corruption legislation of the Republic of Kazakhstan
- Safety during flights
- Health and safety of employees
- Sustainability

### How we engaged in 2022

- Face-to-face communication
- Working groups
- Direct correspondence
- Phone calls
- Industry conferences and forums
- Audits
- Reports

### Outcome of our engagement

- Much of our engagement with the Government and authorities during 2022 still revolved around COVID-19 and the easing of restrictions for flights, both domestic and international
- We worked with the Government, other national and international institutions to simplify customs procedures for the transit of goods via air transportation
- The Company actively participated in a Working Group on the discussion of the draft Concept for the Development of the Transport and Logistics Potential of Kazakhstan until 2030
- We took part in negotiations with Kazaeronavigatsia JSC (air navigation services provider in Kazakhstan) and reached an agreement on a phased and partial increase in service tariffs
- We resumed negotiations with the Ministry of Health of the Republic of Kazakhstan to eliminate the need to obtain sanitary certificates for new aircraft from the manufacturer

Our Legal department has engaged extensively with the Government, Civil Aviation Committee (in particular), Aviation Administration and Parliament of the Republic of Kazakhstan. The work to date has helped to achieve amendments to the following relevant legislation within the Republic of Kazakhstan.

- The laws of the Republic of Kazakhstan 'On Joint Stock Companies' and 'On the Use of the Airspace of the Republic of Kazakhstan and Aviation Activities'
- The mandatory free allowance of 20 kg of baggage has been cancelled. This allowed the introduction of a no-baggage fare
- The sale of alcohol is now allowed on board aircraft
- Consumption of tobacco products and electronic cigarettes has been banned on board aircraft
- The requirement to change passenger headrests after each flight has been removed
- Further to Air Astana's initiative in 2021 calling for so-called 'black lists' of unruly passengers to be legitimised, this has recently become law

It is incumbent on the Board of Directors to perform their duties in a manner that they believe boosts the success of the Company and is beneficial to all our stakeholders.

Throughout this Integrated Report, we demonstrate our interactions with our key stakeholders, who are fundamental to both the success of the business and our licence to operate. We have identified each of our key stakeholder groups, and how we engaged with them during 2022 with the related outcomes on pages 14–17.

**Read more about stakeholder engagement on a Board level on page 90**




# Growing potential

Our ability to respond innovatively to the changing market situation and maintain our high standards of customer service has brought continued growth and further international recognition.

## FOCUS ON PEOPLE

Yekaterina Sharipova was among the first people to join FlyArystan in 2019, a decision that she has not regretted since it has given her the chance to develop professionally as the Company has grown. She now has the responsible position of line instructor, having decided early on to set her sights on attaining this goal. Yekaterina conducts in-flight cabin crew inspections for compliance with the Operations Manual. "I really like the learning process and how open the Company is with its employees, making it possible for everyone to expand their career horizons."

From her first observation flight, Yekaterina realised that working for FlyArystan would open up opportunities in the world of aviation and enable her to pursue her ambition to excel in any number of new positions. She's also found that one of the joys of flying is the lack of routine – no mundane Monday to Friday, 9am to 6pm for her – and, as crews are constantly changing, she gets to work with so many different people. To support her busy professional life, as well as getting plenty of sleep, she keeps fit with swimming and Zumba.



"Whenever possible, I also try to fly somewhere on vacation: to learn different cultures, taste their food and see the world through other people's eyes. It's amazing how much all this can be applied in my work – and it also makes me happy."

**Yekaterina Sharipova**
Line instructor, FlyArystan

# 26%

**Increase in Revenue Passenger Kilometres (RPK) in 2022**

# 4-star airline

**FlyArystan is one of only 12 LCCs in the world to achieve 4-Star LLC rating from Skytrax**

## Entrepreneurial spirit

Adapting to the fluctuating pandemic situation, the Air Astana Group was uniquely positioned to take advantage of newly emerging opportunities for growth. Initially focusing on the expansion of the domestic market in Kazakhstan and then actively supporting the desire for travel to 'leisure' destinations has certainly paid off with revenue on an upward trend once more. Air Astana is developing stronger commercial ties with tour operators with serial booking and charter flights as a new era of tourism traffic from the home market develops. FlyArystan's proposition as a low-cost carrier that also provides great service has seen passenger volumes steadily increasing, which was recognised in 2022 with the achievement of 4-Star Low-Cost Airline rating from Skytrax.

**Read more on page 32**

## Award-winning customer service

Excellence is the byword for the level of service that we offer our passengers, and is embedded in the Air Astana ethos. The quality of our on-board hospitality continues to meet and exceed our customers' expectations and, in 2022, earned us prestigious international recognition from both Skytrax and the Airline Passenger Experience Association (APEX). Air Astana now ranks among the top 50 airlines in the world according to Skytrax.

**Read more on page 38**

# A slow return to normality

We are seeing a steady increase across most of the quantifiable factors by which we measure the success, or not, of the aviation industry and so are able to make meaningful comparisons with data from 2021. However, 2019 figures (pre-pandemic/pre-COVID) are still more indicative of normal trading in recent times and are also used to illustrate just how far adrift the industry remains in many cases.

"The challenge for 2022 is to reinforce passenger confidence by normalising travel." So said Willie Walsh, Director General at the International Air Transport Association (IATA), as the year started with a note of optimism in the air. Although the Omicron variant of COVID-19 caused worldwide jitters at the close of 2021, the largescale spread of the virus had seemingly been tamed. With the success of global mass vaccination programmes and the gradual lifting of travel restrictions, 2022 did look set to be a return to normality for people, businesses and economies. What no-one had been able to foresee was the escalation of the conflict between Russia and Ukraine in February 2022 and, more specifically, how this would impact energy and food supplies beyond their borders to say nothing of the implications for flights within the region.

On a positive note, the reopening of airlines – or more precisely, the further lifting of restrictive legislation – has been warmly welcomed by passengers, for whom the desire to fly has not abated. Rather, lockdowns during the pandemic created a pent-up demand for travel and left large swathes of the world's population with money in their pockets. This has translated into an upturn in consumer spend for airlines during 2022. Overall, global demand for the year – measured in RPKs – continued to climb, up by 64.4% year-on-year, and at 68.5% of pre-pandemic levels. While the industry still experienced net losses in 2022, there was a significant improvement over that reported for the previous two years. Of course, this is still well below the heady heights of USD 24.6 billion profit recorded in 2019, but it is at least heading in the right direction. A testimony to the resilience of the industry, recovery is well underway: traffic grew at a record rate during 2022 and, while this is likely to slow, IATA is predicting a return to small profits in 2023.

## Global aviation markets

There was a sustained momentum in recovery throughout the year, wherever travel restrictions were lifted. International passenger traffic grew by 152.7% year-on-year, achieving 62.2% of 2019 levels, with major international routes, in particular, delivering results that fast approached pre-pandemic levels. Overall capacity, measured in available seat kilometres (ASKs), also showed a strong positive trend, up 39.8% on 2021 and achieving 71.9% of 2019 levels. Passenger load factors for 2022 were only 3.9 percentage points below those of 2019. Recovery for domestic operations continued at pace, putting it at 79.6% of pre-pandemic levels with only 10.9% growth year-on-year.

China continued its zero-COVID policy on air travel in the region during 2022. As the year closed, the lifting of quarantine rules in China inevitably saw a rise in COVID cases and, while the country has opened its borders, a significant number of countries have now closed theirs to travellers from China to try and stem further outbreaks of the virus worldwide. Because of the ongoing situation with Russia, there is insufficient data to report on the domestic market there.

### Asia Pacific

As travel restrictions lifted, Asia Pacific led the recovery among international markets and romped home with RPKs increasing 363.3% year-on-year and achieving 54.4% of 2019 levels. ASKs were boosted to 129.9% and passenger load factor climbed 37.3 percentage points to 74.0%. International passenger traffic both within and between Asia Pacific and the rest of the world continued to grow as many economies within the region re-opened.

### Middle East

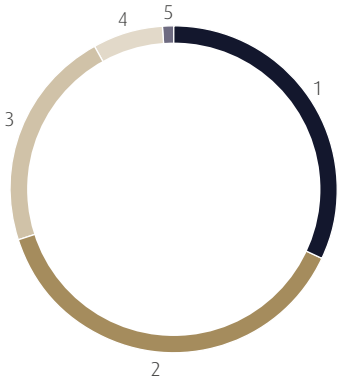
International RPKs for the Middle East grew by 157.4% compared with 2021, achieving 25.9% of pre-pandemic levels. ASKs increased by 73.8% and passenger load factor reached 75.8% with an increase of 24.6 percentage points.

### Europe

International traffic within the region continued to grow with RPKs up by 132.2% year-on-year for European carriers, at 22.2% of 2019 levels. There was an increase of 84.0% in ASKs while passenger load factor reached 80.6%, an increase of 16.7 percentage points.

## Air Astana's and FlyArystan's market share in Kazakhstan

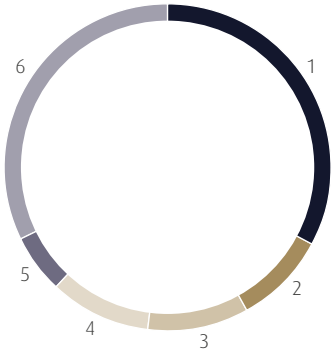
### Domestic




| | |
|---|---|
| 1. Air Astana | 32% |
| 2. FlyArystan | 38% |
| 3. SCAT | 22% |
| 4. Qazaq Air | 7% |
| 5. Others | 1% |

Source: CIRIUM SRS Industry Data.

### International




| | |
|---|---|
| 1. Air Astana | 33% |
| 2. FlyArystan | 9% |
| 3. SCAT | 10% |
| 4. Turkish Airlines | 10% |
| 5. Flydubai | 6% |
| 6. Others | 32% |

Source: CIRIUM SRS Industry Data.

## Kazakh aviation market

Passenger traffic in Kazakhstan exceeded 10 million during 2022, for the first time since the country's independence.

Internationally, the air transportation industry continues to be subject to significant governmental regulation and is based upon the general principle that every state has sovereignty over its own airspace. International air traffic rights are primarily granted by individual states to other states in bilateral and multilateral air services agreements. To date, Kazakhstan has established a legal framework with some 60 countries, 39 of which have signed bilateral air services agreements. The domestic market in Kazakhstan has been fully liberalised since 2012, so that any Kazakh airline is able to undertake domestic operations without any restrictions.

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

As anticipated, the number of Kazakh air operators registered by Aviation Administration of Kazakhstan (AAK) has increased to 59, from 54 in 2021. Of these, 13 airlines conduct commercial air transport operations: six of them operating regular passenger services and seven charter passenger flights. Air Astana is one of six airlines eligible to fly to EU countries; the other operators are Comlux, Prime Aviation, FlyJet.kz, KazAirJet and Jupiter Jet. Domestic flights are carried out by five airlines – Air Astana (including FlyArystan), SCAT, Qazaq Air, Southern Sky and Zhetysu.

Kazakhstan continued to develop its air transportation capabilities in 2022. The Civil Aviation Committee is reforming the civil aviation industry, with the aim of adopting a European Management model within 2–3 years. As part of this, the AAK is now responsible for the industry's control and supervisory functions, improving effectiveness and preventing corruption.

In 2022, Kazakhstan's flight safety level was raised from 73% to 84% in an audit carried out by the International Civil Aviation Organisation (ICAO). This is 15% higher than the global average recorded in 2021. The Civil Aviation Committee co-operates closely with both the ICAO and the European Aviation Safety Agency (EASA), who recognised Kazakhstan's efforts to uphold and improve flight safety. There are no restrictions imposed on Kazakh airlines flying into European destinations; flights are bound only by existing intergovernmental agreements on air traffic.

Following civil unrest in early January 2022, a state of emergency was announced by the Government, which effectively closed down the country with airports once more closed and flights cancelled for over a week. This did not, however, dampen the overall recovery during the year and, as global markets returned to normality, the Government of Kazakhstan restored the visa-free regime for travellers in January 2022, which helped to boost the travel economy.



International flights are now once again operating between 30 countries on 108 routes with a frequency of 477 flights per week. In 2022, flights to Turkmenistan, Egypt, UK, Mongolia, Iran and China resumed. The Company plans to expand its flights to more destinations in the coming year with Doha, Medina and Tel Aviv included in schedules and increased flights to popular destinations, such as Istanbul, Baku, Tbilisi, Phuket and Male. The domestic traffic volume has been fully restored to pre-pandemic levels, with approximately 680 flights per week on 57 routes.

While the lifting of the COVID-19 travel restrictions and the ensuing demand for flights is a welcome challenge, a shortage in aviation fuel, in part because of the lag in refinery production capabilities and in part due to the conflict between Russia and Ukraine, is a headache for the industry. This could limit the anticipated expansion in the international market since airlines operating domestic passenger services will be given priority should there be a deficit in available aviation fuel.

## Cargo

Following a record-breaking growth 2021, air cargo performance declined with global full-year demand in 2022, measured in cargo tonne-kilometres (CTKs), down 8% (-8.2% for international operations) year-on-year. This was just 1.6% below 2019 levels. And, although capacity for the year, measured in available cargo tonne-kilometres (ACTKs), was 3% above that of 2021 (+4.5% for international operations), this was down 8.2% (-9.0% for international operations) on pre-COVID levels.

Significant political and economic uncertainty during the year impacted cargo demand as 2022 drew to a close. Global new export orders, a major indicator of cargo demand, have remained at the same level since October. New export orders are shrinking worldwide, with the exception of those in Germany, the US and Japan, which have continued to grow.

> The industry left 2022 in far stronger shape than it entered, as most governments lifted COVID-19 travel restrictions during the year and people took advantage of the restoration of their freedom to travel. This momentum is expected to continue in the New Year, despite some governments' over-reactions to China's re-opening.
>
> **Willie Walsh**
> IATA Director General

Regional differentiations in air cargo performance were decidedly marked with Latin America posting the strongest performance with a 13.1% increase in CTKs year-on-year (+15.0% for international operations). At the same time, ACTKs increased by 27.1% (+27.8% for international operations). These were both down on 2019 levels, CTKs by 4.3% (-2.6% for international operations) and ACTKs by 14.3% (-10.8% for international operations). The region reported stagnant growth in demand but capacity still increasing at the year end.

The worst year-on-year performance was in Europe, where airlines are most affected by the conflict in Ukraine. European carriers posted an 11.5% decrease in demand (-11.8% for international operations) and only a marginal increase in capacity of 0.5%, compared with 2021. Compared with pre-COVID levels, demand was down 8.7% (-9.1% for international operations) and capacity by 16.5% (-17.3% for international operations).

Elsewhere, the year-on-year picture was much the same. Asia Pacific demand decreased by 8.8% (-7.4% for international operations) and capacity increased by 0.5% (+5.8% for international operations). The region reported the worst performance levels overall due to lower levels of trade and manufacturing activity and disruptions in supply chains caused by the rising number of COVID cases in China. North American demand decreased by 5.1% (-6.3% for international operations) and capacity increased by 4.2% (+4.9% for international operations); Middle Eastern demand decreased by 10.7% for global and international and capacity increased by 4.3% (+4.5% for international operations); African airlines saw demand decrease by 1.4% for global, and international demand capacity increase by 0.3% (-0.2% for international operations).

Only North America and Africa saw demand increase above 2019 levels, by 13.7% (+12.7% for international operations) and 8.3% (+9.4% for international operations), respectively.

## Predictions for 2023

As 2022 has shown, predictions about the future can never be guaranteed. While the aviation industry is currently on an upward curve, there are a number of uncertainties lurking on the horizon that could have significant financial implications during 2023, not least the collision of rising energy prices with the slow growth of the global economy and high inflation. The Russia/Ukraine situation does not look likely to be resolved in the near future. China has re-opened its doors to the world as we start the year, although this has caused a knee-jerk reaction from many quarters. COVID is almost definitely with us for the long term, but one would like to think that it will no longer bring business to a complete halt again, given vaccination programmes and experience gained over the last three years.

Sources:
1. Air Astana data
2. Statista
3. IATA Global outlook for air transport
4. IATA Air Passenger Market Analysis, December 2022
5. Azernews 2022 annual review of Kazakhstan's transport sector
6. IATA 2022 Cargo press release (6 Feb 2023)
7. IATA A return to industry profitability in 2023
8. IATA Air Cargo Market Analysis, December 2022
9. IATA Economics' Quick Take-off
10. IATA 2022 Passenger traffic press release (6 Feb 2023)
11. The Astana Times: Open skies extended/ interview with Talgat Lastayev, Chairman of the Committee of Civil Aviation (6 Jan 2023)

## Market trends and their impact on our business

| Key market trends and impact on our industry | How we are responding | Link to principal risks |
|---|---|---|
| **Geopolitical events**<br>The Group has been affected in the past by geopolitical issues and these can have an adverse impact on it, especially those events that impact its flight paths to key destinations.<br><br>The conflict between Russia and Ukraine caused higher commodity prices, including oil and gas, and a reduction in global supplies due to sanctions on Russian entities and individuals. | The Group ceased all flights to, from and over Russian territory on 11 March 2022, complying with international sanctions. All flights to Kyiv also ceased due to the closure of Ukrainian airspace to commercial aircraft. Together these routes represented a network reduction of 11%.<br><br>Resources from these services have been allocated with the introduction of new flights to Heraklion (Greece) and increasing the frequency of flights to Istanbul, Antalya and Bodrum (Turkey), Podgorica (Montenegro) and Chengdu (China) as well as relaunching services to Bangkok (Thailand) and Beijing (China). | • Commercial<br>• Operational<br>• Jet fuel<br>• Aviation security<br><br>**Read more on pages 72–77** |
| **Fuel**<br>The near-total lockdown of global economies in 2019 brought the demand for oil to a sudden halt with prices plummeting. Business operations were met with a shortfall in refinery production and Brent oil prices rising incrementally and further affected by the conflict between Russia and Ukraine. | The Group has continued to renew its fleet with more modern, fuel-efficient aircraft, such as the Airbus A320neo, Airbus A321neo and Airbus A321LR models, in order to reduce fuel consumption per block hour. Its pilot training programmes include skills for efficient fuel management.<br><br>The Group closely manages fuel costs with predominantly direct supply from local refineries and monitors alternative suppliers for domestic and international stations. Internationally sourced jet fuel is dictated by fluctuations in the commodities market globally, where the Company has strategies to hedge against rising fuel prices. | • Jet fuel<br>• Operational<br>• Liquidity<br><br>**Read more on pages 72–77** |
| **COVID-19**<br>The dramatic upsurge in demand as COVID travel restrictions were lifted brought its own operational difficulties during the summer months: airports were unprepared, infrastructure was overwhelmed, and resources were stretched.<br><br>China's strict quarantine rules and closed borders for most of the year impacted business in the Asia Pacific region. However, as the country lifted all its restrictions and COVID cases inevitably rose, other countries-imposed bans on travellers from China in an effort to stem the spread of the virus. This, despite IATA's view that travel restrictions and testing requirements, have proved ineffective in stopping the spread of COVID-19. | The downturn in demand caused by the COVID-19 pandemic was a pivotal moment in changing the strategic direction of the Group's two airlines. Air Astana switched its focus from sixth freedom traffic in favour of point-to-point routes to leisure destinations, rebranded as 'lifestyle routes'.<br><br>The propensity to travel to leisure destinations for longer stays and outside traditional holiday periods, often coupled with remote working, resulted in a high demand on routes to the Maldives, the Turkish Riviera, Montenegro's Adriatic coast, the Red Sea, Sri Lanka, the Indian coast, Georgian Black Sea resorts and southern Thailand. FlyArystan's ultra-low cost model responded to a resurgence of domestic demand by delivering frequency, new routes and competitive pricing. | • Operational<br>• Commercial<br>• Health, safety & environment (HSE)<br><br>**Read more on pages 72–77** |
| **Climate change**<br>Both IATA and the ICAO have made a pledge to ensure that the aviation industry meets net-zero $CO_2$ emission levels in 2050. This is the first industry-wide commitment of its kind globally and reinforces the part that industry has to play in achieving the sustainable development goals formulated by the United Nations in 2015. | In 2022 the Group developed its ESG Strategy. Built on best practice and international standards, it incorporates sustainable development goals for 2023–2032.<br><br>Air Astana is committed to the OECD global framework on decarbonisation and has developed a Low-Carbon Development Programme for 2023–2032, which it plans to introduce this year. This also supports Kazakhstan's doctrine for achieving carbon neutrality by 2060, announced by President Kassym-Jomart Tokayev in 2021. | • Climate-related risks<br>• HSE<br>• Operational<br>• Commercial<br><br>**Read more on pages 72–77** |

# Remaining true to our values

Through our focus on remaining agile in a shifting market but also true to our HEART values in all that we do, we are building a sustainable and successful business. Growth, efficiency and excellence continue to underpin our strategy to become one of the finest airlines in the world. These run through every aspect of our operations, which we approach with purpose and passion in delivering to our stakeholders.

## Our strategic pillars

### Growth

**Objectives**

- Maintain diversity of growth opportunities across domestic, regional and international routes
- Support FlyArystan's growth trajectory
- Expand the fleet to 64 by 2027

Grow our business at more than the market rate, due to FlyArystan's development and Air Astana's planned expansion of international services through improved frequency and connectivity.

### Efficiency

**Objectives**

- Operate the most modern and fuel-efficient aircraft
- Maintain highly competitive CASK levels
- Drive substantial improvement in productivity and operational efficiency through major IT initiatives, further development of digital commerce, and further support for all business units
- Progress our Airline Performance Excellence Programme (APEX) and drive continuous improvement and efficiency

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

### Excellence

**Objectives**

- Continued focus on improving customer experience
- Attract the best talent from across Kazakhstan to help grow the business
- Capitalise on the capabilities of our world-class training centre to attain and maintain the highest standards possible
- Implementation of our fully integrated corporate sustainability strategy in 2023, which encompasses our focus on ESG

Continued focus on excellence through maintaining high standards of service, attracting the best talent, improving customer experience and actioning our Low-Carbon Development Programme.



# Growth
## Meeting passengers needs

We have reconfigured our business model to meet changing passenger needs. This has supported our recovery and we are now reaping the benefits as we invest in a fleet that will boost growth in the coming years.

**11%**

**Passengers increase in 2022**

### Highlights in 2022

We believe that COVID-19 restrictions presented an opportunity to Air Astana Group to reconfigure the way in which we address our growth and strategy. Through this strategy, the Group recovered at a faster rate compared with other global averages, closing 2022 with passenger traffic on domestic and international routes up 44% on pre-pandemic levels.

Post-pandemic, Air Astana's strategic focus has shifted towards point-to-point traffic and with transit traffic now seen as more of an incremental opportunity. The Company continued to respond with agility to the changing market situation, successfully introducing new leisure destinations.

The Group carried almost 7.4 million passengers in 2022, an increase of 11% year-on-year (2021: 6.6 million).

The Group continues to pursue its fleet simplification strategy aiming to reduce to two aircraft family types. In 2022, the fleet increased to 43 aircraft with an average age of 5 years; average $CO_2$ emissions of 0.06427 tonnes per ASK.

**Read more in the Operating review 32**

### Priorities for 2023

- 2023 marks the start of programmed deliveries of new aircraft to support the Company's expansion plans
- Development and recovery of regional routes through launching new destinations and increasing frequencies on current routes
- Further expansion of FlyArystan's network with the opening of new international destinations

### KPIs

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

**Read more in Key performance indicators on page 28**

### Stakeholders

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

**Read more in Stakeholder engagement on page 14**

### Risks

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

**Read more in Risk management on pages 72–77**



# Efficiency
## Delivering on our ambitions

The development of digital solutions in all our interfaces with customers and investing in training and infrastructure underscore the efficiency and future resilience in delivering our ambitions for the business.

**USD148.7m**

**Operating profit in 2022**

### Highlights in 2022

During 2022, an Airbus A320 flight simulator, the first of its kind in Kazakhstan, was purchased and installed at Astana. This will allow simulator checks and type rating programmes for pilots to be carried out locally rather than abroad. This will provide cost savings and greater efficiency in delivering pilot training.

The go-ahead was given to purchase a safety cabin mock-up for Cabin Emergency Evacuation Trainers (CEET) together with fire-fighting equipment for local, practical training. This will reduce costs and increase flexibility since cabin safety training previously entailed travelling to Germany and Turkey.

Air Astana became the first Kazakh carrier to carry out a heavy maintenance C2-check, which involves in-depth inspections and tests on every part of an aircraft, including non-destructive testing of the aircraft's structure.

**Read more in the Operating review on page 36**

### Priorities for 2023

- Implement a number of new digital projects: biometric airport, making all airport formalities faster and more efficient; payment system at airports; interactive mobile boarding pass; integration of Station Control System (SCS) in Astana with airport system (automatisation of services and billing) digital station files (paperless procedures)
- Increase the annual intake to the Ab-Initio Cadet Programme to help meet the need for qualified pilots
- Further enhance the heavy maintenance capability at Astana, by the addition of workshops for composite repairs, structural repairs, emergency equipment repair and testing, in-flight entertainment component repair and tooling calibration
- Meet the maintenance needs of an expanding fleet. A review will consider all aspects of hangar expansion in Almaty and Astana, manpower and equipment resources, including training requirements

**KPIs**
- Operating profit
- CASK
- Net profit

**Read more in Key performance indicators on page 28**

**Stakeholders**
- Our people
- Suppliers and business partners

**Read more in Stakeholder engagement on page 14**

**Risks**
- HSE risk
- Operational risk
- IT risk

**Read more in Risk management on pages 72–77**



# Excellence
## Making a positive impact

We are proud to be recognised for the time and effort that we put into making our customer experience memorable, and our increased focus on sustainability will benefit all our stakeholders.

### Highlights in 2022

With an increased focus on the customer experience, new onboard and post-flight surveys have been developed to engender feedback on how best to enhance services and products for our customers. Group-wide webinars have been introduced to help promote the importance of each employee's contribution in delivering service excellence.

In 2022 Air Astana received the prestigious Skytrax Award for 'Best Airline in Central Asia and CIS' for the 10th time and 'Best Service in Central Asia and CIS' for the 1st time. In addition to that Skytrax certified FlyArystan as a 4-Star Low-Cost Airline in its latest ratings. This rating signifies that the ground and cabin staff service and overall standards are at a very high level.

Read more in the Operating review on page 38

### Priorities for 2023

- The expansion at Almaty airport in 2023–2024 will increase capacity and improve passenger facilities
- Introduce a number of initiatives to enhance the customer onboard experience, including kits, a new safety video, and a new business class reflecting Air Astana's values and brand identity and promoting Kazakhstan's landscapes
- Further a more eco-friendly approach with the introduction of MyPress (digital content for passengers), reducing the amount of printed press
- We are also increasing the movie and music library with improved in-seat monitors and have signed an agreement with Disney
- 2 A321neo short-haul version with new 'Airspace' cabins will improve the comfort of passengers
- An apprenticeship for the EASA Part 66 License course will be implemented, bringing inhouse the training required for mechanics to become licensed engineers responsible for aircraft safety
- A full flight simulator to support pilot training has been installed at the Astana base

### Excellence in action

The Honourable Company of Air Pilots (London), established in 1929 to promote high standards of flight safety, recognised the outstanding behaviour, courage and action of three Air Astana pilots with a prestigious award in 2022.

Captain Vyacheslav Aushev, First Officer Baurzhan Karasholakov and First Officer Sergey Sokolov were awarded the Hugh Gordon-Burge Memorial Award for saving their aircraft and colleagues on 11 November 2018.

On that day, they were flying an Embraer 190 back from a C-check performed by an outside maintenance organisation in Lisbon, Portugal. However, in the air, they soon discovered that new flight control wiring had been incorrectly installed, rendering the aircraft virtually uncontrollable. The pilots, drawing on their skills and experience, courageously put the aircraft through a series of high-speed dives and gyrations (creating the same 5G pull as a Typhoon Fighter in combat) to save the aircraft and their own lives before safely landing at an airport in southeast Portugal.

### KPIs

- $CO_2$ emissions
- On-time performance (OTP)

Read more in Key performance indicators on page 28

### Stakeholders

- Our people
- Passengers
- Suppliers and business partners

Read more in Stakeholder engagement on page 14

### Risks

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

Read more in Risk management on pages 72–77

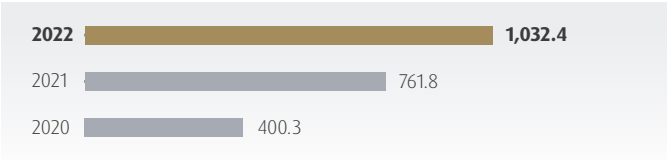
# Measuring our success

We believe that our key performance indicators (KPIs) are an invaluable tool for tracking our performance over a three-year period, both for us as a business and to give stakeholders an accurate picture of our development.

## FINANCIAL KPIs

### Total revenue (USDm)

1,032.4



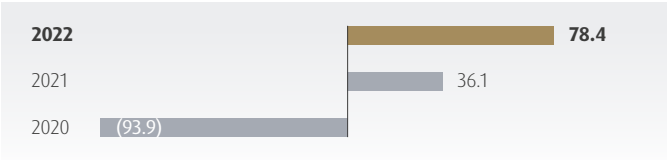

**Why this is important**

Increased financial stability provides the Group with resilience and the ability to execute its business ambitions fully: investing in its fleet, expanding its network and enhancing its overall passenger offer.

**Link to strategy**

### Net profit/(loss) (USDm)

78.4



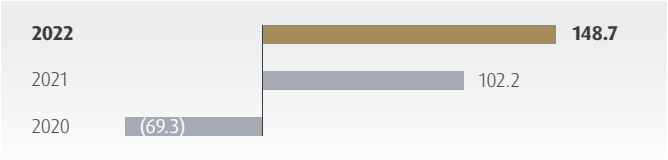

**Why this is important**

We are able to convert the benefits gained from reducing costs and increasing efficiency into driving the growth of the business and achieving our long-term ambitions.

**Link to strategy**

### Operating profit/(loss) (USDm)

148.7



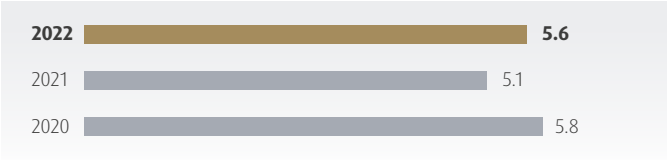

**Why this is important**

Successfully returning operating profits not only enables us to fulfil our commitments to our shareholders but also confirms our status as a major force in the aviation industry.

**Link to strategy**

### CASK (US cents)

5.6




**Why this is important**

Maintaining a low CASK feeds directly into our profitability and puts us in the enviable position of being one of the most cost-effective airlines in the world.

**Link to strategy**

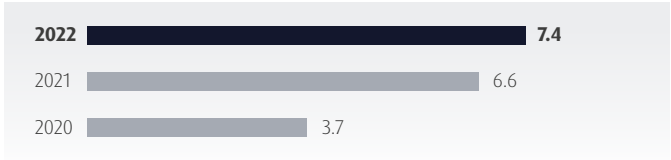
Link to strategy

Growth Efficiency Excellence

## NON-FINANCIAL KPIs

### Passenger numbers
(m)

7.4

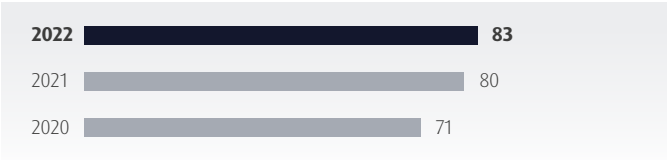



**Why this is important**
Attracting more passengers to fly with us is fundamental to our long-term success, bringing the revenue and ultimately profits that enable us to achieve our growth plans.

**Link to strategy**

### Load factor
(%)

83

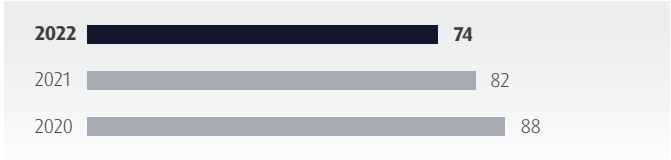



**Why this is important**
The more passengers on a flight, the better the economic return for the airline, so increasing and maintaining a high load factor is crucial to the financial model of the business.

**Link to strategy**

### On-time performance
(%)

74

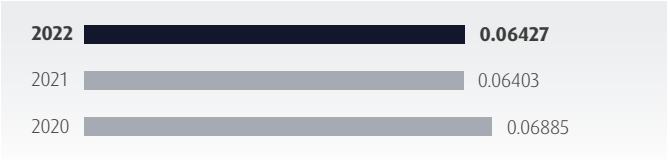



**Why this is important**
OTP is key to passengers' decision-making. Political instability in the region requiring significant rerouting of flights and post-pandemic issues with domestic and international airports' infrastructure and lack of resources were the main contributors to the decrease in OTP this year.

**Link to strategy**

### GHG[1] emissions intensity
(tonnes $CO_2$ per ASK)

0.06427




**Why this is important**
Transforming our operations through the implementation of our Low Carbon Development Programme, we aim to reduce our carbon footprint.

**Link to strategy**

1 Greehouse gas (GHG).

# Driving Passion

Our strategy to invest in a modern, fuel-efficient fleet ensures safe and comfortable travel for our passengers and also reinforces our commitment to a sustainable future.



FOCUS ON PEOPLE

Alexandr Sabad fell in love with the world of aviation and knew he wanted to be part of it when he accompanied his pilot father to the airport at an early age. Now aged 29, he is a Lead Engineer with Air Astana and has been working for the Company for the last seven years, gaining knowledge and experience along the way. "I worked really hard and gained an internship starting as a workshop mechanic after attending the Training Academy. I quickly realised that I was more interested in working directly on aircraft so my next move was become a line maintenance mechanic."

Alexandr applied himself by taking appropriate courses and learning new skills to take him closer to his goal. Working as the senior engineer at base maintenance, he realised that his passion was actually for in-depth maintenance of the construction and systems of an aircraft. "My big opportunity came when Air Astana started to do C-checks on the A320 fleet. With the increased volume of work, in 2022, the position of Lead Engineer at Base Maintenance came up – I applied and got the job."

In this role, Alexandr now has overall responsibility and control of the C-checks carried out at the base



in Astana city. Like all employees who pass through the Air Astana Training Academy each year, he has taken advantage of the training provided by the Company and focused on his career development, working his way up from an intern to this senior maintenance role – and earning a coveted HEART Award along the way. "I have been very fortunate to progress and grow into this position through the Company's training programmes. Despite sometimes working in extreme winter temperatures as low as -45C at our base, I am happy to have achieved my goals."

**Alexandr Sabad**
Lead Engineer, Air Astana

# 850+

**Employees in Engineering and Maintenance departments**

# 1st

**Heavy maintenance in-house C2-check completed**

## Reinforcing business efficiency by investing in a modern fleet and maintenance facilities

We now operate a fleet of 43 modern aircraft with an average age of five years, making it among the youngest and most fuel-efficient in the world. We have continued with our strategy to invest in our in-house engineering teams, expanding our C-check capabilities this year, while driving the streamlining our services for passengers through innovative digital technology.

**Read more on page 36**

## Investing in our training capabilities

The engineering and maintenance department at the Air Astana Training Academy is the only EASA-certified training centre for engineering Parts 147/145 theoretical and practical training in Kazakhstan. It runs over 30 programmes in engineering, ground and inflight services based on international standards (ICAO, IATA and EASA 147/145) and approved by AAK. Part 66 aircraft mechanics training has been introduced to improve the supply of qualified mechanics.

**Read more on page 37**

GROWTH

# A clear vision for growth

The optimism with which 2022 started dissipated somewhat in January with civil unrest within Kazakhstan and took a hammering as the conflict between Russia and Ukraine impacted flights and routing throughout the year. Air Astana Group once more showed its fortitude and the resilience of its people as it pressed ahead with its long-term growth and development strategy and delivered an enviable suite of performance and financial results.

While the balance between international and domestic services across the Group has shifted (as detailed below), the overall commercial position of the business has moved from recovery mode with 2022 figures largely ahead of those of 2019. There was an upward trend across all relevant data sets and, in some cases, new records achieved. Total passenger numbers increased 11% year-on-year from 6.6 million to 7.4 million. Revenue for the year increased to USD 1.03 billion, up 36% from USD 761.8 million in 2021, but – perhaps more importantly – overtaking income for 2019 of USD 898.7 million, and the Group's highest-ever annual revenue. Other performance criteria followed this pattern with ASK up by 22% and Revenue per Available Seat-Kilometre (RASK) up by 11%.

## Air Astana

While COVID-19 presented the airline industry with huge challenges and wrought long-term changes on the shape of international travel, it also opened up opportunities for Air Astana with its agile and adaptable approach to fluctuating markets.

4.1m

**Passengers carried by Air Astana in 2022**



Following the lockdowns and closed borders imposed due to the pandemic, the population of Kazakhstan was keen to whet its appetite to travel once more. The airline was quick to respond, shifting its focus to leisure or so-called 'lifestyle' routes and those destinations where flexible COVID protocols enabled it to operate. A new era of tourism traffic from the home market has emerged with Air Astana developing stronger commercial ties with tour operators in Kazakhstan to support this burgeoning sector, whether through serial bookings on regular lifestyle routes or providing full charter flights.

During the year, the network continued to expand with the resumption of flights from Almaty to London, Almaty to Beijing and Atyrau to Istanbul, together with the launch of new services to the Greek island of Crete. Alongside its flights to Phuket in Thailand, from November, the airline began daily flights to Bangkok, which represents a significant step in re-building the Asian network. Frequencies to Dubai and Delhi were also significantly increased.

As we look forward to 2023, the short-term challenges continue to be mostly of an operational nature. Supply chains at OEMs and other service providers are only slowly unclogging, and resources at airports across the network remain well below pre-pandemic levels. Scarcity of resources, including skilled airline personnel, and high inflation are therefore our greatest challenges, and I anticipate another difficult year in terms of flight punctuality and aircraft dispatch reliability. Notwithstanding the above, the robust market recovery coupled with a sound business model will enable the group to continue to focus on its core mission of delivering a safe, high quality, profitable airline as we grow our network and brands.

**Peter Foster**
President and CEO of Air Astana Group

While international passengers continued to increase, up 42% from 1.16 million in 2021 to 1.65 million, this is still well below 2019 levels of 2.30 million. On the domestic front, passenger numbers were up 3%, reaching an all-time high of 2.46 million.

In October 2022, Air Astana resumed its Stopover Holiday programme for transit passengers. This was originally launched to boost tourism in Kazakhstan in 2013 with more than 59,000 transit passengers participating in the programme from 2013 to 2019. The Stopover Holiday programme offers passengers flying through Astana and Almaty one night's accommodation on a bed-and-breakfast basis and airport transfers for only USD 19, giving them an opportunity to explore these cities. In the past, passengers travelling from Seoul to Dubai, Istanbul and Tbilisi, from Delhi to Tashkent, Bishkek, Dushanbe, Baku and Tbilisi, and from Istanbul to Thailand, Maldives, Seoul and Delhi have taken advantage of this scheme.

The demand for corporate business travel is still below that of pre-pandemic levels and only likely to reach 80% of that by 2024, according to the industry forecast[1] as emerging technologies continue to drive remote working as the norm. Nonetheless, the transportation of essential and seasonal worker traffic across the country and region remains fundamental to the airline.

2023 has been designated as the year for the development of inbound tourism to Kazakhstan. Together with government agencies and the local tourism market, Air Astana is going to help promote the landscape, history and culture of Kazakhstan to drive up the number of tourists visiting the country.

Sixth-freedom traffic[2] accounted for 17% of overall travel in 2019 and is only just beginning to show any signs of returning at 3% in 2022 as COVID restrictions are lifted in most geographical sectors. China was by far the largest sixth-freedom transporter prior to the pandemic with Uzbekistan, Kyrgyzstan and India the other major users. While all the latter are once again beginning to take advantage of sixth-freedom opportunities, the situation in China has been more problematic and this is likely to continue into 2023 due to increased COVID cases prompting border controls by many other countries.

OTP is one of the factors that drive customer loyalty. During 2022 Air Astana achieved OTP of 74%. This is down from 82% in 2021 due to a number of factors outside the control of the airline, including post-pandemic employee shortages and worldwide strikes at airports, which we are working hard to mitigate.

The civil unrest in Kazakhstan in January partially affected flight departures and, throughout the year, the conflict in Ukraine and unstable political situations in Armenia and Azerbaijan forced operational changes in routes with the inevitable drop-off in punctuality. This was also exacerbated by several issues with airport infrastructure across the country and technical reliability issues experienced with new technology engines in our aircraft.

Other factors included a shortage of airport employees, worse weather conditions, bird strikes on aircraft and the knock-on disruption in the deployment of crews.

Since July, Air Astana has introduced contingency aircraft to its daily schedules in order to avoid or minimise delays. The planning approach has been revised including only allowing operational crews to take personal leave and attend training sessions during low-demand periods. Official advance notice from domestic airports about planned construction work also enables more accurate network planning.

We continue to meet with Civil Aviation Committee (CAC) and AAK to discuss the provision of services at Kazakhstan's airports and the need for improvements in airport infrastructure, the availability of ground service equipment and enhancing navigational aids.

1 www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/back-to-the-future-airline-sector-poised-for-change-post-covid-19.
2 Sixth freedom – freedom to carry traffic between two foreign countries via the carrier's home country.



GROWTH

## FlyArystan

Since its launch in 2019, FlyArystan has set out to differentiate itself from the competition. As the Group's LCC, it offers passengers operational efficiency, short turnaround times and cheap fares but, unlike its rivals, has focused on also providing a great service. This positioning has paid off with FlyArystan's passenger volumes growing steadily year-on-year: by 2021, this had reached just over 3 million, increasing to over 3.2 million passengers in 2022. It has also won industry recognition for the airline, this year achieving certification as a 4-Star Low-Cost Airline from the international air transport rating organisation Skytrax, rated as 'an excellent example of quality and value combining to offer customers a great package'.

The airline forecasts to carry substantially more passengers in 2023. Achieving this ambition also requires an expansion of the FlyArystan fleet: from two aircraft at launch, this had increased to 14 in 2022 with plans to supplement the fleet. A fleet composed solely of modern Airbus A320-family aircraft enables the airline to deliver greater reliability, lower maintenance costs, lower training costs, easier crew management and lower fuel costs than older aircraft.

Maintaining low costs for passengers and improving revenue for the business are both key to growth. FlyArystan has a high average load factor of 87%, enhancing revenue per flight, lowering average cost per flight and accelerating route maturity. It concentrates on a point-to-point network, offering direct, non-stop routes. This helps avoid the cost of providing services for connecting passengers, such as baggage transfer and transit assistance. Another vital element in keeping down costs is the outsourcing of non-core functions, including ground handling, maintenance and information technology, accounting, and customer services.

In 2022, FlyArystan embarked upon an aggressive innovation drive and, by September, had already delivered on its first strategy – self-service check-in. The self-service innovation, called iJan, enables FlyArystan to increase capacity at each airport. iJan revolutionises the existing airport experience and has enabled FlyArystan to develop a new ancillary revenue stream by applying a fee for iJan use while promoting free check-in via its app.

3.2m

**Passengers carried by FlyArystan in 2022**




FlyArystan currently operates 40 routes, 26 domestic and 14 international, with other routes added seasonally, e.g. Astana-Bishkek. In 2022, FlyArystan had 38% domestic market share and, combined with Air Astana, overall held 71% market share. Kazakhstan is the fastest growing market globally and this will inevitably draw more competition from other airlines. Future growth will be based on a combination of domestic and international flights in order to confirm its position as the dominant LCC of Central Asia. Maintaining a low cost base will be key to achieving this.

OTP is a crucial determinant for passengers on the reliability of an airline. Over the course of 2022, FlyArystan flew around 21,000 flights and achieved an OTP of 75%.

Kazakhstan is a country of enormous opportunities for FlyArystan; not just its sheer size but its population of some 19 million people, who on average fly 0.3 times a year. If you compare this with the Philippines, where the per capita income level is much lower but people take 0.6 flights each year, then we have even more potential. We're already seeing our passenger numbers doubling year-on-year, we now have 14 aircraft in our fleet with plans to expand further and we continue to drive down costs through innovative ideas and new technologies.

**Adrian Hamilton-Manns**
Managing Director of FlyArystan




## Cargo division

Cargo opportunities continue to be part of the business mix for Air Astana but with due consideration to its primary commitment to passenger flights. The main cargo revenue routes during 2022 were Seoul to Almaty, Antalya to Almaty and Frankfurt to Astana, all of which operate on B767-300 aircraft.

Cargo sales on domestic routes within Kazakhstan weakened slightly due to increased truck capacity between Almaty and Astana. The volume of Kazakhstani exports on international routes was negatively impacted by the suspension of flights to Russia and Ukraine; those to China were also affected by the lack of Almaty to Beijing cargo charters, due to continuing COVID restrictions.

In 2022, the Air Astana Group transported 13,994 tonnes of cargo and mail, compared with 20,091 tonnes in 2021, which is also reflected in the decrease in revenue from USD 33.6 million to USD 22.1 million.

## Strategic partnerships

Airline partnerships extend the reach of Air Astana through the flights and facilities that they enable it to offer its passengers. At a basic level, Air Astana has interline agreements with over 90 carriers, which allow passengers to book through itineraries on two (or more) airlines with less hassle than booking each separately.

Deeper relationships exist specifically with codeshare partners, where two carriers invest more in co-ordinating their operations. Air Astana's partnership strategy is to work with carriers that provide the greatest possible network distribution from the airport hub into which the airline flies. This is generally the home carrier: for example, Lufthansa in Frankfurt; KLM Royal Dutch Airways in Amsterdam; Turkish Airlines in Istanbul and Asiana in Seoul.

Branded alliance membership is the most common way of providing passenger benefits through mutual frequent-flyer programmes and lounge access. Air Astana had previously placed greater emphasis on choosing the most appropriate partner – in terms of value – at each of its airport hubs, partnering with individual SkyTeam, Star Alliance and OneWorld members.

### CODE-SHARE PARTNERS

Lufthansa
KLM
TURKISH AIRLINES
ASIANA AIRLINES
CATHAY PACIFIC
Bangkok Airways

### NEW SPA PARTNERS[1]

AEGEAN
vistara
AirSERBIA

1 Special Prorate Agreement (SPA) partners.

EFFICIENCY

# A flexible operating structure

Our long-term success is reliant upon our investment not only in new, fuel-efficient aircraft but in expanding our engineering and maintenance services, and developing and enhancing the skills of our employees.

## Fleet

In December 2022, Air Astana took delivery of its tenth Airbus A321LR from Hamburg. The Airbus A321LR is a long-range version of A321neo, configured in a two-class layout featuring 16 seats in business class and 150 seats in economy.

The Airbus A321LR is operated on Air Astana's international network to destinations including Antalya, Bangkok, Dubai, Frankfurt, Istanbul, London, Phuket and Sharm-El-Sheikh as well as on the new service to Heraklion on the Greek island of Crete.

The Group now operates a fleet of 43 aircraft, comprising 35 Airbus A320/A321 family aircraft, three Boeing 767 and five Embraer E190-E2. 29 aircraft are operated by Air Astana and 14 by FlyArystan, under a single air operator certificate held by the Group. The average age of the Group's fleet is five years, making it amongst the youngest in the world.

Having retired Boeing 757 and Embraer E190-E1 in 2020–2021, the Group will continue to pursue its fleet simplification strategy aiming to reduce to two aircraft family types. It plans to increase the size of the fleet to 64 aircraft by the end of 2027.

## Maintenance and repair

Engineering and Maintenance (E&M) is responsible for the upkeep of the Air Astana Group fleet, in line with the aircraft manufacturer's maintenance programme, which is approved by the aviation regulator. This ensures the highest level of aircraft safety, continued airworthiness and aircraft reliability. E&M is one of the airline's largest and most complex divisions with more than 850 employees working in six departments.

Air Astana's high standard of maintenance is performed according to EASA regulations. The airline is an approved EASA Part 145 maintenance organisation, regularly audited by EASA to ensure compliance. It holds approvals under EASA to perform aircraft maintenance at Almaty and Astana bases, with line stations at Atyrau, Shymkent and Aktau. It also has maintenance hangars at Almaty and Astana, with most support staff based in Almaty. In addition, Air Astana provides line maintenance services for external customers, including 27 airlines, generating approximately USD 3 million in ancillary revenue each year.

E&M continued with the expansion of the in-house C-check project for its Airbus A320 family of aircraft. This includes all C1-checks and, since certification in August 2022, the addition of C2-checks. In October 2022, Air Astana became the first Kazakh carrier to carry out a heavy maintenance C2-check, which involves in-depth inspections and tests on every part of an aircraft, including non-destructive testing of the aircraft's structure. This was carried out on an Airbus A320, belonging to FlyArystan. By the end of 2022 we completed 14 in-house C-checks, with considerable cost savings, while enhancing our engineering expertise at the same time.

From 2023 onwards, there is an opportunity to further enhance the heavy maintenance capability at Astana through the addition of workshops for composite repairs, structural repairs, emergency equipment repair and testing, in-flight entertainment component repair and tooling calibration. The increased capability will further support aircraft in operation, reduce reliance on vendors, save costs and attract third-party maintenance with associated customer revenue.

Aircraft systems are complex and the skill level required of engineers is high. There is a significant shortage of skilled engineers in Central Asia. To ensure continued high levels of airworthiness and safety, E&M has introduced a Maintenance Standards department, employing airworthiness engineers who simultaneously mentor and monitor standards. This team liaises closely with the EASA Part 147 Technical Training School to communicate training needs and ensure effective training.

The planned growth of the aircraft fleet over the coming years will place high demand on the E&M resources. Hangar space at Almaty is close to maximum capacity and expansion is essential from 2023 onwards. E&M is currently performing a capability review to determine future growth requirements, both short and long-term, to meet the maintenance needs of the expanding fleet. The review will consider all aspects of hangar expansion in Almaty and Astana, manpower and equipment resources, including training requirements.

In 2021, Air Astana launched a significant project to transfer the registration of its aircraft from the Department of Civil Aviation Aruba (DCA) to the Irish Aviation Authority (IAA) under EASA. This large and complicated project necessitated the commitment of huge engineering resources for more than a year and was successfully completed in October 2022. The change to European registration marks a significant milestone in Air Astana's history, ensuring even higher levels of safety and reliability in the future.

## Air Astana Training Academy

The Air Astana Training Academy is an aviation training centre accredited by the AAK and continues to build a revenue stream delivering regulatory courses to external clients.

In 2022, trainer skill development focused on computer-based training (CBT) and E-learning, concentrating on both new programmes and to improve current courses. To enhance the employee experience and encourage a culture of self-learning, the learning management system (LMS) has been remodelled to make it more user-friendly. A new personal development library with over 40 new courses/articles and videos was launched within LMS to support individual personal development plans and learning based on appraisal results, our HEART values and core competencies.

During the year, a total of nine new skill development courses for both webinar and classroom were designed and developed based on departmental and business requests. This includes the De-escalation Techniques Workshop, which will continue to run into 2023 and will reinforce the skills of ground and air crew for better managing disruptive passenger behaviour. Also key was the development of the On the Job Training (OTJ) training programme for Engineering and Ground Services to help support continual learning in the workplace and the integration of new recruits into its departments. Within CBT, three new corporate programmes have been produced that require mandatory completion by all employees.

The easing of COVID-19 restrictions and the introduction of our new lifestyle routes resulted in a rapid increase in passenger traffic and a high demand for operational personnel. As a consequence, the number of training courses in some operational areas more than doubled compared with previous years. Effective communication and planning with the relevant departments enabled the Training Academy to meet the required number of qualified and licensed personnel for business needs. This entailed initial training of 450 cabin crew and 268 ground staff as well as delivering recurring mandatory training for over 3,000 operational personnel during 2022.

Within E&M training, more than 60 certified and experienced maintenance staff were trained in 2021–2022. A newly developed mandatory continuation training module was completed and launched in August 2022 and over 600 E&M employees had completed this by the year end.

To meet future E&M manpower needs, it will be necessary to recruit and train more young talented people. Two trainee groups have already completed the EASA Part 66 License training course. A full apprenticeship course would be more effective and is currently in development for implementation in 2023. This will better prepare young mechanics for all elements of becoming a licensed aircraft engineer responsible for the safety of Air Astana's aircraft.

A full flight simulator to support pilot training, first of its kind in Kazakhstan, was installed at the Astana base. A building, which is currently under construction, will be capable of housing two full flight simulators. This will be commissioned in April 2023 with the simulator then ready for training. The simulator will be operated to EASA standards, supported by an EASA-approved flight simulator training organisation and overseen by an EASA Aviation Authority. The operation of the flight simulator and technical capabilities provided by Air Astana will be in line with EASA requirements. This will significantly boost the airline's training capabilities as part of its planned future growth.

The latest development in operational training is to establish an in-house safety training centre, which would enable Air Astana to train all air crew in practical emergency and survival procedures on a mock-up of the Airbus 320 Family aircraft. The proposal was approved in 2022 for this to be situated in the flight simulator building in Astana with training 'onboard' starting in July 2023. This has a number of advantages: avoiding overseas travel, reducing costs, improving the quality of training and more flexibility in responding to operational training requests.

The Air Astana brand is renowned for customer service and professionalism, and our training is second to none. We run all front line initial training for our service delivery employees, both on the ground and in the air. We also organise annual refresher skills programmes on our brand and customer satisfaction for customer service employees. Our customer service training is linked to our HEART values and aligned with our standards of excellence for both product delivery and service interaction with our customers at all stages of their journey.



EXCELLENCE

# Putting people at the centre

Excellence is the byword that underpins all of our interactions with passengers and we continue to seek ways of raising the bar even higher through further enhancing the customer experience and innovative use of digital technology.

## Plaudits for outstanding service

Achieving customer satisfaction is integral to the Air Astana business model and is evident in every aspect of the services that it provides. The airline's on-board service and offering is of the highest quality and, as such, continues to gain international acclaim. Rated a 4-star airline by Skytrax, Air Astana now ranks among the top 50 airlines in the world.

In the Skytrax World Airline Awards for 2022, it was named 'Best Airline in Central Asia and CIS' for the 10th time and, for the first time, recognised for 'Best Service in Central Asia and CIS'. APEX, together with the top-rated travel app Triplt, honoured Air Astana with an award in the category 'Best Entertainment System and Inflight Food & Beverage in Central Asia' and the airline was also the winner of the 2023 APEX Passenger Choice Award for Best Entertainment, Central/Southern Asia during 2022. Air Astana travel kits were worthy winners of Travel Plus, Onboard Hospitality and Pax International Readership awards.

Air Astana was the first airline from the CIS and Southeast Asia to successfully pass an APEX audit, with Diamond status being awarded for minimising and preventing the spread of the COVID-19 virus during flights. The airline also received a 5-Star COVID-19 Safety Rating from Skytrax.

## Recognising customer needs

It's now recognised that the customer experience is not defined purely by onboard services, but instead is realised throughout the whole of the customer journey. In this case, this starts when a passenger searches the internet for travel inspiration, continues when they go through the process of buying a ticket, then on to checking-in for the flight and ultimately to when they reach their final destination after the flight.

During the pandemic, Air Astana invested heavily in maintaining and developing direct channels with its customers. The 7/365 Call Centres in Almaty and Astana not only managed customer enquiries by telephone, but also developed an extensive omni-channel including live webchat, an automated WhatsApp chat-bot with live-consultant options, and implemented a market-leading customer relations management tool (CRM) to further enhance the customer experience. This passenger-profile driven technology has enabled the airline to consolidate customer interaction across many passenger touch points including Nomad Club, the Service Recovery Unit and even onboard via cabin attendants crew-pad.

Turning the focus to Customer Experience, we have developed new onboard and post-flight surveys to gather more detailed feedback that provides us with information on how best to enhance our services and products for our customers. In addition, in order to obtain more accurate and up-to-date data, we have launched an automatic programme that examines NPS and CSAT every six hours 24/7. The programme breaks down data by route, by passenger profile, by purpose of travel, by Nomad tier, and by all stages of the customer journey. This enables us to prioritise our efforts in product and service development and listen to the voice of the customer (VOC) in detail and improve customer satisfaction levels and loyalty to our brand. Internally, Group-wide webinars have been run to increase understanding about customer experience and the important role that everyone has in delivering service excellence, internally and externally.

# Top 50

**Air Astana ranked among top 50 airlines in the world[1]**

The Nomad Club is Air Astana's frequent-flyer programme, which rewards passengers for their loyalty to the airline; membership of the Nomad Club at the end of 2022 had reached around 500,000. The design and functionality of online facilities for members has been improved and now includes online redemption calculator and upgrades, flight segment purchase and a single sign-in to improve the user experience. Along with Nomad Club benefits based on accumulated points, instant rewarding for members has also been launched as well as discounts and privileges when presenting a Nomad Club card at selected partners. A review of the programme was recently undertaken and, as a result, a number of new initiatives are under development to further enhance the offering. This includes the introduction of a two-factor authentication to help prevent fraud.

## Facilitating booking and payment

Developing payment options, in a market increasingly dominated by fin-tech leaders, has become increasingly important. Customers also need to be confident of the security and protection of their financial data. Air Astana has ISO 27001 certification for its information security systems and has not had a single major security breach during the last 14 years. Visa Inc has defined the airline's security standards in e-commerce payments as award-winning.

1 The World's Top 100 Airlines rating by Skytrax.



As such, the airline has developed its own payment platform which offers a varied range of payment options through these remote touch points, be it by credit card, alternative payment methods, secured online payment links, or online banking. Alongside these options for remote engagement, we provide an omni-channel experience for customers who choose to make reservations via our Call Centre and then pay online via a link sent directly to them by our agent. Further optionality is to be implemented.

The corporate website provides the opportunity for customers to book and pay for tickets 24/7 from any location. Availability is a crucial part of the process and Air Astana's annual uptime for the website is above 99.98%, higher than the 99.80% guaranteed by one of the largest global travel platforms and within touching distance of the industry's 'highest availability' at 99.99%. Content remains vitally important to the overall proposition of the site and the customer's engagement, so as well as housing news about new destinations and promotional offers, attractive destination guides have been created to improve search engine results. This has all helped the airline achieve a 2.4% conversion rate on online bookings; this compares very favourably with the top 20% of travel businesses where the rate is 1.9% on average.

The development of a new internet booking engine (IBE) has provided significant improvements to the customer experience and user interaction. www.airastana.com remains a leading international e-commerce source in Kazakhstan, offering customers a variety of convenient payment options in addition to credit cards, such as using ApplePay or taking out an instant loan through Kazakhstan's largest banks. Flexible self-service, check-in options also drive customers online rather than through the portals operated by global agents, which attract high global distribution system costs due to their overseas locations.

Affiliate programs with portals such as SkyScanner and Google Flights search engine advertising, as well as Air Astana's own customised communication channels, all contribute to the growth of direct digital sales.

## Putting innovation to work

Technology and its innovations are the driving force behind a range of new initiatives that have been introduced for passengers during 2022. These are both in response to customer experience feedback and to streamline and make the whole process of travelling more efficient and user-friendly.

Each month, around 10,000 passengers already use self-service kiosks for check-in. The latest versions will now integrate payment facilities as well as additional screens presenting an overview of all Air Astana products. These will be trialled at Astana and Almaty airports.

During 2022, Air Astana took part in the EGOV ID project in co-operation with Kazakhstan aviation authorities and airports. Allowing passengers to use e-ID for domestic air travel, this is now fully operational at all airports within Kazakhstan.

The use of tablets at Almaty and Astana airports already provides visual information to passengers on check-in. During 2023, new electronic devices will be rolled out across the network, which will also enable passengers to preview products that they can buy on check-in as well as the ability to choose their seat on the aircraft more conveniently via a seat map.

A major systems integration project between Air Astana and Astana airport is progressing well. During 2022, the first stage introducing an automatic boarding process was implemented. By the end of 2023, a new function for ordering airport technical services and vehicle tracking will be in place. A new system for checking revenue accounting documentation is currently under development.

Other database and systems developments aimed at improving handling and communications are underway. Ground services will benefit from the ability to forecast flight handling, analyse the current situation and check real-time gaps in the business. Automation of related services calls will improve communications with airport dispatchers and speed up flight servicing, such as refuelling, towing cars, cleaning, etc.

Since October 2022, Air Astana has utilised the results of a passenger weight project, which it undertook in order to provide more accurate data for flight safety and more effective use of commercial payload. Carried out in accordance with IATA rules and confidentiality clauses, some 3,000 passengers were weighed for this project.

A baggage reconciliation system (BRS) is now in place to avoid incidents of mishandled luggage. This has three check points: luggage is scanned prior to departure, during aircraft loading and during unloading upon arrival the flight destination. This also records information regarding the amount of luggage on each flight. In addition, the Lost and Found team now have access to the latest version of the World Tracer system on tablets to enable them to deal directly with any issues in the baggage area.



# Dedicated people

We have created a positive environment for our employees with a focus on training, development and equal opportunities to help us attract and retain the best talent.

FOCUS ON PEOPLE

Kymbat Artykbay is one of 13 female pilots at Air Astana, a First Officer who has been flying Embraers for the past four years. A graduate of the Ab-initio Cadet Programme, becoming a pilot had seemed beyond her wildest dreams. "There were very few female role models in the aviation industry and certainly not many pilots, air traffic controllers or mechanics."

She kept her options open and studied at the Academy of Civil Aviation before landing a job as an air traffic controller. She enjoyed it and learned a great deal but felt she was capable of achieving more. "At the Academy, I'd crossed paths with students studying to become pilots, who had later applied for the Ab-initio Programme. It seemed like a great opportunity to study abroad and find a job with an airline."

Her qualifications and experience made her a prime candidate for the programme, which is also keen to recruit more women as future pilots. Kymbat loved everything about her experience studying in Spain. "It was both interesting and challenging but I got



to meet and make friends with other cadets of different ages and nationalities. The teachers and flight instructors were excellent – and I got to make my first solo flight."

Returning home, training continued, including two sessions on the Embraer aircraft, before Kymbat finally made her first passenger flight and her career really took off. The current ratio of female to male pilots working for Air Astana is 13:485, and rising with the support of the Company as part of its gender diversity policy.

**Kymbat Artykbay**
Embraer First Officer

# 262 pilots

**Ab-initio Cadet Programme graduates since 2008**

# 6.7 years

**Average length of service**

## Culture of recognition

Our corporate HEART values underpin the ethos of our interaction with all our employees. Their expertise, skills and motivation drive the long-term success of the business. We believe strongly that neither age, nationality, gender nor diversity should be barriers to career progression within the Air Astana Group. By creating a workplace environment where recognition, development and equality are all acknowledged and respected, we ensure that we both attract and retain talented people.

**Read more on page 60**

## Investing in future pilots

Since we established our Ab-initio Cadet Programme in 2008, 262 pilots have graduated and now make up 50% of our flight crews; 60 of whom have been upgraded to Commander position. Approximately 20 pilots join the Ab-initio programme each year. The intake will increase in 2023 to help increase the quantity of qualified pilots in line with the need to expand the fleet to meet our ambitions for growth.

**Read more on page 60**

# Realising a sustainable future

Our core values, HEART, are central to our interactions with our stakeholders – and how we meet their needs and expectations.

## Our approach to sustainability

Our approach to sustainability encompasses HEART values and our mandate to operate our business in a responsible and transparent manner. The Air Astana Group increasingly recognises the importance of sustainable practices in its operations. In order to address our impact on the environment and in the communities where we operate, we are taking a multifaceted approach to sustainability, which includes reducing emissions, waste management, resources conservation (such as energy) and supporting local communities. A fully integrated ESG Strategy was approved in February 2023. The Company's ESG Strategy for 2023–2032 built on best practice and international standards and developed based on the identified gaps in the Company's current ESG system, considers the Company's already planned or ongoing steps in the field of sustainability and is guided by the UN SDGs.

**Read more about our ESG Strategy on page 45**

We fully support the global determination to achieve decarbonisation and have developed a Low-Carbon Development Programme for 2023–2032, incorporating its goals into our ESG Strategy. This is also consistent with Kazakhstan's aim to achieve carbon neutrality by 2060.

The programme will become integral to the Group's climate governance and adopted across the Company's systems and processes, where applicable, for reducing its carbon footprint. Among initiatives to reduce carbon emissions, we have invested in a modern, fuel-efficient fleet with lower carbon emissions and with sharklets on wing tips to reduce drag and minimise fuel consumption, and introduced fuel-efficient flying training for pilots.

To enable us to disclose the most relevant data about our ESG performance, we use the Global Reporting Initiative (GRI) as our primary reference point. In this Integrated Report, we have also included some disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), set up by the Financial Stability Board (FSB). Companies disclosing consistent and reliable data, using TCFD reporting guidelines, demonstrate both Board oversight of and management's role in assessing and managing climate-related risks and opportunities, and in doing so provide assurance for their stakeholders. It also enables the business to better evaluate its progress against metrics and informs its decision-making in achieving targets.

**Read more about our Task Force on Climate-related Financial Disclosures on page 51**

## Sustainability governance structure

The Board of Directors has overall responsibility for the sustainable development of the Group and is supported by the newly established ESG Committee in promoting the long-term sustainable success of the Company with regard to ESG matters. Where there are crossovers on ESG matters, the ESG Committee liaises with other Board Committees; for example, with the Audit Committee on reporting ESG-related risks and with the Nomination and Remuneration Committee. Day-to-day accountability for ESG is the remit of the President and CEO.

New terms of reference and details of the activities of the ESG Committee, which now oversees ESG risks and issues, are set out on page 96 of this Integrated Report. During the year, the Board undertook an ESG training session. ESG training for Executive Management was held in March 2023; similar training for all employees is planned for 2023.

The Group's development strategy and decision-making are based on sustainable development principles pertaining to openness, accountability, transparency, ethical behaviour, interests of stakeholders, justice, human rights and zero tolerance of corruption. These form the foundation of our approach to risk management, planning, human resources management, investment activities, reporting and operational activities.

Sustainability governance structure



The Senior Management Team drives the implementation of these principles as well as ensures that plans are in place for stakeholder engagement and progressing initiatives. The development and implementation of sustainability objectives is overseen by the Compliance and Sustainability Department, while the roll-out of sustainable action plans within business areas is delegated to divisional heads along with internal and external evaluations.

## Ethics and compliance

We operate our business with honesty and integrity, actively promoting a culture of ethical behaviour and compliance through our HEART values. This approach has helped us to foster longstanding and trusted relationships with our business partners.

Our Ethics and Compliance Framework comprises a number of policies that support this ethos. The Compliance and Sustainability Department supplies quarterly reports on these for review by the Company's Board of Directors and the Audit Committee:

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

An online Code of Conduct training course was developed in late 2021 and made available to employees during 2022. The Compliance team plans to repeat the online course and test during the first half of 2023. In addition, the Compliance team has also implemented an in-person induction/onboarding training session for all new employees to explain the core principles and values of the Company.

### Sanctions compliance

The conflict in Ukraine and ensuing sanctions imposed on Russia and its counterparties had an immediate impact on Air Astana's business.

In response, the Group contracted an outsourced sanctions team to provide expert advice and training on sanctions and screening. In parallel, several in-house initiatives were put in place to prevent and mitigate sanction-related risks. These included the development of a Sanctions Policy, daily monitoring of sanctions updates and manual sanctions screening of counterparties.

In addition to sanction prevention procedures, the Compliance team has also been actively involved in the review, assessment and prevention of other compliance risks as anti-corruption practices, third-party due diligence practices, etc.

### Reinforcing a compliance culture

We set up a whistleblowing facility (Hotline) in November 2019 – open to employees or third parties such as customers, business partners and other stakeholders – in order to prevent cases of fraud, corruption, discrimination, unethical behaviour and other breaches relating to our activities. For the purpose of confidentiality and anonymity, an independent external operator processes all the messages received across various reporting channels. Through consolidated daily reports, which are sent to the Compliance and Sustainability Department for further investigation, any legislative and/or Code of Conduct violations can be quickly identified.

A variety of communication channels is used to maintain and strengthen the compliance culture within the Group and the minds of employees. These include articles available through the Group's mobile app and in On Air (our internal magazine).

A corruption risks map was updated and is available only in electronic version as the Company ceased publishing the paper version in 2022, following an internal analysis of corruption risks. This had focused, in particular, on those business processes most vulnerable to such risks – procurement, recruitment, appraisal, promotion and dismissal of employees, and finance – the causes and conditions that contribute to corruption offences. Risk factors were identified and evaluated for probability, potential damage in the event of a risk realisation, existing internal controls (risk management measures) and the effectiveness of control measures.

All employees are required to declare any conflicts of interest at the recruitment stage, when changing their job position or voluntarily due to personal circumstances. The process was automated in December 2022 and will be launched in January 2023.

We also have access to an online service that enables us to check the reliability of (potential) counterparties in order to minimise possible compliance risks.

### Customer privacy

Respecting the confidentiality of each customer we take the responsibility for the protection of received personal data very seriously. We only collect personal information about our customers that is necessary to enable us to deliver and enhance the quality of our service. We are stringent in following the principles of personal data processing: lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; integrity and confidentiality; accountability.

Our Privacy Policy is based on the requirements of the Law of the Republic of Kazakhstan on personal data and its protection (#94-V as of 21 May 2013; changed and amended as of 18 November 2022) as well as on other applicable local and international data privacy legislation. General terms and conditions related to the protection of customer privacy are disclosed on our website.

During 2022, there were no breaches of customer privacy.

## Sustainability risks

Our Risk Management Policy is based on the best international practices in risk management and is in accord with the 'COSO Enterprise Risk Management framework – Integrating with Strategy and Performance'. It is implemented across the Group through our Corporate Risk Management System (CRMS). A fundamental element of all our business processes – governance, performance management and internal controls – the CRMS is also key to minimising risks to our sustainability, resilience and agility. This is vital in helping the Group adapt to fluctuating business situations by mitigating negative outcomes.

During 2022, particular attention was paid to ESG and climate-related risks during the Company's standard risk identification and assessment process. Full details of the Group's risk management approach, with reference to our ESG Strategy, can be found in the Risk management section on pages 70 to 78.

# Maintaining our focus

## Materiality

Our ESG reporting covers those material topics that both influence our stakeholders' decision-making processes and have significant ESG impacts for our business.

The materiality assessment was carried out based on an analysis of external and internal resources to help us filter and define the most relevant topics. This process identified 58 potential topics within the materiality matrix and included, alongside the ESG topics, others specific to governance and aviation. The topics were divided into 4 quadrants depending on the level of importance and influence on stakeholders' decision-making.

These topics were then ranked further using different research resources. An online survey of internal stakeholders and interviews with senior management were carried out to gain an internal perspective. An external point of view was ascertained through an online survey of external stakeholders, reviewing the reports of peer companies and media publications as well as an analysis of global trends (so-called 'megatrends').

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

## Our material topics

### GOVERNANCE

| | |
|---|---|
| Strategy | p. 24 |
| Ethics and compliance | p. 43 |
| Corporate Governance | p. 80 |
| Stakeholder engagement | p. 14 |

### ECONOMIC TOPICS

| | |
|---|---|
| Economic performance | p. 69 |
| Innovation and digitalisation | p. 38 |
| Procurement practices | p. 63 |

### HEALTH AND SAFETY

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| Occupational health and safety | p. 54 |
| Aviation safety management systems | p. 55 |

### EMPLOYEES

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|---|---|
| Employment | p. 59 |
| Training and development | p. 60 |

### ENVIRONMENT

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|---|---|
| Energy | p. 49 |
| Emissions | p. 49 |
| Waste management | p. 50 |

**Environmental compliance**

No significant fines and penalties were identified for non-compliance with environmental laws and regulations during 2022.

### AVIATION-SPECIFIC TOPICS

| | |
|---|---|
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| Passenger turnover | p. 29 |
| Customer privacy | p. 43 |
| On-time flight performance | p. 29 |
| Fleet technological improvements | p. 36 |



## Air Astana ESG Strategy

We understand that sustainability is a key factor in the future success of our Company, and therefore we have developed the ESG Strategy for 2023–2032 with a plan to actively integrate principles and activities aimed at reducing resource consumption and any negative impact on the environment, as well as continuing to expand sustainable initiatives in our social and corporate responsibility. The ESG Strategy has been developed based on the identified gaps in the Company's current ESG system, and also considers the Company's already planned or ongoing steps in the field of sustainability. The ESG Strategy identifies short-, medium- and long-term initiatives that will help:

- Ensure long-term financial well-being
- Provide measurable and understandable data to investors
- Providing a systematic approach to the management of ESG aspects
- Comply with international requirements in the field of sustainable development
- Monitor the Company's ESG agenda

Over the next ten years, we will reduce our environmental impact, innovate, and promote the principles of sustainable development.

By integrating ESG principles into our business and operations, we can make a significant contribution to the achievement of the United Nations Sustainable Development Goals, which are within our field of influence.

As we strive to become the leading environmentally sustainable air carrier in the CIS and Central Asia, the ESG Strategy will be a key tool of the Company guiding us to achieve the Sustainable Development Goals until 2032, as well as to provide the basis for an integrated approach to the transition to carbon neutrality in 2060.

The Company has identified six main goals to ensure the maximum contribution of the Company to the achievement of the UN Sustainable Development Goals:

| | |
|---|---|
| SDG 4 | Quality education |
| SDG 5 | Gender equality |
| SDG 8 | Decent work and economic growth |
| SDG 10 | Reduced inequalities |
| SDG 13 | Climate action |
| SDG 17 | Partnerships for the goals |




## Priority areas and main initiatives of the ESG Strategy

### ENVIRONMENT

| Area and related SDG | Initiatives |
|---|---|
| **Environmental impact management**<br>13 17 | **Medium-term initiatives:**<br>• Develop an Environmental Policy<br>• Develop a cabin waste management programme |
| **Reduction of greenhouse gas emissions**<br>13 17 | **Short-term initiatives:**<br>• Reduction of $CO_2$ emissions in accordance with the LCDP<br>• Conduct research independently or in cooperation with local/international organizations on the possibility of production and use of sustainable aviation fuel (SAF) in Kazakhstan<br>**Medium-term initiatives:**<br>• Feasibility analysis on the integration the passenger's GHG emission calculator with the possibility of offsetting emissions into the Company's website<br>• Feasibility analysis on the launch of a programme under carbon offsetting mechanism<br>**Long-term initiatives:**<br>• Calculate Scope 3 indirect GHG emissions<br>• Achieve the GHG emission reduction target by 2032 in line with the LCDP |

## SOCIAL

| Area and related SDG | Initiatives |
|---|---|
| **Corporate social responsibility**<br>10 | **Short-term initiatives:**<br>• Allocate funds for social sponsorship<br>**Long-term initiatives:**<br>• Increase the annual volume of financial resources allocated for charity<br>• Ensure an increase in the number of cities covered under the Program for the socio-economic development of regions and the local community |
| **Human rights**<br>5 8 10 | **Short-term initiatives:**<br>• Develop a human rights Policy in line with the International Bill of Human Rights<br>• Make a statement on Modern Slavery<br>• Develop a Policy to counter gender inequality and harassment in the Company, as well as an employee grievance mechanism to address labor issues and gender-based violence<br>• Develop a sexual harassment Policy<br>• Develop a Policy to support freedom of association and workforce diversification<br>• Develop a Diversity, equity and inclusion (DEI) Policy |
| **H&S practices**<br>8 | **Short-term initiatives:**<br>• Develop a Policy for the safe operation of ground transport<br>**Long-term initiatives:**<br>• Ensure a reduction in the total accident rate per 1000 employees on an annual basis – TAR (4.0 by 2023, 3.9 by 2024, 3.8 by 2025, 3.7 by 2026, 3.6 by 2027)<br>• Increase the number of behavioural observations (BO) (150 by 2023, 200 by 2024, 250 by 2025, 300 by 2026, 250 by 2027) |
| **Human resource management**<br>4 5 8 10 | **Medium-term initiatives:**<br>• Conduct training for the Company's employees as part of the 'ESG' course<br>• Conduct training for the Company's Board of Directors and top management on the 'ESG'<br>• Ensure the availability of a certified GRI specialist<br>• Ensure the availability of certified professional responsible for disclosing information on climate risk management<br>**Long-term initiatives:**<br>• Support the annual increase in the number of hired employees with disabilities<br>• Reduce staff turnover to 10% from 12% |
| **Product safety and quality**<br>8 | **Long-term initiatives:**<br>• 83%–85% On-time performance (OTP) |

## GOVERNANCE

| Area and related SDG | Initiatives |
|---|---|
| **Climate change risks**<br>17 | **Short-term initiatives:**<br>• Conduct an initial disclosure of information on climate risk management in accordance with the TCFD in the 2022 annual report<br>**Medium-term initiatives:**<br>• Information disclosure on climate risk management improved in accordance with the TCFD recommendations<br>• Integrate climate risks into the corporate risk register, business strategy and financial plan of the Company |
| **International ESG maturity assessment**<br>17 | **Medium-term initiatives:**<br>• Receive an ESG rating<br>• Disclose information according to the Climate Disclosure Project (CDP) climate questionnaire |

Relevant SDGs




## GOVERNANCE CONTINUED

| Area and related SDG | Initiatives |
|---|---|
| **Maturity of ESG reporting practices**<br>17 | **Short-term initiatives:**<br>• Devise standard preparation procedure (SPO) for the development of the sustainability section of the annual report as well the ESG data collection system<br>• Develop the sustainability part of the annual report in accordance with the updated GRI standard (2021)<br>• Update the materiality assessment<br>• Integrate priority SDGs into reporting practices<br>• Verify the sustainability section of the 2022 annual report by an independent party (on an annual basis)<br>**Medium-term initiatives:**<br>• Ensure compliance of information disclosure with the recommendations of Kazakhstan Stock Exchanges (KASE/AIX)<br>• Ensure that corporate governance disclosures comply with MSCI and Sustainalitics recommendations<br>**Long-term initiatives:**<br>• Disclose information in accordance with the SASB industry standard in the field of aviation |
| **Supply chain**<br>10 13 17 | **Long-term initiatives:**<br>• Develop and approve the Supplier Code in the field of ESG |
| **Ensuring data privacy**<br>8 | **Medium-term initiatives:**<br>• Obtain certification in the field of management and protection of personal data – ISO 27701<br>**Long-term initiatives:**<br>• Initiate and ensure the implementation of initiatives aimed at improving the privacy of personal data |
| **Corporate governance**<br>8 | **Short-term initiatives:**<br>• Develop a Policy/statement of political neutrality<br>**Medium-term initiatives:**<br>• Align the composition of Board of Directors with the best international practices (for example: MSCI) in the field of ESG |
| **Strategic management**<br>8 | **Short-term initiatives:**<br>• Develop regulatory documents for tracking the progress of the ESG Strategy<br>• Initiate the revision of the ESG Strategy Implementation plan quite regularly, depending on changes in the external and internal environment<br>**Medium-term initiatives:**<br>• Integrate the essential SDGs into strategic planning<br>**Long-term initiatives:**<br>• Approve the ESG Strategy for the period 2033 – 2060 |
| **Stakeholder engagement**<br>17 | **Short-term initiatives:**<br>• Develop an ESG section on the website<br>• Consider joining local associations/international ESG communities<br>• Consider the possibilities of developing cooperation with partners<br>• Develop a stakeholders engagement plan<br>**Medium-term initiatives:**<br>• Develop an initiative for interaction between top management and employees of the Company<br>**Long-term initiatives:**<br>• Ensure an increase in the number of joint projects with partners and stakeholders in the field of sustainable development |

# Environment



## Highlights

- Development of the Low-Carbon Development Programme for 2023–2032
- Compliance with the requirements of the Ecological Code of the Republic of Kazakhstan
- Passed an Energy Audit

## Material issues

Energy | Emissions | Effluents and waste | Environmental compliance

## Guidelines we follow

**Republic of Kazakhstan legislation:** Ecological Code 2021; Directive 2003/87/EC, Law of the No. 588 'On electric power' (9 July 2004); Order of the Minister of Energy No. 230 'On approval of the rules for the installation of electrical installations' (20 March 2015); Order of the Minister for Investments and Development No. 406 'On establishing requirements for the energy efficiency of buildings, structures and their elements' (31 March 2015).

**Other**: Health, Safety and Environmental Protection Policy; TCFD; ICAO Annex 16, Volume IV CORSIA.

## Approach

Providing for the safety and health of our employees, customers and contractors is a given for Air Astana but, alongside this and central to our environmental management approach, we are also committed to reducing our environmental impact and developing initiatives to avoid or reduce man-made climate change. We have invested significantly in developing our environmental protection management system in line with local and international standards as well as best practice. Our environmental protection plans enable us both to make efficient use of resources within the business and to control and monitor the impact of our activities.

During 2022, the Group developed a Low-Carbon Development Programme for 2023–2032, which sets targets for reducing its GHG emissions and actions plans for achieving these. Implementation has begun with plans to introduce further stages in 2023.

Air Astana Group complies with the requirement of environmental laws and regulations. In July 2021 a new Ecological Code came into force new requirements of which were incorporated into our environmental protection management system. No significant fines or penalties were issued for non-compliance with environmental laws and regulations during 2022.

We encourage the efficient use of resources across our operations – both in our offices and in flight. We have fuel-efficiency practices in place in order to optimise jet fuel usage and minimise GHG emissions. We now have efficient waste management procedures and have developed an electronic document management system to reduce paper consumption.

We have already introduced reusable dishes and cutlery, paper cups and packaging onboard our flights and are continuing to source more eco-friendly or bio-degradable products.
To reinforce this approach and raise their level of environmental awareness, we involve employees in a range of green initiatives.

We have published several articles in On Air, our internal magazine, about the Group's operations and $CO_2$ emissions in order to draw attention to the importance of this topic and the consequences of inaction. In addition, to immerse new employees in the Group's culture of environmental responsibility, we have also incorporated a session devoted to different aspects of ESG into induction training.

## Energy

The main sources of indirect GHG emissions by Air Astana are from the consumption of purchased electricity and heat. These emissions do not constitute a significant proportion of the Group's total emissions.

The Group monitors and strives to optimise its electricity and heat consumption. In 2022, our operations began to recover to pre-pandemic levels, which in turn increased the total consumption of electricity although heating consumption reduced slightly due to a relatively mild winter. In addition, the implementation of new business projects and planned output capacity at the maintenance hangar in Astana led to an overall increase in electricity consumption of 64% to 11,282 GJ (2021: 6,685 GJ).

In 2022, the Group successfully passed an energy audit, which was conducted under the framework of Kazakhstan's Energy Efficiency Law. The Group's energy management system was recognised as 'developed', with some minor areas for improvement outlined and implementation for these agreed. The next energy audit will be conducted in 2027.

The Group does not use renewable energy sources.

## Emissions

The Greenhouse Gas Protocol is an established comprehensive global standardised framework to measure and manage GHG emissions. Within this, GHG emissions are classified as either direct (Scope 1) or indirect (Scopes 2 and 3). Direct emissions are GHG emissions from sources owned and/or operated by the reporting company. Indirect emissions are emissions that result from the activities of the reporting company but are emitted to the atmosphere from sources owned and/or controlled by another company. Currently, Air Astana Group accounts for Scope 1 GHG emissions and plans to disclose Scope 2 GHG emissions in 2024. Longer-term plans are for Scope 3 emissions to be included from 2027.

Direct emissions constitute the majority of the Group's total GHG emissions. The main source of direct GHG emissions (Scope 1) is $CO_2$ emissions from the combustion of jet fuel. The Group 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.

We have also developed and begun implementing a Low-Carbon Development Programme for 2023–2032, which sets goals for decreasing $CO_2$ emissions from our operations. Adhering to the highest standards of transparency, and in accordance with evolving industry standards, criteria and stakeholder expectations, the Company is currently in the process of establishing a base year for greenhouse gas (GHG) emissions reporting purposes, in order to ensure that our calculations of emissions are based on the most current and accurate data. Air Astana Group implements a number of measures for minimising $CO_2$ emissions from the combustion of jet fuel, which include investing in modern and fuel-efficient fleet of aircraft that emit less $CO_2$, technological improvements and optimising operations by training pilots in fuel-efficient flying.

Air Astana Group is currently compliant with the following $CO_2$ monitoring schemes:

- EU ETS – European Union Emission Trading Scheme (includes all flights performed within the European Union)
- CORSIA – Carbon Offsetting and Reduction Scheme for International Aviation (includes all international flights)

$CO_2$ emissions under these schemes are verified by an independent environmental accredited verification, certification and auditing body.

An increase in both domestic and international flights in 2022 inevitably also increased our $CO_2$ emissions – by 22%. However, the $CO_2$ emissions intensity has changed very little due to the overall increase in ASKs.

The process of collecting and consolidating data begins with the detailed reflection of information on the volume of jet fuel uplifted for each flight in the relevant flight documentation. Subsequently, these data are entered into a special system, based on the principle of segregation of duties, and converted into tons of $CO_2$ using established coefficients. Air Astana Group uses fuel conversion factors (jet kerosene) to tonnes of $CO_2$ in accordance with the Emissions Monitoring and Reporting Instruction of Air Astana, which is based on the European Union Emission Trading Scheme (EU ETS) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). According to EU ETS the conversion factor is 3.15, according to CORSIA – 3.16.
In order to calculate greenhouse gas emissions, Air Astana uses an approach that assumes operational control over business processes, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard developed by The World Business Council for Sustainable Development, "WBCSD" and the World Resources Institute, "WRI".
The Company has no biogenic emissions.

### Energy consumption

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Electricity (GJ) | **11 282** | 6 865 | 6 463 |
| Heating (Gcal) | **1 558** [1] **(257**[2]**)** | 273 | 335 |

### GHG emissions

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| $CO_2$ emissions intensity (tonnes $CO_2$ per ASK) | **0,06427** | 0,06403 | 0,06885 |
| $CO_2$emissions (tonnes of $CO_2$) | **1 015 507**[3] | 836 429,0 | 544 235,6 |
| Company-specific metric (seat kilometres) | **15 921 347** | 13 063 678 | 7 904 320 |

1 This represents the heating consumption for all owned and rented premises, as determined through this year's Energy Audit. We have previously only reported on owned premises and cannot determine overall consumption for previous years. The bracket figure is that for owned premises only. The rented premises include Center 3, Fly Arystan building and Damu warehouse building.

2 Data on heating consumption only for owned premises (Center 1).

3 544 621 tons of CO2 were verified by VERIFAVIA (Singapore) Pte Ltd. VERIFAVIA (Singapore) Pte Ltd. verified only international flights.

## Waste management

Waste and effluents management is an environmental issue for all businesses and one that we are tackling through our efficient waste management programmes. These are centred around reduction, recycling and disposal, using third parties as necessary. Raising awareness and involving employees and customers in waste reduction and recycling initiatives has been a crucial element in achieving progress. We are particularly pleased that employees now raise issues about waste management, both onboard our aircraft and in our offices.

### Inflight waste

In 2022, we continued with our plans to transfer our inflight products to biodegradable materials: switching our products from plastic to wood; replacing onboard plastic cups with recyclable and bio-degradable ones. We are gradually replacing items in our amenity kits with more eco-friendly products. The majority of the items in both economy and business class kits have now changed from bio plastic to bamboo; most of those made from polyester are now 100% bamboo. The plastic bags used to package blankets have been replaced with paper belly bands.

Inflight entertainment content was previously published in our KCTV magazine. This has now been discontinued and integrated into our on-board Tengri magazine instead. Tengri and the on-board safety card are now placed into seat pockets without plastic folders.

### Other waste

In 2022, we continued collecting PET bottles, used batteries and wastepaper for recycling from Company offices in Almaty and Astana. Along with the introduction of our electronic document management and signing systems, we were able to limit the printed copies of our inflight and corporate magazines. Used tyres, filters, wastewater (from washing wheels and brakes), paint containers, oiled rags and used petroleum products were sent to special organisations for recycling.

### Recycling wastepaper and PET bottles

| Amount of recycled waste (kg) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Wastepaper | **30 476** | 45 492 | 28 675 |
| PET bottles | **256** | 456 | 282 |

### Income from recycling wastepaper and PET bottles

| Waste type/base (Tenge) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Wastepaper | **509 975** | 784 895 | 453 680 |
| PET bottles | **14 100** | 20 877 | 16 200 |

### Waste disposal

| Tonnes | Disposal method (by a third party) | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Hazardous waste | Disposal | **8,149** | 5,39 | 5,05 |
| Non-hazardous waste | Recycling | **30,74** | 45,94 | 35,65 |
| Solid household waste | Waste dumping | **2 789,4** | 2 563 | 2 221 |
| Scrap metal waste | Reprocessing | **3,187** | – | – |

Plastic collected in our offices was also sent for recycling – an initiative proposed by the Company's flight attendants in 2019.

Each year, we run an environmental drawing competition for the children of our employees. In 2022, the best drawings were used to create a desk calendar printed on recycled paper and funded from some of the income from recycling wastepaper.

We are also developing initiatives to enable better sorting and recycling of inflight waste, replacement of catering items with eco-friendly ones, as well raising awareness so that employees and passengers only take what is needed.

### Upcycling for the future project

Air Astana launched a pilot project – Upcycling for the Future – to inspire the creative recycling of used aircraft parts. During the project, decommissioned aircraft parts of Boeing 767 and Airbus A320 were transformed into art objects.

## Task Force on Climate-related Financial Disclosures (TCFD)

### Governance

Disclose the organisation's governance around climate-related risks and opportunities.

| TCFD recommendation | Progress to date |
|---|---|
| (a) Describe the Board's oversight of climate-related risks and opportunities | The Air Astana Group recognises the importance of governance around climate-related risks and opportunities and started taking steps in this direction in 2022 with further plans for advancing its practices.<br><br>The Board's oversight of climate-related risks and opportunities is vital to ensuring the long-term sustainability of the Group. By setting clear strategies and targets, reviewing and approving climate-related policies and initiatives, monitoring and reporting on climate-related risks and opportunities, ensuring effective risk management, and engaging with stakeholders, the Board of Directors can help to position the Group for sustainability in a rapidly changing environment.<br><br>The Air Astana Group Board of Directors has the primary responsibility for risk oversight, including climate-related risks. The Audit Committee provides oversight support to the Board on the efficiency of the risk management system. The Risk Committee, an advisory-consultative body to the Group's President and CEO, provides preliminary reviews on risk management issues, including climate-related risks. The frequency of informing the Audit Committee and the Board of Directors on risks management is discussed in the Risk Management section of this Integrated Report on page 70.<br><br>The Board of Directors also has overall responsibility for the sustainable development of the Group and delegates the stewardship of this to the ESG Committee. The ESG Committee co-ordinates with other Board Committees on specific crossovers on ESG matters, including with the Audit Committee on climate-related risks and opportunities. |
| (b) Describe management's role in assessing and managing climate-related risks and opportunities | Management's role in assessing and managing climate-related risks is critical to the Group's operations. By taking proactive steps to address climate-related risks and opportunities, the Group can build resilience and ensure its continued growth in an increasingly uncertain world.<br><br>Day-to-day responsibility for the management of sustainable development and climate governance of the Group is the remit of the President and CEO. The Risk Committee, an advisory-consultative body to the Group's President and CEO, plays a crucial role in identifying, assessing and managing the climate-related risks of the Group. Key responsibilities include: conducting climate-related risks identification and assessment, monitoring and reporting. The climate-related risks management actions are developed in co-operation with the Senior Management Team. |

**Plans:**

1. To integrate a more advanced consideration of climate-related risks and opportunities into our corporate governance, strategy and operations
2. To involve more employees at different levels across the Group in order to increase the awareness of climate-related risks and opportunities and promote the need for careful management

## Task Force on Climate-related Financial Disclosures (TCFD) continued

### Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning where such information is material.

| TCFD recommendation | Progress to date |
|---|---|
| (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term | In 2022, the Group identified physical risks, which are described in the Risk Management section of this Integrated Report on page 78. |
| (b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning | The impact of identified physical risks on the Group's business is described in the Risk Management section of this Integrated Report on page 78. |
| (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | The resilience of the Group's strategy will be analysed in the medium-term (2024), taking into consideration different climate-related scenarios, including a 2°C or lower scenario. |

**Plans:**

1. To identify transition risks and climate-related opportunities and determine their impact on the Group's business, strategy and financial planning
2. To map climate-related risks and opportunities against time horizons, where possible
3. To analyse the resilience of the Group's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

### Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

| TCFD recommendation | Progress to date |
|---|---|
| (a) Describe the organisation's processes for identifying and assessing climate-related risks and opportunities | The Air Astana Group's approach to identifying and assessing climate-related risks is integrated within the Group's overall risk management framework, making it consistent with the methodology used to identify and assess all other types of risks faced by the Group. The processes of identification and assessment of the Group's risks are described in the Risk Management section of this Integrated Report on page 71. |
| (b) Describe the organisation's processes for managing climate-related risks and opportunities | Measures for managing climate-related risks are described in the Risk Management section of this Integrated Report on page 78. |
| (c) Describe how processes for identifying, assessing and managing climate-related risks are incorporated into the business overall risk management | The identification, assessment and management of climate-related risks are incorporated into the overall risk management of the Air Astana Group and are conducted within its CRMS described in the Risk Management section of this Integrated Report on page 70. |

**Plans:**

1. To evaluate whether any changes should be introduced into the processes for the identification, assessment and management of climate-related risks in order to enhance them

## Task Force on Climate-related Financial Disclosures (TCFD) continued

### Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

| TCFD recommendation | Progress to date |
|---|---|
| (a) Disclose the metrics used by the organisation to assess the climate-related risks and opportunities in line with its strategy and risk management process | The key metrics used by the Group to assess the climate-related risks are:<br>• Total $CO_2$ emissions (tonnes) from aircraft operations<br>• $CO_2$ emissions intensity (Total $CO_2$ emissions/ASK)<br>• Electricity consumption<br>• Heating consumption<br>• Volume of recycled waste<br>• Volume of disposed waste<br><br>These are disclosed on pages 49–50 within the Sustainability section of this Integrated Report. |
| (b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG and the related risks | Our Scope 1 GHG emissions are set out on page 49 of the Sustainability section of this Integrated Report. Scope 2 emissions do not constitute a significant proportion of the Group's total emissions and are not disclosed. However, we recognise the need for such disclosure and plan to do so in the future. The measurement of Scope 3 emissions is not feasible at the moment but we are making preparations to start including them from 2027. |
| (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | In our ESG Strategy for 2023–2032, we have set short, medium and long-term targets to manage climate-related risks and opportunities. The implementation of the Strategy will commence in 2023. The key targets are to:<br>• Reduce $CO_2$ emissions in accordance with the Group's Low-Carbon Development Programme for 2023–2032<br>• Calculate and disclose Scope 3 emissions (long-term target)<br><br>**Read more about our ESG Strategy on page 45** |

**Plans:**
1. To disclose Scope 2 emissions
2. To start implementation of the ESG Strategy of the Group and the Low-Carbon Development Programme for 2023–2032



# Health and safety




## Highlights

- Compliance with ISO 45001:2018
- Successfully passed the annual on-site EASA Part 145 audit in Almaty and in Astana base
- Renewed our EASA Part 147 (Maintenance Training Organisation)

## Material issues

Occupational health and safety

Aviation safety management systems

## Guidelines we follow

**Republic of Kazakhstan legislation:** Labour Code; Law 'On use of airspace', as well as applicable Ministers' Orders.

**Other:** Health, Safety and Environmental Protection Policy; Certificate of Registration for Occupational Health and Safety Management System; Safety Management Manual (Part I – Corporate Management, Part II – Safety Compliance Programmes, Part III – FRMS, Part IV – CSC Working Procedures, Part V – Compliance Monitoring); Manual on Prevention of Use of Unauthorised Substances; ISO 45001:2018; ICAO Annex 19 and Doc 9859; EASA Part TCO, Part 145/147; Part CAMO; IOSA ISARPS; Aviation Safety Compliance Policy.

## Approach

Ensuring high standards of safety is a key objective for Air Astana and we follow this principle in all daily activities and strive for continuous improvement in all areas of our business. We apply best practice in line with the highest international standards within our OHS systems, which complies with all aspects of the Labour Code of the Republic of Kazakhstan and other legislative documents.

## Occupational health and safety

Our OHS is certified to ISO 45001:2018 and, in November 2022, we once again passed our surveillance and audit without any significant non-conformities: one minor non-compliance and seven opportunities for improvement were identified. During the year, we conducted 89 internal audits for compliance with ISO 45001:2018 across the Group's divisions with 103 non-compliances recorded and 146 recommendations issued.

2022 was designated Health and Safety Year. Occupational safety activities undertaken during the year included: 'Leadership accountability' and 'Incident Injury Free' courses attended by five CEO and CEO-1 level managers, a two-week NEBOSH[1] International General Certificate course completed by four members of the HSE Department, NEBOSH 'Leadership Excellence' training attended by 13 CEO-1 level managers, directors and senior managers of operational departments.

A range of other health and safety activities were carried out during the year: 193 employees undertook certified online training in health and safety; 281 employees were trained in industrial safety in hazardous situations; 217 employees were trained in fire technical minimum; annual professional health check-ups were organised for employees working in harmful and/or hazardous conditions; health and safety instructions by occupation and type of activity were updated.

We undertook a project to improve the quality of protective clothing and footwear. Employees from operational departments took part in a survey, with their comments informing our choice of a new supply contract for protective clothing and footwear.

1 The National Examination Board in Occupational Safety and Health.

Random checks were conducted aimed at disclosing the use of prohibited substances by the Group's employees. The checks were among employees of production departments, including crew members, in Kazakhstan and in our international offices. During 2022, 4,967 employees were tested; 1,019 of these checks were drug tests.

In December 2022, the Air Astana Group became a participant of the global Vision Zero initiative to prioritise the safety, health and well-being of employees. The Group's President also made a personal commitment to ensure the implementation of best practices in occupational safety, as well as to create safe working conditions for employees. In January 2023, we began a survey to assess the implementation of the seven golden rules of the concept within the Group and to develop a plan for further action.
The survey results did not reveal any significant areas for improvement.
We have planned additional training sessions for our managers, as the indicator for goal setting by leadership (including in the field of occupational health and safety) was relatively lower than the other 110 indicators.

**Seven Golden Rules for Vision Zero:**
1. Take leadership – demonstrate commitment
2. Identify hazards – control risks
3. Define targets – develop programs
4. Ensure a safe and healthy system – be well-organized
5. Ensure safety and health in machines, equipment and workplaces
6. Improve qualifications – develop competence
7. Invest in people – motivate by participation

The implementation of the project to visually identify hazardous areas has begun. Visual safety is a key component in ensuring safety procedures are incorporated across the business; an example being special markings for door opening zones.

In order to reward employees who make the greatest contribution to improving the safety culture, knowledge and competencies, the HSE Department has initiated 'Safety Awards – Occupational Health and Safety Recognition'. These annual awards will recognise employees who have shown engagement with and enthusiasm and commitment to health and safety issues.

### Reported accidents

In 2022, HSE received 112 OHS reports summarising incidents and hazardous working conditions with suggestions on how to improve these.

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Number of incidents | **112** | 124 | 92 |
| Number of accidents | **17** | 25 | 18 |
| Number of employees | **6 184** | 5 551 | 5 385 |
| Total accident rate (TAR) | **2,75** | 4,50 | 3,34 |
| Lost time injury frequency rate (LTIFR) | **2,78**[1] | 4,37 | 4,46 |
| Fatal injury rate (FIFR) | **–** | – | – |

1 The total number of hours worked during the reporting period amounts to 7913914 hours.

The Group has an OHS Committee (hereinafter – Committee), which includes all employees at CEO-1,-2,-3 levels. Employees of these positions were included in the Committee due to the high level of responsibility in decision-making by the Committee. Employees at other levels contribute to the decisions made by the Committee by participating in health and safety surveys. In addition, they participate in internal audit procedures for the occupational health and safety management system.

* CEO-1 Vice presidents
CEO-2 Directors, Senior managers
CEO-3 Managers

The IQSMS system has been implemented for instant processing of occupational health and safety requests, while more significant requests are discussed at the OHS Committee meetings. The Committee holds monthly sessions with a primary focus on discussing working conditions. In the reporting year, a decision was made to standardise personal protective equipment. Additionally, a decision was made to enhance the restrooms for employees working on the airport platform to ensure comfortable conditions.

Among the major types of work-related injuries within the Company during the reporting period are falls, exposure to harmful and hazardous production factors and substances, and incidents occurring during passenger servicing on board.

## Aviation safety management systems

Implementation and maintenance of the highest safety standards is one of the top corporate goals of our Company. Our management approach goes beyond simple compliance with safety requirements: we are actively cultivating a culture of safety in our employees' minds and all internal processes, and we look to continuously improve and stay ahead of global standards.

Our Safety Management System (SMS) covers all activities carried out to identify all potential hazards with respect to flight operations and mitigation actions in line with the highest international standards and best practices. The SMS covers all organisational tiers, operational environment and interactions. Specific safety programmes have been compiled for the operating activities of flight operations, cabin crew, engineering and maintenance, and ground services, and each is implemented to handle hazards with a long-term predictive approach to ensure systematic sustainability.

Since we began operating in 2002, we have operated 648,558 cycles and carried 65 million passengers safely with no accident during passenger or cargo operations.

### Compliance with the highest safety standards

Our most recent IOSA renewal audit was successfully passed in 2021, when the airline demonstrated adherence to the highest international standards and best practices in terms of safety. The next IOSA renewal audit will be in May 2023.

Air Astana has had EASA Part 145 approval to maintain its fleet in according with EASA requirements since 2003. The airline is also certified as an EASA Part 147 Training Organisation since 2015.

In April 2022, EASA transferred oversight of Part 145 to the Irish Aviation Authorities. We successfully passed the annual on-site EASA Part 145 audit in Almaty and in Astana base in June. The Irish Civil Aviation Authorities also renewed our EASA Part 147 (Maintenance Training Organisation). As a holder of an EASA Part 145 certificate, we carry out full maintenance services on our own aircraft and also provide line maintenance services to 19 other air carriers.

We were the first operator to be audited by EASA Third Country Operations (TCO) in December 2015. The Company's authorisation remains compliant with Part-TCO and, in July 2022, we also received UK TCO authorisation.

Our operations are in compliance with appropriate standards of safety and security regulated by the AAK as the state of operator and, under ICAO Article 83bis agreement, the IAA as the state of registry responsible for airworthiness, as well as relevant international regulatory authorities.

During 2022, the Group underwent a number of external regulatory inspections or renewals:

- **Aviation Administration of Kazakhstan**: scheduled inspection of Astana Maintenance base; scheduled Aircraft Operator Certificate (AOC) inspection; inspection for expansion of Maintenance work scope C2-check in Astana and Almaty; Extended Range Operations with Two-engine Aeroplanes (ETOPS) audit; Approved Maintenance Organisation (AMO) inspections in Almaty, Atyrau and Aktau.
- **Turkish Directorate General of Civil Aviation:** approval of Air Astana AMO expanded.
- **Korean Ministry of Land, Infrastructure and Transport and UAE General Civil Aviation Authority:** AMO approval renewals.

In 2022, Air Astana completed transfer of its aircraft from the Registry of Aruba to Irish Registry, with the last aircraft transferred on 27 September. Aircraft Certificate of Airworthiness renewals were issued by IAA for 17 aircraft during 2022.

Air Astana operations and aircraft underwent 18 European Civil Aviation Conference (ECAC) Safety Assessment of Foreign Aircraft (SAFA) and six ramp (non-ECAC) inspections. Airline SAFA weighted average in 2022 was 0.24 and performed much below than EASA SAFA alert level (2.0).

On 20 October 2022, the European Commission (EC), EASA, Member States and representatives of the CAC Kazakhstan and the AAK held a technical meeting in Brussels. EC confirmed that Kazakhstan airlines are no longer threatened with inclusion on the EC's flight safety list or any restrictions on flights to Europe.

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

Within the internal compliance monitoring programme, nearly 200 compliance audits were conducted by Air Astana based on IOSA Standards and Recommended Practices (SARPs) and national regulations. Compliance monitoring is also supported by the Company's membership and active participation in IATA safety and quality audit programmes, and the IATA Fuel Quality Pool (IFQP). We follow a collaborative approach with the intent to foster positive working relationships and developing best practices that are beneficial for all involved.

## Safety programmes

In 2022, the Group's flight data monitoring process analysed more than 99% of flights with the purpose of identifying, measuring and assessing existing operational risks and taking relevant mitigation measures with an emphasis on trends and root causes.

We continue to encourage the reporting of hazards and errors by operational staff as an important element of our safety culture. Over the year more than 2,600 safety reports were registered and enabled us to maintain an accurate perception of risk.

In 2022, we continued to enhance the 'Prevention of Use of Unauthorised Substances' programme by increasing the number of tests on employees performing safety-sensitive aviation activity (SSAA) and expanding the programme coverage to all Kazakhstan regions where Air Astana Group employees are based. Unauthorised substance checks were restarted at international layover stations, as COVID restrictions were lifted.

We have increased the total number of tests to a monthly average of 329 alcohol and 85 drug tests (2021: 300 and 73, respectively). These are closely co-ordinated by the Group's highly experienced Unauthorised Substances specialist. Significant progress was made with the programme during 2022: in addition to the increase in monthly checks and coverage, the Unauthorised Substances Policy and programme requirements were widely promoted via various communication channels (KC App (corporate mobile application), Safety Notices, Instagram posts, posters, articles), the SSAA positions list was reviewed and a revised manual was issued and approved by the AAK. Unauthorised Substances Training for all operational departments is currently under development by the Training Academy and will become mandatory in 2023.

The Group continued with the development and enhancement of the Fatigue Risk Management programme by changing from the bio-mathematical model software 'SAFTE-FAST' to 'Jeppesen Boeing Alertness Model' (BAM). Implementation of BAM led to further developments and allowed for an Airplane Information Management System (AIMS) Fatigue Risk Management System (FRMS) module to be introduced. This enables Crew Planning & Control to monitor the real-time alertness of crews and make necessary adjustments to scheduling.

Self-assessment tools for crew fatigue were also used to contribute to data collection for fatigue risk analysis. From the second quarter of 2022, the 'Crew Strain' application was actively promoted to increase awareness and motivate crew members to contribute to fatigue data collection. The feedback received from crew members on certain routes was particularly useful in terms of fatigue levels, workload, roster and rest conditions, especially in 'busy' summer months.

All of the data collected has contributed to the overall monitoring of fatigue. In addition, a new self-assessment tool 'Crew Alert Top of Descent (TOD)', developed by Jeppesen and integrated with BAM, was introduced for the trial in December 2022. Its effectiveness will be assessed during the trial period and a decision on further usage made. This application has the potential to contribute to fatigue data collection on different routes and allow for comparative analysis of BAM alertness predictions and 'real experience' of crews.

A process of efficient communication between departments and stakeholders on the management of change requiring procedural changes and relevant risk assessment (RA) continued. This included projects related to passenger weight change, transportation of radioactive pharmacy by air (which will continue in 2023) and the risk of potential adverse effects on radio altimeters when operating in the presence of 5G C-band interference. Together with RAs on operational issues, RAs were carried out for new routes and/or destinations including charter and scheduled flights.



The project to enhance the effectiveness of Wildlife Hazard Management Plan (WHMP) at Kazakhstan airports continued in 2022 in co-operation with UK experts contracted by Air Astana Group. During the visit, accompanied by AAK representatives, the experts audited two local airports to evaluate the on-aerodrome and off-airfield ornithological situation and the prevention measures in place. They also held a workshop to review the effectiveness of birdstrike training programmes for airports, training organisations, Air Astana Group and some attendees from AAK. The main focus in 2023 will be on Almaty airport. The experts have concluded that training and supervision of control measures are key to mitigating high risk of birdstrikes.

To stay abreast of international developments, we continue to contribute to international safety organisation forums through membership of IATA Global Aviation Data Management programmes such as Incident Data Exchange (IDX) and Flight Data Exchange (FDX), which generate information to assist with improving safety performance and operational efficiency. A key feature of the FDX programme for us is the ability to review the flight performance data of the airline and benchmark this against other IATA operators.

As a member of the Association of Asia Pacific Airlines, the Group contributes to safety and security workgroups and allows the airline to stay abreast of the latest technology, innovations and processes. Similarly, membership of the Flight Safety Foundation (since 2004) and the International Society of Air Safety Investigators (since 2009) stimulates an environment conducive to improvement.

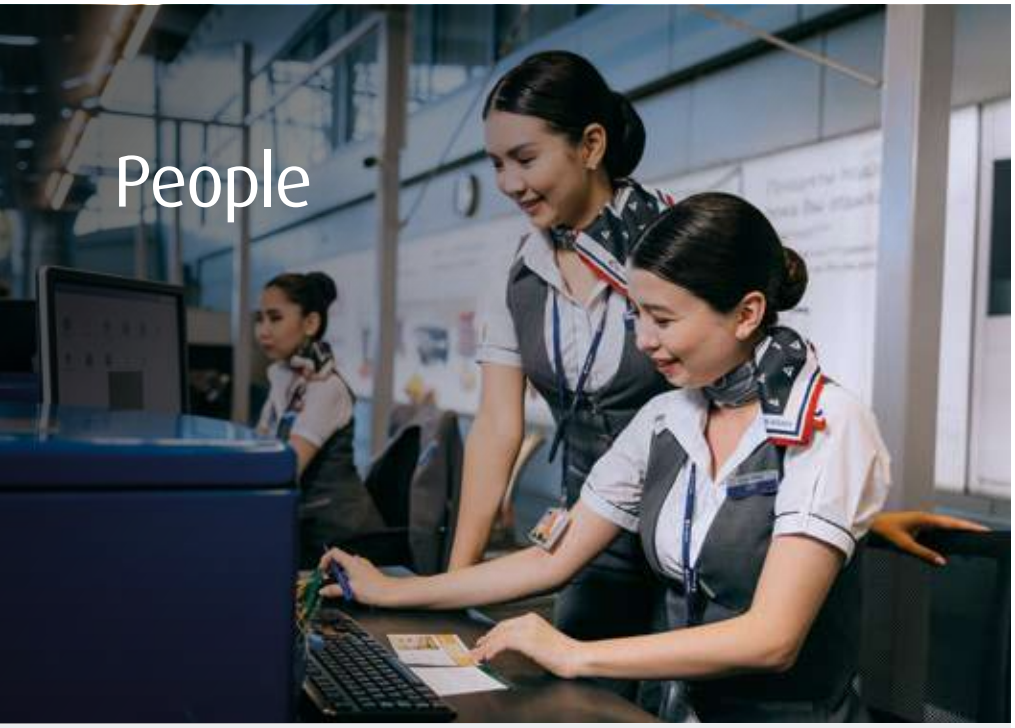
In order to raise levels of awareness of safety issues, we hold internal continuous improvement training sessions in compliance with international regulations. Annually, within the Safety Promotion Programme, operational staff undergo SMS training focused on reporting safety issues, which is a key responsibility for the SMS team.

In September 2022, for the sixth time, the Group hosted a Regional Safety Seminar in order to promote and encourage safety within the region. This previously took place annually but was not held in 2020 and 2021 due to the pandemic; it will now be held every year once more. The two-day seminar was entitled 'Proactive Safety: Beyond Compliance' with the aim of sharing knowledge, experience and best practice in the aviation industry. It was attended by more than 130 participants from eight airlines, aircraft manufacturers, AAK and international organisations such as IATA and EUROCONTROL.

Within the Safety Promotion Programme, safety issues are regularly highlighted and posted in the Group's corporate magazine 'On Air' or in the KC App. The Safety Notice and Air Safety Information System are in place to deliver the results of the investigations into safety issues. This keeps employees informed about reported hazards and events as well as reinforcing the safety message of maintaining risk awareness and learning lessons.

Key plans for 2023 set by the Group in the field of corporate safety compliance are as follows:

- Continued development of FRMS
- Implementation of Safety Management Systems (instead of Quality Assurance) in Part 145 Maintenance Repair Organisation
- Continued close collaboration with AAK by contributing experience and supporting AAK initiatives for an effective oversight of safety
- Continued development of Unauthorised Substances programme with the focus on the education of Air Astana employees
- Further develop a FlyArystan-centred Safety Management System to ensure mitigation of hazards that may be unique to the operation of LCC
- Develop an education module for management staff to help build a pro-active safety culture
- Continued close monitoring of surface conditions of Kazakhstan's airports in co-ordination with AAK for prevention of multiple Foreign Object Damages (FOD), including carrying out ad-hoc audits
- Monitoring implementation of the Global Reporting Format (GRF) for runway conditions at Kazakhstan's airports



# People

## Highlights

- Honoured 342 employees with 10th and 20th anniversary awards
- Continued to create an inclusive work environment and hired our second employee with Down syndrome
- Added 101 pilots to the fleet

## Material issues

Employment | Training and development | Procurement practices

## Guidelines we follow

**Republic of Kazakhstan legislation:** Labour Code; Law 'On procurement of individual entities of the quasi-public sector'; Customs Law; National Economics Ministry rules and orders; Customs Union Committee resolutions; authorised permits of the National Security Committee, the Ministries of Digital Development, Defense and Aerospace Industry (Committee of Telecommunication), the Committee of Industrial Development and Industrial Safety of the Ministry of Investment and Development, the Committee of State Income of the Ministry of Finance; Tax Law.

**Other:** Group strategy; Corporate goals and values; Conditions of service; Code of Ethics; Anti-corruption Policy; Policy for prevention and settlement of conflict of interest; regulations of the Procurement and Supply Department; procurement procedure of Samruk-Kazyna JSC and organisations where at least 50% of voting Shares (equity interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of property or trust management; special procurement procedure for Air Astana JSC and organisations with 50% or more of voting shares (participatory interests) directly or indirectly owned by Air Astana JSC under the right of ownership or trust management; labour codes of countries where we base our employees; Collective agreements with trade unions; IATA Standards; EASA regulations; National standards; ICAO regulations; Incoterms 2020; Dangerous Goods Regulations of IATA; Rules of Cargo Insurance; Eurasian Economic Union Treaty; Customs Clearance Procedure.

EMPLOYEES

### COVID and beyond

Our focus during the COVID pandemic was naturally on the well-being of our employees and this continued in 2022. The Group continued to take care of every employee who had contracted COVID, sending each one a vitamin box containing fruits, honey and ginger along with a personalised postcard from the President and CEO, regardless of location.

We provided emotional and financial support to all our employees. We also continued to develop two-way communication through our corporate mobile application – KC App – as well as through Instagram and various pulse and annual surveys.

Given the positive feedback on the free psychological consultations offered to operational teams in 2021, these were extended to the entire Group in 2022. The results from our employee value proposition (EVP) survey showed the change in priorities among employees: staff tickets for flights, which had previously been the most important benefit, were replaced by medical insurance in 2022. The 2023 insurance plan has been increased by 40%.

As COVID restrictions were lifted and some markets began to re-open, the geopolitical situation in the region forced us to cancel flights to Ukraine and Russia, which left more than 20 company employees without work. However, we managed to retain them all, reassigning some employees to remote work and physically relocating some to help representative offices in other countries.

## Employment

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

In 2022, we resumed our full external recruitment programme with the volume exceeding that of 2019 pre-pandemic levels. We handled this by conducing the interviewing process face-to-face while continuing with online applications, which helped to keep recruitment costs down.

There was a global demand for qualified IT specialists and the Group's IT manpower increased by 30%. On the operational front, we were able to resume the worldwide selection of pilots as well as bring on cadets from our Ab-initio training programme, which increased the overall number of pilots in our fleets.

2022 also saw a recovery in the popularity of aviation professions. By conducting online and offline meetings and activities with schools, universities and other interested parties on a partnership basis on a regular basis, we also saw a rise in the number of interested applicants.

In 2022, the Group employed 6,184 people (2021: 5,551). We took on a total of 1,342 new employees during the year: 883 at Almaty International Airport; 449 across Kazakhstan's regions; and 10 at international stations. The gender split across new employees was 843 women and 499 men; the age profile of the Group remains relatively young with more than 90% younger than 40. Voluntary turnover reduced from 12.9% in 2021 to 12% in 2022.

### Diversity and equal opportunities

We provide equal opportunities for men and women regardless of age or nationality, creating a truly diverse workforce of highly skilled people across many countries and continents. We employ 3,772 women and 2,412 men, from different nationalities and ethnic groups with diverse backgrounds, faiths and beliefs. This, in turn, provides a stimulating and fair working environment for everyone. While continuing to address any traditional peculiarities, we believe strongly that gender and diversity should not be barriers to career progression within the Group. At the senior management level, comprising 41 people, the gender split currently is 44% female and 56% male.

We are proud to provide equal opportunities for men and women. This includes entitlement to parental leave regardless of gender, although in practice more women than men exercise their right to parental leave. During 2022, 42 men and 495 women took parental leave (325 women are already on maternity leave).

We would like to share our progress in creating an inclusive work environment for our employees as in December 2022 we have hired our second employee with Down syndrome.

We believe that all our employees, including those with disabilities, should have equal opportunities for professional growth and development.

We have ensured that our work environment is inclusive by creating suitable conditions for our employees with Down syndrome to adapt to their work.

We have provided specialised training programs and individual support to help them integrate successfully into the team. We have also created an adaptive work environment, taking into account the needs of our employees with disabilities.

We continue to support our employees with Down syndrome, including mentoring and coaching, to ensure their success in our company. We are open and transparent about job opportunities for people with disabilities.

We are proud that our efforts to create an inclusive work environment have led to improved team productivity and provided equal opportunities for all our employees. We will continue to strive for an even more inclusive and friendly work environment for all our employees in the future.

### Competitive salaries and benefits

In order to attract and retain a highly skilled and motivated workforce, the Group provides fixed and variable pay as well as short-term and long-term benefits that are competitive and merit-based. During 2022, the Group raised salaries for almost all employees to take account of the highest inflation for the last 12 years in Kazakhstan.



To retain key employees we also operate a corporate pension plan for our employees based in Kazakhstan, thereby taking care of their well-being and financial security in the future.

Our employee benefits package consists of:

- Health and medical insurance
- Loss-of-licence insurance for pilots
- Discounts on flights with Group or partner airlines
- Shuttle bus for commuting to and from work
- Coverage of communications costs
- Discounts for gym membership and in restaurants, bars and hotels
- Corporate pension plan for employees

### Employee engagement

During the pandemic, the President and CEO was particularly focused on communication with employees, regularly updating them on what was happening with the business, the dynamics of the main operating and financial indicators, industry trends and forecasts about our development. This not only contributed to a better understanding of the situation and the Group's goals, but also boosted team morale and confidence in the future.

As last year, the annual Management Conference in 2022 was organised in a hybrid format, with some managers invited in person and others attending via Zoom.

The conference aimed at sharing future plans and goals, and the challenges that we need to overcome, with managers at various levels. All other employees had the opportunity to watch the conference online via YouTube.

The communication focus this year included personal interaction between employees. A number of teambuilding activities were introduced in each department.

### Recognition culture

A culture of recognition and gratitude is especially important at times when we are looking to support each other. On the online platform of daily thanks, KC Recognition, colleagues sent 18,192 thanks to each other during the year. For each recognition received, employees are awarded HEART coins, which can be redeemed for books, coffee vouchers and promotional products at the online store launched in 2021. 3,291 purchases were made in 2022.

The HEART Awards programme is a special event in the Group's annual calendar, rewarding employees who best follow the HEART values in their work. The 2021 award ceremony did not take place due to COVID-19 restrictions. To remedy this, nominees for both 2021 and 2022 were invited to this year's ceremony to receive special prizes.




Another significant occasion during the year is Breakfast with the President, aimed at celebrating an employee's 10th work anniversary. As Air Astana celebrated its 20th anniversary in 2022, for the first time, we were able to award colleagues working with us for 20 years. This year, we honoured 273 employees with 10th anniversary awards and 69 employees with 20th anniversary awards.

### Human rights

Air Astana is committed to promoting and upholding human rights, including the eradication of slavery in all its forms. Our company recognises that slavery, forced or compulsory labor, and human trafficking are serious violations of human rights that have no place in our operations. We are firmly committed to operating in a responsible and ethical manner, and to ensuring that our business practices do not contribute to any form of modern slavery. At Air Astana, we are proud to report that we have not identified any instances of slavery, forced or compulsory labor, or human trafficking in our operations.

## Training and development

### Talent management

Succession planning is part of the talent management process and is aimed at identifying high performing employees with leadership capabilities and enabling them to make the transition to positions that are key to the Group's success. Having this programme in place is crucial with helping us effect the painless and efficient replacement of employees in key positions, business critical and/or key management positions who leave the Group for various reasons.

As part of this year's focus on leadership development, we offered business leaders individual coaching sessions with executive coaches and will continue to develop this coaching culture within the Group. Coaching support is also a part of the 360-degree assessment project, which we conducted across the management team for the second consecutive year, with an emphasis solely on personal and professional development. As support for the leadership development programme, we also collaborate with and offer our senior colleagues various training programmes run by the Henley Business School in the UK.

We would like to highlight that the corporate competency model which we use for most HR processes – from recruitment to performance appraisal and recognition – has been reconsidered this year. Together with simplification of the model itself, one crucial change has been introduced, that of 'Leadership at all levels'.

With this premise, we are promoting leadership as applicable at all levels across the organisation, regardless of position or grade, and not simply at senior levels. Air Astana Group expects all employees to be proactive, resourceful and to take responsibility for actions and their consequences.

## Internship programmes

Air Astana Group supports initiatives to attract and develop young people through internship programmes. In 2022, we continued this practice taking interns into the Finance, IT and e-Business, HR and Administration, Marketing and Sales and the Ground Services departments.

## Training Academy

A year of huge recovery for the business resulted in immense growth in training provision. We retained our accredited Aviation Training Centre from the AAK and successfully passed audits by AAK in 2022.

The Training Academy conducted 457 front line employee initial and recurrent operational training sessions in both mandatory and customer service courses across Ground Services, In-Flight Service and Ticketing & Reservations for both FlyArystan and Air Astana.

The Academy organized the following courses to improve the qualifications of employees: over 240 E&M mandatory and technically specified courses and 3,563 pilot training classroom courses, as well as over 2,632 line checks, and practical ground training courses.

During 2022, plans were approved for an Airbus A320 full flight simulator, based at Astana. This will enable the Group to run simulator checks and type rating programmes for pilots locally rather than abroad. The simulator is due to be ready for use in the summer of 2023 and will provide cost savings and greater efficiency in delivering pilot training.



As part of plans for self-sufficiency in our cabin safety training, the go-ahead was also given to purchase a safety cabin mock-up for CEET together with fire fighting equipment. Initial and recurrent practical training previously entailed travel to Germany and Istanbul but we will now provide all practical training on the Airbus family for crew and pilots locally. Again, this reduces overall costs and gives us more flexibility in our cabin safety training.

As part of corporate skills development, we ran over 58 Leadership Essential modules and a newly designed Supervisory Induction Webinar was launched. Run monthly, this provides basic people management techniques for newly promoted employees prior to the full Leadership Essentials programme. Corporate Learning received requests for specific departmental training needs from, for example, Cargo, Crew Control, FlyArystan and the Contact Centre, responding by designing over 15 new modules covering such topics as communication skills, handling challenges/conflict, de-escalation techniques, on-the-job-training, coaching skills and stress management.

All departments continue to use a blend of e-learning, webinars and classroom training. We have invested in our Trainer development by running skills training in webinar and CBT design and delivery to further enhance the quality of our online training. This year 114 webinars and 379 different CBT courses were provided.

The Customer Experience department also expanded during 2022, with product development across the airline now part of the department's remit. The objective is to create a consistent service experience by aligning our product offering across all departments and at every customer touchpoint. A series of 10 customer experience webinars were run internally for employees about the enhancements being delivered with the key objective of explaining the impact that every individual has on the customer experience.

Enhancements have been made in our customer experience research through a new onboard survey and a post-flight survey using the latest technology. Now we can digitally review the experience on a daily basis, measuring all aspects of the service provided and customer profiles on differing routes. Monthly Service Action Groups for IFSD, Ground Services and Commercial are co-ordinated by the Customer Experience team to highlight both positive results and the improvements needed in both products and service delivery.

Our focus on self-learning and personal development has been expanded further with up to 100 different materials now available in the form of videos/articles/books in the library. This allows employees the freedom to access specific e-learning courses related to the HEART values and core competencies required for skill improvement.

### Pilot recruitment and training

To support growth and meet the Group's business plan objectives, the number of pilots employed has to increase significantly. Recruitment of pilots falls into three categories:

- Ab-initio Cadet Programme, which is our main source of recruitment
- Direct-entry pilots – qualified and type rated for Airbus 320, Embraer 190 and Boeing 767 aircraft
- Non-type rated pilots, who require aircraft type training before joining the Company

Those pilots that meet our standards and join Air Astana Group undergo extensive training before starting line operations.

262 pilots have graduated from the Ab-initio Cadet programme established in 2008, which is run at three European flight training schools: FTE Jerez in Spain, Patria in Finland and Atlantic Flight Training Academy in Ireland. Currently, more than 50% of our pilots are Ab-initio graduates and 60 have been upgraded to Commander position. Approximately 20 pilots join the Ab-initio programme each year, with plans to increase this number in 2023.

In 2022, 47 type rated pilots joined the Group, 37 non-type rated and 22 Ab-initio graduates. Adding 101 pilots to the fleet this year – compared with 44 in 2021 – marks the start of a significant investment in recruitment needed to achieve the numbers to drive the growth of the business.

We were one of the first airlines in the world returning to full operations post-COVID; pilot applications soared from less than 1,000 a year to a staggering 5,782 in 2022. The situation is changing as global markets open up and, with it, the demand for pilots worldwide subsequently decreasing the number of pilot applications.

In terms of recruitment, North America and China are closed markets, the Russian geopolitical situation has restricted availability and, inevitably, the demand is greatest across Europe, Middle East and Asia. We will concentrate our efforts, therefore, on the local market and South America, and non-type rated pilots, which will also entail an increase in preparing pilots for operational duties.



SUPPLIERS

## Procurement practices

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

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

Wherever possible, the Group is committed to including organisations in its procurement process who employ disabled people. This year, the Group reached agreements for printed materials and personal protective equipment (PPE) from organisations for disabled people.

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

The Group has incorporated anti-corruption clauses within all suppliers' contracts.

In 2021, this was broadened to include ethical practices required from suppliers along with reliability clauses. For more information, see the Ethics and compliance section on page 43.

2022 was characterised as a very difficult year, both economically and geopolitically, with significant disruption to routes into and the volume of imports reaching Kazakhstan, with a knock-on effect to the Group's supply chain. The conflict in Ukraine and ensuing sanctions imposed on Russia necessitated rerouting our supplies directly from Europe and other countries, avoiding the Russian market in order to remain compliant with EU and US sanctions. By increasing the agility of our supply chain we are now in a much better position. However, retaining our cost base still remains one of the biggest challenges in the current hyper-inflationary environment.




### Purchases from local suppliers

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total number of procurement contracts with local suppliers[1] | **2 591** | 1 394 | 1 905 |
| Total value of procurement contracts with local suppliers (USD '000) | **239 571** | 226 664 | 275 500 |

1 Local suppliers of goods who have a ST-KZ certificate indicating the percentage of local content share, as well as local suppliers of services and works who have a share of the wage fund of Kazakhstani personnel in the general wage fund of employees of the supplier or subcontractor (co-contractor) performing the contract.

# Communities

In our role as a responsible corporate citizen, we believe that it is important to maintain strong relationships with both our passengers and business partners, as well as with the communities where we operate.

During 2022, the focus of our community support remained unchanged:

- Co-operation with local and national charitable organisations and other non-profit organisations
- Individual charities – the provision of targeted support for population groups most in need of assistance, including sick children and veterans of the Great Patriotic War
- Providing free or discounted flights for children from low-income families with health conditions that not treatable in Kazakhstan
- Employee involvement in charitable activities through fundraising and volunteering opportunities

The selection of charities and funding projects is based on identifying those that add positive value to their communities and also align with the Group's activities and values.







UPCYCLING FOR THE FUTURE EXHIBITION

In 2022 the Almaty Esentai Gallery held an unusual exhibition in October – Upcycling for the Future: repurposed decommissioned parts of the Boeing 767 and Airbus A320 aircraft, including the front section of the fuselage, cabin luggage shelves, passenger seat designs and upholstery fabric, which had been turned into functional urban interior items and stylish art objects by domestic craftsmen and designers.

## Projects implemented in 2022

| Project description | Results |
|---|---|
| Provision of free flight tickets to the veterans of the Great Patriotic War | We provided 2,205 free tickets to veterans of the Great Patriotic War for travel around Kazakhstan and to the CIS. |
| Provision of flight tickets to severely ill children and their accompanying parents | 12 tickets were provided to severely ill children and their accompanying parents travelling for medical purposes. |
| Provision of modern equipment to children's intensive care units at hospitals in Kazakhstan | KZT434,000 was raised through donation boxes installed in ticket offices in Almaty, Astana and Atyrau as part of a charity project run by the Ayala Foundation. |
| Sponsorship donations to support the National Board of Paralympics | KZT3.4 million was allocated in sponsorship to the Kazakhstan National Paralympic team participating at Beijing Paralympics 2022. Air Astana was an official carrier of the national team and produced 'Champions Among Us' campaign videos. |
| **Employees volunteering in charity projects**<br>Celebration of the Victory Day | We initiated a charity campaign to celebrate the Victory Day and congratulate veterans of the Great Patriotic War.<br><br>Employee volunteers visited veterans and congratulated them; the Company allocated KZT2 million to congratulate 96 veterans in Almaty, Aktobe, Aktau, Kyzylorda and Pavlodar. |
| Organisation of the charity donation of accessories for baby care rooms in 5 Kazakhstani airports | KZT3.5 million was allocated to equip six 'Mother and Child' rooms in Aktau, Aktobe, Pavlodar, Kyzylorda and Turkistan airports in Kazakhstan. All goods are certified and safe for children.<br><br>This project will help us to strengthen our reputation and build trust amongst our passengers as well as make their journeys more comfortable. |
| Air Astana's alley at the boarding school #1 | KZT545,000 was allocated to fund the planting of trees in the grounds of a boarding school for children with hearing impairment in Almaty. Back in 2019, Ground Services department spent their teambuilding day planting 'Air Astana's alley' in the school yard. |
| New Year celebrations | 380 kg of New Year sweets were donated to the children from Turksib Community for the Disabled and Almaty city rehabilitation centre for children with disabilities. They also received Air Astana's 20th anniversary children's travel kits.<br><br>KZT550,000 was allocated to enable 110 pupils from Special Boarding School #9 for children with severe speech impediments to see a New Year Show in Almaty. |
| Training for students of ITeachMe Public Fund | ITeachMe Public Fund runs an online school project, where students – many of whom are disabled – can specialise in the creative arts or sometimes simply gain the confidence. To complete the project, students present themselves and their work to representatives from large companies. To support them, employees from Air Astana Training Academy ran a training session on public speaking for the students, which helped them learn how to deliver their speeches and practise doing so. The training also made the students believe in themselves and their abilities. |

In 2023, the Group is planning to introduce the Zhas Kyran ('Eaglet' in Kazakh) travel grants programme. The idea is to support young, talented children, who have won or have been selected to participate in contests in the Republic of Kazakhstan or internationally. The Company will provide economy class return tickets on Air Astana's routes for the contestant and an accompanying adult.

# Record-breaking performance

Amid continuing COVID-19 recovery and the conflict in Ukraine, we more than doubled the impressive profit posted in 2021. In fact, 2022 was a record-breaking year for the Air Astana Group.

## Overview

The Group significantly exceeded expectations despite political unrest in Kazakhstan in January and the Russian invasion of Ukraine in February. While this caused disruption and rerouting of flights, we once again proved the agility of our decision-making through our prompt and effective handling of the situation. The loss in revenue, caused by the closure of routes to, from and over Russia, was more than compensated for by the increased capacity in deployment across Europe, Asia, India and the Caucasus. The results for 2021 had already shown an impressive bounce back from the pandemic with a net profit of USD 36.2 million. In 2022, Group net profit increased by 117% to USD 78.4 million, underpinned by passenger revenues of USD 998.1 million from 7.35 million customers carried during the year. This was the highest annual passenger figure since we started operations: our full-service airline, Air Astana carried 4.11 million passengers and our LCC, FlyArystan carried 3.24 million.

### Air Astana

Air Astana's aviation activities consist of mainly domestic and international passenger and cargo air transportation as a full-service airline. The global pandemic and travel restrictions in 2020 severely impacted the Group's overall performance but this was particularly marked for Air Astana with the airline suffering an operating loss of USD 53.1 million. With little or no international business travel, which had previously been a major contributor to the business, but a population that was eager to 'escape' following months of lockdowns, Air Astana reallocated its capacities towards leisure travel as borders began to open again in 2021.

This innovative approach and further development of scheduled and charter flights to tourist destinations brought a swift upturn in passenger revenue in 2021 at USD 562.4 million, which has rocketed once more by 39.2% in 2022 to USD 782.9 million. Conversely, the boost in cargo revenue experienced during the COVID-19 pandemic, has dissipated and revenues for 2022 were down to USD 20.7 million (2021: USD 31.9 million). Nevertheless, Air Astana contributed USD 875.9 million overall to the Group's total revenue (2021: USD 659.7 million).

With the increase once again in flights and passenger numbers, operating costs also rose up by 33.7% year-on-year from USD 559.2 million to USD 747.9 million. The increase in fuel and oil costs was a major part of this at USD 175.7 million in 2022, compared with USD 97.9 million in 2021, up a massive 79.5%. While increased operations account for some of this, the hike in global fuel prices, explained below, had a major impact. Air Astana delivered operating profits of USD 128.0 million in 2022, which was up on 2021 at USD 100.5 million, and demonstrates the impetus that the change in business focus is having on the long-term recovery for the airline.

### FlyArystan

The Group's low-cost carrier, FlyArystan opened its doors for business in May 2019 to stimulate the underdeveloped domestic market within Kazakhstan. Its first full-year of operation was greatly hampered during 2020 as enforced COVID-19 lockdowns limited even domestic travel. However, testament to the untapped desire for flights across this vast country, during those available 10 months in 2020, the airline carried 1.5 million passengers. And this propensity to travel continues: FlyArystan's passenger traffic doubled to 3 million in 2021 and reached 3.2 million in 2022. Passenger revenue also increased from USD 153.4 million in 2021 to USD 215.2 million in 2022, a rise of 40.3%. Other revenues remained fairly stable with FlyArystan's total revenue contribution to the Group in 2022 of USD 217.9 million, up from USD 156.5 in 2021 and an increase of 39.3%.

Total operating costs for the year were USD 197.2 million, up by only 27.4% on 2021's USD 154.8 million, despite the 45.3% increase in fuel costs. This is due to the airline's determination to drive down costs through implementing business innovation and utilising new technologies. All these factors taken together saw FlyArystan's operating profit for 2022 leap more than 10 times from USD 1.6 million to USD 20.7 million. During the year, the airline took direct delivery of its first new aircraft, an Airbus A320neo. Where it had previously relied on the Group for its aircraft; it now has a fleet of 14 aircraft with plans to further expand. FlyArystan has grown significantly since 2019 and prospects for the future look promising in a region that probably has the fastest-growing low-cost air travel market in the world today.

### Cargo

Cargo and mail revenue accounted for 2.1%, 4.4% and 6.1% of the Air Astana Group's total revenue for 2022, 2021 and 2020, respectively. While cargo opportunities remain part of the business mix for the Group, both of its airlines are primarily committed to operating passenger flights. Cargo carrying had a crucial part to play in supporting humanitarian efforts during the COVID-19 pandemic and, in 2020, the Group stepped up to increase capacity by converting one of its Boeing 767 aircraft to operate as a semi freighter. In 2020 and 2021, the Group carried 13,884 and 18,772 tonnes of cargo, respectively. With increased passenger demand, the Boeing was reconfigured to take passengers again in August 2021 and this, along with a number of external contributory factors, was reflected in the decrease in cargo tonnage in 2022, down by 31.6%. Increased road truck capacity across Kazakhstan as well as the suspension of flights to Russia and Ukraine, and China's continued closed borders all impacted cargo revenues in 2022, which fell year-on-year from USD 33.5 million to USD 22.1 million, a 34.1% decrease.

## Air Astana Group financial highlights

| USD '000 | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total revenue | **1,032,382** | 761,838 | 400,264 |
| Total operating expenses | **(883,667)** | 659,665 | (469,578) |
| Operating profit/(loss) | **148,715** | 102,173 | (69,314) |
| Operating profit margin | **14.4%** | 13.4% | (17.3%) |
| Finance income | **6,995** | 2,405 | 1,427 |
| Finance costs | **(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 | **(22,977)** | (8,831) | 22,703 |
| **Profit/(loss) for the year** | **78,414** | **36,159** | **(93,933)** |
| EBITDAR | 288,383 | 224,873 | 33,051 |
| EBITDAR Margin | 27.9% | 29.5% | 8.3% |

## Air Astana Group revenue

| | 2022 | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | Total USD '000 | Total revenue % | Total USD '000 | Total revenue % | Total USD '000 | Total revenue % |
| Passenger revenue | **998,120** | **96.7%** | 715,794 | 94.0% | 358,413 | 89.5% |
| Cargo and mail revenue | **22,124** | **2.1%** | 33,570 | 4.4.% | 24,561 | 6.1% |
| Other revenue | **12,138** | **1.2%** | 7,846 | 1.0% | 11,033 | 2.8% |
| Gain from sale and leaseback transaction | **–** | **–** | 4,628 | 0.6% | 6,257 | 1.6% |
| **Total revenue and other income** | **1,032,382** | **100%** | **761,838** | **100%** | **400,264** | **100%** |

### Currency

With more than two-thirds of the Group's revenues denominated in currencies other than the Tenge, the US Dollar serves as the Company's functional currency since it better reflects the nature of underlying transactions, events and conditions. This protects the Company's net assets from KZT/USD currency fluctuations, which will increase overall financial profitability due to the elimination of the negative effects of exchange differences from US Dollar-denominated assets and liabilities. The average exchange rate for January to December 2022 was 460.48 KZT/USD, 8.1% higher than the exchange rate of 426.03 KZT/USD during 2021.

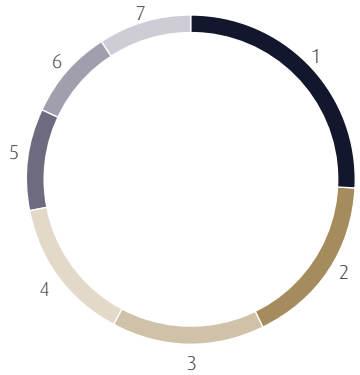
### CASK

The Air Astana Group's operations are underpinned by its low-cost base. CASK is the commonly used measure of per unit costs in the airline industry, generally defined as total operating costs divided by ASKs (available seat kilometres). Maintaining a low CASK level is what drives competitive advantage within the industry.

Air Astana Group targets cost reduction through increasing its high aircraft utilisation, transitioning its fleet to substantially narrow-bodied and more fuel-efficient aircraft, closely managing fuel costs with predominantly direct supply locally, optimal use of its maintenance programme (within limitations approved by the manufacturers) and maximising employee productivity. Other cost-efficiency measures at FlyArystan include high aircraft utilisation, negotiating reduced landing fees and handling fees with airports, optimisation of operational staff and continued direct sales distribution.

In 2021, there was a year-on-year increase in capacity and aircraft utilisation, following on from the impact of the COVID-19 pandemic on 2020 capacity and utilisation levels, as well as the fixed nature of a significant proportion of the Group's operating expenses. This resulted in reduction of the CASK figure to 5.1 cents for the year. In 2022, however, CASK increased by 9.9% to 5.6 cents, mainly due to rising fuel prices which were within the hedged volumes. Taking fuel prices out of the equation, CASK only increased by 2.5%, boosted by FlyArystan's 134% increase in operations on international routes.

### Air Astana Group breakdown of operating expenses in 2022




| | |
|---|---|
| 1. Fuel and oil costs | 26% |
| 2. Employee and crew costs | 17% |
| 3. Depreciation and amortisation | 15% |
| 4. Engineering and maintenance | 14% |
| 5. Handling, landing fees and route charges | 10% |
| 6. Passenger service | 9% |
| 7. Other | 9% |

## Fuel

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, something over which the Group neither has control nor can accurately predict. Since fuel represents the Air Astana Group's largest operating cost, fuel price volatility has a direct and significant impact on its overall profit.

Fuel costs accounted for 26%, 21% and 19% of the Air Astana Group's total operating costs in the years ended 31 December 2022, 2021 and 2020, respectively. In 2022, the Group used approximately 319,930 metric tonnes of jet fuel and this amount will inevitably increase as the number of flights increases.

During the three years to the end of 2022, the Group continued adding more fuel-efficient aircraft to its fleet: Airbus A320neo, Airbus A321neo and Airbus A321LR models. We closely manage fuel costs with direct supply largely from local refineries and monitor alternative suppliers for domestic and international stations. Our pilot training programmes also include skills for efficient fuel management. The Group sources its jet fuel at both local and international stations, with a share of locally-sourced fuel of around 74% of a total volume.

Internationally-sourced jet fuel prices are dictated by the fluctuation in the commodities market globally, whereas the cost of jet fuel obtained from within Kazakhstan is dependent on direct negotiations with the refinery itself. Where available at commercially acceptable levels, the Group hedges its exposure to internationally sourced jet fuel using call options that provide price protection over the agreed strike price agreed. During 2022, the Group was able to purchase price protection for all of its international uplift.

## Other operating costs

Employee costs increased by 28.1% to USD 148.9 million, largely as a result of the external recruitment drive due to the increased need to meet passenger demand and the salary increase for most employees to compensate for the highest rate in inflation in Kazakhstan for 12 years.

Depreciation and amortisation increased by 11.9%, to USD 135.2 million. This increase is principally related to the delivery of nine new aircraft, with higher ownership costs. Engineering and maintenance costs increased by 33.1% to USD 125.9 million due to the increased size of the fleet, which now comprises 43 aircraft.

Costs associated with handling, landing fees and route charges increased by 21.2% to USD 84.9 million, while passenger service costs increased by 31.9% to USD 80.3 million.

## Net financing expense

The Company's total net finance expense for 2022 decreased by 26.8% to 32.3 million, compared with USD 44.7 million in 2021, mainly driven by an decrease of interest expense related to loans and increase of interest income received from overnight deposits.

## Economic performance

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

- Through direct business activity and a focus on improving efficiency and productivity
- Payment of taxes
- Creating direct and indirect employment opportunities
- Developing supply chains and procurement from local suppliers

The audited financial statements on pages 109 to 114 of this Integrated Report include detailed information about Air Astana Group's economic performance.

### Economic value generated and distributed

| USD '000 | 2022 | 2021[1] | 2020[1] |
|---|---|---|---|
| **Direct economic value generated** | **1,039,377** | 764,243 | 401,691 |
| Revenue | **1,039,377** | 764,243 | 401,691 |
| **Economic value distributed** | | | |
| Operating cash costs | 733,249 | 540,752 | 378,267 |
| Employee wages and benefits | **148,907** | 116,265 | 87,130 |
| Payments to providers of capital | **38,495** | 46,744 | 34,744 |
| Taxes paid | **1,427** | 2,501 | 4,158 |
| Community investments | **84** | 147 | 23 |
| **Economic value retained** | **117,215** | **57,834** | **(102,631)** |

1 Prior years' numbers were restated.



# Integral to business resilience and sustainability

## Our risk management processes help to promote a corporate culture that is underpinned by risk-averse behaviours.

Risk management is integral to ensuring the long-term resilience and sustainability of our business, as well as providing a platform that enables us to respond with agility to changing circumstances. The Company's CRMS defines our daily operational activities, encompassing governance, performance management and internal control practices. The CRMS is also a valuable tool for enabling both the Board of Directors and Management to evaluate the Company's options for creating, enhancing and realising value for its shareholders.

The CRMS was developed in line with and incorporates international best practice in risk management. This is further strengthened by Air Astana's adoption of the 'COSO[1] Enterprise Risk Management framework – Integrating with Strategy and Performance' as the basis for its Risk Management Policy. In addition to the integration of risk management across all internal processes and functions, the Policy ensures that risks are always taken into consideration when setting strategies and driving performance.

### Risk management framework

In order to drive the development and implementation of efficient risk management practices and procedures, the CRMS sets out clearly defined roles and responsibilities for the Board of Directors, Audit Committee, Company Management and each employee. This also helps to reinforce a culture that is underpinned by risk-averse behaviours.

#### Board of Directors

Primary responsibility for risk oversight in the Company and risk management functions

- Sets short- and long-term goals/objectives
- Approves the Risk Management Policy
- Approves other policies for managing specific risks
- Analyses the external Auditor's reports for improving internal control and risk management;
- Reviews and approves the quarterly Risk Register and Risk Map
- Approves the Company's risk appetite and tolerance of risk
- Reviews reports from the head of the structural unit responsible for risk management with description and analysis of the Company's risks
- Reviews reports on the efficiency of the CRMS

#### Audit Committee

Acts in the interests of shareholders and provides oversight support to the Board on the reliability and efficiency of the CRMS

- Reviews quarterly reports on changes to the Risk Map
- Reviews changes to the Risk Register
- Reviews reports on risks
- Reviews risk appetite annually
- Reviews quarterly reports on realised risks
- Reviews reports on any significant deviations from the standard risk management process
- Reviews reports on non-compliance with regulatory risk management requirements as necessary

#### Risk Committee

An advisory-consultative body to Air Astana's President and CEO, the Risk Committee provides preliminary reviews and makes recommendations for decision-making on risk management issues

It is responsible for the integrity and efficient functioning of the CRMS and the development of a risk control structure that ensures performance and compliance with the Company's policies

- Approves the annual strategic plan for the CRMS
- Organises an efficient CRMS to enable the identification and assessment of potential risks
- Reviews and approves the quarterly Risk Register and Risk Map
- Reviews and provides preliminary approval of the annual risk appetite
- Reviews quarterly reports on realised risks
- Reviews and approves the Key Risk Indicator (KRI) panel annually and considers the status of KRIs
- Reviews and approves the risk management action plans on risks deemed 'high' and 'very high' at least annually
- Reviews risk management reports and whether adequate measures have been adopted
- Improves internal risk management procedures

1 Committee of Sponsoring Organizations of the Treadway Commission.

## Risk responsibilities

In order to provide a balanced approach to managing risk, the Company has adopted the Three Lines of Accountability model within its operating structure.

### 1 FIRST LINE — AIR ASTANA STRUCTURAL UNITS AND ALL EMPLOYEES

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

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

### 2 SECOND LINE — RISK MANAGEMENT UNIT

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

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

### 3 THIRD LINE — INTERNAL AUDIT DEPARTMENT

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

- Audit of risk management procedures and risk assessment methods, and development of suggestions for enhancing the efficiency of risk management procedures
- Submission of evaluation reports on the efficiency of the CRMS to the Board of Directors
- Other functions in accordance with any approved regulations

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

# Significant risks

We categorise risks depending on their possible level of impact on our ability to successfully meet our strategic objectives. These are classified from 'low' to 'very high' risk; there are certain risks, that if realised, could have severe consequences for the business. The table below outlines the potential risks facing the Group along with any mitigating actions. It also highlights the assessment of and any changes in risk exposure during 2022.

| RISK | DESCRIPTION |
|---|---|
| **Safety**<br>Link to strategy:  | Effective safety management is critical to minimise the potential for incidents or accidents. The resulting effects of such events could have a significant adverse impact on the Group. |
| **Aviation security**<br>Link to strategy:  | Consequences of aviation security risk could adversely affect any airline's performance and reputation. Effective aviation security risk management is, therefore, essential to the Company. |
| **Commercial**<br>Link to strategy:  | The airline was recovering commercially as COVID pandemic restrictions were easing. However, this recovery was reversed by the global geopolitical situation, with the Company required to cancel flights scheduled to Russia and Ukraine. In addition, other factors such as intensive market competition, government intervention into market conditions, overcapacities and expected COVID-related interventions can create risks for the Company. Based on the above, as in 2021, the commercial risk remains at a critical level. |
| **Human resources** (part of ESG risks)<br>Link to strategy:   | The Company's Human Resources Policy is designed to ensure the employment and sustainability of qualified personnel who are capable of performing their duties effectively and productively in line with its strategic goals and values, and in compliance with professional and ethical regulations. Air Astana considers its employees to be one of the Company's main assets. |
| **Health, safety & environment** (part of ESG risks)<br>Link to strategy:  | HSE risk decreased as COVID pandemic restrictions eased. In the area of occupational health and safety, the Group acts in compliance with national, legal and other regulatory requirements and international rules of the aviation industry. |

**Link to strategy**

 Growth  Efficiency  Excellence

**Risk impact level**

Very high High

Moderate Low

**Risk exposure**

↑ Increase ↓ Decrease ↔ No change

| MITIGATION ACTIONS | RISK IMPACT LEVEL | RISK EXPOSURE |
|---|---|---|
| For the purpose of mitigating risks related to flight safety, the Group has established a safety management and compliance monitoring system, through which it conducts compliance and performance-monitoring audits, and sets and monitors safety performance indicators. The Group has an effective human factors training programme in place. There is a specific emphasis on procedural compliance. Specifically in the area of flight operations training, the Company has made a significant investment in training of instructors with a strong emphasis on standardisation.<br><br>There are regular independent assessments by regulatory authorities, EASA, and CAC Kazakhstan as well as industry assessments (IOSA). |  | ↔ |
| The Group has all required aviation security management policies and procedures in place. The Aviation Security Division reviews these policies on a regular basis. The Company provides training in aviation security to all required employees and for those whose duties require access to the secured airport area. Airport audits are performed on a regular basis for compliance with safety standards in terms of passenger and baggage checks and availability of appropriate equipment. |  | ↔ |
| The Air Astana Group has a complex risk response and closely monitors both the market and worldwide situations. The Company applies the following measures: network optimisation, frequency adjustment, fleet optimisation. |  | ↔ |
| Human resources risk management covers key areas including recruitment, retention of key personnel, sharing corporate culture, training and self-development and ensuring employee satisfaction. The Company's HEART values remain a priority as a vector of the working environment. |  | ↔ |
| The Company has in place all the procedures to provide a high level of occupational safety. Employees are aware of all the procedures and are kept informed of any changes in instructions, which are regularly updated in line with Government guidelines.<br><br>For the purpose of climate-related risk management, the Health and Safety team of the Company regularly takes part in ecological requirements training and is responsible for the development of instructions on waste oil, used filters, rechargeable batteries, worn tyres, scrap metal, residues of solvents, paintwork materials, aggressive liquids, used mercury-containing lamps, etc. |  | ↓ |

# Significant risks continued

| RISK | DESCRIPTION |
|---|---|
| **Service quality**<br>Link to strategy: | A high level of service standards is at the core of Air Astana's activities. Failure to provide high-quality services could lead to damage to the Company's reputation along with the loss of customers and a reduction in the airline's Skytrax rating. |
| **Credit**<br>Link to strategy: | The Company is exposed to credit risk from its counterparties. The default of a bank counterparty may adversely affect the Company's financial performance and stability. The risk severity remained unchanged in 2022, based on quantitative risk assessment: the weighted average probability of default for credit counterparties is below 5%. |
| **Liquidity**<br>Link to strategy: | Due to external economic and force majeure factors, inflation continues to have a significant negative impact on the airline industry in general. The risk level for 2022 decreased since the Company improved its liquidity position. |
| **Jet fuel**<br>Link to strategy: | Fuel expenses are one of the major costs for the Company and, along with the whole industry, the Group is exposed to risks related to the high volatility of fuel prices and related costs.<br><br>In 2022, the oil price was on average 45% higher than in 2021, and 145% higher than during the pandemic. The jump in oil prices in 2022 was due to global demand outstripping supply. As a consequence, jet fuel risk is now the most critical for the Company.<br><br>Due to the sanctions related to Russia, the Company suspended long-term contracts with jet fuel producers from the Russian Federation. |

**Link to strategy**

Growth | Efficiency | Excellence

**Risk impact level**

Very high | High | Moderate | Low

**Risk exposure**

↑ Increase | ↓ Decrease | ↔ No change

| MITIGATION ACTIONS | RISK IMPACT LEVEL | RISK EXPOSURE |
|---|---|---|
| The Group offers extensive training programmes to ensure that all employees, who communicate and interact with clients, are fully trained and maintain their skills at a high level. New technologies available to improve service levels are constantly under review.<br><br>The Company's manuals on the provision of services are regularly reviewed and improved as needed. The recruitment process focuses on hiring employees who are customer service-oriented in roles that require interaction with passengers. Employees undergo extensive training in accordance with Company standards. During the probation period, newly hired employees are monitored and assisted by experienced trainers.<br><br>Daily assessments are carried out by the supervisor on duty, which helps to monitor the level of staff qualifications (including the quality of services provided) and to address any weaknesses. | Moderate | ↑ |
| The Company's Cash Management Policy sets the limits and criteria for counterparty banks. The Policy also sets standard procedures, such as monitoring bank limit utilisation, actual or forecast exposure to accredited banks and for reporting to the Chief Accountant, Chief Financial Officer, Treasury Committee and the Board of Directors as applicable. The new limits for each bank are reviewed by the Treasury Committee prior to approval by the Board of Directors. The Policy is reviewed annually to ensure that it is fit for purpose. To manage credit risk from other counterparties, Air Astana has policies and stringent procedures in place, which are regularly implemented and updated as necessary. | Moderate | ↔ |
| The Company closely monitors its liquidity position and continually seeks opportunities to obtain banking and other available products with the most favourable conditions. The Company has implemented measures to reduce its cash burn, enabling the maintenance of a strong cash balance throughout 2022, which is projected to be sufficient for the coming period should the worldwide situation not improve as quickly as anticipated. In order to mitigate liquidity risk and avoid sanction risks, the Company transferred funds to reputable Kazakhstani banks in accordance with its cash investment policy. | Moderate | ↓ |
| For locally sourced fuel, the Company negotiates prices on a competitive basis with Kazakhstani suppliers with agreed and stable contracts. Air Astana also maintains ongoing negotiations with suppliers regarding price reductions. Another important aspect is the Company's monitoring of alternative suppliers for domestic and international stations. Where there are no restrictions, Air Astana also applies a fuel surcharge on domestic and international routes as an additional tool for reducing risk. The amount of surcharge depends on fuel prices and market conditions.<br><br>To reduce its overall consumption of fuel, the Company has added new, more fuel-efficient aircraft to its fleet in recent years, including the Airbus A320neo, Airbus A321neo and Airbus A321LR (with a new engine option). Additionally, several of the Company's pilot training programmes include skills for efficient fuel management.<br><br>The Company has fully hedged its international fuel uplift exposure for 2022. | Very high | ↑ |

# Significant risks continued

| RISK | DESCRIPTION |
|---|---|
| **Operational**<br><br>Link to strategy:  | Risks that the Company could incur losses as a result of ineffective operation activities (i.e. excess or shortage of aircraft, low OTP or pilot-shortage risk). |
| **Cyber and information security**<br><br>Link to strategy:  | Cyber risks are a top priority in the airline sector as the use of technology is increasingly integrated into business processes. With the increased reliance on technology, companies are now more exposed to cyber-attacks that could lead to data leakage and significant reputational and financial losses. |
| **Failure or severe degradation of mission-critical IT infrastructure**<br><br>Link to strategy:  | The core processes of the Company are dependent on IT services and infrastructure. Therefore, effective and resilient IT management is essential to the Company. |
| **Compliance** (part of ESG risks)<br><br>Link to strategy:  | The Company has compliance risks arising from legal and regulatory requirements as well as issues related to corruption, fraud and unethical behaviour. Sanctions imposed on Russia may affect the Company's supply chain management. Sanctions compliance screening remains a high priority with stricter sanctions and payment difficulties exacerbating the situation. As a consequence, the compliance risks level has been increased. |

**Link to strategy**

Growth | Efficiency | Excellence

**Risk impact level**

Very high | High | Moderate | Low

**Risk exposure**

↑ Increase | ↓ Decrease | ↔ No change

| MITIGATION ACTIONS | RISK IMPACT LEVEL | RISK EXPOSURE |
|---|---|---|
| To manage the risks related to its fleet, the Company delivers and redelivers aircraft in accordance with an approved fleet plan and market situation.<br><br>The risk of not being able to carry out regular flight operations on time due to technical or external reasons can lead to significant costs and reputational damage. The Company undertakes regular delay analysis and delay meetings.<br><br>The Company employs the required number of qualified pilots in accordance with the annual plan. An effective recruitment process has been put in place. Relevant training is provided to ensure the highest professional standards are maintained.<br><br>Operational measures may also reduce climate impact. However, research in this area has only just begun. | Moderate | ↔ |
| In order to manage these risks, the Company has robust cyber-security measures in place. The Company has developed processes to comply with the best industry practices and standards in information security. Employees undergo regular training on information security and familiarisation with the Information Security Policy to enhance their awareness of information security.<br><br>During the extensive period of remote working caused by the global pandemic, the security of connection was ensured by use of virtual private networks and multi-factor authentication. | Moderate | ↔ |
| To mitigate this risk, the Company uses a variety of required systems and equipment. Regular updates of operational systems and firewall software are conducted. All critical data is stored appropriately, and online and offline backups are created and monitored. In order to decrease the risk of virus and/or hacker attacks, the Company uses antivirus systems and firewalls, limits access to local and internet resources and regularly updates its security systems and applications. Regular external audits increase the Company's resilience to internal and external risk factors.<br><br>IT infrastructure is fully geared to support business continuity within the best possible limits with redundancy and backup systems in place. | Moderate | ↔ |
| These risks are thoroughly managed through the Compliance Management System that is in place. The Company regularly monitors all changes in relevant legislation. The Group updates and, if needed, develops new measures to ensure its compliance with regulatory requirements. In addition, the Company has in place internal and external channels (e.g. Hotline) for reporting potential and actual cases of corruption, fraud, unethical behaviour, etc.<br><br>Employees are kept up to date with the corporate standards on fraud, corruption, conflicts of interest, unethical behaviour, discrimination, etc. Since late February 2022, the Company introduced significant additional measures for the screening of suppliers and banks, including ultimate beneficiaries, on a regular basis to ensure compliance with its Sanctions Policy. | High | ↑ |

# Managing climate-related risks

We measure, manage and monitor climate-related risks in order to keep our airlines safe. Physical risks, resulting from climate change, may have financial and reputational and operational impact for the Company. These include indirect damage to supply chain efficiency, OTP, flight operations and safety procedures.

Climate-related risks are measured in the context of delays due to weather conditions that lead to low OTP.
We manage the following physical risks:

| PHYSICAL RISK | OPERATIONAL IMPACT | MITIGATION ACTIONS |
|---|---|---|
| **Natural disasters**<br>Volcanic eruption/ ash, water flood, hurricane, tornado, typhoon | • Supply chain<br>• Flight operation<br>• Safety procedures<br>• OTP | • Searching for alternative ways of delivering goods, spare parts (rail, truck) or consider alternative suppliers located in other regions<br>• Preparing a detailed plan for all departments immediately after the event; exploring possible scenarios; supplying detailed information from station managers to the Control Centre in order to enable the right decisions to be taken; informing flight dispatch and the crew about any dangerous areas |
| **Fog, smog, sandstorm** | • Flight operation<br>• OTP | • Monitoring of Meteorological Aerodrome Reports/Terminal Aerodrome Forecast<br>• Detaining crew at hotel/home to minimise disruption to flight duty periods in case of unsuitable visibility<br>• Delaying flight with captain co-ordination to avoid flight diversion<br>• Consulting with airport weather service<br>• Departure of flights according to weather conditions with probable delays with reference to the Terminal Aerodrome Forecast |
| **Snow, ice**<br>Unsuitable runway surface | • Flight operation<br>• Safety procedures<br>• OTP | • Monitoring of GRF and its updates<br>• Detaining crew at hotel/home to minimise disruption to flight duty periods in case of unsuitable runway surface conditions<br>• Consulting with airport ground service in order to clarify actions to improve runway conditions or requesting official letter about airport closure for snow removal from the runway<br>• Delaying flight with captain co-ordination to avoid flight diversion<br>• Departure of flights according to weather conditions with probable delays with reference to the GRF |
| **High temperature or high atmospheric pressure at destination airport** | • Flight operation<br>• Safety procedures | • Monitoring of Meteorological Aerodrome Reports<br>• Requesting calculation from Flight Dispatch for aircraft performance<br>• Reviewing restrictions for high outside air temperatures<br>• Considering aircraft type change; adding additional landing for refuelling; minimising payload; delaying flight until temperature drops |

# Insurance

We also employ insurance as part of our suite of risk management tools since this enables us to transfer some risks to other counterparties by paying an advance premium.

We agree arrangements with insurance companies that both comply with regulations and our own policies, and provide effective protection for the business. We purchase financially sound insurance coverage through a transparent process and review this annually.

## Aviation insurance

Our aviation risks are placed in the world's leading insurance markets through internationally reputable brokers. We cover our aviation risks through the following policies:

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

## Non-aviation insurance

We also purchase a range of non-aviation insurance policies. These range from providing cover for our employees against accidents and medical expenses to reducing the financial risk of damage to our property, interruptions to our business and general liability.



# Adhering to international standards

**Dear shareholders,**

I am pleased to report that against a challenging backdrop and guided by strong corporate governance, as it celebrated its 20th anniversary, the Air Astana Group also delivered record revenues and a healthy profit.

During its 20-year history, the Air Astana Group has been a major contributor to the Kazakhstan economy, creating over 6,000 jobs and generating over USD 600 million in tax revenue for the Government. This has all been achieved through the integrity of the Board and the leadership of the Senior Management Team, who uphold the highest level of international standards and remain true to the corporate values.

This year, we welcomed Yernar Zhanadil to the Board as a Non-Executive Director and a fellow representative of JSC Samruk-Kazyna National Welfare Fund. He is already making a sterling contribution to the Board and to the Strategic Planning and Treasury Committees. He takes the place of Andrey Kravchenko, who stepped down from the Board in March 2022, and I would like to formally thank Mr. Kravchenko for his services to the Group since 2019.

Among the Board's numerous activities over the last year, we approved and now have a newly constituted ESG Committee (replacing the CSR Committee), its remit covering social responsibility, occupational health and safety, and environmental protection. This better reflects the Group's increased focus on sustainability and the impact of climate change.

We also supported the President's proposals for further enhancing the fuel-efficiency of the Air Astana Group fleet through the planned acquisition of additional Airbus and Boeing aircraft. This was just one aspect of the Business Plan for 2023–2027, which set out the ambitious but achievable development plans for the Group, to which we gave our wholehearted approval.

## Board composition and evaluation

In 2021, I became Chairman of an already well-established Board, and since then there has been only one change of membership as mentioned above. This gives your Board a grounded and in-depth knowledge of the Air Astana Group, while at the same time the members bring a wealth of expertise to help further the progress of the business with skills and experience in: airline and transportation; financial management; strategy, planning and business transformation; corporate and investment banking; systems implementation; customer relationship management; and, of increasing importance to the business, tourism.

Every year, each Board Committees carries out a self-assessment of its activities, with the outcomes included in the Board's annual report. A planned external evaluation of the overall Board performance was twice postponed during the pandemic but took place in 2022: the results were published in February 2023 and more information can be found on page 94.

## Strengthening corporate governance

In line with the Air Astana Group's corporate governance framework, the Board is well balanced in terms of competencies, diversity and the age of its members, as well as in the representation of its shareholders' interests. As of 31 December 2022, the Board of Directors consisted of nine members, with two Non-Executive Directors nominated by the Samruk-Kazyna National Welfare Fund, two Non-Executive Directors nominated by BAE Systems, four Independent Directors (chairing all Board Committees) and one representative from the Senior Management Team.

We increased the number of Independent Directors in 2021 in line with the highest international standards of corporate governance.

## Engaging with stakeholders

Understanding the different perspectives that our stakeholders have of the Air Astana Group is a fundamental part of the Board's decision-making process and, inevitably, the long-term sustainability of the business. During the year, we engage with each of our diverse stakeholder groups so that we are able to respond in a meaningful way to their concerns. We are the leading employer in Kazakhstan and take our responsibilities very seriously, providing a safe working environment, competitive remuneration and social packages, and training and education for all our employees.

**Nurzhan Baidauletov**
Chairman of the Board of Directors

# Statement of compliance with applicable corporate governance codes

As a company incorporated in Kazakhstan, Air Astana has developed its Corporate Governance Code (the Code) in compliance with Kazakhstan's legal requirements, the rules of the Astana International Financial Centre Market and the Company's own Charter.

At the same time, to ensure that the Company maintains the highest standards of corporate governance, the Code is also aligned with the principles of the OECD and the UK Corporate Governance Code. The Code has been endorsed by the Board of Directors, whose role is to both provide guidance and safeguard the integrity of the business. It was approved by the Company's shareholders at the 2019 Annual General Meeting and full details of the Code are published on the Air Astana website at www.airastana.com.

The Company has an obligation to comply with the Code or, where the provisions of the Code have not been complied with, to provide appropriate explanations. During 2022, the Company was largely in compliance with all principles set out in the Code.

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

## Key principles of the 2018 UK Corporate Governance code

### Board leadership
Information on the Company's Board and Senior Leadership Team, an overview of the work undertaken to promote the long-term success of the Company and how the Board has considered stakeholders' interests.

Read more on page 89

### Division of responsibilities
Information on the governance framework of the Group.

Read more on page 92

### Composition, succession and evaluation
Overview of the composition of the Board and evaluation process together with the report from the Nomination and Remuneration Committee on its work during the year on Board and Senior Management composition and succession planning.

Read more on page 94

### Audit, risk and internal control
Overview of the framework for oversight of the Group's financial reporting and risk management and internal controls together with the reports from the Audit Committee on the work undertaken during the year.

Read more on page 98

### Remuneration
Report from the Nomination and Remuneration Committee on overseeing the Group's Remuneration Policies and practices, performance outcomes and annual report on remuneration.

Read more on page 103

# Board of Directors



## Nurzhan Baidauletov

**Chairman of the Board of Directors**

Appointed: April 2021[1]

### Key areas of expertise:

### Qualifications and experience

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

### Other appointments

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

### Committee membership

- Nomination and Remuneration Committee – Member
- ESG Committee – Member

Does not hold any shares in Air Astana.



## Peter Foster

**President and Chief Executive Officer**

Appointed: August 2019

### Key areas of expertise:

### Qualifications and experience

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

### Other appointments

None

### Committee membership

None

Does not hold any shares in Air Astana.



## Yeldar Abdrazakov

**Independent Director**

Appointed: March 2020

### Key areas of expertise:

### Qualifications and experience

Yeldar Abdrazakov holds a BA and MSc in International Economic Relations from the Akhmet Yassawi International Kazakh-Turkish University, Almaty and has also graduated the General Management Programme at Harvard Business School, Boston, USA. Yeldar Abdrazakov has held senior roles in commercial and investment banking for over 28 years. He was Managing Director from 1995 to 2003 at Kazkommertsbank (KAZKOM); CEO from 2002 to 2004 at Kazkommerts Securities; and founder and CEO from 2004 at Centras Group. Yeldar is a certified member of the international Institute of Directors (IoD).

### Other appointments

Chairman of the Board at Forte Bank. Member of the Board of Directors of KASE.

### Committee membership

- ESG Committee – Chair
- Nomination and Remuneration Committee – Member
- Audit Committee – Member

Does not hold any shares in Air Astana.

1 Chairman of the Board of Directors in 2008–2019.

Key to areas of expertise

Aviation | Finance | Business administration | Engineering | Strategy and Planning | Ethics and governance





## Keith Gaebel
**Independent Director**

Appointed: March 2020

### Key areas of expertise:

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

### Other appointments
None

### Committee membership
- Audit Committee – Chair
- Treasury Committee – Chair

Does not hold any shares in Air Astana.



## Janet Heckman
**Independent Director**

Appointed: January 2019

### Key areas of expertise:

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

### Other appointments
AIX Board Member.

### Committee membership
- Nomination and Remuneration Committee – Chair
- Strategic Planning Committee – Member
- Audit Committee – Member
- ESG Committee – Member

Does not hold any shares in Air Astana.



## Garry Kingshott
**Independent Director**

Appointed: August 2019

### Key areas of expertise:

### Qualifications and experience
After a successful early career in various FMCG businesses from 1974 to 1990, Mr. Kingshott transitioned into Aviation joining Ansett Airlines (Australia) in 1990. He now has 30 years' combined experience in the Aviation, Travel and Tourism and Airline industries, spanning three continents. Most recently Mr. Kingshott served Cebu Air Inc. as Chief Executive from 2008 to 2016, overseeing a successful IPO in 2010, and served as a member of the Advisory Board at Cebu Air Inc. until June 2022. A Member of the Australian Institute of Company Directors (MAICD), Mr. Kingshott has served as a Company Director/ Chairman for a variety of businesses including Airlines, Travel Agencies, National Tourism and Financial Services.

### Other appointments
None

### Committee membership
- Strategic Planning Committee – Chair
- Nomination and Remuneration Committee – Member

Does not hold any shares in Air Astana.

# Board of Directors continued

Key to areas of expertise

Aviation | Finance | Business administration | Engineering | Strategy and Planning | Ethics and governance



## Myles Westcott
**Non-Executive Director**

Appointed: March 2018

### Key areas of expertise:

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

### Other appointments
Group Financial Controller for BAE Systems.

### Committee membership
- Strategic Planning Committee – Chair
- Nomination and Remuneration Committee – Member

Does not hold any shares in Air Astana.



## Simon Wood
**Non-Executive Director**

Appointed: January 2019

### Key areas of expertise:

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

### Other appointments
CFO of BAE Systems Maritime and Land Sector since March 2023. Member of the Chartered Institute of Management Accountants.

### Committee membership
- ESG Committee – Member
- Treasury Committee – Member

Does not hold any shares in Air Astana.



## Yernar Zhanadil
**Non-Executive Director**

Appointed: March 2022

### Key areas of expertise:

### Qualifications and experience
Yernar Zhanadil is a qualified accountant in the UK and US and holds a Kazakh audit licence. He has a degree in Business Administration, Accounting and Finance (Kazakhstan Institute of Management, Economics and Forecasting), Master's in Finance (Manchester University Business School, UK) and an Executive MBA-Global, (London Business School, UK and Columbia Business School, US).

He joined NWF Samruk-Kazyna JSC in 2010 and held a number of senior financial positions before becoming a Member of the Management Board in 2016. He was made Managing Director for Development and Privatisation in January 2022, a role he currently holds.

### Other appointments
Chairman of the Board of Directors of NMC Tau-Ken Samruk JSC. Member of the Board of Directors of NAC Kazatomprom JSC.

### Committee membership
- Strategic Planning Committee – Member
- Treasury Committee – Member

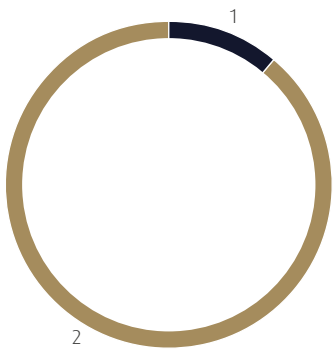
Does not hold any shares in Air Astana.

# Board activities in 2022

| Areas of focus | Activities in 2022 |
|---|---|
| Strategy | • Reviewed implementation of the Company's strategic development plan<br>• Approved the Business Plan (Development Plan) of the Company for 2023–2027 |
| Risk management | • Approved the Risk Appetite, updated Risk Map and Risk Register of the Company<br>• Reviewed reports on realised risks<br>• Approved amendments to the Policy on insurance coverage of the Company |
| Operations and finance | • Reviewed reports on results of the Company's financial and operational activity<br>• Considered various proposals from the President regarding operational and fleet agreements, including revised delivery and operating lease of three wide-body Boeing 787-8 aircraft<br>• Decided on the increase of the Company's obligations by an amount equal to 10% or more of its own capital<br>• Preliminary approved the annual consolidated financial statements of the Company for 2021<br>• Reviewed results of the Company's operational safety review<br>• Preliminary approved the Annual Budget of the Company for 2023<br>• Approved amendments to the Cash Management, Bank Risk & Treasury Reporting Policy of the Company<br>• Completed the annual banks review for 2022 and approved the Company's accredited banks credit limits |
| Governance and compliance | • Preliminary approved abolition of the CSR Committee and creation of the ESG Committee of the Board of Directors. Preliminary decided composition, terms of office of the ESG Committee and approved its Regulations<br>• Approved the plan for improvement of the Company's corporate governance practice<br>• Considered issues related to compliance of the Company |
| People | • Considered Nomination and Remuneration Committee's recommendations with regards to the amount of the 2022 year-end bonus payment to the employees of the Company whose remuneration shall be determined by the Board of Directors; appointment of a new Vice President Flight Operations<br>• Approved amended Regulations on the Corporate Pension Plan of the Company<br>• Reviewed the report on the Company's activities in the field of safety at work, labour, health and environment protection for 2021<br>• Approved the amended Policy in the field of safety at work, labour, health and environment protection |

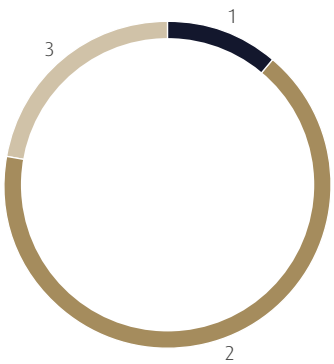
# Diversity of the Board

### Board gender



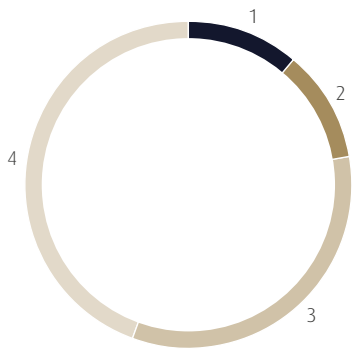

| | |
|---|---|
| 1. Female | 1 |
| 2. Male | 8 |

### Board tenure




| | |
|---|---|
| 1. 0–2 years | 1 |
| 2. 3–4 years | 6 |
| 3. 5+ years | 2 |

### Board age




| | |
|---|---|
| 1. 30–40 years | 1 |
| 2. 40–50 years | 1 |
| 3. 50–60 years | 3 |
| 4. 60–70 years | 4 |

# Senior Management Team

**Peter Foster**
President and CEO

Read more on page 82





## Alma Aliguzhinova
**Chief Planning Officer**

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



## Ibrahim Canliel
**Chief Financial Officer**

Ibrahim Canliel has been with the Air Astana since its early stages in 2003 and he has served in a range of roles across the company. Prior to his current role of Chief Financial Officer since 2017, he served as Senior Vice President Commercial Group, Vice President and Senior Vice President Marketing and Sales, Director Commercial Planning.

He started his career over 35 years ago in the travel industry and has 25 years of aviation management experience. Prior to joining Air Astana, he worked for KLM Royal Dutch Airlines, Northwest Airlines, Alitalia, briefly in the UAE and thereafter based in Kazakhstan in charge of the Central Asia and Caucasus region. He is currently serving his eighth term as a Board member at EUROBAK.

Ibrahim holds a Bachelor Degree of Economics of the Marmara University, an MBA of the Bosphorus University and more recently completed the Director's Programme at Cranfield University.



## Filippos Siakkas
**Chief Operating Officer**

Filippos studied Business Management & Accounting before undergoing Ab-initio pilot training in the US in 1988. He has 20 years of experience in airline management and held senior positions in flight operations and training for Olympic Airways, which he joined in 1989. He left Olympic in 2013 to join Air Astana.

At Air Astana, Filippos has focused on transforming flight crew training with innovative solutions such as world leading practical crew resource management, post-command upgrade training, self-learning in low level training devices and standardising the pilot selection process. More recently, he managed the procurement of a new Airbus A320 full flight simulator in Astana, the first of its kind in Kazakhstan, which will increase pilot productivity and raise operational and training standards. Since 2020 he has been involved in decision making and management of key operational and business aspects, projects and targets.



## Adrian Hamilton-Manns
**Managing Director, FlyArystan**

Adrian has over 25 years of experience in the airline industry and became Managing Director of FlyArystan in 2020. He completed a bachelor's degree in Aviation at Massey University in New Zealand and an MBA at the University of Cumbria in the UK. He began his aviation career at Air New Zealand in 1996. He then held positions at Qatar Airways as Head of Sales Performance; Seabury Consulting as Head of UK and Europe, and South African Airways as Executive Vice President. Adrian moved to Indian start-up, IndiGo, as Chief Commercial Officer, before returning to New Zealand as the Commercial General Manager for Pacific Blue. Prior to joining FlyArystan, Adrian worked as Chief Commercial Officer for Tigetr Airways; as Chief Executive Officer of FlyAfrica; and as Managing Director of Radixx International.

He has also held advisory roles for McKinsey & Co, Virgin Group and Bamboo Airways as well as writing for Aircraft Commerce.



## Gerhard Coetzee
**Chief Safety Compliance Officer**

Gerhard started his career as a South African Air Force navigator completing his service in the position of Staff Officer Flight Safety responsible for the Accident Prevention and Aviation Safety, including CRM, programmes. He has practised and held formal appointments in aviation safety and flight operations management for the past 35 years, including as managing consultant with BAE Systems for 7 years and with Air Astana the past 16 years.

Gerhard helped establish the Safety Management System in Air Astana at start-up and, since 2008, is also responsible for the Compliance Monitoring programme managing an extended team of dedicated staff. Gerhard's contribution to safety and operational performance has been formally acknowledged by various organisations including the SAAF, FAA and NIMA as well as BAE Systems.

He holds an Honours degree in transport economics from the University of South Africa, is a qualified Air Accident Investigator with qualifications in Aviation Safety Programme Management, Crew Resource Management and Flight Procedure Design.



## Yevgeniya Ni
**Vice President, HR and Administration**

Yevgeniya graduated from Karaganda State University with a degree in foreign languages and a degree in law. She started her career at Air Astana as an Executive Assistant to the President in 2002, and since 2005 heads the Human Resources and Administration Department, responsible for overall HR function and services including Recruitment, Training, HSE, and Facilities Management. Under her leadership, the Company introduced a transparent system of recruitment and corporate training, as well as an employee performance appraisal and remuneration system. The Company holds the following HR awards: 'WOW HR' in 2018–2019, 'Best HR brand in Central Asia' in 2017–2020 (Headhunter), 'Best HR Director' in 2018–2019 (Growth Forum Kazakhstan), 'Best Employer' in 2016–2020 by Universum and 'Best Employer in Transport and Logistics' in 2020–2021 (Randstad Employer Brand Research).

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



## Chamindra Lenawa

**Vice President, IT and E-business**

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



## Bella Tormysheva

**Vice President, Corporate Communications**

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



## Yerdaulet Shamshiyev

**Vice President, Strategy Development and Government Relations**

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

# Board leadership and Company purpose

The Board of Directors is responsible for upholding Air Astana's corporate governance principles and for ensuring that the Company generates long-term shareholder value through its safe, sustainable and successful operations. Our corporate culture reflects our core values and ambitions, as well as our commitment to all our stakeholders.

## Our purpose, values and culture

Since its inception, Air Astana has played a significant role in helping to connect Kazakhstan with its major neighbours within Europe and, more recently, in opening up leisure destinations farther afield. The Company took the opportunity in 2019 to actively promote flights across this, the world's largest landlocked country, when it launched FlyArystan. In a market where under half the population had previously flown domestically, this has boosted both mobility and economic growth in a number of ways: creating new employment opportunities through emerging small businesses, infrastructure development through the opening and expansion of local airports and, of course, vastly reducing travel times and therefore interaction between communities.

Excellence is central to everything that we do and underpins our aim of becoming one of most respected airlines in the world as well as helping us to fulfil our role as a major economic and social enabler. Our corporate culture reflects our core values and ambitions, and is one in which our employees are fully engaged, creating a happy and satisfied workforce.

All our business processes are built upon the overall ethos of our HEART values. We are committed to promoting a workplace environment that rewards and provides equal opportunities for all through our flexible, family-oriented and ethical approach.

We place great stead on reinforcing our strategy, values and beliefs with campaigns and engagement sessions taking place throughout the year, led by our senior management. Gaining insights into our corporate culture and how it is perceived are vital in ensuring that our employees are positive and satisfied about working for the Company. We employ a number of different indicators to provide us with a clear picture of our development, including employee engagement and pulse surveys, health, safety and well-being measures and diversity indicators.

From a Board perspective, we assess the results of engagement surveys and regular compliance reviews in order to gauge the Company corporate culture. Air Astana was the first business in Kazakhstan to introduce an internal pension programme, which set out to retain talent and improve engagement. Monitoring the level of engagement this generates is also part of our remit.

## The role of the Board and Committees

In its stewardship role, the Board of Directors is responsible for ensuring that the Company generates long-term shareholder value through its safe, sustainable and successful operations.

Upholding Air Astana's corporate governance principles, with regular scrutiny also of risk and internal controls, sits alongside the Board's oversight of the management of the business by the executive team.

The Board of Directors is central to Air Astana's corporate governance framework, which has been adopted in order to enable the robust decision-making required to achieve these priorities. Within this framework, the Board has responsibility for, but is not limited to:

### Shareholders

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

### Strategy

Determining the Company's development priorities and providing preliminary approval of the long-term development strategy, as well as monitoring implementation of the approved strategy.

### Performance

Preliminary approval of the Company's annual budget and medium-term business plans as well as reviewing the Company's performance against the budget. Preliminary approval of the Company's annual financial statements.

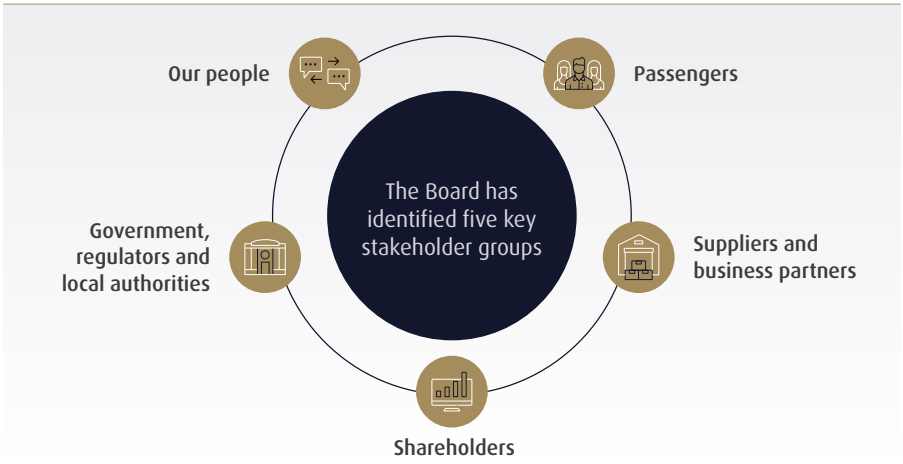
### Expenditure
Decisions on entering into major transactions (25% or more of the total amount of the book value of the assets); and on increasing the Company's obligations by an amount equal to 10% or more of its own capital.

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

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

## Conflict of interest
The Company Secretary should be notified of all conflicts of interest that any Board members have. This includes disclosing any interests that they have, of their own or on behalf of third parties, in relation to certain transactions or arrangements with the Company.

## Board and Committee meetings and attendance in 2022
The attendance of each Director at Board and Committee meetings from 1 January to 31 December 2022 inclusive is detailed below.




## Stakeholder engagement
The ultimate responsibility for the success of the Company lies with the Board, which steers the direction, management, performance and long-term sustainability of the business. Factoring in the interests of all its stakeholders is crucial to setting the Company's strategy and objectives. Gaining a clear understanding of stakeholders and their perspectives ensures that the potential impacts on each group are taken into account in Boardroom discussions and decision-making.

### Relations with shareholders
Delivering strong returns to our shareholders has allowed us to build long-term, positive relationships with them. Our shareholders are represented on the Board of Directors, kept up-to-date with the progress of the business and are actively involved in key strategic decision-making.

The Chairman of the Board of Directors is responsible for the quality of the output and performance of all the Board's duties. As part of his remit, he works to achieve a considered understanding of shareholders' concerns and issues through effective channels of communication.

### Share ownership
Air Astana Group is 51% owned by the Samruk-Kazyna National Welfare Fund, which was established to improve the competitiveness and stability of the national economy and to mitigate external risks to domestic economic growth.

| | Board | Strategic Planning Committee | Audit Committee | Nomination and Remuneration Committee | CSR Committee[1] | ESG Committee[2] | Treasury Committee |
|---|---|---|---|---|---|---|---|
| **Total number of meetings** | **9** | **5** | **6** | **5** | **3** | **1** | **5** |
| Nurzhan Baidauletov | 100% | 100% | | 100% | 100% | 100% | |
| Yernar Zhanadil[3] | 100% | 100% | | | | | 100% |
| Myles Westcott | 100% | 100% | | 100% | | | |
| Simon Wood | 100% | | | | 100% | 100% | 100% |
| Peter Foster | 100% | | | | | | |
| Garry Kingshott | 100% | 100% | | 100% | | | |
| Janet Heckman | 100% | 100% | 100% | 100% | 100% | 100% | |
| Keith Gaebel | 100% | | 100% | | | | 100% |
| Yeldar Abdrazakov | 100% | | 100% | 100% | 100% | 100% | |
| Andrey Kravchenko[4] | 100% | | | 100% | 100% | | 100% |

1 CSR Committee was abolished in 2022.
2 ESG Committee was established in October 2022.
3 Yernar Zhanadil, Member of the Board of Directors since 31 March 2022.
4 Andrey Kravchenko, Member of the Board of Directors until 31 March 2022.

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

### Dialogue with shareholders

Through active engagement with shareholders, the Company encourages dialogue and feedback. The role of the Independent Directors is to garner opinions and decisions independent of the shareholders or executive team while ensuring that all aspects of decision-making take account of the interests of the different groups of stakeholders.

### Constructive use of the General Meeting of shareholders

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

A range of other materials including annual and interim reports, presentations and other announcements are all available on the Air Astana's corporate website.

## Employee engagement

We are the leading employer in Kazakhstan, employing 6,184 people across all our operations. We recognise that the success of our business relies on the dedication and skill of our employees. With this in mind, alongside the wide range of employment opportunities that we offer, we also facilitate high levels of training and career development. By focusing on maximising engagement and increasing diversity, we are able to achieve low levels of staff turnover. We know from the results of our annual online engagement survey that providing a safe working environment, competitive remuneration and social packages are also key to this.

The Board of Directors and the ESG Committee (established in October 2022) consider on a regular basis reports from the VP HR & Administration related to:

- The results of surveys on the Company's employee engagement and social stability rating
- The Company's activities in the field of safety at work, labour, health and environment protection
- Progress on the Company's Defined Contribution Corporate Pension Plan

During 2022, the Company has raised salaries for the majority of employees to address the highest inflation in Kazakhstan for 12 years. The Board of Directors was informed, supported and approved the relevant changes to the Remuneration Policy.

Our HEART values form the foundation for all our activities. We are committed to integrity and compliance as set out in the Code of Conduct and through the Company's policies and standards, including Whistleblowing, Anti-Bribery and Corruption, and Conflict of Interest Policies.

## Suppliers and business partners

We depend on our suppliers and business partners to enable us to deliver day-to-day seamless operations. Fair and mutually beneficial contractual relationships are vital to achieving an uninterrupted service. We aim to build stable, long-term relationships with all our contractors and collaborate closely with them to ensure integrity and compliance with ethics, anti-corruption, environmental and safety standards. We have also worked hard to establish a broad-based supply chain that includes start-ups and smaller businesses as well as large multinational companies.

Where practicable, we include organisations in our procurement process who employ disabled people. In 2022, we made agreements for printed materials and PPE with organisations for disabled people.

We operate a transparent and effective procurement process in strict compliance via Samruk-Kazyna National Welfare Fund electronic procurement portal. In 2021, this was broadened to include ethical practices required from suppliers along with reliability clauses. For more information, see the Ethics and compliance section within Sustainability on page 43.

The conflict in Ukraine and remaining compliant with the ensuing EU and US sanctions imposed on Russia caused major disruptions to routes into and the volume of imports reaching Kazakhstan, which inevitably impacted our supply chain. By cutting unnecessary dependencies, we have successfully increased the agility of our supply chain and improved our position. However, with the high level of inflation within Kazakhstan, the challenge now is to retain our cost base.

We actively support the Government's 'Economics of simple things' programme, which promotes the use of local suppliers for socially significant goods and services. Within our procurement budget in 2022 the number of procurement contracts with local suppliers increased from 1,394 to 2,591 with a rise in value from USD 226.7 million to USD 239.6 million.

## Government, regulators and local authorities

We work very closely with the government, regulators and authorities to agree the framework within which Air Astana operates, given our proud role as the National Flag Carrier of the Republic of Kazakhstan. The Company is a substantial taxpayer, contributing to both the national wealth and that of the regions in which it operates. Increasingly, it also has an important part to play in improving local economies and social infrastructure.

## Passengers

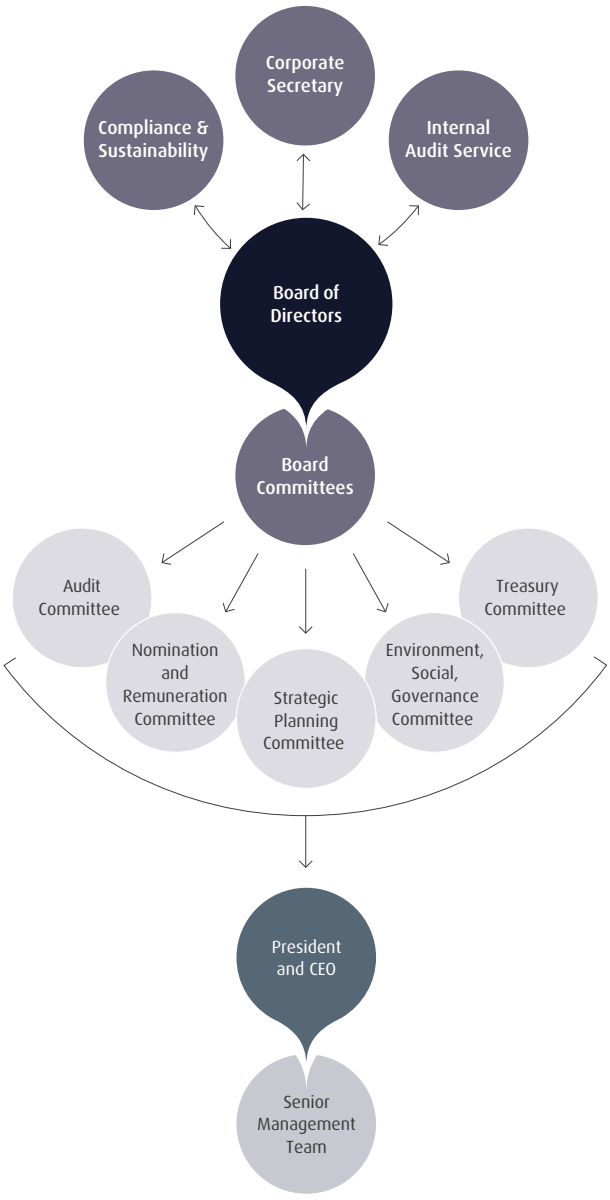
The safety of our passengers is paramount and operational safety is a standing agenda item, reviewed at each face-to-face Board meeting. Our passengers are the lifeblood of our business, and we do our utmost to exceed their expectations.

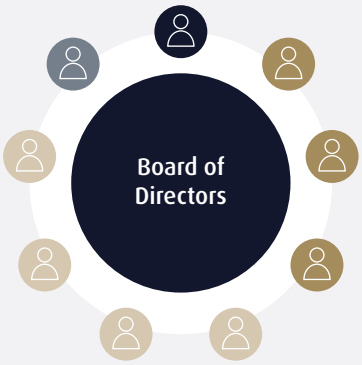
Striving to be one of the most punctual airlines in the world we are driven by excellence, providing a world-class cabin experience where we treat our passengers as our guests. We engage with customers across multiple touch points to listen to their needs and are rewarded with award-winning levels of customer satisfaction. Dynamics of the NPS and CSAT are regularly reported to the Board. To read more about how we engage with our customers, please refer to the Operating review on page 38.

# Division of responsibilities

As set out in the Charter and the Corporate Governance Code, and approved by shareholders, the roles of Chairman and President are separate and clearly defined.

## Corporate governance framework




The nine members of the Board of Directors – four Non-Executive Directors, four Independent Directors and one representative from the Senior Management Team – uphold Air Astana's corporate governance principles and, in doing so, ensure that the Company generates long-term shareholder value through its safe, sustainable and successful operations.

# Board roles and responsibilities

## Role of the Chairman

**Nurzhan Baidauletov**

A Non-Executive Director, the Chairman is responsible for both the leadership of and the effectiveness of all the functions of the Board. In this role, he is supported by the Independent Directors. The Chairman oversees the work of the Board of Directors, ensures the Board's effective performance across its areas of responsibility and that all Directors make an active contribution to the Board's activities, including interaction with the Company's CEO. As well as regular communication with shareholders, the Chairman works with the Corporate Secretary to provide timely, reliable and accurate information to all Directors and determines the agenda for Board meetings.

## Role of other Non-Executive Directors

**Myles Westcott | Simon Wood**
**Yernar Zhanadil**

Our Non-Executive Directors are nominated by the Samruk-Kazyna National Welfare Fund and BAE Systems, and elected by the General Meeting of shareholders. They bring wide and varied financial and operational experience to the Board and its Committees. Their diverse expertise also brings an external perspective and objectivity to the Board's decision making. As well as their involvement with development, approval and review of Company strategy, our Non-Executive Directors are able to provide constructive appraisals of the performance of the executive team.

## Role of the Independent Directors

**Yeldar Abdrazakov | Keith Gaebel**
**Janet Heckman | Garry Kingshott**

The Board is balanced by the selection of Independent Directors, who complement the composition of the Board through their skills, experience, age and diversity.

## Role of the President and CEO

**Peter Foster**

The President is responsible for the successful planning and execution of the objectives and strategies agreed by the Board and shareholders, and ultimately responsible for the day-to-day running of the Company in accordance with the relevant laws and our Charter.

# Supporting roles

## The role of the Corporate Secretary

While ensuring that all the Company's different governing bodies uphold both legislative and Company requirements, the Company Secretary plays a major role in enabling open dialogue across the business. Their role is also to ensure that the rights of all shareholders are taken into account, shareholder communications are considered by the relevant body and to resolve any disputes involving shareholders' rights. Board approval is required for the appointment and removal of the Company Secretary.

## The role of the Internal Audit Service

The Internal Audit Service protects and enhances the value of the Company by providing risk-based and objective assurance, advice and insight.

## The role of the Board Committees

The Board Committees are the consulting and advisory bodies that assist the effective performance of the Board and develop recommendations to the Board with regards to specific issues that require specialised areas of expertise.

## The role of the Senior Management Team

The Senior Management Team provides day-to-day support and strengthens the President's strategic capacity.

# Board composition, succession and evaluation

## Board composition and independence

As of 31 December 2022, the Board of Directors consisted of nine members, with two Non-Executive Directors nominated by the Samruk-Kazyna National Welfare Fund, two Non-Executive Directors nominated by BAE Systems, four Independent Directors and one representative from the Senior Management Team. The Board is elected by cumulative voting at the General Meeting of shareholders.

Mr. Nurzhan Baidauletov, Chairman of the Board since April 2021, is nominated by Samruk-Kazyna National Welfare Fund. To mitigate any concerns about independence, we have four Independent Directors on the Board.

We believe that the composition of the Board has continued to improve and, in line with the Company's corporate governance framework, is well balanced and most advantageous in terms of the competencies, diversity and age of Board members, as well as the representation of shareholders' interests.

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

## Board evaluation

External evaluation of Board performance was performed in the beginning of 2023 by Nestor Advisors Ltd, a London-based specialist corporate governance advisory firm. The evaluation was conducted via a questionnaire-based survey and interviews with Board members, the Corporate Secretary and several senior executives. In their feedback, the independent consultants noted the Board's close involvement in the oversight of key areas of the Company's operations, internal control and risk management practices and the audit process, as well as the Board's well-established procedures and good support from the Corporate Secretarial function. It also reported that the composition of the Board, through its highly skilled members, had a healthy mix of international and local expertise with the Independent Directors actively contributing to decision-making. Recommendations for the future included adopting a more structured approach to strategic reflection by the Board and considering oversight of the development of a formalised succession planning process for senior executives and the Board. It was also felt that the Board could adopt a more strategic approach to planning its oversight responsibilities and Director development as part of its work throughout the year. The Board is currently implementing these and other recommendations.

## Board induction and training

Within the first six months of their appointment, newly appointed Directors undergo a very effective onboarding programme. This has been developed so that they are brought up to speed quickly with Air Astana and its key assets, representatives of its management bodies, existing practices and standards of corporate governance, specific features of the Company and the industry, and other information necessary to perform their duties as members of the Board of Directors. Members of the ESG Committee participated in a training programme that focused on current ESG practices. The resulting discussions have been a valuable contribution to the developing framework of the Company's ESG Strategy for 2023–2032.

## Information and support

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

The Board of Directors and its Committees are entitled to use the services of external experts, consultants and additional resources to enable them to carry out their duties in full. Financial provision for this is made in the Company's budget each year.

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

The Corporate Secretary has a key role in the preparation and oversight of Board of Directors' meetings and the General Meeting of shareholders, ensuring that the disclosure and dissemination of information comply with the rights and interests of shareholders. The Corporate Secretary facilitates the smooth co-ordination between the Company's bodies, in line with the Charter and other internal documents. In addition, they also ensure that the Company's officials are kept informed about the latest developments in corporate governance practices.

## Re-election

The members of the Board of Directors are re-elected each year with a one-year term. The effectiveness and commitment of each Board member is also reviewed in order ensure that the interests of the shareholders are fairly and objectively represented. Taking account of the other offices and interests held by the current Independent Directors, the Board is satisfied with the individual skills, relevant experience, contributions and time commitment of each.

## STRATEGIC PLANNING COMMITTEE

### COMPOSITION

Chair: Garry Kingshott
Members: Janet Heckman | Myles Westcott | Yernar Zhanadil[1] | Nurzhan Baidauletov[2]



The Strategic Planning Committee was created to assist with the effective performance of the Board of Directors and to develop recommendations for the Board on issues related to strategic development.

### Role and responsibilities

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

- Air Astana's priority areas of business activity and development
- Potential amendments to the Company's long-term development strategy
- Corporate governance issues
- Air Astana's strategy in view of changes in the economic, political, social and competitive environment
- Improvements to the Company's long-term performance and competitiveness in the aviation transportation market

### Main activities during 2022

At the start of 2022, we reviewed a number of reports relating to activities in 2021, including the annual report of the Strategic Planning Committee, progress on implementing the Company's strategic development plan and the results of financial and operational activity. We also made recommendations about the procedure for distribution of the net income and the payment of shareholder dividends for 2021.

There were a number of standing items on our meeting agendas: regular reviews of the results of financial and operational activity (implementation of the budget and Development Plan) and updated cash forecasts.

Looking to the future, we recommended preliminary approval of the Annual Budget for 2023 and the Business Plan (Development Plan) for 2023–2027. We also agreed the plan of work of the Strategic Planning Committee for 2023.

### PRIORITIES FOR 2023

The Strategic Planning Committee will continue to fulfil its general responsibilities with a focus on monitoring new projects and carrying out its activities in accordance with the approved plan of work, which includes:

- Considering management's report on the implementation of the long-term development strategy, the medium-term Business Plan (Development Plan), annual budget and major investment projects
- Reviewing updates on the Company's cash position
- Reviewing the latest results from FlyArystan
- Considering the draft five-year Business Plan (Development Plan) for 2024–2028

1 Since 31 March 2022.
2 Until 31 March 2022.

## ESG COMMITTEE

### COMPOSITION

Chair: Yeldar Abdrazakov
Members: Simon Wood | Janet Heckman | Nurzhan Baidauletov



The ESG Committee develops recommendations to the Board on the issues of ESG for the purpose of building an effective ESG system in the Company.

Since 2012, the CSR Committee has been assisting the Board of Directors of the Company on the issues related to social responsibility, including occupational safety, health and environmental protection. The Committee's main responsibilities included:

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

In October 2022, by the decision of the shareholders, the CSR Committee was abolished and the new ESG Committee, as a consulting and advisory body of the Board of Directors, was created to assist the Board of Directors of the Company in executing oversight over ESG-related issues.

### Role and responsibilities

The ESG Committee is responsible for ensuring that the Company's ESG policies and practices align with the Company's values, mission, and strategy. The main responsibilities include:

- Oversight of ESG-related goals and metrics
- Monitoring the Company's progress towards achieving its ESG objectives
- Provision of oversight of the Company's ESG initiatives
- Review and recommendations with respect to approval of ESG-related policies
- Review and approval of ESG-related disclosures in the Annual Report of the Company

### Main activities during 2022

We began the year by reviewing the Sustainability Section of the Annual Report of the Company for 2021. We reviewed the results of the Company's employee engagement and social stability rating surveys. A range of sustainability matters were approved, including the action plan on ESG rating receipt for 2022–2023 and the Low-Carbon Development Programme for 2023–2032. During the discussions, the Committee members voiced the necessity of establishing an ESG Committee to provide guidance to the Board on relevant emerging ESG topics or issues and assist by overseeing the implementation of the ESG Strategy of the Company, as well as driving ESG-related issues within the Company. Following the decision, we considered the authorities falling within the competence of the ESG Committee and provided relevant recommendations for approval.

At the first meeting of the ESG Committee, we reviewed the report on the status of the implementation of ESG-related issues within the plan for improving the practice of corporate governance of the Company. We also had an ESG training delivered by an external consultant on the theory and practice of ESG Strategy development (training for the members of the ESG Committee on the topic 'Building the ESG strategy: theory & practice') and had a brainstorming session during which were discussed the essential ESG matters of the Company that should be reflected in the ESG Strategy of the Company for 2023–2032.

### PRIORITIES FOR 2023

- Review and approval of the ESG Strategy of the Company for 2023–2032 with the ESG Initiatives Plan and further monitor the implementation
- Monitoring the implementation of the Action plan for obtaining the ESG rating and receipt of the rating
- Oversight of the integration of the relevant Sustainable Development Goals into the reporting practices
- Consideration of the Materiality assessment
- Reviewing the report on the Company's activities in the field of safety at work, labour, health and environmental protection for 2022
- Reviewing updates on the Company's employee engagement index and social stability rating
- Planning the work of the ESG Committee for 2023

## TREASURY COMMITTEE



### COMPOSITION

Chair: Keith Gaebel
Members: Simon Wood | Yernar Zhanadil | Andrey Kravchenko[1]

Established in October 2017, the Treasury Committee assists the Board of Directors in monitoring and improving the effectiveness of risk management related to the Company's treasury functions.

### Role and responsibilities

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

- Verifying control mechanisms for the Company's treasury activities and ensuring the effectiveness and improvement of policies and procedures in the treasury function
- Monitoring treasury activities and notifying the Board of Directors of risks and opportunities associated with them, as well as recommendations about all matters related to the treasury, in accordance with the Regulations of the Treasury Committee, internal policies and at the request of the Board of Directors

### Main activities during 2022

We began the year by reviewing the annual report of the activities undertaken by the Treasury Committee during 2021. As standing items on the agenda, the Treasury Committee continued to monitor activities in regular reports received from the CFO, which set out details of cash position, deposits, loans and finance leases, and available credit lines. We paid special attention to the Company's exposure to counterparty banks to ensure compliance with the internal policies. We also continued monitoring liquidity levels through regular cash forecast updates throughout the year. During the year, the Committee additionally recommended Board approval of the arrangements with two new bank counterparts and of the Swap Hedging Policy on operating and finance lease agreements of aircraft.

### PRIORITIES FOR 2023

Over the next year, the Committee will continue to fulfil its general responsibilities with a focus on monitoring compliance with internal policies and carrying out its activities in accordance with the approved plan of work, which includes monthly and quarterly treasury reports, updates on currency risk exposure, annual review of counterparty banks, approval of the accredited banks credit limits and revision of internal policies.

1 Until 31 March 2022.

## AUDIT COMMITTEE

### COMPOSITION

Chair: Keith Gaebel
Members: Janet Heckman | Yeldar Abdrazakov



The Audit Committee acts in the interest of shareholders and provides oversight support to the Board of Directors concerning the integrity of financial reporting, the reliability and efficiency of the risk management and internal control systems, the independence and effectiveness of the external and internal audit processes and compliance with the applicable laws and regulations.

### Role and responsibilities

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

- Development of recommendations to the Company's Board of Directors on the appointment and change of the external Auditor, on determining the amount to be paid to the external Auditor, on evaluating the quality of services rendered by the external Auditor, on receiving the related services from the external Auditor
- Review of the reports from the Company's management and the external Auditor on material accounting matters and decisions
- Oversight of the framework and effectiveness of the Company's systems of risk management and internal control, compliance and internal audit through regular reports from the IAS, Risk Management Division and Compliance and Sustainability Department

### Main activities during 2022

During the year, our activities fell into a number of distinct categories:

#### External Auditor

Assessed all aspects of the independence of the external Auditor and reviewed the external Auditor's report on the consolidated financial statements for 2021 and the interim audit results for 2022. We made recommendations in relation to fee payments to the external Auditor, as well as renewal of the external audit service contract for 2023. We also considered and approved the provision of non-audit services by KPMG Tax and Advisory LLP, an affiliated company of the external Auditor, in relation to the external assessment of the Internal Audit System of the Company and analysis of the internal control system for the purpose of horizontal monitoring, ensuring that non-audit work did not compromise external Auditor's independence and due process was followed.

#### Internal Audit Service (IAS) reviews and approvals

During 2022, we reviewed and recommended for approval a number of documents, including the IAS Plan for 2022–2023 with subsequent monitoring of the results throughout the year, amended Regulation of the IAS and new Internal Audit Manual. We also considered and preliminarily approved the Annual Audit Plan for 2022 and changes to it, reviewed the process of its implementation during 2022. It was recommended to introduce some staff changes in the IAS, including an increase in headcount, to enable the Internal Audit to perform more operational engagements.

The Head of IAS provided quarterly activity reports on the results of performed internal audit engagements and status of implementation of recommendations from the IAS. We also considered the results of the external assessment of the Internal Audit System.

### Head of IAS

We gave recommendations with respect to the amended job description for the Head of the IAS taking into consideration actual responsibilities of the new Head of the IAS hired in December 2021.

### Financial statements

We analysed the integrity and quality of our financial and business reporting, considering the significant accounting judgements made by Management and the findings of the external Auditor. Also, we reviewed critical accounting policies and alternative treatments of financial information within IFRS.

### Compliance and ethical conduct

During 2022, we reviewed and considered regular reports on the following compliance matters:

- Functioning of the independent whistleblowing hotline, including the received messages and the results of internal investigations conducted accordingly
- Evaluation of corruption risks and effectiveness of corresponding controls
- Enhancement (automation) of the conflicts of interest reporting and settlement process
- Changes into compliance related documents, including compliance program and procedure for identifying and managing potential conflicts of interest
- Implementation of comprehensive measures to ensure compliance with applicable international sanctions; conduct of counterparty due diligence procedure
- Assessment of single source purchases considering their high vulnerability to corruption risks
- Review of compliance trainings to maintain due corporate culture within the Company

## PRIORITIES FOR 2023

The Audit Committee will focus on maintaining the integrity and quality of our financial statements and ensure that the Company prepares its financial and business reports based on the principles of transparency and accountability, completeness and reliability. By the end of 2023, the Audit Committee will initiate and oversee the necessary procedure for the selection and appointment of an external Auditor for the next three years and monitor the independence of the external Auditor.

The Audit Committee will continue to focus on enhancing the Company's internal control and risk management systems through reviewing regular reports on risks and on internal audit engagements, and considering and preliminarily approving relevant documents. The Audit Committee supported the initiative of the IAS to advise the Finance Department on improving internal controls over financial reporting in 2022 to prepare the Company to enter into horizontal monitoring projects with the tax authorities, which will continue throughout 2023.

As regards the internal audit, the Audit Committee will monitor all aspects of the IAS activities including the Annual Audit Plan, structure, staff numbers, salaries and budgets. Also the Committee will ensure that Internal Audit Services focuses on high-risk operational processes as well as on material expenses which are discussed with the Audit Committee and included in the 2023 Annual Audit Plan.

As regards compliance, the Audit Committee will review the quarterly report of the Compliance and Sustainability Department and oversee the effectiveness of internal procedures on legal compliance, the adequacy of actions relating to the Whistleblowing Policy, conflict of interests and sanction risks.

### Risk management

We reviewed and preliminarily approved the updated Risk Register, Risk Map, risk appetite, as well as considered quarterly reports on realised risks. We also preliminarily approved amendments to the Policy on organisation of insurance coverage of the Company.

### Other matters

We considered the report on litigations and state inspections of the Company by public authorities in 2022. The Committee preliminarily approved the Data Privacy Policy and considered the Company's actions in terms of data protection. We discussed and recommended approval of the plan for improvement of the corporate governance practice of the Company.

## Integrity of financial statements

Through its activities, under the auspices of the Audit Committee, the Board focuses on maintaining the integrity and quality of our financial and business reporting, considering the significant accounting judgements made by management and the findings of the external Auditor.

In doing so, the Company conducts financial and business reporting based on the following principles: transparency and accountability; completeness and reliability.

Please refer to:

- Page 106 for Management's statement on the annual report and Accounts being fair, balanced and understandable
- Page 107 for the Independent Auditor's report including disclosures about the audit scope and responsibilities of the Auditor
- The Strategic Report on pages 12–13 for an explanation of the Company's business model and pages 24–27 for the strategy for delivering the objectives

## Risk management and internal control

The overall responsibility for Air Astana's systems of risk management and internal control and for reviewing their effectiveness rests with the Board.

The Board conducts an annual review of the effectiveness of the systems of internal control during the year under the auspices of the Audit Committee.

The Board of Directors regularly reviews and evaluates the overall risk management systems and environment in the Company.

Further information on the principal risks and uncertainties and mitigation measures is available on pages 72–77 of this report.

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

- Review of reports on changes to the Company's risk map on a quarterly basis
- Review of changes to the Risk Register on a quarterly basis
- Annual review of the risk appetite and quarterly review of reports on realised risks

## Internal audit

### Mission and functions

Air Astana's IAS was created in December 2007 by a decision of the Board of Directors. The IAS organises and carries out internal audits and reports directly to the Board of Directors. Supervision of the IAS is carried out by the Audit Committee in accordance with internal documents governing its activities.

The appointment and dismissal of IAS Head and employees is within the remit of the Board of Directors.

The IAS's mission is to protect and enhance the value of the Company by providing risk-based and objective assurance, advice, and insight. The objective of the IAS is to perform independent and objective assurance and consulting engagements designed to add value and improve the Company's operations.

### Audit process

The IAS significantly improved the approach and methodology of performing internal audit engagements. The IAS uses an agile approach to perform its responsibilities in a more effective and efficient manner. Risk-based selection of audit scope and requirement of root cause analysis enhance the quality of the audit observations and recommendations. Also, the template of the audit report, its content and style, have been updated to make audit reports more comprehensible to readers. All these changes are reflected in the new Internal Audit Manual.

The IAS fully implemented the Annual Audit Plan. In addition to 13 planned internal audit engagements, six unplanned audits and consulting engagements were performed at the request of the management and the Company's structural units respectively.

The IAS is using the internal audit management software TeamMate for the entire audit process which helps to increase the IAS' efficiency.

### Consulting engagements

The IAS makes every effort to encourage and conduct more consulting engagements. 36% of the engagements carried out were assessed by the Company as highly satisfactory.

### Compliance with standards

In November 2022, the IAS successfully passed an external independent assessment which concluded that the IAS conforms 100% with the Code of Ethics and the Definition of Internal Audit of the Institute of Internal Auditors, as well as the requirements of the Standards.

One of the key factors behind the IAS's success is the high professional level of its employees, who are the key performance drivers of the IAS. During 2022 IAS employees allocated time and effort to enhance their knowledge and skills.

## External audit

The external Auditor adheres to International Standards on Auditing and the International Financial Reporting Standards for rendering audit services. The external Auditor regularly holds meetings with the Audit Committee without the presence of members of the Company management.

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

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

Air Astana's external Auditor for the period of 2020–2022 is KPMG Audit LLP, an independent audit organisation. The Company renewed the contract with KPMG Audit LLP for 2023 through the required procurement procedures.

During 2023, the Audit Committee will focus on maintaining the integrity and quality of our financial statements as well as overseeing improvements in the Company's internal control and risk management systems and compliance procedures.

**Keith Gaebel**
Chair Audit Committee

## NOMINATION AND REMUNERATION COMMITTEE



### COMPOSITION

Chair: Janet Heckman

Members: Garry Kingshott | Yeldar Abdrazakov | Nurzhan Baidauletov[1]
Myles Westcott | Andrey Kravchenko[2]

The Nomination and Remuneration Committee develops recommendations for the Board of Directors regarding the recruitment, selection and remuneration of members of the Board of Directors, the executive body, the head of the IAS, the Corporate Secretary and other employees whose appointment requires the approval of the Board of Directors or shareholders.

### Role and responsibilities

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

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

### Main activities during 2022

At the start of the year, we reviewed the annual report of the Nomination and Remuneration Committee for 2021. The range of topics on our busy agenda during 2022 fell into a number of distinct categories.

#### Board and Committees

Recommendations regarding both the overall composition of the Board and its Committees – including the newly constituted ESG Committee – as well as the remuneration and compensation for the Chairman and Independent Non-Executive Directors.

#### Terminations and appointments

We issued recommendations in relation to determination of the term of office and election of the new Vice President Flight Operations due to the retirement of the previous incumbent.

#### Remuneration, compensation and incentive plans

We approved the amendments to the rules and regulations of the Labour Remuneration System, Defined Contribution Corporate Pension Plan, Incentive Plans and Business Trip Rules. For those employees of the Company whose remuneration shall be determined by the Board/shareholders, we made recommendations about change in 2022 salaries and the amount of bonus payments.

We also made recommendations in respect of performance measures and weightings of the airline performance bonus for 2023, as well annual approvals of internal regulations within the remit of the Board.

1 From 31 March 2022.
2 Until 31 March 2022.

## PRIORITIES FOR 2023

The Nomination and Remuneration Committee will continue to fulfil its general responsibilities and carry out its activities according to the approved plan of work for 2023, with a particular focus on reviewing the results of the external evaluation of the Board of Directors and relevant actions, as well as the remuneration and incentive policies of the Company.

## Remuneration policy

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

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

By decision of the General Meeting of shareholders of the Company, taking in consideration the recommendations of the Nomination and Remuneration Committee, an annual fixed remuneration may be established for the Chairman of the Board of Directors of the Company similar to compensation to the Independent Director of the Company.

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

Independent Directors are paid as follows:

- An annual fixed remuneration, for participation in sessions of the Board of Directors and its Committees
- Compensation of expenses associated with the performance of duties
- Travel benefits

The amounts of annual fixed remuneration and compensation are determined in accordance with the contract agreed with each Independent Director on the basis of a decision of the General Meeting of shareholders.

## Remuneration in 2022

In 2022, the total remuneration paid to the Chairman and Independent Directors was USD 7.2 million including taxes.

# Dividend policy

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

Terms for payment of dividends to shareholders:

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

In accordance with the Dividend Policy, the Company allocates 30% of net income, as calculated in accordance with International Financial Reporting Standards, to a dividend, unless otherwise decided by the General Meeting of shareholders. For the period from 2019 to 2022, the Company did not accrue or pay dividends. The last dividend payment was made in 2018 at a rate of 30% of 2017 net income, which amounted to USD 626 per share.

On 31 March 2023, the AGM approved dividends for 2022 in the amount of USD 16.7 million or 20% of the Group's net income for 2022.

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

# Consolidated Financial Statements

for the year ended 31 December 2022





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# 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
- 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
- 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**
President and CEO



**Ibrahim Canliel**
Chief Financial Officer



**Saule Khassenova**
Chief Accountant




Almaty, Republic of Kazakhstan
24 February 2023

# 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.

# Independent Auditors' Report continued

To the shareholders of Joint Stock Company Air Astana

- 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

# Consolidated statement of profit or loss

for the year ended 31 December 2022



| '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[1] | | **(231,884)** | (136,558) | (89,212) |
| Employee and crew costs[2] | 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)** |

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 115 to 167.

1 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.
2 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**
President and CEO

**Ibrahim Canliel**
Chief Financial Officer

**Saule Khassenova**
Chief Accountant

Almaty, Republic of Kazakhstan
24 February 2023

# Consolidated statement of other comprehensive income

for the year ended 31 December 2022

| '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 115 to 167.

# Consolidated statement of financial position

as at 31 December 2022

| '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 115 to 167.

# Consolidated statement of changes in equity

for the year ended 31 December 2022

| '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 115 to 167.

# Consolidated statement of cash flows

for the year ended 31 December 2022

| '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** |

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 115 to 167.

# Consolidated statement of cash flows continued

for the year ended 31 December 2022

| '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 115 to 167.

# Notes to the consolidated financial statements

for the year ended 31 December 2022



## 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 2. Basis of accounting continued

### 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

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 customer*s 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

### 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

### 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 anti-corrosion 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

### Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies an accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the 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 are recognised 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 3. Significant accounting policies continued

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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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 transferable 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 analysing indicators of the primary economic environment including the pricing policy, structure of revenues from international and domestic routes, costs structure as well as continued development in the strategy of the Group for further development of international routes. Future circumstances, therefore, may be different and may result in a different conclusion.

Due to the COVID-19 pandemic the revenue from the Company's international routes fell more than the domestic routes revenue. As a result, the share of dollar denominated sales in 2020 decreased significantly. In 2021 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 unutilised points as of each reporting dates are treated as deferred revenue. Points are valued based on the weighted average standalone prices of tickets redeemed by route and class. Based on the historical statistics the 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 5. Critical accounting judgments and key sources of estimation uncertainty continued

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 analyse the financial position of the segments separately. Instead, the Group recognizes lease payments which FlyArystan would have to pay to lease an aircraft over a similar term and in a similar economic environment as for Air Astana leases. Those amounts are reflected in the inter-group elimination.

Operating results for the years ended 31 December 2022, 2021 and 2020:

| '000 USD<br>Profit or loss statement | 2022<br>Air Astana | 2022<br>FlyArystan | Inter-group<br>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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 6. Segment reporting continued

| '000 USD<br>Profit or loss statement | 2021<br>Air Astana | 2021<br>FlyArystan | Inter-group<br>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<br>Profit or loss statement | 2020<br>Air Astana | 2020<br>FlyArystan | Inter-group<br>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)** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 8. Operating expenses continued

| '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).

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 10. Income tax (expense)/benefit continued

In accordance with the local tax legislation both hedged and unhedged foreign currency losses are treated as deductible expenses for the purpose of corporate income tax calculations. If such deductible expenses cannot be fully 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 Centre (Hangar) in Astana with a carrying amount of USD 18,730 thousand was pledged in favour of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 24). In 2022, the land plot, where the above-mentioned Aviation Technical Centre 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 Centre 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).

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 11. Property, plant and equipment continued

### 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 16. Trade and other receivables continued

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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 22. Provision for aircraft maintenance continued

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 Centre (Hangar) in Astana with a carrying amount of USD 18,730 thousand was pledged in favour 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 Centre 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 Centre 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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 25. Lease liabilities continued

| '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)** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 26. Financial instruments continued

### 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** |

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 26. Financial instruments continued

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.

| | | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|---|
| '000 USD | Notes | 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 26. Financial instruments continued

A negative number below indicates a decrease in Profit or Loss and positive number would be an opposite impact on the Profit or Loss:

| | Weakening of US Dollar | | Strengthening of US Dollar | |
|---|---|---|---|---|
| '000 USD | Tenge | Euro | Tenge | Euro |
| **31 December 2022** | **21%** | **10.6%** | **(21%)** | **(10.6%)** |
| Profit/(loss) | 355 | 193 | (355) | (193) |

| | Weakening of US Dollar | | Strengthening of US Dollar | |
|---|---|---|---|---|
| '000 USD | Tenge | Euro | Tenge | Euro |
| **31 December 2021** | **10%** | **9%** | **(13%)** | **(9%)** |
| Profit/(loss) | (3,987) | – | 5,183 | – |

| | Weakening of US Dollar | | Strengthening of US Dollar | |
|---|---|---|---|---|
| '000 USD | Tenge | Euro | Tenge | Euro |
| **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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 26. Financial instruments continued

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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 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 centre 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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2022

## 28. Commitments and contingencies continued

### 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.

# GRI Content Index

| GRI standard | Disclosure | Comments | Related content |
|---|---|---|---|
| **Organisational profile** | | | |
| 2-1 | Organizational details | Air Astana Group JSC,<br>Location: Almaty, Kazakhstan | See At a glance (pages 2–3); See Notes to the consolidated financial statements (pages115) |
| 2-2 | Entities included in the organization's sustainability reporting | | See Materiality (page 44) |
| 2-3 | Reporting period, frequency and contact point | Reporting period: from 1 January to 31 December 2022<br>Frequency: Annual<br>Contacts:<br>Corporate.governance@airastana.com<br>Sustainability.issues@airastana.com | |
| 2-4 | Restatements of information | The Company has not performed restatement of the information. | |
| 2-5 | External assurance | | See Annex External Assurance |
| 2-6 | Activities, value chain and other business relationships | | See At a glance (pages 2–3); Business model (pages 12–13)<br>See Domestic and international routes (pages 4–5)<br>See Notes to the consolidated financial statements (page 115) |
| 2-7 | Employees | | See Sustainability (Employees) (page 59) |
| 2-8 | Workers who are not employees | | See Sustainability (Employees) (page 59) |
| 2-9 | Governance structure and composition | | See Corporate governance report (pages 82–84) |
| 2-10 | Nomination and selection of thehighest governance body | | See Corporate governance report (pages 102–103) |
| 2-11 | Chair of the highest governance body | | See Board of Directors (page 82) |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | | See Corporate governance report (pages 89–90) |
| 2-13 | Delegation of responsibility for managing impacts | | See Sustainability (page 42), Corporate governance report (pages 92–93) |
| 2-14 | Role of the highest governance body in sustainability reporting | | See Corporate governance report (pages 89–90) |
| 2-15 | Conflicts of interest | | See Corporate governance report (page 90) |
| 2-16 | Communication of critical concerns | | See Sustainability (page 43) |
| 2-17 | Collective knowledge of the highest governance body | | See Corporate governance report (pages 92-93) |
| 2-18 | Evaluation of the performance of the highest governance body | | See Corporate governance report (page 94) |
| 2-19 | Remuneration policies | | See Corporate governance report (page 103) |
| 2-20 | Process to determine remuneration | | See Corporate governance report (page 103) |
| 2-21 | Annual total compensation ratio | | See Notes to the consolidated financial statements (pages 137, 166, 102-103) |
| 2-22 | Statement on sustainable development strategy | | See Chairman's statement (pages 6-7), President and CEO's statement (pages 8-9) |
| 2-23 | Policy commitments | | See Sustainability (page 43) |
| 2-24 | Embedding policy commitments | | See Sustainability (page 43) |
| 2-25 | Processes to remediate negative impacts | | See Sustainability (page 44) |

| GRI standard | Disclosure | Comments | Related content |
|---|---|---|---|
| **Organisational profile** continued | | | |
| 2-26 | Mechanisms for seeking advice and raising concerns | | See Sustainability (page 43) |
| 2-27 | Compliance with laws and regulations | | See Sustainability (Environment) (page 48) |
| 2-28 | Membership associations | International Air Transport Association (IATA), Association of Asia Pacific Airlines (AAPA), IATA Clearing House, Flight Safety Foundation, Airline Passenger Experience Association (APEX) | |
| 2-29 | Approach to stakeholder engagement | | See Stakeholder engagement (pages 14–17), Corporate governance report (pages 90–91) |
| 2-30 | Collective bargaining agreements | The information is not consolidated. | |
| 3-1 | Process to determine material topics | | See Materiality (page 44) |
| 3-2 | List of material topics | | See Materiality (page 44) |
| 3-3 | Management of material topics | | See Materiality (page 44), See Financial review (pages 66-69) |
| 201-1 | Direct economic value generated and distributed | | See Financial review (page 69) |
| 201-4 | Financial assistance received from government | Not applicable – no financial assistance has been received from government since our launch | |
| **Anti-corruption** | | | |
| 3-3 | Management of material topics | | See Sustainability (page 43) |
| 205-1 | Operations assessed for risks related to corruption | | See Sustainability (page 43) |
| 205-2 | Communication and training about anti-corruption policies and procedures | | See Sustainability (page 43) |
| 205-3 | Confirmed incidents of corruption and actions taken | | See Sustainability (page 43) |
| **Energy** | | | |
| 3-3 | Management of material topics | | See Sustainability (Environment) (page 49) |
| 302-1 | Energy consumption within the organization | Data for the Training Academy's premise is not included in the total volume of energy consumption. This is due to the fact that for this premise the energy bill is included in the rent. | See Sustainability (Environment) (page 49) |
| 302-4 | Reduction of energy consumption | | See Sustainability (Environment) (page 49) |
| **Emissions** | | | |
| 3-3 | Management of material topics | | See Sustainability (Environment) (page 49) |
| 305-1 | Direct (Scope 1) GHG emissions | | See Sustainability (Environment) (page 49) |

# GRI Content Index continued

| GRI standard | Disclosure | Comments | Related content |
|---|---|---|---|
| **Emissions** continued | | | |
| 305-4 | GHG emissions intensity | | See Sustainability (Environment) (page 49) |
| 305-5 | Reduction of GHG emissions | | See Sustainability (Environment) (page 49) |
| **Waste management** | | | |
| 3-3 | Management of material topics | | See Sustainability (Environment) (page 50) |
| 306-3 | Waste generated | | See Sustainability (Environment) (page 50) |
| **Employment** | | | |
| 3-3 | Management of material topics | | See Sustainability (Employees) (page 58) |
| 401-1 | New employee hires and employee turnover | | See Sustainability (Employees) (page 59) |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | | See Sustainability (Employees) (page 60) |
| 401-3 | Parental leave | The information is not consolidated, except for recording the number of employees who took parental leave. | See Sustainability (Employees) (page 59) |
| **Occupational health and safety** | | | |
| 3-3 | Management of material topics | | See Sustainability (Health and safety) (page 54) |
| 403-1 | Occupational health and safety management system | | See Sustainability (Health and safety) (page 54) |
| 403-2 | Hazard identification, risk assessment, and incident investigation | | See Sustainability (Health and safety) (pages 54-55) |
| 403-3 | Occupational health services | | See Sustainability (Health and safety) (pages 54-55) |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | | See Sustainability (Health and safety) (pages 54-55) |
| 403-5 | Worker training on occupational health and safety | | See Sustainability (Health and safety) (pages 54-55) |
| 403-6 | Promotion of worker health | | See Sustainability (Health and safety) (pages 54-55) |
| 403-9 | Work-related injuries | At the time of the reporting period, The Group did not keep records of work-related injuries of all workers who are not employees but whose work and/or workplace is controlled by the Company.<br>Work-related injuries are calculated on the basis of 1,000,000 hours worked.<br>Work-related injury rates cover all employees of The Company. | See Sustainability (Health and safety) (page 55) |
| **Training and education** | | | |
| 3-3 | Management of material topics | | See Sustainability (Employees) (pages 61-62) |
| 404-1 | Average hours of training per year per employee | | See Sustainability (Employees) (pages 61-62) |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Transition assistance programmes provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment is not applicable to the Company. | See Sustainability (Employees) (pages 61-62) |

| GRI standard | Disclosure | Comments | Related content |
|---|---|---|---|
| **Diversity and equal opportunity** | | | |
| 3-3 | Management of material topics | | See Sustainability (Employees) (page 59) |
| 405-1 | Diversity of governance bodies and employees | | See Sustainability (Employees) (page 59) |
| **Customer privacy** | | | |
| 3-3 | Management of material topics | | See Sustainability (page 59) |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | | See Sustainability (page 43) |
| **Specific aspects for aviation** | | | |
| non-GRI | Service quality | | See Operating review (page 38) |
| | Passenger traffic, cargo services, movements | | See Operating review (pages 32-35) |
| | Flight safety management | | See Sustainability (Health and safety) (pages 55–57) |
| | Fleet technological improvement | | See Operating review (page 36) |
| | Fleet management | | See Operating review (page 36) |
| | Innovation and digitalisation | | See Operating review (pages 38-39) |

# Glossary

| | |
|---|---|
| **AAK** | Aviation Administration of Kazakhstan |
| **ACTK** | Available cargo tonne-kilometres |
| **Air Astana Group** | Air Astana and FlyArystan brands |
| **AMO** | Approved Maintenance Organisation |
| **APEX** | Airline Passenger Experience Association |
| **ASK** | Available-seat kilometres |
| **BAM** | Boeing Alertness Model |
| **CAC** | Civil aviation Committee |
| **CASK** | Cost of Available Seat Kilometre |
| **CBT** | Computer-based training |
| **CEET** | Cabin Emergency Evacuation Trainers |
| **CRMS** | Corporate Risk Management System |
| **CSAT** | Customer Satisfaction Ratings |
| **CSR** | Corporate social responsibility |
| **CTK** | Cargo tonne-kilometres |
| **E&M** | Engineering and Maintenance |
| **EASA** | European Aviation Safety Agency |
| **EBITDAR** | Earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs |
| **EBRD** | European Bank for Reconstruction and Development |
| **EC** | European Commission |
| **ECLs** | Expected credit losses |
| **EGOV** | E-Government of the Republic of Kazakhstan |
| **ESG** | Environmental, Social and Governance |
| **FRMS** | Fatigue Risk Management System |
| **FVOCI** | Fair value through other comprehensive income |
| **FVTPL** | Fair value through profit or loss |
| **GHG** | Greenhouse Gas |
| **GRF** | Global Reporting Format |
| **GRI** | Global Reporting Initiative |
| **HEART** | Hospitable, Efficient, Active, Reliable, Trustworthy |
| **HSE** | Health, Safety and Environment |
| **IAA** | Irish Aviation Authority |
| **IAS** | Internal Audit Service |
| **IATA** | The International Air Transport Association |
| **ICAO** | International Civil Aviation Organisation |
| **IFRS** | International Financial Reporting Standards |
| **IFSD** | In Flight Shutdown |
| **IOSA** | IATA Operational Safety Audit |
| **ISO** | International Organization for Standardization |
| **KPI** | Key Performance Indicator |
| **LCC** | Low-cost carrier |
| **LCDP** | Low-Carbon Development Programme |

| | |
|---|---|
| **LMS** | Learning management system |
| **NBRK** | National Bank of the Republic of Kazakhstan |
| **NPS** | Net Promoter Score |
| **OCI** | Other comprehensive income |
| **OECD** | The Organisation for Economic Co-operation and Development |
| **OEM** | Original equipment manufacturer |
| **OHS** | Occupational health and safety |
| **OTP** | On-time performance |
| **PET** | PolyEthylene Terephthalate |
| **RA** | Risk assessment |
| **RPK** | Revenue Passenger Kilometres |
| **SMS** | Safety Management System |
| **SOFR** | The Secured Overnight Financing Rate |
| **SSAA** | Safety sensitive aviation activity |
| **TCFD** | Task Force on Climate-related Financial Disclosures |
| **TCO** | Third Country Operations |

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