flying high aiming higher

INTEGRATED REPORT 2023

air astana FlyArystan

About this report

Reporting scope and boundaries

The scope of this Annual Report encompasses Air Astana Group's operations for the period from 1 January to 31 December 2023. Our reporting boundaries primarily focus on activities directly managed and controlled by Air Astana Group. While we strive for transparency and accuracy in reporting, it's important to note that certain data may be subject to limitations, such as availability, reliability, and comparability. We have made reasonable efforts to address these constraints and provide meaningful insights.

Reporting standards and external assurance

In preparing this Annual Report, we have adhered to internationally recognised frameworks and standards to ensure the quality and consistency of our disclosures.

Our disclosures align with the Global Reporting Initiative (GRI 2021) Standards, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the International Financial Reporting Standards (IFRS).

To provide assurance on the accuracy and reliability of our sustainability-related information, we have engaged Ernst & Young Advisory LLP to conduct limited assurance. The financial statements included in this report have been audited by KPMG Audit LLC in accordance with International Standards on Auditing (ISAs).

We are committed to upholding the highest standards of reporting excellence and will continue to engage with independent assurance providers to strengthen the trust and confidence of our stakeholders in our disclosures.

Note:
Throughout this Integrated Report, the terms 'Company', 'Air Astana', 'We' refer to Air Astana JSC while 'Group' encompasses both Air Astana JSC and FlyArystan JSC. Air Astana JSC is a sole shareholder of FlyArystan JSC.

Flying high to deliver a long-term record of success

GROUP FINANCIAL HIGHLIGHTS

TOTAL REVENUE (USD)

1,175m

2022 Adjusted[1]: 1,016m
2022: 1,032m

OPERATING PROFIT (USD)

136.0m

2022 Adjusted[1]: 120.4m
2022: 148.7m

ADJUSTED EBITDAR (USD)

301m

2022 Adjusted[1]: 260m
2022: 288m

ADJUSTED EBITDAR MARGIN

25.6%

2022 Adjusted[1]: 25.6%
2022: 27.9%

NET DEBT EBITDAR

1.5x

2022 Adjusted[1]: 1.9x
2022: 1.7x

1 Excluding extraordinary market event (EME) and gain from fuel hedging (FH).

GROUP NON-FINANCIAL HIGHLIGHTS

NUMBER OF PASSENGERS

8.1m

2022: 7.4m

NUMBER OF FLIGHTS

55,068

2022: 51,819

NUMBER OF AIRCRAFT

49

2022: 43

CO_2 EMISSIONS (TONNE/'000 RPK)

0.076

2022: 0.077

FULL-SERVICE AND LOW-COST CARRIERS

A single Group operating full-service and low-cost carriers: two airlines with differentiated strategies. This brand model allows both to make the most of untapped growth opportunities: targeting different markets and geographies and catering for a range of varying customer needs and travel purposes.

Air Astana: Full-service offering focused primarily on business and, increasingly, 'lifestyle' travel.

FlyArystan: Independently-managed and highly scalable low-cost carrier bolstering the propensity to fly.

STRONG GOVERNANCE AND AGILE MANAGEMENT

Air Astana Group is pledged to uphold the highest corporate governance standards as befits an organisation of its standing with leadership and oversight provided by its experienced Board of Directors.

Its experienced and dynamic management team have repeatedly proven their agility while maintaining financial and growth objectives.

FINANCIAL RESILIENCE

The combination of proactive route planning, cost leadership and operational agility have proved a successful formula for promoting financial resilience throughout the cycle.

With efficient cost structures in place, both Air Astana and FlyArystan outperform most of their peers in profitability metrics.

OPERATIONAL EFFICIENCY OPTIMISED BY A YOUNG AND MODERN FLEET

We operate a modern, fuel-efficient fleet of 49, comprised of 41 Airbus, 5 Embraer and 3 Boeing aircraft with an average age of 5.3 years.

Planned expansion of the fleet allied with advanced technical and training facilities will greatly aid our operational efficiency and support our growth trajectory.

MARKET OPPORTUNITY

The Group already commands a strong position in the home market and Central Asia and Caucasus region with easy access to neighbouring mega markets for international travel.

With their complementary offerings, Air Astana and FlyArystan are set to take advantage of untapped possibilities for expansion within these markets.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) COMMITMENT DRIVING SUSTAINABLE GROWTH

The Group's ESG Strategy together with its Low-Carbon Development Programme for 2023–2032 is typified by its commitment to becoming the most sustainable airline in the CIS and Central Asia, initiatives that prioritise the safety, health and well-being of its employees and funding projects that support the community.

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Aiming higher to create one of the finest airlines in the world

Building on its successful track record, Air Astana Group, the flagship carrier of Kazakhstan and one of the largest airlines in Central Asia and Caucasus, is well positioned for substantial growth opportunities in the region and beyond.

79

CUSTOMER SATISFACTION RATING (CSAT) FOR AIR ASTANA BRAND

(INDUSTRY AVERAGE 82)

Aiming higher
Retaining customer satisfaction is core to our quality service offering. Our dedicated Customer Experience Team has developed an integrated programme for improving the customer experience across the organisation. This includes quantitative and qualitative metrics to measure customer satisfaction including industry-adopted indicators such as Net Promoter Score and Customer Satisfaction Rating.

67%

MARKET SHARE OF KAZAKHSTAN'S DOMESTIC MARKET FOR THE GROUP

Aiming higher
Our future plans to develop our domestic market share will focus on increasing our network density within Kazakhstan and our planned fleet expansion will provide us with greater capacity to achieve this. At the same time, we will both capitalise on the rise in business travel and continued growth of FlyArystan in the burgeoning domestic market.

Air Astana received prestigious awards for 'Best Cabin Service' and 'Best Entertainment' within the Central/Southern Asia group from the Airline Passenger Experience Association (APEX).

STRATEGIC REPORT
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In September 2023, Air Astana commissioned its new Flight Training Centre – the first facility in Central Asia certified by the European Aviation Safety Agency (EASA). The new training centre is equipped with the very latest generation flight simulators and fire facilities that meet international standards.

49

TOTAL FLEET ACROSS THE AIR ASTANA GROUP

Aiming higher
We believe that a larger fleet at the disposal of both airline brands will provide each with the increased flexibility to add capacity on new routes; of particular importance in a dynamic region where new opportunities can quickly develop. We plan to expand our current fleet from 49 to 80 by the end of 2028 and, while doing so, will phase out our use of Embraers and focus on increasing our commitment to the Airbus family.

79%

ON-TIME PERFORMANCE FOR THE AIR ASTANA GROUP

Aiming higher
On-time performance (OTP) is a key criterion in passenger choice. The Group is committed to improving its OTP and has introduced a number of measures, including restricting personal leave and training for operational crew to low-demand periods and improving communication with domestic airports to identify planned construction work that could potentially disrupt flight schedules.

In February 2024, the Air Astana Group successfully completed its IPO and, with this, achieved a number of firsts in Kazakhstan: the first domestic and international business to achieve simultaneous listing on three stock exchanges; the first IPO with take up from both international and local institutions, and retail investors; the first public privatisation with the State share dropping below 50%. Following the IPO 42% of the Company's shares were in public free float.

Connecting the world

The Air Astana Group continued to expand its network and, at the end of 2023, Air Astana operated on 50 routes and FlyArystan on 57, a total of 91 routes for the Group.

This covers five geographical areas, increasing our share of both the domestic market and in the Central Asian and Caucasus region as well as on international routes to multiple locations across Europe (such as London, Amsterdam and Frankfurt), Saudi Arabia (such as Jeddah) and Asia (such as Beijing and Bangkok). We are building our presence in the flourishing 'lifestyles' market and now fly to popular tourist destinations in the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey, Egypt and the UAE. In line with this broader geographic spread and increased flight availability, we also experienced strong passenger growth, carrying over 8.1 million passengers – 10% above that of 2022.

DOMESTIC AND INTERNATIONAL ROUTES IN 2023

LEADING BRANDS

air astana

Full-service airline

ROUTES
50

DESTINATIONS
36

PASSENGERS
4.4m

- Primary focus on business and point-to-point 'lifestyle' travel
- Expanding network to regional and international destinations
- Modern fuel-efficient aircraft
- Two-class product
- High aircraft utilisation vs peers

FlyArystan

Independently managed LCC business

ROUTES
57

DESTINATIONS
27

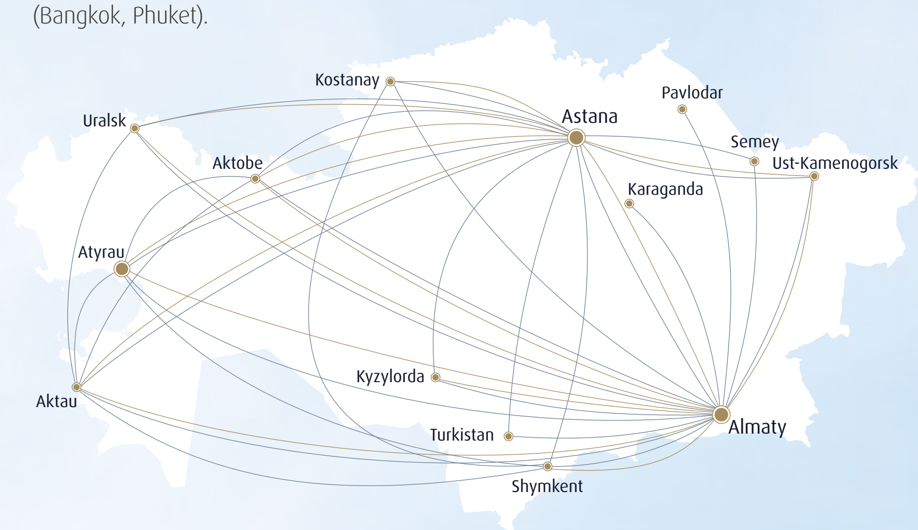
PASSENGERS
3.7m

- Low-cost market disruptor
- Rapid network expansion in the domestic and near home markets
- Focus on international destinations that are within 4–5 hours
- Diversified base strategy (5 bases)
- High-density single-class seating
- Uniform A320 family aircraft
- High aircraft utilisation vs peers

DESTINATIONS IN 2023[1]

'Lifestyle' continues to take off

Our commitment to the development of our offering to popular lifestyle destinations was reflected by an increase in both the destinations served and the frequency of flights. Our busy summer schedule in 2023 included regular flights to Greece (Heraklion on the island of Crete), Turkey (Bodrum, Antalya), Montenegro (Podgorica), Georgia (Kutaisi, Batumi), UAE (Dubai) and Thailand (Bangkok, Phuket).

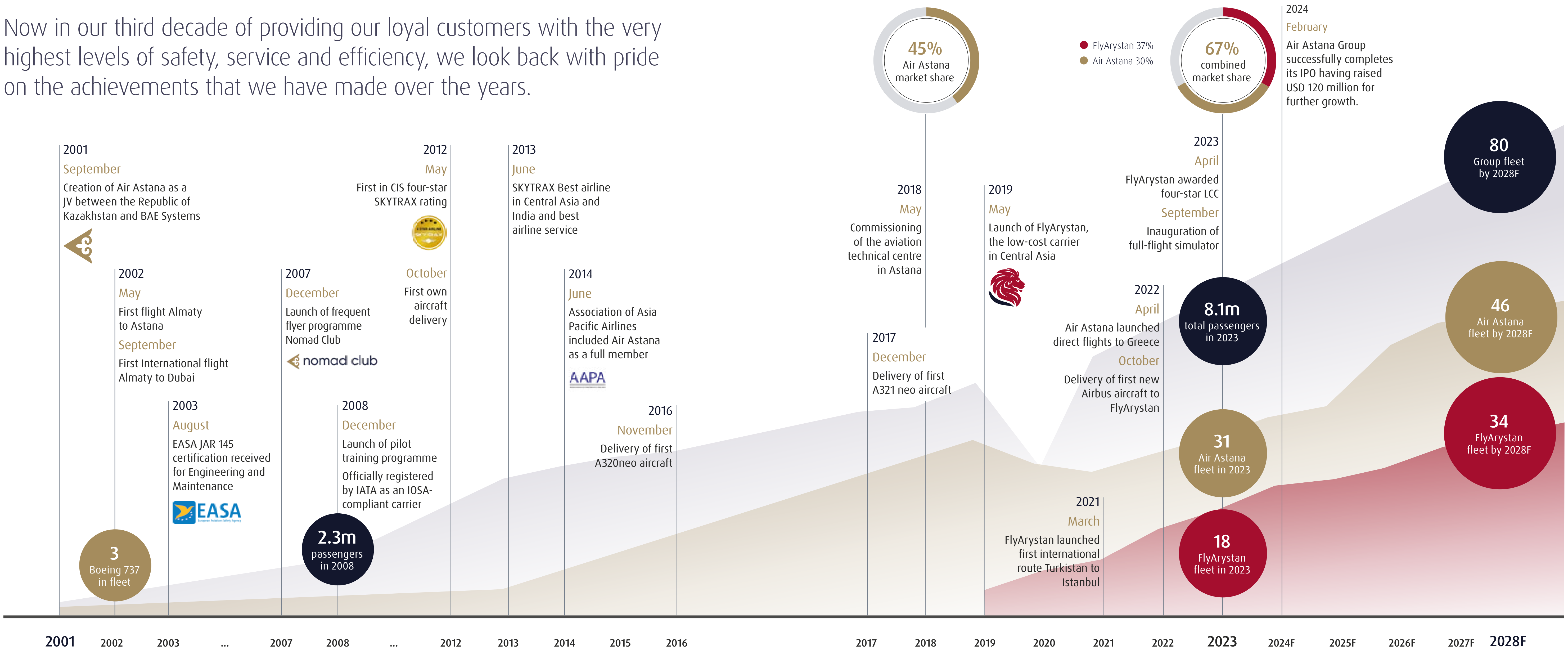


1 Where Air Astana and FlyArystan fly to the same destination, this has been counted as one.

Air Astana Integrated Report 2023

A history of growth

Now in our third decade of providing our loyal customers with the very highest levels of safety, service and efficiency, we look back with pride on the achievements that we have made over the years.



...a future of opportunity

Untapped potential for air travel in Kazakhstan

There are substantial opportunities for growth within this highly underserved market with a low propensity to fly.

POPULATION OF KAZAKHSTAN[1]	AIR TRAVEL PENETRATION: 2023	MID-TERM POTENTIAL
20.0m	0.6[2]	1.2[3]

Opportunity in Central Asia and Caucasus region

Air Astana Group can help improve air travel connectivity in the significantly underserved market of the Central Asia and Caucasus region.

POPULATION OF CENTRAL ASIA & CAUCASUS[1]	WEEKLY FREQUENCIES: AIR ASTANA	FLYARYSTAN
95m	48	26

Significant opportunities through international expansion

Kazakhstan is strategically located with easy access to two of the largest aviation markets in the world, India and China, and close proximity to the Middle East and Europe.

PASSENGERS: INDIA	CHINA	WESTERN EUROPE
164m	325m	857m

We maximise growth by:

- Offering easy access to 'lifestyle' destinations
- Supporting international visa-free programmes
- Expanding and optimising our fleet to support growth trajectory

1 As of 1 January 2024, www.stat.gov.kz data
2 Company's full year results presentation.
3 Potential growth of comparable countries in the mid term
Source: Company information, World Bank, IATA as of 2022.

Successful momentum continues

I am pleased to join the Air Astana Group as the Chairman of the Air Astana JSC Board as the Group enters the next exciting phase in its development.

Nurlan Zhakupov
Chairman of the Board of Directors

Since I joined the Board in December 2023, I have been extremely impressed not only by the professionalism of the senior management team and employees but also their passion towards the business. This is a wonderful reflection of the ethos of the Group's corporate culture that actively encourages and celebrates the skills and dedication of its people.

Before I reflect on the achievements of 2023, it would be remiss not to report on the outstanding success of the Group's IPO in the 1st quarter of 2024. Air Astana JSC has become the first company – both domestically and internationally – to achieve a simultaneous listing on three stock exchanges: the Kazakhstan Stock Exchange, Astana International Exchange and London Stock Exchange. I look forward to working closely with the management team, building on the positive momentum of the IPO, to accelerate the development and growth of the Group's infrastructure.

Delivering continued growth

The senior management team has used its substantial experience and operational skills to successfully navigate various market challenges over recent years. 2023 was also not without its challenges: the ongoing Russia-Ukraine war and more recent conflict in the Middle East imposing airspace closures and rerouting as well as pushing up oil prices.

While the COVID-19 pandemic is thankfully behind us, the majority of businesses globally are still recovering from its impact. The ability of Air Astana and FlyArystan to adapt to the situation – together increasing their share of the domestic market when borders were closed and shifting their horizons to new lifestyle destinations, intra-regional flights and mega markets as the world re-opened – enabled a strong recovery in 2022.

This trajectory continued into 2023, when the Group carried over 8 million passengers on around 55 thousand flights on 91 routes across 43 destinations. I am pleased to report that this delivered strong annual returns with total revenue and other income for the Group up 13.8% to USD 1,174.5 million (2022: USD 1.032.3 million) and by USD 158.3 million or 15.6% excluding extraordinary market event in 2022 (partial mobilisation in Russia).

Investing in our fleet, people and training

Yet, the financial performance only tells part of the story as we lay the foundations for future growth. By simplifying and expanding the fleet with fuel-efficient and eco-friendly aircraft, the Group has increased capacity, improved passenger comfort and reduced our environmental impact. During the year, we increased the fleet to 49 (30 operated by Air Astana and 19 by FlyArystan) with plans to grow the fleet to 80 by the end of 2028. To meet the demand for qualified pilots, we also initiated our ab-initio scheme nearly 8 years ago to train pilot from scratch and have had 270 graduates with 65 already reaching captain status.

Alongside this focus on growth, we increased efficiency through investment in engineering and maintenance, pilot training, ground handling and catering, and spare engines. Specifically in 2023, we opened a Flight Training Centre certified by the European Aviation Safety Agency and purchased a L3Harris full flight simulator for pilot training and simulators for emergency cabin evacuation and fire training for flight crew.

Taken together, our operational excellence continues to earn us high levels of customer loyalty. We have garnered both external recognition and awards from international associations and passenger forums for both our airlines. Amongst these, both airlines received accolades in the Skytrax World Airline Awards: Air Astana was recognised as the 'Best Airline in Central Asia and CIS' for the eleventh time; FlyArystan was recognised as the 'Best Low-Cost Carrier in Central Asia and CIS' for the first time.

Motivational corporate culture

As the largest employer in Kazakhstan, employing over 6,000 people, we take our responsibilities very seriously. The expertise and skills of our employees are invaluable assets for the business and we honour this by providing a nurturing, inclusive and friendly workplace environment. Our corporate HEART values (Hospitable, Efficient, Active, Reliable, Trustworthy) underpin our ethos of recognition, professional development and, above all, equality of opportunity. In return, we are rewarded by a workforce that is truly engaged and motivated to achieving goals together.

Strength in governance

The Air Astana Group has always had a strong commitment to corporate governance and this will continue during my tenure as Chairman of the Board. We are very fortunate to be working with a highly experienced senior management team, who have already proved their ability to maintain financial and growth objectives under the most trying of circumstances, enabling both Air Astana and FlyArystan to outperform most of their peers.

Commitment to ESG

The aviation industry as a whole is committed to minimising its environmental impacts. The Group's ESG Strategy, together with its Low-Carbon Development Programme for 2023–2032, takes this further in its pledge to becoming one of the most sustainable arlines in the CIS and Central Asia. The ESG Strategy also focuses on initiatives that prioritise the safety, health and well-being of its employees and funding projects that support the wider community.

We are constantly exploring alternative energy sources and implementing fuel-efficient flight plans to minimise our environmental impact and ensure a sustainable future for the business. As part of this, we are proud to be participating in a ground-breaking research programme in collaboration with business partners and regulatory authorities, which is looking at the potential of producing and consuming using sustainable aviation fuel (SAF) in Kazakhstan.

Looking ahead to 2024

We enter 2024 confident of delivering further growth and extending our market leadership position. This is underpinned by the Group's operational expansion plans and robust demand for air travel across domestic, intra-regional and international routes.

The new international terminal will be opening at Almaty airport during the year, increasing the total capacity to 14 million passengers per annum. This will not only improve the quality of the airport's services but also enable more routes to be launched. The Group will be taking advantage of this by opening its own Business Class lounge at the airport and adding frequencies to existing destinations and in next few years, we expect to introduce new routes to East Asia, Gulf, Indian subcontinent and Europe. This will also be supported by the launch of a new, more user-friendly website for our customers to ensure we are always delivering the best possible service.

I am proud to be Chairman of Air Astana JSC Board of Directors and look forward to working with my colleagues across the business to continue our success.

PERFORMANCE AND RESILIENCE

We have once again successfully navigated various market challenges. This is reflected in the 15.6% increase in total revenue and other income at USD 1,174.5 million (2022: USD 1,032.3 million) excluding EME and FH.

CULTURE

Our employees are an invaluable asset for the business. We recognise this by providing a nurturing, inclusive and friendly workplace environment while investing in their professional development and equality of opportunity. Our motivational corporate culture, operational excellence and efficiency earn us high levels of customer loyalty.

SUCCESSION PLANNING

Succession planning in the Group is vital to ensuring stability and business continuity. This applies both to developing and maintaining the experience and knowledge among our employees but also by introducing a formalised Succession Planning Policy for senior executives and the Board.

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Accelerating our business forward

In 2023, the Air Astana Group carried 8.1 million passengers, a growth of 10.1% YoY, generating USD 136 million operating profit on total revenues of USD 1.2 billion, an increase of 12.9% and 15.6% respectively on an underlying basis[1]. Profit after tax was USD 68.7 million, a growth of 21.5% excluding EME and FH.

Peter Foster
CEO

With the following wind of this strong result, we completed an IPO in February 2024, becoming the first company in Kazakhstan to simultaneously list on three stock exchanges: The Kazakhstan Stock Exchange (KASE), Astana International Exchange (AIX) and the London Stock Exchange (LSE).

The IPO attracted considerable demand from both domestic and international investors. It raised USD 356m of which USD 120m will fund the development of mainly ground operational infrastructure. Kazakhstan's retail investors were allocated 97.8% of their orders. These, together with international institutions and our founding shareholders Samruk-Kazyna and BAE Systems PLC, both of whom remain substantial shareholders, represent a balanced register.

The successful IPO was a reflection of continued commitment to the airline's high performance and sound corporate governance, the twin pillars of our success since the airline's founding in 2002. I wish to thank my colleagues for delivering a consistent track record of growth and profitability, which has enabled us to become the largest airline group in Kazakhstan and Central Asia and one of the fastest-growing airline groups in the world.

In 2023, both Air Astana and FlyArystan delivered profitable growth despite the twin challenges of high inflation and continued fall-out from the war in Ukraine. Flights remain suspended to, from and over the Russian Federation with spare capacity redeployed to leisure and business routes. We increased available seat kilometres (ASKs) by 11% without any reduction in load factor as demand remained strong across all markets. The 6% increase in unit cost reflects pressure across the sector including though not limited to a 20% increase in fuel costs. However, the underlying picture is stable, excluding the one-off benefit in 2022 from fuel hedging positions and an inflow of Russian citizens to and through Kazakhstan following 'partial' mobilisation in the Russian Federation in late September 2022. We continue to take a conservative approach to capital expenditure and variable cost addition in order to ensure that our cost base remains among the lowest in the sector.

Operationally, we have continued to develop the Group's fleet and expand the network. Despite supply chain challenges, we added six new A 320 family aircraft in 2023, ending the year with a fleet of 49 aircraft (51 at the time of writing). This will increase to 56 by the end of 2024. We have expanded the network to Jeddah and Doha, in addition to FlyArystan's seasonal routes to Antalya and Dubai. This was achieved whilst continuing to reduce per passenger CO_2 emissions, a consistent trend since 2015.

I am cautiously pleased to report that we have to an extent been able to mitigate the impact of the GTF engine recall by Pratt & Whitney. This includes sourcing spare PW1100 engines and managing the Airbus NEO fleet to ensure that as many aircraft as possible are available for peak periods. We have recently concluded an agreement for a compensation and support package with Pratt & Whitney.

Whilst the problem is frustrating, management priority remains as ever the maintenance of operational safety.

In 2019 we became the first airline in Kazakhstan to perform heavy maintenance C-checks on our Airbus 320 family aircraft in accordance with EASA standards. In December, we completed the first six-year C-check at our engineering and technical centre in Astana. We successfully completed the International Air Transport Association's Operational Safety Audit (IOSA) for the ninth time.

I have often referred in these letters to the positive internal culture and organisational behaviour which we have been able to develop and which remains our essential strength. One cannot overstate the importance of this, whilst recognising that culture is a fragile thing, more easily lost than created. At all levels and throughout all areas of activity, we continue to prioritise training and development, the setting of rigorous standards of professionalism and ethics, and fairness as the guiding principle of all aspects of staff management. In this regard we are pleased to have recently inaugurated a Flight Training Centre in Astana, the first EASA-licensed facility in Kazakhstan, equipped with a full-flight simulator enabling us to bring recurrent flight crew training onshore. We continue to be recognised by the Talentist and Universum as one of the best employers in Kazakhstan, with an improved level of staff engagement as measured in an independent survey conducted by Gallup in December. It is not by accident that the professionalism of the team was once again recognised by Skytrax, as Air Astana was awarded 'Best Airline in Central Asia and CIS' for the eleventh consecutive year, whilst FlyArystan was awarded 'Best Low Cost Carrier in Central Asia and CIS' for the first time.

Looking ahead to 2024, we expect to deliver further growth across both brands, underpinned by increased capacity and fleet expansion. The launch of the new Almaty International Terminal in mid-2024 is expected to almost double capacity at our main hub. While cost and inflation outlook remains challenging, we retain one of the lowest unit cost bases and highest operating margins across the industry. More broadly, our leading market position puts us in a strong position to benefit from sustained demand in the Group's extended home market and nearby mega markets, China and India.

I would like to conclude by thanking all my colleagues for their hard work and commitment, and our customers for their continued loyalty. As we embark on life as a public company and the next stage of growth, I would also like to thank my fellow members of the Board of Directors and Samruk-Kazyna and BAE Systems PLC for their continued support, and to welcome our new shareholders to the Group.

GROUP IPO

The Company was founded with just USD 17 million with no capital increase during its 22 years in business. Our increasing success now calls for further funding for future projects, in particular infrastructure development, and we therefore took the decision to go for a public offering to help advance this. Our position as the leading airline in Central Asia proved a huge attraction for institutional and retail investors alike and we were particularly pleased that the local community in Kazakhstan piled in to take 53% of the total shares. Such was the level of interest that the IPO was oversubscribed multiple times, despite upsizing the offering to meet demand, and reached USD 356 million. We have raised USD 120 million for the business and positioned to finance our ambitious plans for the ongoing success of Air Astana and FlyArystan.

1 Adjusted EBITDAR for 2022 benefited from the impact of partial mobilization in Russia which caused an extraordinary market event (EME), inflow citizens from Russia to and through Kazakhstan with impact of USD 16.2 million and a gain from fuel hedging (FH) amounting to USD 12.1 million.

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A highly differentiated business

RESOURCES AND INPUTS

Brand and reputation
With over 20 years' experience and major investment in both its reputation and brand names, Air Astana and FlyArystan, the Air Astana Group has established positive brand recognition. This translates into significant commercial value and helps foster good relationships with stakeholders.

Financial resources
The Air Astana Group has demonstrated operational and financial resilience throughout the double crises – COVID and the Russian-Ukrainian conflict. Through proactive management and financial discipline, it has built an efficient cost structure that enables its airlines to outperform most of their peers in profitability metrics.

People and culture
The Group's focus on equal opportunities, training and development opportunities helps it retain and attract new talent. Through its corporate values and promotion of a culture of recognition, it has created a positive work environment for its 6,499 employees.

Modern fleet
We are simplifying our fleet structure by focusing on Airbus aircraft. Our fleet had average age of 5.3 years as of the end of 2023. The Group benefits from reduced maintenance costs and better fuel consumption, which positions it competitively among comparable international network and LCC carriers.

Service excellence
Air Astana has become a byword for outstanding excellence in customer service among its peers. In 2023, for the eleventh time, it was once again acknowledged as the 'Best Airline in Central Asia and CIS' in the Skytrax World Airline Awards.

Partnerships
Our partnership strategy is to expand co-operation through codeshare and interline arrangements in order to extend the reach of our airlines and enrich our passenger offering through reciprocal initiatives, such as loyalty programmes and benefits, and enhanced airport maintenance services.

WHAT WE DO

The Air Astana Group is the largest airline group in Central Asia and the Caucasus, providing scheduled, point-to-point and transit, short-haul and long-haul air travel and cargo on domestic, intra-regional and international routes across Central Asia, the Caucasus, Europe (including Turkey), the Middle East and Asia (including India and China). Targeting different geographies and customer markets, its two differentiated but complementary brands – Air Astana and FlyArystan – respectively command 30% and 37% of market share on domestic and intra-regional routes from Kazakhstan[1].

1 Based on number of seats.

HOW WE DO IT

A strategy to achieve our vision
Our ambition for the future is to that the Air Astana Group establishes its position as one of the finest airline groups in the world. Our strategy to achieve this vision is built on three key pillars: growth, operational efficiency and excellence.

Growth | Efficiency | Excellence

Read more about our Strategy on p. 26–29

Maximising opportunity
Air travel between the 27 commercial airports in Kazakhstan offers a compelling alternative to road and rail travel across its vast land mass and will be a significant contributor to the Group's future growth. Outside our borders, we are already tapping into the neighbouring Central Asia and Caucasus region with its large populations and developing economies. While further afield, we are now focused less price-sensitive, lifestyle destinations, including the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey and the Red Sea.

Strong financial discipline
Driven by operational efficiency and excellence, the backbone of the Group remains its rigorous financial management, which is key to maintaining one of the lowest unit cost performances (measured by CASK) among both of its airlines' international competitors. Without this cost advantage, we would not be able to compete effectively on air fares, stimulate market demand or support market share and growth.

DELIVERING VALUE FOR...

...our shareholders
Our commitment to operational excellence and strong fiscal discipline enables us to achieve our targets for growth and supports our intention to pay dividends to our shareholders.

DIVIDENDS PAID FOR 2022
USD 16.8m

...our passengers
Whether flying on our full-service or low-cost carriers, we pride ourselves on providing our passengers with the award-winning standards of hospitality, comfort and safety for which we are renowned.

AIR ASTANA'S CSAT RATING
79

FLYARYSTAN'S CSAT RATING
84

...our people
Our employees are central to the Group's success and we reward their loyalty and dedication by offering competitive salary packages and professional development as well as providing for their emotional well-being.

INVESTMENTS IN TRAINING IN 2023
USD 6.7m

...our suppliers and partners
Mutual respect for our suppliers and business partners is key to developing positive, long-term relationships with beneficial outcomes for all parties.

PROCUREMENT FROM LOCAL SUPPLIERS
31%

...Government, regulators and local authorities
We create employment and support the development of local, social and economic infrastructures in Kazakhstan, while ensuring that we meet all relevant legislatory and regulatory requirements.

TAXES PAID IN 2023
USD 104.1m

UNDERPINNED BY FACTORS THAT DETERMINE OUR LONG-TERM GROWTH

Market trends and opportunities
Read more on p. 21–25

Stakeholders
Read more on p. 16–20

Sustainability
Read more on p. 42–66

Risk management
Read more on p. 70–79

Governance
Read more on p. 80–103

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Understanding what matters to our stakeholders

Engaging with our stakeholders to grasp their needs and expectations more fully – regardless of whether they are affected by our operations or shape our long-term goals – is crucial for maintaining our license to operate and for the ongoing prosperity of our business. Through open and transparent communication and interaction with all our stakeholders, we have established robust and reliable relationships.

Link to strategy

Growth Efficiency Excellence

OUR PEOPLE

Overview

The expertise, skills and drive of our skilled workforce are indispensable in shaping our success, both presently and in future endeavors. Recognising their value, we are committed to providing a secure and healthy work setting, alongside competitive remuneration and equitable chances for everyone. We support our employees' career advancement through comprehensive training and personalised growth strategies. The cornerstone of our strategy towards employee welfare is our steadfast adherence to strong business ethics and corporate principles.

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

Link to strategy

How we engaged in 2023

- Employee pulse surveys (to measure emotional concerns and identify worries)
- Regular (weekly/monthly) communication from the 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 all employees
- Departmental forums
- Team building activities
- 4-month long challenge among employees targeting sport, social responsibility and self-development
- 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

- In 2023 employee engagement has increased from 4.10 in 2022 to 4.13 out of 5 with a record high number of respondents – 2,094.
- The engagement ratio, which is the second most important indicator, is the highest in history and is 6.8 engaged employees for each actively disengaged.
- Confidence in leadership has also increased and now is in the 59th percentile of Gallup's database compared to 57th in 2022.

SHAREHOLDERS AND POTENTIAL INVESTORS

Overview

Our relationship with our shareholders is both constructive and enduring, bolstered by their backing for the sustained and steady growth of our business, enhancing the Company's value with an eye towards environmental, social, and human considerations. As a public listed company on three stock exchanges, we are mindful of the need to follow all the rules on disclosure and transparency, as well as ensuring that every one of our shareholders has equal access to Company information.

Material needs

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

Link to strategy

How we engaged in 2023

- Shareholders meeting(s)
- Conferences
- Reports and publications
- Presentations to potential investors
- 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.
- Our numerous presentations to potential investors had a positive impact on the successful outcome from our three stock exchange listings.
- There were 12 General Meetings of shareholders, which among other matters addressed: approval of the annual financial statements; dividend payment for 2022; approval of the 5-year Business Plan and Annual Budget; election of the members of the Board of Directors and Board Committees for a new term; remuneration issues; fleet renewal and expansion.

SUPPLIERS AND BUSINESS PARTNERS

Overview

Our network encompasses a diverse range of suppliers and business partners, from innovative start-ups and small enterprises to extensive multinational corporations, all essential in providing high-quality products and services on time. Through a clear and efficient purchasing procedure, coupled with mutually beneficial agreements, we have fostered positive and enduring connections with our suppliers and partners.

Material needs

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

Link to strategy

How we engaged in 2023

- Code of Conduct (Code of Ethics)
- Direct correspondence
- Social media

How we engaged in 2023 continued

- 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
- Feedback surveys
- Inviting core suppliers to Company events (e.g. new aircraft presentations)

Outcome of our engagement

- 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 2023, 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.

Air Astana Integrated Report 2023

Link to strategy

Growth

Efficiency

Excellence

GOVERNMENT, REGULATORS AND LOCAL AUTHORITIES

Overview

Our collaboration with government bodies, regulatory agencies and local authorities is crucial for our operational mandate. We contribute to both national and local tax revenues and play a role in social and economic growth by generating employment opportunities and aiding in the development of infrastructure.

Material needs

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

Link to strategy

How we engaged in 2023

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

Outcome of our engagement

- Continuation of work with the Government, shareholders and other national and international institutions to represent and protect the interests of the Company.
- Working on the implementation of the strategic concept for the development of transport and logistics potential of the Republic of Kazakhstan until 2030. In particular, participation in the Working Group on the creation of a Single Aviation Security Operator, which envisages reforming the sphere of aviation security of the state.
- Continuation of work on development and modification of legislation and standards based on best international practice.
- Protecting the interests of the Company by holding a number of meetings on issues concerning local airport infrastructure aviation issues on the level of Country and Eurasian Union.
- Achieving successful results in negotiations with Uzbekistan, the UK and Thailand and other countries, which have allowed us to significantly expand our international route network.
- As a result of lengthy negotiations with the Ministry of Health of the Republic of Kazakhstan in 2023, we achieved a significant reduction in the time for checking and obtaining Sanitation Engineering Systems (SES) certificates for new aircraft from 18–20 days to 4–6 days.
- Started work with the Ministry of Health of Kazakhstan to simplify sanitary and quarantine control of transiting aircraft within Customs Union territory, in order to minimise delays in the departure of connecting and other flights.

PASSENGERS

Overview

The success of our business depends upon the customers who choose to fly with us. Our customers are diverse and drawn from a wide geographical range – local, regional and international. With their safety and comfort of the 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 (ease of booking, making changes, online check-in, etc.)
- Ancillary services across the website, ticketing offices, agencies and on check-in desks
- On-time performance

Link to strategy

How we engaged in 2023

- Various pre-flight communication channels in our Call Centre and other contact centres (Live-web chat, an automated WhatsApp chat-bot with live-consultant options)
- Frontline teams interaction for providing high quality service
- Customer Help Centre at help.airastana.com
- Service Recovery Unit
- Customer Experience & Service Training Unit
- Online customer service evaluation survey onboard and post-flight
- Nomad Club Loyalty Programme
- Codeshare and interline partnerships
- Inflight safety instructions and videos
- 'Tengri' inflight magazine
- Expanding operations within Kazakhstan and abroad
- Website and mobile app
- 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 the form of reports

Outcome of our engagement

In developing our Customer Experience Strategy, we continue following three key principles for our passengers:

Meaningful experience

Meaningful experience refers to the positive and significant interactions and engagements that customers have with Air Astana Group's product, service, or brand in general. In the context of our business and customer relations, creating a meaningful customer experience strategy involves going beyond basic transactions and aiming to establish emotional connections and satisfaction. Key elements of a meaningful customer experience for us include personalisation, convenience, responsiveness, empathy and a focus on meeting or exceeding customer expectations. Our main objectives aim to build long-term relationships, customer loyalty, and positive brand perceptions.

During 2023, examples of this included: Air Astana's first Voice of the Customer forum for Nomad Club frequent flyers, the Summer `23 Taskforce volunteer project during the busy holiday season and the introduction of the Zendesk Customer Relationship Management (CRM) system and e-vouchers to enhance premium services and disruption management.

Measurable experience

Measurable experience is one that helps us understand who our current and future customers will be, what products they need and how they perceive the Air Astana and FlyArystan brands. Regular polls and surveys of service quality provide invaluable feedback and enable us to take measures to improve our service.

During recent years, the methods of collecting and analysing data have evolved to give us a more comprehensive understanding of the preferences and expectations of our customers. But, more importantly, the knowledge gained from our research is communicated across all departments highlighting both positive results and improvements needed in products and service delivery with the core objective of aligning our offering to create consistent service excellence.

In 2023, we introduced an on-board survey, which is available in in-flight entertainment system to every customer flying with us, with automated data collection feeding results to a dynamic dashboard. Alongside this we continued to survey passengers after each flight by post-flight survey notifications, enabling us to monitor the customer experience through daily ratings and sentiments. Towards the end of the year, we launched a Mystery Shopper project to help us measure whether we are consistent in our product and services delivery against our existing standards.

Link to strategy

Growth

Efficiency

Excellence

PASSENGERS CONTINUED

Memorable experience

Memorable experiences are created by delivering enjoyable moments and positive emotions that make for the best lasting impressions. Through our emphasis on customer experience and service excellence, we aim to win customer loyalty by making their journey with us both easy and comfortable, whether for business or leisure. We analyse our customer experience metrics on a monthly basis and identify impacting factors. During 2022, we had some dips in our ratings due to the civil unrest early in the year in Kazakhstan and during the summer months when, along with rest of the airline industry, the surge in passenger travel after the pandemic overloaded airport operations globally. In 2023, we managed this more effectively and achieved even better results than we had before the pandemic.

Attaining high customer satisfaction ratings is key to the high standards that we have set ourselves with targets of: Net Promoter Score (NPS) at 40 for Air Astana and 35 for FlyArystan; Customer Satisfaction Ratings (CSAT) at 80 for both airlines. In 2023, based on 22,800+ responses, Air Astana's NPS was 46 and CSAT 79 and FlyArystan achieved a NPS of 37 and CSAT of 84 based on 35,800+ responses. Not only have we more than achieved our targets for the year but in general the ratings for our customer experience performance is higher than or close to the industry benchmarks for global airlines of NPS at 22 and CSAT of 82, placing us amongst the top airlines in the world for customer satisfaction.

Once again, we gained international recognition for the excellent quality of on-board service and offering. Air Astana was rated a four-star airline by Skytrax and ranks among the top 50 airlines in the world. In the Skytrax World Airline Awards for 2023, Air Astana was named 'Best Airline in Central Asia and CIS' for the 11th time and, for the second time, recognised for 'Best Service in Central Asia and CIS'. FlyArystan was named the 'Best Low-cost Airline in Central Asia and CIS'. See the full list of awards on page 38.

Since 2022 a new CRM system has been introduced to communicate with customers via Help Centre portal on help.airastana.com. This year our teams constantly worked on improvements:

- First reply time in September 2023 has been reduced by 88% from 6 hours to 41 minutes from the previous year, and ahead of the industry average by 25 hours.
- Full Resolution Time has been reduced to 1 hour 12 minutes in September 2023 compared to 10 hours 45 minutes a year ago, while the industry average was 55 hours.
- CSAT on Help Centre reached 90 in September 2023 which is 7% up on last year.

In March 2023 we opened our Regional Call Centre in Pavlodar. As of today we have hired 19 ticketing agents and two team leaders, very dedicated, bright young people, supporting each other and ready to learn more. They have already answered 13,054 calls by December 2023, which is up 150% from what it was when they started in March, and it already makes up over 25% of all calls we receive in our call centres. Regional Call Centre in Pavlodar provides support to our customers along with our main call centres located in Almaty and Astana. Opening this Regional Call Centre was aligned with Company's ESG Strategy to provide equal opportunities independent from age, gender, nationality or place of residence.

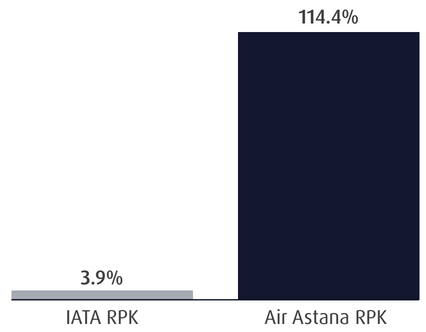
Air travel demand is bouncing back

Air transport for passengers and goods is inextricably linked to global economic development. Connectivity between countries and cities is a vital enabler across all business and social landscapes. COVID travel restrictions dramatically interrupted connectivity in 2020 with unique city pairs falling by more than 28% and the closure of almost 6,000 flight routes.

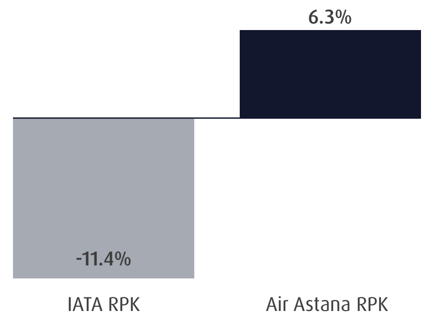
More recently, flight restrictions to and from Russia have also had a negative impact, but the opening up of the Chinese market is already having a positive effect. The IATA connectivity index measures scheduled passenger capacity weighted against the economic scale of destinations served. In 2023, international connectivity had recovered to 89.5% of pre-pandemic levels and domestic connectivity to 97.5%, 12ppt above 2022[1]. It is anticipated that this will continue to improve in 2024.

What is also interesting to note is the changing shape of passenger demand and how this impacts airlines. COVID left the airline industry with two distinct but very different scenarios. For many, business travel is now a thing of the past as Zoom and Teams technology have negated the need to leave their office (or even the comfort of their home) to connect with colleagues on the other side of the world. This created a massive hole in airline revenue, which looked like it could be filled by what has been termed by some as 'revenge travel' – the desire to venture to far flung corners and exotic locations after months of lock down. And, certainly, lifestyle destinations were snapped up by passengers as a new era of tourism took off.

Domestic RPK (2023 vs 2019)



International RPK (2023 vs 2019)



However, leisure travel is more closely linked to seasonality and particularly pronounced across Europe, which was somewhat surprised by the sheer volume of passengers clamouring to take to the air in the summer of 2023. In 2019, they had scheduled for a 50% increase in demand during the holiday season; the increase to 65% in 2023 created delays and frustration for passengers and employees alike. The impact in North America, for example, is not so extreme with vacations to warm beach destinations on short flights taken all year round.

But never look a gift horse in the mouth: flexibility and adapting to this increased seasonality has to be the solution.

Some airlines have already taken steps by moving crew training sessions and only allowing employees to take annual leave in off-peak periods. Maintenance programmes have been adjusted to take this into account. Increased use of automated processes such as self check-in help to ease the pressure. At the other end of the spectrum, identifying and operating more flights to those countercyclical lifestyle destinations offering winter sunshine as well as seeking out commercial and international MICE (meetings, incentives, conferences and exhibitions) contracts can boost revenue during periods of low demand.

> The restoration of connectivity is powering the global economy as people travel to do business, further their educations, take hard-earned vacations and much more. But to maximise the benefits of air travel in the post-pandemic world, governments need to take a strategic approach. That means providing cost-efficient infrastructure to meet demand, incentivising sustainable aviation fuel (SAF) production to meet our net zero carbon emission goal by 2050 and adopting regulations that deliver a clear cost-benefit.
>
> **Willie Walsh**
> IATA Director General

Global aviation markets

Air passenger traffic

2023, and particularly the last quarter, delivered strong results for both international and domestic passenger traffic across all regions. Projections are that, by the end of 2024, global air passenger numbers will have fully recovered to 2019 levels. This could perhaps be the last time when there will be any need to refer back to pre-pandemic levels to gauge how well the industry is performing. The continuing Russia-Ukraine and more recent Middle East wars, compounded by the ensuing Red Sea situation, are all factors that will still need to be taken into consideration.

And, while the recovery in travel is good news, Willy Walsh, Director General of Air Industry Transport Association, is keen to point out that, in order to maximise the benefits of air travel in the post-pandemic world, governments need to take a strategic approach. Putting cost-efficient infrastructures in place to meet demand, incentivising the production of sustainable aviation fuel (SAF) to meet the 2050 target for net-zero carbon emissions and adopting regulations that deliver clear cost-benefits – these all have a part to play in helping airlines increase the global prosperity and well-being of people and businesses.

Global passenger markets

Overall airline traffic, measured in revenue passenger kilometres (RPKs), increased 36.9% year-on-year in 2023, and delivered total revenues of USD 896 billion. With a particularly strong last quarter, full year traffic was within touching distance of 2019 levels at 94.1%. This is a significant improvement over 2022 when it stood at 68.7%. Overall capacity measured in available seat-kilometres (ASKs) also grew, by 24.1% year-on-year and to 94.4% of pre-pandemic levels. Still under the 2019 threshold, but only by 0.3 ppt, the global passenger load factor (PLF) stood at 82.3%.

With slower opening of some markets, international passenger traffic did not increase quite so dramatically as it did in 2022 (up 152.7%), when the vast majority of COVID-related travel restrictions were lifted. Nevertheless, international RPKs continued to climb and were up 41.6% year-on-year, achieving 88.6% of 2019 levels. There was also an upward trend in ASKs with a 34.4% increase, 87.7% of 2019 levels, while PLF improved by 4.2ppt coming in at 82.8% and achieving 99.2% of its pre-pandemic results.

Domestic travel RPKs rose by 30.4% during 2023, compared with 2022. Buoyancy throughout the year in domestic traffic was positively impacted by China – the largest domestic market in the world – lifting COVID restrictions in January. China's domestic traffic increased by 138.8% year-on-year and is already 7.1% above 2019 levels. Most of the monitored markets – with the exception of Australia and Japan – actually passed the pre-pandemic marker by halfway through 2023, with total domestic RPKs finishing the year-end at 3.9% above 2019 levels.

Asia-Pacific

Benefiting from the opening up of the Chinese market, Asia Pacific once again returned the strongest year-over-year rate among the regions. RPKs more than doubled with a 126.1% rise in international traffic during 2023, compared with 2022, but this still remains 27.7% below pre-pandemic levels; ASKs rose by 101.8% and PLF to 9.0ppt at 83.1%. With the ramp-up of airline operations and tourism returning, a full recovery is expected during 2024.

However, a more granular analysis confirms that recovery within the region has not been uniform. Several countries within Central Asia recorded stellar performances during the first half of the year, with RPKs and ASKs climbing above 2019 levels for the first time.

Tajikistan led the recovery and was in good company with Kazakhstan, Kyrgyzstan and Uzbekistan; these last two having also improved their load factor compared with 2019. Only Turkmenistan has yet to recover to pre-pandemic levels.

Longer term, Asia Pacific is the most likely region to experience rapid growth in passenger traffic. Between 2019 and 2040, passenger numbers are forecast to increase by 5.5% annually and reach a total of 4 billion, which would equate to more than 50% of global passenger demand. Visa-free passage for Indian citizens wishing to travel to Kazakhstan saw a substantial growth in passenger numbers in 2023 compared with 2022. Between 2019 and 2040, travel from India is forecast to rise 6% annually and increase to half a billion in total.

Europe

International passenger traffic in Europe was the slowest within the regions and its results still down on 2019 levels. Year-on-year, RPKs only increased by 22.0%, ASKs by 17.5% and PLF rose by 3.1ppt to 83.8%. However, for the first time since the start of the pandemic, traffic in December was higher than in the corresponding month in 2019.

Middle East

In the Middle East, international RPKs rose by 33.3% traffic in 2023, compared with 2022. Capacity measured in ASKs increased by 26.0% while PLF climbed 4.4ppt to 80.1%, reaching 3.8ppt above 2019 levels.

1 Source: IATA Global Outlook for Air Transport, December 2023.

Kazakh aviation market

Kazakhstan has 20 airports, 18 of which are open to international commercial flights. They are either Government-owned or privately owned – except for Aktau International Airport, which is owned by a public-private partnership.

According to the Aviation Administration of Kazakhstan (AAK), there are 920 aircraft on the Kazakhstan civil aircraft register, 17% of which are airliners. The number of commercial passengers using Kazakh airlines has increased steadily from 7.3 million in 2019 to 9.5 million in 2021 and almost 11 million in 2022.

The number of Kazakh air operators registered by AAK made up 53 in 2023. Air Astana is one of seven airlines eligible to fly to EU countries; the other operators are Comlux, Prime Aviation, FlyJet.kz, KazAirJet, Jupiter Jet and SCAT. Domestic flights are carried out by six airlines – Air Astana, FlyArystan, SCAT, Qazaq Air, Southern Sky and Zhetysu.

Kazakhstan continued to develop its air transportation capabilities in 2023. 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.

The ICAO has no plans to conduct another safety audit of Kazakhstan in the foreseeable future given that compliance with safety standards is comparable to the average of other member countries covered by the European Aviation Safety Agency (EASA).

The Kazakhstan Government is committed to introducing more international flights and continues implementing its open skies policy to attract new foreign air carriers. Notably, this included flights to Doha (Qatar), Ankara (Turkey), Medina (Saudi Arabia), Baku (Azerbaijan) and Dushanbe (Tajikistan) during the spring and summer. Alongside this, there would also be an increase in flights from: Astana, Almaty, Aktau, Turkistan and Atyrau to Istanbul; from Astana and Almaty to Antalya; from Almaty to Baku, Tbilisi, Phuket and Male.

Kazakhstan plans to open flights to Pakistan, introducing new routes from Almaty to Karachi and Lahore, and to increase the number of flights to India on the Almaty-Delhi route, to China on the Almaty-Chengdu route, to the UK on the Almaty-London route, as well as from Almaty to Bodrum, Batumi, Heraklion, Podgorica and from Astana to Tbilisi and Podgorica. Flights are also expected to resume on the Astana-Bishkek, Aktau-Yerevan, Almaty-Samarkand, and Shymkent-Kutaisi routes.

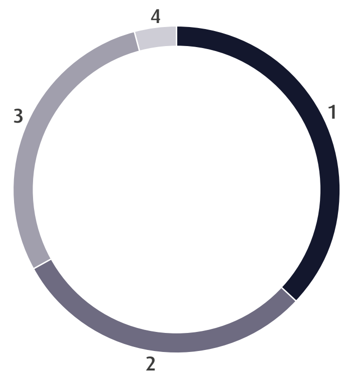
Air Astana launched twice-weekly flights to Tel Aviv in September 2023 but had to terminate these a month later due to the conflict in the region.

Domestic market

There can be no doubt that the launch of FlyArystan had a staggering impact on Kazakhstan's domestic market – both before, during and after the pandemic – and also aided the rapid recovery of the overall air transport market. Following the launch of the airline in May 2019, domestic passenger traffic was boosted in the second half of the year, increasing by 9% to 8.6 million for the full year (2018: 7.9 million). Today, Kazakhstan has the fastest growing domestic market in the world.

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

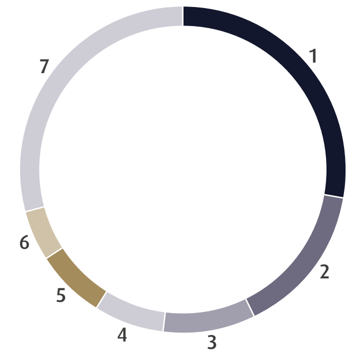
Domestic



1. FlyArystan	37%
2. Air Astana	30%
3. SCAT	29%
4. Qazaq Air	4%

Source: CIRIUM SRS Industry Data.

International



1. Air Astana	28%
2. SCAT	15%
3. Aeroflot	9%
4. Turkish Airlines	7%
5. FlyArystan	7%
6. flydubai	5%
7. Others	29%

Air Astana Integrated Report 2023

Over the last five years, most of the domestic growth has been driven by FlyArystan, which accounted for 37% of domestic traffic in Kazakhstan in 2023. Combined with Air Astana's 30% share, the Group commands 67% of the total domestic market.

Both of Kazakhstan's major airports, at Almaty (the largest airport) and Astana, have experienced an increased flow in domestic travellers since FlyArystan took to the skies – a total of around 70% overall. While Astana airport accounted for about 5% of this, Almaty airport has seen its domestic passengers rise from just 2.8 million in 2018 to over 5 million during 2023.

Cargo

Global overview

The decline in global air cargo demand experienced in 2022 continued for most of 2023. The challenges remained largely the same: global and economic trade depressed, the continuing Russia-Ukraine war, inflation remaining high in key markets and elevated global oil prices; the tension in the Red Sea was added to the mix in Q4 with the full impact of this yet to unfold.

But it was not all doom and gloom as global air cargo volumes surged dramatically towards the end of 2023 indicating a possible return to pre-pandemic levels heading into 2024. Rachel Fan of IATA Sustainability and Economics is optimistic about this and predicts that, while yields are likely to decline, they will still be above 2019 levels: "Cargo revenue will also be about 11% above 2019 and comprise 12% of total industry revenue. In other words, 2024 will see sustained revenue growth and the sector outperform pre-pandemic levels."

2023 did not start well as industry-wide cargo tonne-kilometres (CTKs) contracted month by month until mid-way through the year. However, although trade and exports were still relatively sluggish, CTKs bounced back, reporting double-digit drops in the first half of 2023 but soaring to annual average figures within 1.9% of 2022 traffic by the year end.

An 11.5% spurt year-on-year in December for global international CTKs, with growth across all major trade routes, resulted in international traffic levels in 2023 coming in at just 2.2% below the previous year.

One of the last vestiges of the pandemic, 2023 saw the phasing-out of passenger aircraft that had been temporarily converted to cargo carriers (so-called semi-freighters) as they were reconfigured and returned to normal duties carrying passengers. Global cargo capacity has expanded considerably over the last two years as international passenger flights resumed and schedules increased exponentially, opening up the opportunities for transporting cargo in the belly-hold of passenger aircraft. Overall cargo capacity, measured in available cargo tonne kilometres (ACTKs), increased by 11.3% compared with 2022 and was up 2.5% from pre-pandemic levels. Passenger aircraft belly-hold capacity accounted for 49% of ACTKs, a massive hike from 20% in 2020 as it continues to steal a march on the market share of dedicated cargo aircraft.

This substantially expanded belly-hold capacity has had a negative knock-on to cargo load factors (CLF), affecting cargo revenue and profitability for airlines. Decreasing throughout the year, CLF closed the year with a worldwide average of 44%, although on international routes this reached 49.9%, up from 2019 levels by 0.8%. An indicator of the balance of supply and demand within the industry, this should stabilise once passenger and cargo numbers normalise to pre-pandemic levels.

Air Astana Group's cargo growth in 2023 was mainly on the routes from China, Korea and the UAE to Kazakhstan. The growth corresponded with increased capacity deployed in 2023. Cargo volumes from Turkey were influenced by the economic slowdown and limited belly capacity of narrow-body aircraft.

Regional performance

As the year drew to a close, there was strong momentum across all major trade routes with positive outcomes year on year. The most significant growth was experienced in the Africa-Asia market, achieving double digits on average, with a substantial boost of 37% after China reopened its borders in February. During the second half of the year, the Europe-Asia, Europe-Middle East and Middle East–Asia trade lanes led the way, particularly towards the year end. This was in part due to regional conflicts, particularly in the Red Sea area, which disrupted conventional sea freight routes.

While not all cargo is suitable for air transport, this did result in a large number of manufacturers and shippers opting for alternative transportation methods.

The tail end of the year also saw an upturn in cargo traffic in North America–Europe and North America–Asia trade lanes, both recording an increase in international CTKs in December. The overall picture was, however, the same: during 2023, air cargo traffic was down on 2022. This was also the case for trade lanes Within-Asia and Within-Europe, despite an upward trend at the year-end heralding the promise of better times in 2024.

The prospects for 2024 are positive with a projected growth of 3.5% in global trade, a key economic indicator. IATA forecasts an average increase in air cargo of 4.5%, with the biggest rise in Middle East at 12.3% and Africa trailing behind with growth at 1.5%. Broadly speaking, this will mean that cargo volumes are expected to reach 61 million tonnes during the year; conversely, cargo revenues are likely to continue to fall by a total of USD 111 billion in all.

Predictions for 2024

On a positive note, IATA expects that growth in passenger demand will continue to rise in 2024, however, this will not be without challenges and uncertainties. The wars in Russia-Ukraine and the Middle East look set to continue to impact air space and push up oil prices.

While inflation is reducing, it and interest rates still remain high and there is a global labour shortage. Supply chain issues have not abated for spare parts and even for aircraft delivery.

On the regulatory front, rising costs connected with compliance, passenger rights, environmental initiatives and accessibility requirements will all be a drain on recovering profitability.

So much of the world's economic outcomes depend on the movement of goods and people and is inextricably linked to air transportation. While growth is expected to be slower than that of 2023, IATA predicts that global air traffic should finally recover to reach pre-pandemic levels in 2024.

Sources:

1 IATA Global Outlook for Air Transport: A local sweet spot (December 2023)
2 Asian Development Bank: Low-Cost Carrier Opportunities, Air Transport Liberalization, And Post-Pandemic Recovery In CAREC[1] (September 2023)
3 IATA Air Passenger Market Analysis (December 2023)
4 IATA Air Cargo Market Analysis (December 2023)
5 IATA Airlines magazine (4 January 2024)
6 IATA Air cargo press release (31 January 2024)
7 IATA Global air travel press release (31 January 2024)
8 McKinsey & Company How airlines can handle busier summers – and comparatively quiet winters
9 The Astana Times

1 The Central Asia Regional Economic Cooperation Program

Delivering sustained growth

Our Group strategy of operating two airlines – full-service Air Astana and low-cost carrier FlyArystan – enables us to make the most of untapped opportunities in domestic, intra-region and international markets. Our planned fleet expansion allied with advanced technical and training facilities will further enhance our growth trajectory, operational efficiency and quality service offering.

STRATEGIC PILLARS

GROWTH

Our focus

- Expand the Group fleet to 80 by the end of 2028: Air Astana 46 aircraft and FlyArystan 34 aircraft
- Grow the business at more than the market rate
- Further development of FlyArystan's services and expansion of Air Astana's international services and intra-regional markets with improved frequency and connectivity

Read more on p. 27

EFFICIENCY

Our focus

- Purchase more fuel-efficient and modern aircraft to support our sustainability objectives and increase passenger comfort
- Capital expenditure earmarked for improved fleet maintenance and training facilities of the Group
- Major IT initiatives: to enhance current and implement new systems
- Further development of digital commerce and IT support for all business units

Read more on p. 28

EXCELLENCE

Our focus

- Attract and retain the best talent to support our ambitious business plans
- Continue enhancing our award-winning customer experience
- Implementation and revision of our Low-Carbon Development Programme to include our commitment to net zero by 2050
- Capitalise on the capabilities of our world-class Training Centre to maintain the highest standards

Read more on p. 29

Growth
Meeting our ambitions

Aided by the increased size of our fleet, we are expanding the reach of our flights to new life-style destinations and exploring opportunities in all our markets as well as adding to the frequency of our schedules to meet passenger demand and grow the business.

FLYING HIGH – 2023 HIGHLIGHTS

Fleet expansion continues

In line with our plans to grow the Group's fleet, in 2023 we took delivery of 6 new aircraft bringing the total fleet to 49 with an average age of 5.3 years.

Meeting passengers' needs

We now offer flights to new leisure, winter season and longer-stay destinations, including the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey, Egypt, Saudi Arabia and the United Arab Emirates.

Developing mega-market potential

We are meeting the increasing demand for flights within our domestic and near-home markets of the Central Asia and Caucasus region, as well as neighbouring mega markets such as China and India.

Frequency boosts numbers

'Thickening' routes by increasing the frequency of daily or weekly flights is boosting passenger numbers, particularly to popular destinations with winter sunshine in Asia and the Gulf.

AIMING HIGHER – 2024 PRIORITIES

- The Air Astana Group listings on the London Stock Exchange, Astana International Exchange and Kazakhstan Stock Exchange has attracted new Kazakh and international investment, which will help drive our ambitious growth plans for the business between 2024 and 2028.
- During the next 12 months, we expect to take delivery of seven A320neo family aircraft (4 x FlyArystan, 3 x Air Astana), expanding the fleet to 56, in line with our plans to increase the overall fleet size to 80 by 2028.
- We plan to expand our route network by launching flights to Kuala-Lumpur (Malaysia) and Seoul (South Korea) in 2024. Tokyo (Japan) and Singapore are scheduled to be added in 2025–2026.

PILLARS OF GROWTH

1. **Untapped potential for air travel in Kazakhstan**
Highly underserved market with low propensity to fly, and significant opportunity for growth.

2. **Opportunity in Central Asia and Caucasus region**
The Air Astana Group is still the largest airline group in the Central Asia and Caucasus region by revenue and fleet size and is well positioned for strong growth opportunities in the region.

3. **Significant opportunities through international expansion**
Kazakhstan is strategically located within easy access to two of the largest aviation markets in the world, India and China, and with proximity to the Middle East and Europe.

KEY PERFORMANCE INDICATORS (KPIs)

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

Read more in Key performance indicators on p. 30

PRINCIPAL RISKS

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

Read more in Risk management on p. 72

STAKEHOLDERS

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

Read more in Stakeholder engagement on p. 16

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Efficiency Increasing technology and expertise

Our investment in both advanced and future technologies, together with our focus on building inhouse maintenance expertise, growing the engineers to meet our expansion plans and providing practical on-site training all help to reinforce our outstanding efficiency and safety records.

FLYING HIGH – 2023 HIGHLIGHTS

Investing in SAF

The Group is part of a research study, exploring the potential for developing the production and consumption of a sustainable aviation fuel in Kazakhstan, and will target 5% SAF blending by 2030.

OHS certification confirmed

Air Astana passed the surveillance audit for its ISO 45001:2018 Occupational Health & Safety system, conducted by the British Standards Institution, with certification extended to cover FlyArystan.

Flight simulator training

The L3 Harris A320 Full Flight Simulator Training was launched at the Flight Training Centre in Astana during the summer: 364 pilots have completed 2,315 simulator hours during 582 sessions.

Practical safety training

A Real Fire Fighting Trainer (RFFT) and Airbus 320 Family Cabin Emergency Evacuation Trainer (CEET) have been installed at the Flight Training Centre in Astana to provide local, practical training.

First six-year C-check completed

Since 2019, Air Astana has carried out C-checks on 24 Airbus family aircraft and successfully completed its first complex, six-year C-check on an Airbus A321 in 2023.

AIMING HIGHER – 2024 PRIORITIES

- Training on the L3 Harris A320 Full Flight Simulator Training is expected to increase to 5,500–6,000 hours; the simulator's maximum annual capacity is 7,000-hours. The Group is currently planning the purchase of a second simulator in 2025.
- Approximately 40 cadets join the Ab-initio pilot training programme each year, which was set up to fulfil the need for a local supply of qualified pilots; a total of 270 cadets have already graduated and the 2024 intake is expected to increase to around 300.
- Eight Airbus family aircraft are due for maintenance, three of which involve a full six-year C-check, and the first 12-year C-check is planned. Bringing C-checks in-house has already reduced down-time by between approximately 14% and 18%. The Group intends to offer C-checks to other aircraft operators by 2025.
- In July 2023, Pratt & Whitney (P&W) issued a recall of A320neo engines due to contamination during manufacture. Air Astana had already solved a number of related design problems and has undertaken mitigating action ahead of the industry. During 2024, an estimated 34 engines will need to be removed and alternative options are in place to avoid flight disruptions. We are in advance discussions with P&W concerning compensation and other support.

KPIs

- Operating profit
- CASK
- Net profit

Read more in Key performance indicators on p. 30

PRINCIPAL RISKS

- Health Safety and Environment (HSE) risks
- Operational risk
- IT risk

Read more in Risk management on p. 72

STAKEHOLDERS

- Our people
- Suppliers and business partners

Read more in Stakeholder engagement on p. 16

Excellence Beyond passenger expectations

Always achieving high levels of customer satisfaction is core to our quality service offering. Our exceptional commercial performance, powered by the customer experience across all touchpoints, also relies on our use of modern aircraft to increase passenger comfort and our single-minded approach to training and upskilling our employees.

FLYING HIGH – 2023 HIGHLIGHTS

Airlines par excellence

The Group continues to be recognised for its award-winning levels of customer service. In 2023, Air Astana was recognised as 'Best Airline in Central Asia and CIS' at the Skytrax World Airline Awards for the eleventh consecutive year and 'Best Service in Central Asia and CIS' for the second time. FlyArystan was also recognised by Skytrax as 'Best low-cost carrier in Central Asia and CIS' for the first time and was rated four-star by Skytrax, one of the twelve LCCs in this category globally. Air Astana received several awards in the period by the APEX, including a five-star rating in the major airline category.

Improvement in OTP

The Group's average OTP increased to 79.5%, which was higher than that of the average comparable EU carriers at 67.9% and US carriers at 77.2%.

Low-Carbon Development Programme

As we expand our fleet, we are replacing Embraers and older Boeings with a new generation of Airbus aircraft, A320 and A321neos, which will reduce fuel consumption, supporting reduced CASK and aligning with the Group's sustainability objectives.

NPS and CSAT ratings

Air Astana's NPS and CSAT averages in 2023 were 46 and 79, respectively, a 28% and 5% improvement against 2022 averages of 36 and 75. FlyArystan's NPS and CSAT averages in 2023 were 37 and 84, respectively, also an improvement of 16% and 2% against 2022 averages of 32 and 82 respectively.

AIMING HIGHER – 2024 PRIORITIES

- The Group plans to update its Low-Carbon Development Programme and commit to net zero by 2050, with a sustainability roadmap and credible near-term targets for the next five years.
- We are investing in a new internet booking engine, designed to boost website return rates and e-commerce conversions and enhance the overall digital experience.
- Ensuring confidence in our customer data privacy is key and we are committed to obtaining ISO 27701 certification for the management and protection of personal data.
- The Group plans to finalise critical parts of the Airline Performance Excellence Programme (APEX) system.
- We are in the process of expanding our human rights policies to include a Diversity, Equity and Inclusion (DEI) Policy.
- As part of our minimising our environmental impact, we are developing a cabin waste management programme.

KPIs

- CSAT
- NPS
- CO_2 emissions
- On-time performance

Read more in Key performance indicators on p. 30

PRINCIPAL RISKS

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

Read more in Risk management on p. 72

STAKEHOLDERS

- Our passengers
- Our people
- Suppliers and business partners

Read more in Stakeholder engagement on p. 16

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Measuring our performance

Link to strategy

Growth | Efficiency | Excellence

We believe that our 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) 1,174.5

2023	**1,174.5**
2022A	1,016.2
2022	1,032.4
2021	761.8

Our long-term growth plans for the business are reliant upon increasing total revenue, which will enable the Group to continue expanding its fleet and network as well as further enhancing the passenger experience.

Link to strategy: Growth

Net profit/(loss) (USDm) 68.7

2023	**68.7**
2022A	56.5
2022	78.4
2021	36.1

It is vital that we do not lose sight of the need to focus on continuing cost reduction and increased efficiencies in our drive to reap the greatest benefit from sales generation.

Link to strategy: Growth, Efficiency

RASK (US cents) 6.6

2023	**6.6**
2022A	6.4
2022	6.5
2021	5.8

RASK (Revenue per ASK) shows how much revenue each seat kilometre has generated for the airline. RASK is calculated by dividing Total revenue and other income by ASKs (available seat kilometres) and is measured in US cents.

Link to strategy: Efficiency

CASK (US cents) 5.9

2023	**5.9**
2022A	5.6
2022	5.6
2021	5.1

Cost of available seat kilometre (CASK) is crucial to driving profitability and we are proud to be amongst the most cost-effective airlines in the world.

Link to strategy: Efficiency

Net Adjusted Debt (USDm) 445.3

2023	**445.3**
2022	492.0
2021	562.8

The Air Astana Group defines Net debt as loans and lease liabilities less cash and cash equivalents. Net debt decreased steadily since 2021 resulting in a comfortable net debt position and decline of the Net Debt/Adjusted EBITDAR ratio.

Link to strategy: Efficiency

Note:
2022A are adjusted figures that exclude extraordinary market event (EME) and gain from fuel hedging (FH).

NON-FINANCIAL KPIs

Passenger numbers (m) 8.1

2023	**8.1**
2022	7.4
2021	6.6

We will only be successful in achieving our long-term growth plans by attracting more passengers to fly with our airlines and, in doing so, boost both revenue and profit.

Link to strategy: Growth

Load factor (%) 83

2023	**83**
2022	83
2021	80

Maximising the number of passengers on each flight is crucial to delivering the best economic returns for the business and, as such, increasing and maintaining a high load factor is essential.

Link to strategy: Growth

On-time performance (%) 79

2023	**79**
2022	74
2021	82

OTP is an important factor in passenger airline choice and we are pleased to report an improvement in OTP, which is also above the average for comparable airlines.

Link to strategy: Excellence

CO_2 emissions (tonne/'000 RPK) 0.076

2023	**0.076**
2022	0.077
2021	0.080

We are a committed contributor to sustainable aviation, implementing fuel-efficient flight plans and responsible practices, as well as exploring alternative energy sources, to both minimise our environmental impact and improve our operational efficiency.

Link to strategy: Excellence

Air Astana Integrated Report 2023

Growing with pride

The operational impacts of the ongoing Ukraine war and more recent the Israel-Hamas war in 2023 have largely been limited to re-routings due to airspace closures, although both conflicts have pushed up oil prices impacting airlines globally.

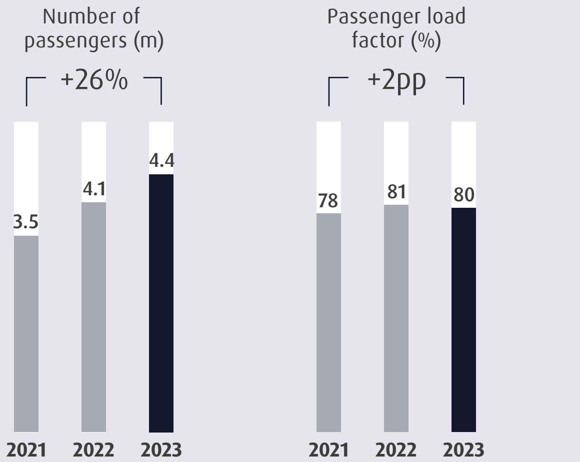
The Air Astana Group demonstrated operational and financial resilience throughout the COVID-19 crisis and its agile and proactive management has continued to engineer a resounding performance during the last year.

During 2023, the Air Astana Group carried 8.1 million passengers on around 55 thousand flights on 91 routes across 21 countries, compared with 7.3 million passengers on around 52 thousand flights on 88 routes across 16 countries in the previous year. The Group's two differentiated but complementary brands allow the airline to target different customer markets and geographies, providing choice across a range of customer needs and travel purposes. As a result, the Group has established itself as the leading airline in Kazakhstan, with a combined market share in domestic, intra-regional and international routes of 67%, 40% and 47%, respectively.

This in turn delivered further healthy financial returns with total revenue for the Group increasing to USD 1.18 million (2022: USD 1.03 million) and operating profit up to USD 136.0 million (2022: USD 148.7 million). CASK was 5.9 cents for the year (2022: 5.6 cents) but a more realistic picture without the ratchet in fuel costs reduced CASK ex-fuel to 4.3 cents (2022: 4.2 cents).

air astana

OUR FULL-SERVICE CARRIER BRAND



ROUTES	DESTINATIONS
50	36
2022: 48	

AVAILABLE SEAT KILOMETRES (ASK)	REVENUE PASSENGER KILOMETRES (RPK)
12,491	10,007
2022: 11,394	2022: 9,233

> Air Astana delivered another strong year of growth in 2023 with record passenger numbers and increased capacity. All our markets continue to perform well and we have demonstrated our ability to grow the business and maintain sector-leading margins while managing cost headwinds across the industry.

Peter Foster
CEO of Air Astana JSC

Air Astana

Air Astana remains Kazakhstan's flag carrier and largest airline brand in terms of both revenue and fleet size. However, its operating model has changed considerably since it was launched in 2002, with the COVID-19 pandemic and more recent international conflicts requiring agile responses to unprecedented situations. The frenetic world of business travel and transfers is now a thing of the past with virtual meetings largely the norm. Sanctions following Russia's invasion of Ukraine brought cancelled flights and disrupted supply chains. Reduced international connectivity due to restricted airspace over Ukraine and the Israeli crisis required rerouting flights, adding time and expense to services that were just beginning to recover.

As a full-service airline brand, Air Astana operates scheduled and charter, point-to-point and transit, short-haul and long-haul air travel and cargo services. In 2023, from its two principal hubs at the airports in Almaty and Astana, its fleet of 30 narrow-body aircraft served on a total of 50 routes (36 international and 14 domestic routes) covering 36 destinations, including seasonal and charters.

The airline's bounce-back from the pandemic has been stratospheric. In part this was due to the rigid financial discipline and measures taken to control costs but, more significantly, it was the pragmatic yet innovative solutions within the seemingly ever-changing landscape. While the borders to Kazakhstan were closed, Air Astana joined forces with FlyArystan to expand the Group's share of the domestic market and continued this upward trajectory, today carrying 8.1 million passengers, compared with 5.1 million in 2019.

As the world began to re-open, Air Astana tapped into the population's desire to travel further afield, offering new leisure, winter season and longer-stay destinations including flights to the Maldives, Thailand, Montenegro, Greece, Georgia, Turkey, Egypt and the United Arab Emirates.

PASSENGERS CARRIED BY AIR ASTANA IN 2023

During 2023, the airline introduced direct flights from Almaty to Jeddah in Saudi Arabia with its rich and diverse cultural heritage. Passengers travelling to Jeddah are also offered convenient connections from other cities in Kazakhstan, as well as from Tashkent, Dushanbe and Bishkek. Tourists journeying from Saudi Arabia are able to explore Kazakhstan's vast natural beauty.

Alongside its developing lifestyle business, Air Astana has taken advantage of the easy access and potential for regional and international travel within its near-markets of Central Asia and Caucus region and neighbouring mega markets.

Prior to the pandemic, Air Astana operated regular flights to China: between 2002 and 2020, more than 1,100,000 passengers were transported across this route. Flights to Beijing from Almaty resumed towards the end of 2022 and from Astana in March 2023, with the frequency increased on both routes during 2023.

There are significant growth opportunities to be gained by thickening routes – that is increasing the frequencies to daily or twice daily – as well as expanding its route network to include additional lifestyle destinations each year. For 2024, Air Astana plans to launch routes to Kuala Lumpur (Malaysia) and Seoul (South Korea) from Astana.

Growing with pride

FlyArystan

FlyArystan

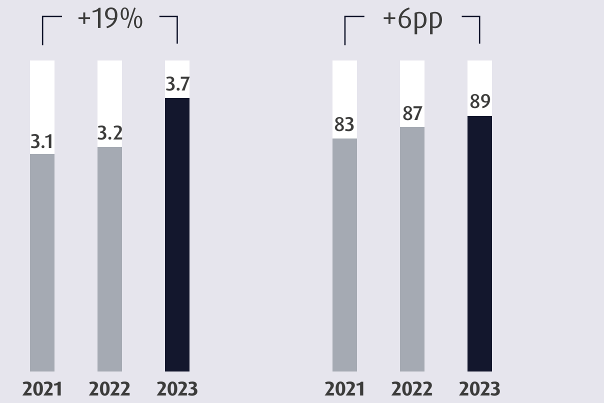
FlyArystan was one of the first LCCs in Central Asia, launching in 2019 ahead of the COVID pandemic and border closures. To some extent, this played to its strengths as it was able to offer its customers consistently low fares and stimulate demand in Kazakhstan's underserved domestic airline market. This approach at a time of crisis contributed significantly to a behavioural change towards domestic air travel among the population and continues to boost local market growth. In 2018, domestic traffic totalled 4.3 million passengers with propensity to travel low at 0.24. By 2022, this had risen to 0.42 and the number of passengers increased by approximately 88% to 8.1 million. During the same period, FlyArystan's compound annual growth rate (CAGR) in this sector was 61%. It operated on 30 routes and, together with Air Astana, it commanded 67% of the overall domestic market in 2023.

FlyArystan currently operates 18 narrow-body aircraft from the Group's five bases across Kazakhstan (Almaty, Astana, Shymkent, Aktau and Atyrau), offering scheduled short-haul and medium-haul, point-to-point air travel in Kazakhstan and further into the Caucasus, Central Asia, Turkey, the Middle East, China and India. This diversified base strategy provides FlyArystan with access to key international destinations, such as Doha in Qatar and Istanbul in Turkey. In 2023, it operated a point-to-point network on 27 international routes.

FlyArystan's mission is to remain the leading LCC of Central Asia by leveraging its diversified base strategy and to continue to expand its Central Asia and Caucasus network. At the same time, it plans to exploit further network growth opportunities in China, India, Saudi Arabia, Pakistan, Oman and Europe by increasing capacity on existing routes, adding new routes and offering low fares to stimulate demand. By employing a blue ocean strategy of targeting underserved international routes within a three-hour flight range, it aims to become the sole operator of these routes, creating customer affinity with the FlyArystan brand and closing off the competition.

PASSENGERS CARRIED BY FLYARYSTAN IN 2023

OUR LOW-COST CARRIER BRAND



ROUTES	DESTINATIONS
57	27
2022: 40	

ASK	RPK
5,199	4,639
2022: 4,527	2022: 3,926

"FlyArystan has quickly established itself as the leading LCC in the region; the airline was recognised globally as the best LCC in Central Asia and CIS by Skytrax in 2023. FlyArystan has successfully introduced the global LCC model into Central Asia and has quickly won appeal with a combination of route density and low fares. As the airline begins its expansion to near-home markets the growth trajectory remains strong. The demand for Low Fare travel is a consistent theme in all markets and one that FlyArystan is positioned to capitalise on in Central Asia.

Adrian Hamilton-Manns
President of FlyArystan JSC

Cargo division

The Air Astana Group offers cargo and mail transportation services throughout its route network, utilising available space on both Air Astana and FlyArystan aircraft, but always mindful of the need to maintain on-time departures. In 2023, the majority of cargo revenue was generated on the Seoul-Almaty and Dubai-Almaty routes using B767-300 aircraft. During 2023, some cargo flow from China to Kazakhstan also returned as our scheduled flights on the Beijing-Almaty route resumed and are almost back to daily frequency.

Air Astana joined CASS IATA in India and China, which widened distribution and enabled simplified billing and accounts settlements in those markets.

The Group complies with IATA cargo requirements and the cargo rules and regulations of local Kazakhstan and relevant foreign civil aviation authorities. Where the Group does have its own established cargo operations, it promotes its services through agency agreements with international cargo sales agents and freight forwarders.

The routes which cater mainly to the leisure market, such as Phuket-Almaty, which usually do not attract point-to-point cargo flows, were supported by cargo from China and Korea using interline arrangements with partner airlines, and by cargo from Malaysia using truck delivery.

The high quality of service offered by the Air Astana Group is a major reason for the support and cooperation of freight forwarders in Kazakhstan.

Codeshare partnerships and interline arrangements

Strategic partnerships with other airlines enable Air Astana to offer its passengers more flexibility, convenience and choice of flights. Co-operation through codeshare and interline arrangements, as well as marketing initiatives, loyalty programme reciprocity or benefit sharing, and enhanced service levels at airports, including aircraft and engine maintenance, enable the airlines to enhance its overall network and increase the reach of the passenger itineraries that it is able to offer.

Its partnership strategy is to work with carriers that provide the most compelling distribution and opportunities from the hub from which Air Astana operates. Since its first agreement in 2005, the airline has steadily grown ties with other international carriers in Asia and Europe and currently has seven code-share airlines and 84 interline agreements.

These include code-share agreements with Asiana Airlines, Bangkok Airways, Cathay Pacific, KLM Royal Dutch Airlines, Lufthansa and Turkish Airlines. Most recently, in 2023, Air Astana signed a codeshare partnership agreement with Azerbaijan Airlines (AZAL), with the airlines operating joint flights on the Baku-Almaty-Baku route five times a week.

CODE-SHARE PARTNERS

Lufthansa
KLM
TURKISH AIRLINES
ASIANA AIRLINES
CATHAY PACIFIC
Bangkok Airways
AZERBAIJAN AIRLINES

Continuous improvement and efficiency

While the Air Astana Group has a strong focus on ensuring future growth, this is not at the expense of continued efficiency or excellence. Specific planned investments are focused on engineering and maintenance, pilot training, ground handling and catering, and spare engines.

Some of these strategies were initially put in place to maintain control of the supply chain and insourced essential services but have become core components of the total customer offering and, in the case of engineering and maintenance, provide opportunities to generate revenue by providing services to third parties.

A planned fleet simplification programme will contribute to operational efficiency. Fleet expansion is tactically focused on narrow-body Airbus A320/A321neo aircraft, which are more fuel-efficient than the classic generation, supporting reduced CASK and aligning with the Group's sustainability objectives. Redelivery of the remaining Embraer aircraft by 2025 and Boeing 767 by 2026 will also drive fleet simplification, which will generate synergies and lower the cost of pilot training and maintenance.

Fleet

The Group's plans for future capacity and passenger comfort are inextricably linked with the expansion and simplification of a fuel-efficient, eco-friendly fleet, straddling all three strategic pillars: growth, efficiency and excellence.

The Group took delivery of the latest of its Airbus A321LR aircraft in October 2023 and Airbus A320neo in November 2023. As at 31 December 2023, the Group fleet has increased to a total of 49 aircraft (43 in 2022), comprising 41 narrow-body Airbus A320 family aircraft, 5 narrow-body Embraer E190-E2 aircraft and 3 wide-body Boeing 767 aircraft (31 operated by Air Astana and 18 by FlyArystan (under a single Air Operator Certificate (AOC).

Newer, more modern and eco-friendly aircraft reduce costs to the business and its impact on the environment. As an example, Airbus A320neo family of aircraft can deliver up to 20% reduction in fuel consumption, 20% reduction in CO_2 (NO_x) emissions and reduce noise levels by 50%, compared with the previous generation of A320ceo aircraft. With additions in recent years and in 2023, the Group's operating fleet now has an average age of 5.3 years.

Allowing for planned aircraft returns and further acquisitions, the Group plans to further increase the fleet to 80 aircraft by the end of 2028, with Air Astana operating 46 and FlyArystan 34 aircraft. Achieving this will require the delivery of an additional 48 aircraft between 2024 and 2028, for which 22 operating leases are already committed by 2026: 19 Airbus aircraft (11 A320neo and eight A321neo aircraft) and three Boeing 787-9 Dreamliner aircraft.

Maintenance and repair

Air Astana's engineering and maintenance department consists of approximately 900 staff, based in Almaty and Astana airports with line maintenance stations in Atyrau, Aktau and Shymkent. It is responsible for all maintenance and technical services, aircraft delivery/redelivery, workshop support, engineering sales and cabin cleaning across the entire Air Astana Group fleet, as well as engineering training. (FlyArystan outsources all of its engineering and maintenance to Air Astana.)

The engineering and maintenance department holds an AAK certificate and EASA Part 145 certificate under which it is approved to perform line and base maintenance services on its aircraft. Under its other National Aviation Administration certificates and EASA Part 145 approval, Air Astana also provides maintenance services to more than 22 other international and domestic airlines, including Asiana, DHL, Air Arabia, VietJet, Jazeera Airways, Lufthansa, Qatar Airways, Wizz Air, Fly Dubai, Air China and Turkish Airlines, as well as Qazaq Air and SCAT Airlines. The Training Academy also delivers Airbus A320 family training for different engine configurations within the Air Astana and FlyArystan fleet in accordance with its EASA Part 147 approval.

The simplification of the Group fleet has created opportunities for efficient, insourced routine and non-routine maintenance functions. In 2019, Air Astana became the first airline in Kazakhstan able to independently perform heavy maintenance C1 and C2 checks on the Airbus A320 family of aircraft at its engineering bases in Almaty and Astana. After successfully completing its first six-year C-check towards the end of 2023 Air Astana now carries out all C-checks on the Airbus A320 family, including FlyArystan's aircraft The first 12-year C-check is planned for 2024.

The six-year check is very complex, it took more than 20 days and involved 7,800 man-hours undertaken by highly qualified mechanics and engineers holding international certificates and EASA Part 66 licenses, including those trained on Air Astana's aviation technician training programme. The airline received the approval for this type of work earlier in 2023, following an international EASA audit. The Group estimates that bringing C-checks in-house will result in annual savings of approximately USD 3.0 million and has already reduced aircraft ground time by between 14% and 18%.

The Group plans to expand its maintenance capacity in line with its anticipated fleet growth. This will require extending the current hangar space at Astana airport and building a larger hangar at Almaty airport in order to accommodate two Boeing 787s or five Airbus A320s at a time. As its C-check experience grows, the Group intends to offer C-checks to other aircraft operators by 2025.

Air Astana Training Academy

The Air Astana Group's Training Academy, located at Almaty, was established to develop a centre of excellence for learning and development within the Group in terms of both operational and personal skills development training, and externally for the wider aviation industry in the CIS.

It is the only EASA Part 147 certified training facility for engineering in Kazakhstan, delivering Parts 147/145 theoretical and practical training. In collaboration with the Flight Training Centre (see below), the Training Academy delivers all aspects of operational training:

- The Training Academy offers approximately 79 programmes in engineering, ground and in-flight services based on international standards (ICAO, IATA, and EASA 147/145), which are accredited by the AAK and therefore also made available to external organisations.
- The new Flight Training Centre, based at Astana Airport, was commissioned in 2023 and enables training on a L3 Harris Reality Seven A320 Full-Flight Simulator. It is the first of its kind in Kazakhstan and has a 7,000-hour annual training capacity, which the Group estimates will reduce travel time to external training facilities by approximately 25%, saving over 1,000 pilot days. Procedural training for Aerosim fixed-base trainers, which are supported by the simulator, is also carried out. The Group is currently planning the purchase of a second simulator in 2025.
- Advanced cabin safety training at the Training Academy means that the Group does not rely on third-party providers for initial or tri-annual crew training for its Airbus fleet. Using a Cabin Emergency Evacuation Trainer, supplied by Skyart, and a Real Fire-Fighting Trainer, supplied by Flame Aviation, for A320 family aircraft, rather than sending pilots and crew to Germany and Turkey for training, will result in significant savings. The Group also intends to provide safety and emergency procedures training to other airlines in Kazakhstan in the future.
- Launched in 2020, as part of the 'Learning/Career Pathway' for the pilot community, an internal leadership programme course for captains, 'Leading for Command' is run on a regular basis for newly promoted Captains.
- The Group instigated the Pilot Ab-Initio Cadet Programme in 2008 to fulfil the need for a local supply of qualified pilots. Approximately 20 cadets join the programme each year and 270 cadets have since graduated, with a significant number joining flight crews and some already promoted to captain. The size of the annual intake will be increased in 2024 to meet the ongoing demand for qualified pilots.
- All crew undertake training, including safety and emergency procedures, first aid and dangerous goods. The Training Academy also provides promotion training for crew moving to business class or other roles within the business.
- Having completed two EASA Part 66 programmes for trainee mechanics between 2018 and 2022, in August 2023, the Training Academy also introduced an apprenticeship programme. New recruits participate in a five-year course and earn international and local certifications with a further option to pursue the EASA B1/B2 licensed qualification. The Group's Maintenance Standards department employs airworthiness engineers, who provide mentoring of standards performance and co-ordinate training within the EASA Part 147 programme.

Air Astana Integrated Report 2023

A winning customer experience

The Air Astana Group prides itself on providing excellence across every aspect of the services that it offers. This is reflected back by the high levels of customer loyalty experienced by its airlines and the external recognition and awards received from international associations and passenger forums alike.

Both Air Astana and FlyArystan have received awards for their quality of service during the last 12 months. It was particularly pleasing that both airlines received accolades in the Skytrax World Airline Awards. Air Astana was once again recognised as the 'Best Airline in Central Asia and CIS' – for the eleventh time and eighth consecutive success between 2012 and 2023[1]. It also won the award for 'Best Airline Staff Service in Central Asia and CIS', a testimony to the combined airline staff service across both the airport and the onboard experience. FlyArystan was recognised as the 'Best Low-Cost Airline in Central Asia and CIS' and also as 'Most Improved Airline in Central Asia and CIS', which is determined by an airline's change in global rating and performance improvement across the award categories.

Air Astana is ranked among the Top 50 airlines in the world by Skytrax having increased its position from 37 in 2022 (43 in 2021). Despite being a relatively new kid on the block, FlyArystan was certified as a four-star LCC at the end of 2022. For the third time, Air Astana received both the Five Star Major Airline Award from APEX and won the TripAdvisor Travellers' Choice Award in category 'Regional Airlines in Asia'.

SKYTRAX 'BEST AIRLINE IN CENTRAL ASIA AND CIS' AWARDS

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

Other awards in 2023

The Group was also delighted that Air Astana received an APEX Award in the 'Best entertainment system in Central and South Asia' for the second time in 2023, having won the same award in the previous year. APEX is a global non-profit international organisation that awards prizes in the international airline industry, based on passenger surveys with opinions collected in partnership with TripIt, a leading travel app.

As part of Air Astana's in-flight service, passengers can relax and enjoy watching the latest movie releases, TV series and documentaries in different languages and listen to music and podcasts to suit every taste; there is also an excellent selection of children's entertainment. Within the media library, the airline introduced an accessibility section with content suitable for both hearing and visually impaired passengers.

On-time performance

OTP calculations are based on on-time departures and indicate how reliable an airline is with delivering on its commitment to published schedule. This comes high on the list of passengers' criteria for airline choice and therefore is key to the Group's customer service offering.

The rapid revival in international air travel found airlines struggling to meet demand while experiencing a shortage of employees at airports and pressures on supply-chain post COVID-19. In order to improve, the Group introduced new measures including restrictions on personal leave and training for operational crew during busy periods and improving communications with domestic airports to identify planned construction work that could potentially disrupt OTP.

These initiatives positively impacted the Group's average OTP in 2023, seeing it increase to 79.5%. OTP for the individual airlines both improved with Air Astana delivering 81%, compared with 74% in 2022, and FlyArystan 78%, up from 75%. OTP across the board was higher than that of the average comparable EU carriers at 68.8% and US carriers at 79.5%.

Customer experience

Air Astana has developed an integrated programme for customer experience improvement, which co-ordinated across its service delivery teams under the management of a dedicated Customer Experience team. Quantitative and qualitative metrics are used to measure customer satisfaction, with a particular focus on industry-adopted indicators Net Promoter Score (NPS) and Customer Satisfaction Rating (CSAT).

As well as onboard data collected by the airline, customers are able to complete an online survey voluntarily after each flight. Data is then monitored and any necessary follow-up actions reported to the relevant business units. Air Astana access more accurate, detailed and up-to-date information through Power BI application, which examines results of NPS and CSAT by route, date, age, gender, purpose of travel, Nomad Club tier, journey stages and touchpoints.

All responsible managers are able to view the onboard survey and post-flight survey results that are updated every 7 and 6 hours respectively through the comprehensively visualised Power BI Dashboard.

Access to the post-flight survey results is also available to every responsible manager and is updated every six hours. The Group has also implemented a 'mystery shopper' programme, which analyses all customer touchpoints.

These data sets enable the Group to prioritise its efforts in product and services development, driving a positive customer experience, a high level of customer satisfaction and increased customer loyalty. In 2023, one outcome was an initiative to relaunch the frequent flyer programme in order to make it more attractive, user friendly and with upgraded redemption benefits. To align the customer experience, the Customer Experience team also covers product development and premium services development, meeting regularly with colleagues in In-Flight Services, Ground Services and the Commercial business unit.

In 2023, Air Astana's NPS and CSAT averages were 46 and 79, respectively. These compare with 36 and 75 in 2022, respectively.

FlyArystan currently tracks customer satisfaction every month based on feedback from passenger surveys. In comparison with leading low-cost carriers worldwide FlyArystan has significantly high performance, based on customer responses in relation to price and quality of service. Its NPS and CSAT averages in 2023 were 37 and 84, respectively.

A winning customer experience

The Voice of the Customer

During 2023, Air Astana hosted its first The Voice of the Customer forum, inviting over 250 frequent flyer members of its Nomad Club loyalty programme to meet with top management and share their experience of every stage of interacting with Air Astana, from booking tickets to arriving at their final destination. By talking directly to its customers, the airline was able to conduct an in-depth study of their expectations, to discuss their opinions at every stage of the journey and learn how they felt about performance, products and services.

While the airline constantly strives to respond to customer feedback through questionnaires and surveys, this opened the door to a new era of interaction in which they could also be architects of its future high-quality offering. The session was extremely productive and many of the suggestions put forward have already been taken on board. These included the functionality of the mobile app and website to make it more intuitive to use, to be able to book multi-flight routes, to receive notifications about flight delays and changes and generally to speed up booking transactions. This exchange of ideas was invaluable to Air Astana in helping it to adapt its services and products to meet customers' expectations and modern trends in aviation.

Managing the day-to-day

Listening to feedback from customers and enacting change where possible is crucial to Air Astana's aim to make its flights a convenient and pleasurable experience. This year saw the introduction of the CRM system (Zendesk) to enhance the premium services segment and day-to-day service recovery. This has eliminated unnecessary bureaucracy, streamlined internal communications and played a pivotal role in facilitating a more efficient and effective handling of customer queries.

Issues connected with flight delays make up a large proportion of customer complaints each year. In 2023, frontline staff were equipped with the tools and authority to promptly address and resolve any customer queries. The electronic vouchers (e-vouchers) introduced to instantly compensate customers for service disruptions have proved invaluable. These can be used as a payment method for future ticket purchases or ancillary products through air Astana's website or app.

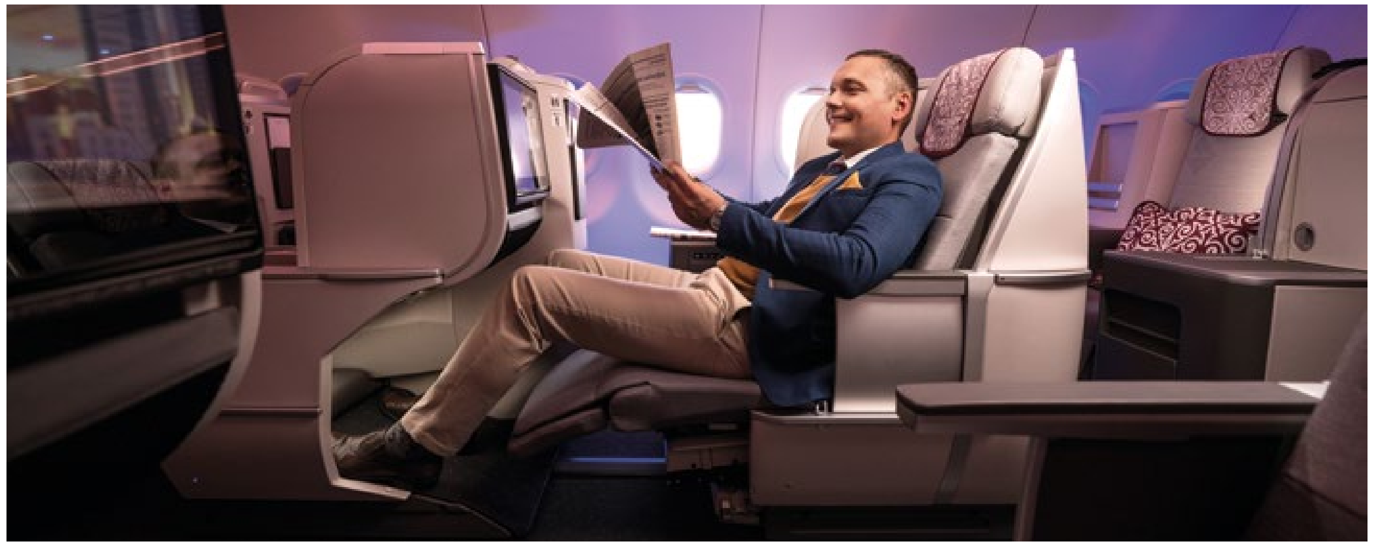
These strategic implementations notably improved service recovery and disruption management efficiency during 2023. And this also contributed significantly to making the customer service experience more seamless and responsive with a resulting 30% reduction in customer complaints compared with the previous year.

Summer `23 Taskforce

The summer is always the busiest time of year with thousands of customers flocking to get away for their holidays and increasingly so with Air Astana's expanding schedule of flights to lifestyle destinations. To provide assistance to our customers during check-in and pre-flight procedures and also support front-line teams, the airline launched a Summer'23 Taskforce Volunteer Group project, which ran for three months from June.

Back-office volunteers in branded T-shirts, emblazoned with a 'We Care' motto, actively engaged in responding to passengers' requests and needs during peak times, as well as during delays and scheduled disruptions, to resolve their issues on-the-spot and minimise the burden on check-in agents. The volunteers helped manage check-in queues to speed up the process and reduce waiting time. During delays they provided water for customers, helped ground service staff with passenger accommodation, issued meal vouchers and accompanied customers.

The project was another aspect of Air Astana demonstrating its commitment to creating a definitive customer experience with proactive assistance and reassurance as needed. This was positively reflected in customer satisfaction feedback on their experience at the airport before their flights.



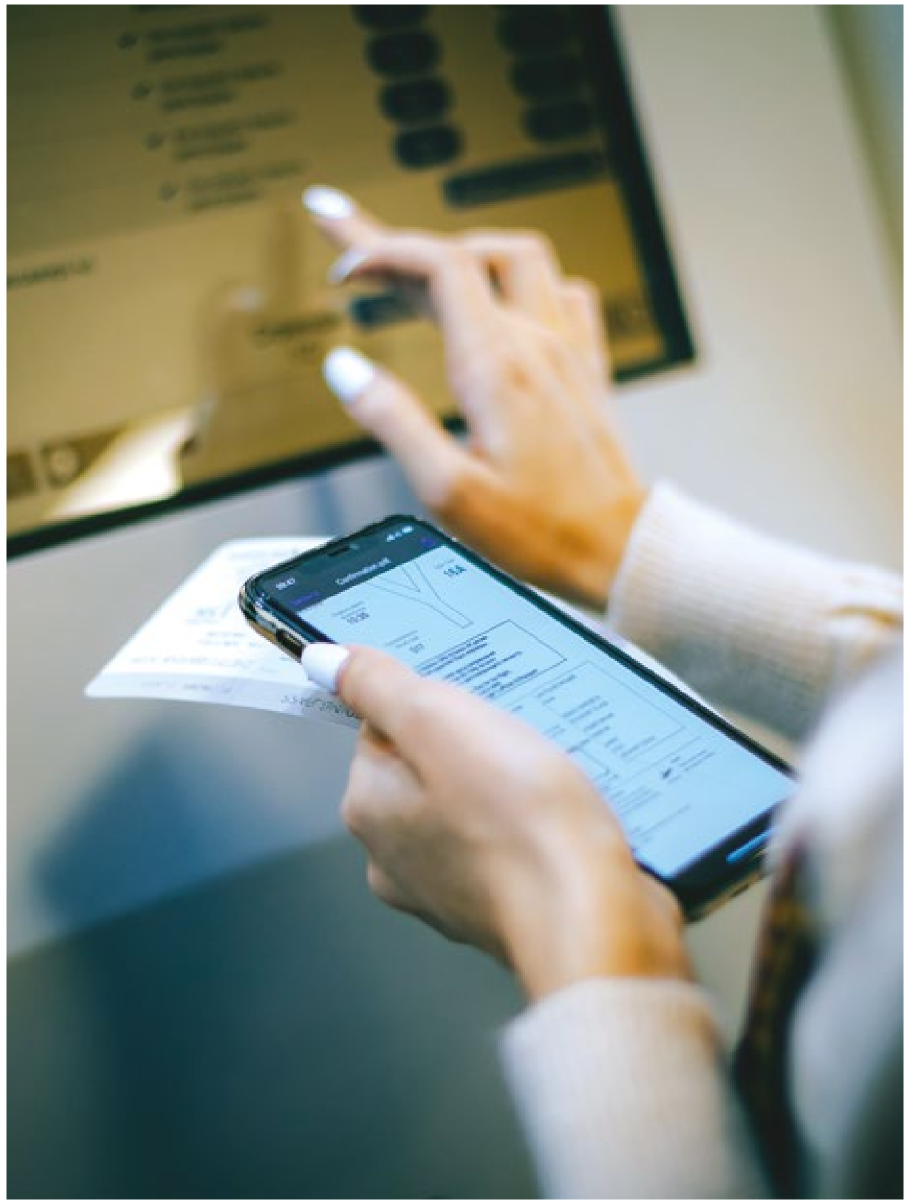
Major IT investments and digitalisation

The Air Astana Group considers itself to be a digital leader among airlines in the Central Asia and Caucasus regions. In order to streamline processes, reduce bureaucracy and increase efficiency, the Group launched its Airline Performance Excellence (APEX) programme during the COVID-19 pandemic. This enables it to have ready access to information and to simulate scenarios, particularly during periods of rapid change.

Since then, several budget and forecast modules have been initiated to manage fixed costs, variable costs, HR, operational costs, as well as procurement planning automation with stock controls and accrual management systems. As part of the continuous improvement process and as a fully functioning part of the Group's strategic planning process, the next phase is to enhance the forecasting ability within these modules.

The Group is also investing in a new internet booking engine, which is designed to boost the return rate of website visitors and e-commerce conversions and enhance the overall digital experience through faster performance and a more modern user-friendly interface. Functionality improvements will include:

- The convenience of allowing website users to locate their nearest airport, select 'low-fare days' and store passenger and credit card details, all of which will simplify and speed up the booking process and help to strengthen customer loyalty.
- Enhancements are being made to the Nomad loyalty programme, which will facilitate easier user registration for the loyalty programme and clearer options for redeeming accrued points.
- A wider variety of ancillary products will be displayed during the booking process to promote an increased uptake of these high-margin additional extras.



Air Astana Integrated Report 2023

Growing our business responsibly

At Air Astana, we understand that our operations have a profound impact on the environment. We are committed to mitigating these impacts to ensure a sustainable and responsible future for the aviation industry.

In the face of global challenges and an ever-changing landscape, sustainability has become a cornerstone of our corporate strategy. We recognise that it is imperative to balance our growth with the need to safeguard the natural world, reduce our carbon footprint and contribute to the well-being of the communities we serve.

Throughout 2023, we demonstrated a steadfast commitment to environmental stewardship. Our emphasis on fuel efficiency, technological advancements and sustainable practices has not only improved operational efficiency but has also positioned us as a committed contributor to sustainable aviation. We have prioritised exploring alternative energy sources and implementing fuel-efficient flight plans to minimise environmental impact, demonstrating our dedication to responsible and environmentally conscious practices.

Our dedication to sustainability extends beyond operational considerations. We actively engage with employees, partners and stakeholders to foster a culture of responsibility and environmental consciousness.

By promoting awareness and education on sustainable practices, we aim to inspire positive change within and beyond our Company.

In collaboration with business partners and regulatory authorities, we are taking part in a research study exploring the potential of producing and using sustainable aviation fuel in Kazakhstan. This collaborative effort reflects our commitment to understanding and advancing sustainable practices within the aviation sector. Recognising the significance of collective action in addressing global challenges to create a more sustainable and resilient future, we are proud of our contribution to this groundbreaking research initiative.

Our accomplishments during the last year underpin the ongoing commitment required on our sustainability journey. We remain steadfast in pursuit of excellence, seeking innovative solutions and partnerships that will help drive further progress. Our vision for a sustainable future is not just a goal but a responsibility that we embrace with determination.

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Our approach to sustainability

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

ESG Strategy

In February 2023, the Group approved a fully integrated ESG Strategy for 2023–2032. It is built on best practice and international standards, takes into consideration already planned or ongoing steps of the Group in the field of sustainability and is guided by the United Nations' Sustainable Development Goals (SDGs). The Group has identified six priority SDGs: Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10), Climate Action (SDG 13) and Partnerships for the Goals (SDG 17).

OUR SIX PRIORITY UN SDGS

Prioritising specific SDGs has allowed us to craft the ESG Strategy that is not only more targeted but also more effective and better suited to the distinctive challenges and opportunities within the airline sector. While we have a particular focus on these six SDGs, we are not neglecting the rest. All 17 SDGs are essential for a sustainable future and merit our attention. However, within the intricate framework of this industry, we have made a strategic choice to allocate efforts towards those SDGs that most closely match the core operations and capabilities, and where we have the potential to make a significant impact.

The ESG Strategy's Action Plan includes short-, medium- and long-term initiatives that target:

- Addressing environmental and social concerns in a proactive and transparent manner
- Providing a systematic approach to managing ESG issues
- Providing measurable and understandable data to investors
- Complying with international requirements for sustainable development
- Monitoring the ESG agenda
- Long-term financial well-being.

Low-Carbon Development Programme

To set goals for reducing its GHG emissions, the Group has developed a Low-Carbon Development Programme (LCDP) for 2023–2032. This is incorporated into the Group's ESG Strategy and is consistent with Kazakhstan's aim to achieve carbon neutrality by 2060.

As part of this programme, the Group is replacing Airbus family aircraft with new generation A320 and A321neos. Airbus specifies that these can reduce fuel consumption by up to 20%, CO_2 (NO_x) emissions by 20% and aircraft noise by 50% compared with the previous generation of A320ceo family aircraft. In recent years, the Group has taken proactive measures to lower its CO_2 emissions, reducing from 0.122 CO_2 emissions per RPK in 2016 to 0.076 in 2023. A saving of 38%, this compares favourably with equivalent international network carriers and LCCs.

The Group is currently committed to achieving net zero by 2060. However, during 2024, the Group plans to update its LCDP and reconsider this commitment to net zero by 2050 in line with the long-term goal adopted by the International Civil Aviation Organisation, accompanied by a sustainability roadmap with credible near-term targets for the next five years. These will be independently verified by a third party as science-based targets (SBTi), aligned with the mitigation objectives of the Paris Agreement.

In line with the recent Association of Asia Pacific Airlines resolution, the Group has also set a target of achieving a collective 5% SAF blending by 2030 (subject to SAF availability on the market). This target may be adjusted if required following the LCDP update.

Sustainability governance

The Board of Directors has overall responsibility for the sustainable development of the Group and delegates the oversight of ESG risks and issues to the ESG Committee. 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. The development and implementation of sustainability objectives in general is overseen by the Compliance and Sustainability department, with the roll-out of initiatives delegated to department heads.

Details of the activities of the ESG Committee are set out on page 98 of this Integrated Report. In 2022 the Board undertook an ESG training session. ESG training for the Senior Management Team was held in March 2023 and followed up by training sessions for employees during the year.

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.

HOW WE GOVERN OUR ESG STRATEGY

Board of Directors of Air Astana
The Board is taking ultimate responsibility and providing oversight of management actions. The Board receives quarterly updates on ESG matters.

ESG Committee
The Committee oversees all ESG-related matters; recommends to the Board on development and approval of the Company's ESG Strategy as well as analysis and evaluation of its implementation.

Audit Committee
The Committee is responsible for reviewing ESG-related financial information and disclosures, ensuring ESG-related risks are effectively embedded in the risk management system, and overseeing a whistleblower mechanism for any violations or concerns related to ESG practices.

Nomination and Remuneration Committee
The Committee oversees that remuneration policy and practices are designed to support the ESG Strategy and promote long-term sustainable success.

Senior Management Team
Drives the implementation of sustainability principles as well as ensuring the plans are in place for stakeholder engagement and progressing initiatives.

Compliance and Sustainability Department
Oversees development and implementation of sustainability objectives, with the roll-out of initiatives delegated to department heads.

Divisional heads of business areas
Develop and implement initiatives.

Ethics and compliance

The sustainable development of our business is based on the principles of openness, accountability, transparency, ethical behaviour, justice, respect for human rights and zero tolerance for corruption. We operate our business with honesty and integrity, actively promoting a culture of ethical behaviour and compliance through our HEART (Hospitable, Efficient, Active, Reliable, Trustworthy) and CHARM (Creative, Happy, Agile, Reliable, Modern) values in Air Astana and FlyArystan, respectively. 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 2021 and made available to employees during 2022. In 2023, the Compliance team revised the Code of Conduct and the corresponding online course with newly added topics on human rights and harassment, which emphasise our commitment to upholding the fundamental principles of human rights and treating all individuals with dignity and respect, as well as providing a safe and respectful workplace for all employees. A total of 3,050 employees successfully completed Code of Conduct training online, which included sections on the Company's anti-corruption practices. Of these participants, 2,995 were based within Kazakhstan, while 55 were stationed at international locations. In addition, 174 top- and middle-level management levels participated in this training. The induction training for 655 new hires also incorporated anti-corruption elements.

Sanctions compliance

In response to Russia-related sanctions imposed by the US, UK and EU, Air Astana Group continued to exercise in-house initiatives, including the daily monitoring of sanctions updates and manual screening of counterparties for sanctions-related exposures.

In 2023, a new edition of the Sanctions Policy was issued to ensure compliance with the latest changes in international sanctions, including specific instructions for the Group's departments.

Beyond implementing measures to prevent sanctions, the Compliance team has also played a crucial role in examining, evaluating and mitigating additional compliance risks. This includes reinforcing anti-corruption activities, conducting due diligence on third parties and other related practices.

Reinforcing a compliance culture

We continue to operate a whistleblowing facility (Hotline) – 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 the relevant reports sent to the Compliance and Sustainability Department for further investigation, any legislative and/or Code of Conduct violations can be quickly identified.

In 2023, while there were some concerns raised via whistleblowing communication channels, which were all promptly communicated to the Board of Directors for thorough review, we are pleased to report that none of these concerns were deemed critical, highlighting our robust governance framework and our commitment to proactively addressing issues. This approach aligns with our dedication to transparency, ethical conduct and sustainability.

A variety of communication channels is used to maintain and strengthen the compliance culture within the Group and the mindsets of employees. These include articles available through the Group's mobile app and social networks.

In 2023, the Compliance team conducted an annual assessment of corruption risks in line with legal requirements for combating corruption in the Republic of Kazakhstan. This procedure scrutinises operational activities across all departments with inherent corruption risks, ensuring comprehensive coverage, with specific focus on those business processes most vulnerable to such risks – procurement, finance, recruitment, appraisal, promotion and dismissal of employees. This thorough assessment, conducted based on methodology detailed in the Risk Management section of this Integrated Report, showed that the majority of the corruption risks within the Group's operational scope are categorised as 'very low' to 'low' levels and is affirmation of the effective measures employed in the management and minimisation of corruption risks. The process engaged 62 people from the top and middle management. During the analysis, employees not only covered the (re) assessment of potential corruption risks and updates on risk management actions, but were also thoroughly briefed on anti-corruption methods and policies to ensure a robust understanding and implementation of the anti-corruption framework at all levels within the Company.

In our commitment to transparency and ethical conduct, in 2023, there were four reported and confirmed incidents of petty corruption. These incidents all related to the improper clearance of excess baggage for a fee paid directly to the check-in agents. In line with our zero-tolerance policy towards corruption and our dedication to uphold the highest standards of integrity, all the employees involved in these incidents were either dismissed or subjected to disciplinary action. It is noteworthy that during this period there were no instances where contracts with business partners were terminated or not renewed due to violations related to corruption, nor were there any public legal cases regarding corruption brought against the Group or its employees. Our steadfast commitment to combating corruption in all its forms is unwavering, as we continue to enforce rigorous policies and procedures to prevent such unethical practices.

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 launched in January 2023. The high level of conflict-of-interest declarations completed underscores employees' commitment to transparency, ethical conduct and the Group's values. It also reflects collective dedication to maintaining a work environment that is free from potential conflicts of interest and upholding the highest standards of integrity.

We continue to use online platforms that allow us to assess the trustworthiness of (prospective) business partners, thereby reducing potential compliance risks (apart from sanctions-related 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 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 2023, there were no breaches of customer privacy.

Sustainability risks

As part of its remit, delegated from the Board of Directors, the ESG Committee is responsible for overseeing all aspects of ESG risk management, which is implemented through the Risk Management Policy.

The 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 business through the Corporate Risk Management System (CRMS). Fundamental to governance, performance management and internal controls, the CRMS is also key to minimising risks to sustainability, resilience and agility. This is vital in helping the Group adapt to fluctuating business situations by mitigating negative outcomes.

During 2023, particular attention was paid to ESG and climate-related risks during the Group's standard risk identification and assessment process. Full details of the Group's climate-related risks and opportunities can be found in the TCFD section on page 53. Physical climate-related risks are covered in the Risk management section on page 78.

Materiality

Our first materiality assessment was carried out in 2020. During 2023, we carried out another assessment in order to update the Group's list of material topics. No changes in material topics were identified as a result of the assessment and these remain aligned with our ESG Strategy.

Our approach to materiality assessment is based on a comprehensive analysis of external and internal resources, and includes an online survey of stakeholders, review of reports of peer companies, review of media publications and an analysis of global trends (so-called 'megatrends'). Based on the overall analysis, we have identified 20 material topics: those key areas that are the most important to both the Group and its stakeholders.

The table opposite shows how we have aligned the material topics identified with the priorities of our ESG Strategy and progress on the initiatives we have put in place.

Relevant SDGs

4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS

Priorities and main initiatives of the ESG Strategy

PRIORITY AREA AND MATERIAL ISSUES	COMMITMENTS[1]	STATUS
Environmental impact management 13 17 Energy (p. 50) Emissions (p. 51) Waste management (p. 52) Environmental compliance (p. 53)	**Medium-term initiatives:**	
	• Develop an Environmental Policy	In progress
	• Develop a cabin waste management programme	In progress
Reduction of greenhouse gas emissions 13 17 Emissions (p. 51)	**Short-term initiatives:**	
	• Reduction of CO_2 emissions in accordance with the LCDP	In progress
	• Conduct research independently or in co-operation with local/international organisations on the possibility of production and use of SAF in Kazakhstan	In progress
	Medium-term initiatives:	
	• Feasibility analysis on the launch of a programme under a carbon offsetting mechanism	In progress
	Long-term initiatives:	
	• Calculate Scope 3 indirect GHG emissions	In progress
	• Achieve the GHG emission reduction target by 2032 in line with the LCDP	In progress
Corporate social responsibility 10	**Long-term initiatives:**	
	• Increase the annual volume of financial resources allocated for charity	In progress
	• Ensure an increase in the number of cities covered under the programme for the socio-economic development of regions and the local community	In progress
Human rights 5 8 10 Employment (p. 60)	**Short-term initiatives:**	
	• Develop a Human Rights Policy in line with the International Bill of Human Rights	Implemented
	• Make a statement about Modern Slavery	Implemented
	• Develop a policy to counter gender inequality and harassment within the Group, as well as an employee grievance mechanism to address labour issues and gender-based violence	Implemented
	• Develop a Sexual Harassment Policy	Implemented
	• Develop a policy to support freedom of association and workforce diversification	Implemented
	Medium-term initiatives:	
	• Develop a Diversity, Equity and Inclusion (DEI) Policy	In progress

1 The timeframe used equates to: Short – 1 year (2023), Medium – from 2024 to 2026, Long – from 2027 to 2032.

Priorities and main initiatives of the ESG Strategy continued

PRIORITY AREA AND MATERIAL ISSUES	COMMITMENTS	STATUS
H&S practices 8 Occupational health and safety (p. 56) Aviation safety management systems (p. 58)	**Medium-term initiatives:**	
	• Develop a policy for the safe operation of ground transport	In progress
	Long-term initiatives:	
	• Ensure a reduction in the total accident rate (TAR) per 1,000 employees annually – 3.9 by 2024, 3.8 by 2025, 3.7 by 2026, 3.6 by 2027	In progress
	• Increase the number of behavioural observations (BO) – 200 by 2024, 250 by 2025, 300 by 2026, 250 by 2027	In progress
Human resource management 4 5 8 10 Employment (p. 60) Training and development (p. 63)	**Medium-term initiatives:**	
	• Conduct ESG training for employees	Implemented
	• Conduct ESG training for the Company's Board of Directors and top management	Implemented
	• Ensure the availability of a certified GRI specialist	In progress
	• Ensure the availability of a certified professional responsible for disclosing information on climate risk management	In progress
	Long-term initiatives:	
	• Support the annual increase in the number of employees with disabilities recruited	In progress
	• Reduce staff turnover to 10% from 12%	In progress
Product safety and quality 8 Innovation and digitalisation (p. 41) Service quality (p. 38) On-time flight performance (p. 39) Fleet technological improvements (p. 36)	**Long-term initiatives:**	
	• 83%–85% OTP	In progress
International ESG maturity assessment 17	**Medium-term initiatives:**	
	• Receive an ESG rating	In progress
	• Disclose information according to the Climate Disclosure Project (CDP) climate questionnaire	In progress
Maturity of ESG reporting practices 17	**Short-term initiatives:**	
	• Develop the sustainability part of the Integrated Report in accordance with the updated GRI standard (2021)	In progress
	• Update the materiality assessment	Implemented
	• Integrate priority SDGs into reporting practices	In progress
	• Verify the sustainability section of the Integrated Report by an independent party (annually)	Implemented
	Medium-term initiatives:	
	• Devise standard preparation procedure for the development of the sustainability section of the Integrated Report as well the ESG data collection system	In progress
	• Ensure compliance of information disclosure with the recommendations of Kazakhstan Stock Exchanges (KASE/AIX)	In progress
	• Ensure that corporate governance disclosures comply with MSCI and Sustainalytics recommendations	In progress
	Long-term initiatives:	
	• Disclose information in accordance with the SASB industry standard for aviation	In progress
Climate change risks 17 Emissions (p. 51) Environmental compliance (p. 53)	**Short-term initiatives:**	
	• Conduct an initial disclosure of information on climate risk management in accordance with the TCFD in the 2023 Integrated Report	Implemented
	Medium-term initiatives:	
	• Information disclosure on climate risk management improved in accordance with the TCFD recommendations	In progress
	• Integrate climate risks into the corporate risk register, business strategy and financial plan of the Group	In progress
Supply chain 10 13 17 Procurement practices (p. 65)	**Long-term initiatives:**	
	• Develop and approve the Supplier Code in relation to ESG	In progress
Ensuring data privacy 8 Customer privacy (p. 46)	**Medium-term initiatives:**	
	• Obtain certification in for the management and protection of personal data – ISO 27701	In progress
	Long-term initiatives:	
	• Initiate and ensure the implementation of initiatives aimed at improving the privacy of personal data	In progress
Corporate governance 8 Corporate governance (p. 80) Ethics and compliance (p. 45)	**Short-term initiatives:**	
	• Develop a policy/statement about political neutrality	Implemented
	Medium-term initiatives:	
	• Align the composition of Board of Directors with the best international ESG practice in relation to diversity (for example: MSCI)	In progress
Strategic management 8 Strategy (p. 26) Economic performance (p. 167) Passenger turnover (p. 31)	**Short-term initiatives:**	
	• Initiate revisions of the ESG Strategy implementation plan regularly, to take into account changes in the external and internal environment	Implemented
	Medium-term initiatives:	
	• Integrate the essential SDGs into strategic planning	In progress
	Long-term initiatives:	
	• Approve the ESG Strategy for the period 2033 –2060	In progress
Stakeholder engagement 17 Stakeholder engagement (p. 16)	**Short-term initiatives:**	
	• Develop an ESG section on the website	In progress
	• Consider joining local associations/international ESG communities	In progress
	• Consider the possibilities of developing co-operation with partners	In progress
	• Develop a stakeholder engagement plan	In progress
	Medium-term initiatives:	
	• Develop an initiative for interaction between top management and employees	In progress
	Long-term initiatives:	
	• Ensure an increase in the number of joint sustainable development projects with partners and stakeholders	In progress

Environment

2023 HIGHLIGHTS

- The Company has been participating in a research study on the potential for the production and consumption of SAF in the Republic of Kazakhstan.
- Exposure analysis of Physical climate risks and transitional climate risks has been conducted. Calculation of the financial magnitude of short-, medium- and long-term consequences for the most material risks and prioritisation of these risks, as well as opportunities related to climate, are progressing.
- Compliance with the requirements of the Ecological Code of the Republic of Kazakhstan.

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

We are committed to reducing our environmental impact and developing initiatives to avoid or reduce man-made climate change. As part of this, we have invested significantly in developing our environmental protection management system adopting best practice and following local and international standards. By implementing our environmental protection plans, we are better able to make efficient use of resources within the business in order to control and monitor the impact of our activities.

Kazakhstan aims to achieve carbon neutrality by 2060. In 2023, we started the roll-out of a Low-Carbon Development Programme (LCDP) for 2023–2032, which is incorporated into the Group's ESG Strategy. Consistent with the ICAO Assembly goal, adopted in 2022, we plan to update the LCDP during 2024 to align with its net zero by 2050 commitment.

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 are also taking part in a research study to explore the potential for developing the production and consumption of SAF in Kazakhstan. We now have efficient waste management procedures and have developed an electronic document management system to reduce paper consumption.

We regularly communicate about the Group's operations and CO_2 emissions in order to underline the importance of environmental responsibility for the business. We also involve employees in a range of green initiatives to reinforce this and raise their levels of environmental awareness. Various aspects of our ESG agenda are incorporated into the ESG training for all employees to ensure that they are fully immersed in this aspect of the Group's culture.

Energy

The Group's primary source of indirect GHG emissions is its consumption of purchased electricity and heating. These emissions do not contribute significantly to the Group's overall emissions. The table opposite details the annual energy consumption for all owned and rented premises over a three-year period.

The increase in consumption was driven by higher capacity utilisation, the commissioning of new buildings, such as the launch of the new Flight Training Centre in Astana, and new de-icing fluid storage sites.

In 2022, the Group successfully passed an energy audit, which was conducted under the framework of Kazakhstan's Energy Efficiency Law with some minor areas for improvement outlined and agreed. Implementation of energy efficiency measures are in hand with a contract signed for repair and construction works to replace the evacuation doors in the Group's main office building.

The works have been postponed until April 2024 and will be carried out along with other planned measures during the year; this will not impact the overall the 5-year implementation plan. The next energy audit will be conducted in 2027.

Although the Group does not currently use renewable energy sources, we are actively exploring alternative energy resources.

Emissions

Air travel contributes to the acceleration of climate change through the release of greenhouse gases (GHGs). The Air Astana Group is focused on reducing carbon emissions classified as either direct (Scope 1) or indirect (Scopes 2 and 3) under the Greenhouse Gas Protocol. 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.

As well as continuous monitoring of its GHG emissions, the Group's efforts to reduce GHG emissions include implementing cost-effective and safe ways to increase fuel efficiency, technological improvements and switching to more fuel-efficient aircraft that emit less CO_2. It also encompasses operational optimisation through route planning, aircraft weight reduction and training pilots in fuel-efficient flying.

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.

Energy consumption

	2023	2022	2021
Electricity (GJ)	14,958 (7,950)	11,282 (7,336)	12,828 (6,865)
Heating (Gcal)	3,262 (286)	1,558[1] (257)	1,960 (273)

1 This represents the heating consumption for all owned and rented premises, as determined through the Energy Audit. The bracket figure is that for owned premises only.

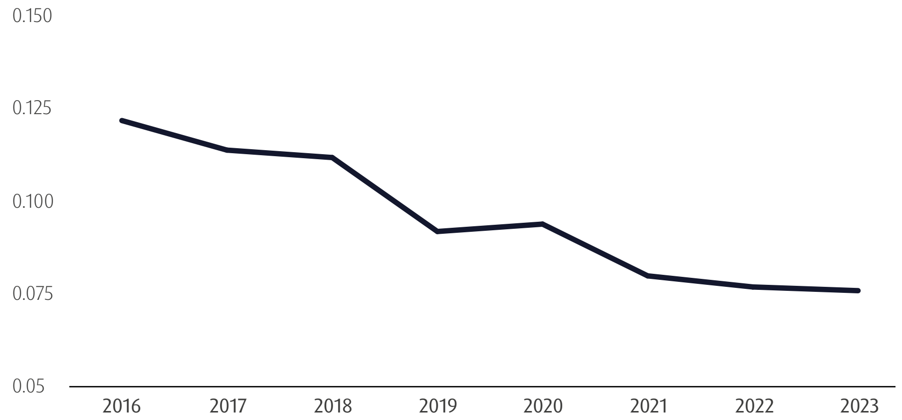
The Group is compliant with the following CO_2 monitoring schemes, with emissions verified by an independent environmental accredited verification, certification and auditing body:

- 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 international flights).

Currently, Air Astana Group accounts for Scope 1 GHG emissions. Scope 2 GHG emissions will be disclosed in the Integrated Annual Report for 2024 and Scope 3 emissions will be reported from 2027.

We have developed and, during the year, began implementing a Low-Carbon Development Programme (LCDP) for 2023–2032, which sets targets for minimising CO_2 emissions from our operations. We have committed to updating the LCDP in 2024 with a goal of attaining net zero by 2050.

Reduction in CO_2 emissions
(ton)/'000 RPK



With fuel combustion such a major contributor to our direct emissions (Scope 1), we are partnering with the EBRD and KazMunaiGas in a research study to explore the potential for developing the production and consumption of SAF in Kazakhstan. We are also closely monitoring industry standards, trends and stakeholder demands since the future use of SAF may be mandated for arrivals/departures by particular countries. Aligning with recent Association of Asia Pacific Airlines resolution, the Group will target 5% SAF blending by 2030 and this will be incorporated into the updated LCDP. In addition, as part of its strategic partnership with PetroChina International Kazakhstan to supply Jet A-1 fuel, the Group also intends to import SAF directly from China.

Air Astana Integrated Report 2023

Environment

GHG emissions

An increase in both domestic and international flights in 2023 inevitably also led to an overall increase in our CO_2 emissions – by 9%. However, we are able to report a slight reduction in RPK and ASK CO_2 emissions intensity, due to aircraft modernisation, route optimisation and various pilot techniques to reduce fuel consumption.

Waste management

The Group's waste management programme is centered around reduction, recycling and disposal, using third parties as necessary. Involving employees and customers in waste reduction and recycling initiatives has helped to raise awareness and increase responsiveness both onboard our aircraft and in our offices.

As part of reducing in-flight waste, Air Astana has incorporated its in-flight entertainment programme, KCTV, into its onboard magazine, Tengri. Copies of this are now located in seat pockets without any plastic packaging. Since 2020, the Group has sourced biodegradable materials for in-flight products, including switching from plastic to wood for drink stirrers, replacing onboard cups with recyclable cups, using paper belly bands instead of plastic bags for blankets and packaging the majority of its amenity kits in bamboo and craft paper. We are also encouraging onboard teams and passengers to think about usage. We encourage passengers to use our 'MyPress' service, which gives access to the wide range of newspapers and magazines in different languages and helps decrease the need for paper copies onboard.

CO_2 emissions

	2023	2022	2021
CO_2 emissions intensity (tonnes CO_2 per RPK[1])	0.076	0.077	0.080
CO_2 emissions intensity (tonnes CO_2 per ASK[2])	0.063	0.064	0.064
CO_2 emissions (tonnes of CO_2)	1,115,142	1,015,507[3]	836,429
Company-specific metric (seat kilometres)	17,689,651	15,921,347	13,063,678
Company-specific metric (revenue kilometres)	14,646, 227	13,159,168	10,410,181

1. Available Seat Kilometres (ASK) – a measure of an airline's carrying capacity to generate revenue, taken from multiplying the available seats on any given aircraft by the number of kilometres flown on a given flight (Capacity x Distance).
2. Revenue Passenger Kilometres (RPK) – a way of calculating the number of kilometres travelled by paying customers, by multiplying the number of paying passengers by the distance travelled (Passengers carried x Distance).
3 544,621 tons of CO_2 were verified by VERIFAVIA (Singapore) Pte Ltd on international flights only.

The total volume of direct emissions of greenhouse gases and other pollutants into the atmosphere from other sources owned by the Group

Pollutants	2023	2022	2021
Sulfate oxides, tonnes	3.96	3.17	3.85
Nitrogen oxides, tonnes	9.68	8.39	10.26
Hydrocarbons, tonnes	2.44	2.16	2.63
Carbon oxides, tonnes	11.63	9.22	11.39
Other substances, tonnes	1.61	11.06	3.39

Waste disposal in Almaty and Astana

Type of waste/unit	Disposal method	2023	2022	2021
Hazardous waste, tonnes	Third-party disposal	11.79	8.15	5.39
Non-hazardous waste, tonnes	Recycling	39.05	30.74	45.95
Solid household waste, thousand tonnes	Waste dumping	2,945	2,789	2,563
Scrap metal, tonnes	Recycling	0.399	3.187	–
Total, tonnes		2,996.02	2,831.47	2,614.34

The Group has implemented recycling initiatives to reduce other waste across all its activities. This includes the safe disposal of PET bottles and used batteries and using wastewater to wash wheels and brakes. By improving its business processes and embracing digitalisation, the Group has also reduced the volume of paper it uses.

To encourage employee engagement, the Group has developed social projects linked to its waste management initiatives; it is also keen to raise awareness of waste reduction among all stakeholders.

With the aim of promoting sustainability and waste reduction through innovative repurposing, it has initiated Upcycling for the Future, a project that creates sculptures from the decommissioned aircraft parts from Boeing 767 and Airbus A320. FlyArystan has also introduced an initiative to transform expired life jackets into shopping bags, with proceeds from sales donated to charity.

Environmental compliance

Air Astana Group complies with the requirements of environmental laws and regulations. The requirements of the Ecological Code came into force in 2021 and have been incorporated into our environmental protection management system. No significant fines or penalties were issued for non-compliance with environmental laws and regulations during 2023, nor during the previous three years.

Total expenses for environmental protection

Expenses (USD)	2023	2022	2021
Environmental protection	129,178	43,529	52,836
Negative impact on the environment	379,925	299,298	299,480
Hazardous waste disposal	1,951	918	918
Transfer of household waste	86,831	82,092	79,055

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 acknowledges the significance of managing climate-related risks and opportunities, initiating the first steps in this direction in 2022 and working on further advancements. Ensuring the long-term sustainability of the Group relies heavily on the Board's oversight of climate-related matters. This involves establishing clear strategies and targets, endorsing climate-related policies and initiatives, monitoring and reporting on associated risks and opportunities, implementing effective risk management practices and engaging stakeholders to align with evolving environmental dynamics. The primary responsibility for overseeing climate-related risks, along with other risks, lies with the Air Astana Board of Directors. The Audit Committee has delegated responsibility for the efficacy of the risk management framework. Additionally, the Risk Committee, acting as an advisory body to the Group's CEO, conducts preliminary assessments of risk management issues, including those related to climate. The frequency of informing the Audit Committee and the Board of Directors about risk management activities is detailed in the Risk Management section of this Integrated Report, located on page 70. The Board of Directors also holds overall accountability for the sustainable development of the Group and entrusts the stewardship of this responsibility to the ESG Committee. The ESG Committee collaborates with other Board Committees to address specific overlaps in ESG matters, including partnering with the Audit Committee regarding climate-related risks and opportunities.
(b) Describe management's role in assessing and managing climate-related risks and opportunities	The active involvement of management in evaluating and addressing climate-related risks is vital to the Group's operations. Through proactive measures to mitigate these risks and seize opportunities, the Group can enhance its resilience and sustain growth amidst an increasingly uncertain global landscape. The CEO bears the day-to-day responsibility for overseeing the sustainable development and climate governance within the Group. Working closely with the Senior Management Team, together they steer efforts to identify, assess and manage climate-related risks effectively. The Risk Committee, serving as an advisory body to the CEO, plays a pivotal role in these endeavours. Its key functions encompass identifying and assessing climate-related risks, as well as monitoring and reporting on them. Collaboratively, the Risk Committee and Senior Management Team develop and implement actions to manage climate-related risks, ensuring alignment with the Group's strategic objectives.

Further development

- Enhance the incorporation of climate-related risks and opportunities within our corporate governance, strategy and operations.
- Engage a broader spectrum of employees throughout the Group to heighten awareness regarding climate-related risks and opportunities, advocating for diligent management practices.

Air Astana Integrated Report 2023

Environment

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

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation'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. The Group is currently undertaking a project covering both physical and transitional risk assessments, including pinpointing possible opportunities. Part of the scope is to carry out a risk and opportunities assessment in order to identify material physical and transitional risks and recognise potential climate sensitivities. This includes material risks mapping to determine impacts to the business over the short-, medium- and long-term.
(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. The Group is currently undertaking a project covering both physical and transitional risk assessments, including pinpointing possible opportunities. Part of the scope is to perform both qualitative and quantitative (where possible) analyses of identified material and transitional risks and opportunities to assess the impact on Group operations over the short-, medium- and long term.
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The Group is currently undertaking a project covering both physical and transitional risk assessments, including pinpointing possible opportunities. Part of the scope is quantitative material physical and transitional risk analysis to assess the impact on the Group's operations and financial performance. This takes into consideration the following scenarios: • Analysis of identified physical climate-related risks, including Representative Concentration Pathway (RCP) 2.6, RCP 4.5 and RCP 8.6 scenarios over 2030- and 2060-time horizons. Analysis covers both exposure and vulnerability (where possible) of the 29 most material flight destinations • Analysis of transitional climate-related risks, including Network for Greening the Financial System (NGFS)[1] scenarios over 2030- and 2060-time horizons, in particular: Nationally Determined Contributions (NDCs), Delayed transition, Below 2°C and Net Zero 2050.

Further development
- Disclose results of climate-related risks and opportunities assessment, and scenario analysis including identified climate-related risks and opportunities impact over 2030- and 2060-time horizons, and resilience of the Group's strategy taking into consideration RCP and NGFS scenarios.
- Upon completion of climate-related risks and opportunities assessment and scenario analysis to update corporate governance documentation to ensure incorporation of scenario analysis into strategic and financial planning.
- Disclose detailed description of the process used to determine materiality of identified risks and opportunities.
- Disclose methodology of scenario analysis performed.
- Disclose the Group's consideration of how its strategies might change (if appropriate) to address identified risks and opportunities.

1 Network for Greening the Financial System.

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

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.

Further development
- Upon completion of ongoing climate-related risks and opportunities assessment to update corporate risk registry and risk map with identified risk universe, along with qualitative and quantitative (where possible) description of its impact.
- Update processes of ownership and responsibilities in relation to climate-related risks (if necessary) at business unit, management and Board levels.
- Disclose processes of assessment and prioritisation criteria on likelihood, magnitude, time horizon etc. in relation to climate-related risks.

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: • Total CO_2 emissions (tonnes) from aircraft operations • CO_2 emissions intensity (Total CO_2 emissions/ASK) • CO_2 emissions intensity (Total CO_2 emissions/RPK) • Electricity consumption • Heating consumption • Volume of recycled waste • Volume of disposed waste. These are disclosed on pages 51–52 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 51 of the Sustainability section of this Integrated Report. While Scope 2 emissions are not a major portion of our total emissions and are not currently disclosed, we acknowledge the importance of such disclosure and are planning to do so in 2024. Currently, measuring Scope 3 emissions is unfeasible, but preparations are in hand to include 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 key targets are to: • Reduce CO_2 emissions in accordance with the Group's Low-Carbon Development Programme for 2023–2032 • Calculate and disclose Scope 3 emissions (long-term target).

Further development
- To measure and disclose Scope 2 and Scope 3 emissions.

Health & safety

2023 HIGHLIGHTS

- Compliance with ISO 45001:2018
- Continued to demonstrate adherence to the highest international safety standards and best practice by successfully passing its 9th IATA Operational Safety Audit (IOSA).
- Successfully passed the annual on-site EASA Part 145 audit in Almaty, Shymkent and Astana bases.
- Renewed our EASA Part 147 (Maintenance Training Organisation).

MATERIAL ISSUES

- Occupational health and safety
- Flight 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

Safety is a key objective for the Group with adherence to high standards and continuous improvement rigorously applied across all our daily business activities. Our Occupational Health and Safety (OHS) system is based on best practice and international standards and 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. In July 2023, Air Astana passed the surveillance audit conducted by the British Standards Institution (BSI) certification body. This included the extension of the certification area to cover FlyArystan. The audit team concluded that the top management process is generally working well. Compliance with ISO 45001:2018 is generally confirmed.

In September 2023, Air Astana passed an internal audit undertaken by the Samruk-Kazyna Fund. The members of the commission are representatives of the Fund's portfolio companies. The purpose of the audit is to ensure the exchange of experience and introduction of best practice in occupational safety.

Occupational safety activities undertaken during the year included 23 Air Astana employees at CEO-1 and CEO-2 levels passing the NEBOSH Leadership Excellence course.

A range of other health and safety activities were carried out during the year: 141 employees undertook certified online training in health and safety; 738 employees were trained in industrial safety; 165 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. A contract has been signed with a new company for the supply of winter and summer personal protective equipment with improved features, which take account of comments received from operational employees surveyed.

Alcohol and drug checks were conducted aimed at prevention of use of unauthorised substances in the workplace by the Group's employees. The checks were conducted among employees of operational departments, including flight and cabin crew members, engineering & maintenance, as well as ground operations staff – in all Kazakhstan regions and at international stations. In 2023, the total number of tests conducted was 5,067: 690 were drug tests and 4,377 were alcohol tests.

Fire safety

All newly hired employees complete an introductory fire safety briefing upon joining the business. Subsequently, they received an initial fire safety briefing at their workplace, conducted by the department safety officer. These briefings are repeated annually, supplemented by targeted and ad hoc sessions as necessary.

Fire technical minimum course was conducted with certificates valid for three years, after which retraining is mandatory in 2023. There were 18 fire evacuation drills at the Group's facilities. There have been no fire incidents across the Group. Primary fire extinguishing equipment such as powder and carbon dioxide portable fire extinguishers, fire shields and fire hydrants are available at all our facilities. Additionally, automatic fire extinguishing systems, including gas, foam, drencher, sprinkler and powder, are installed in various premises such as hangars, server rooms, archives and warehouses.
This comprehensive setup reflects our commitment to maintaining a safe working environment.

In 2022, the Group became a participant of the global Vision Zero initiative to prioritise the safety, health and well-being of employees, with a personal commitment from the Group's CEO to ensure best practice in occupational safety and safe working conditions for employees. During 2023, as part of the implementation of the Vision Zero concept, a number of employees took part in training courses at the Samruk Business Academy: 7 Air Astana employees attended a course for internal trainers; 3,196 employees participated in one on the occupational safety culture in the airline.

We also conducted an employee survey to assess the implementation of the seven golden rules of Vision Zero within the Group and to develop a plan for further action, as well as introducing self-assessment for compliance.

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-organised
5. Ensure safety and health in machines, equipment and workplaces
6. Improve qualifications – develop competence
7. Invest in people – motivate by participation

We continued with the implementation of visually identifying hazardous areas. Visual safety is a key component in ensuring safety procedures are incorporated across the business; for example, special markings to designate door-opening zones.

Employees of Health, Safety and Environment (HSE) division worked out memos for visitors, which can be obtained by scanning the QR code at the entrance to the office.

The memos contain information on the place of collection in case of emergency, phone numbers for emergency services and schemes of safe movement in the vicinity of the Company's offices.

Our annual 'Safety Awards – Occupational Health and Safety Recognition' once again rewarded those employees who made the greatest contribution to improving the safety culture, knowledge and competencies. These awards recognise employees who have shown engagement with and enthusiasm and commitment to health and safety issues during the year.

Starting from 2023, workplace briefings (primary, repeated, targeted, unscheduled), along with the paper version, are also conducted in the airline's electronic document management system – ELMA. The briefing is signed by an electronic digital signature. This process is implemented as part of the digitalisation of the Company's business processes.

Reported accidents

In 2023, HSE received 185 OHS reports summarising incidents and hazardous working conditions with suggestions on how to improve these.

	2023	2022	2021
Number of incidents	41	112	124
Number of accidents	29	17	25
Number of employees	6,499	6,184	5,551
Total accident rate (TAR)	4.46	2.75	4.50
Lost time injury frequency rate (LTIFR)	3.24	2.78	4.37
Fatal injury rate (FIFR)	–	–	–
Accident severity ratio	40.17	25.40	68.07
Occupational morbidity ratio	–	–	–

Health & safety

The Group has an OHS Committee, which includes all employees at CEO-1,-2,-3 levels[1]. Employees of these positions were included in the OHS 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.

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.

Mental health

In 2021, Air Astana Group successfully launched the 'Consultation with a psychologist' employee benefit. This is proving more increasingly popular with employees as a means to improve and maintain psychological health. Sessions are conducted by practicing analytical psychologists and psychotherapists. In 2023, more than 1,000 sessions were held, an increase of 83% over 2022.

We provide this benefit to our employees for a number of reasons. Firstly, taking care of the well-being and health of employees is a priority. Providing access to psychological support helps employees effectively deal with stress, conflict and other emotional issues and is directly related to their productivity, motivation and overall well-being in the workplace.

Secondly, we recognise that the modern work environment can be demanding and this proactive approach helps to create a healthy and supportive work environment where employees can function effectively and achieve their professional goals.

This is also very much part of our corporate social responsibility – our role as a caring employer from both a professional and personal perspective, helping to strengthen the bond with our employees and promote a positive of the business.

We promote the services across a number of internal channels of communication and employees are guaranteed anonymity and confidentiality if accessing psychological assistance. Our managers also actively recommend these services and emphasise their importance for well-being and professional development. We are also planning to conduct anonymous surveys or reviews among employees to assess the effectiveness of psychological assistance services, which will help us understand how effective they are and whether they can be improved.

Flight safety management systems

Implementation and maintenance of the highest safety standards is one of the Group's core values. Our management approach goes beyond simple compliance with safety requirements: we actively cultivate a culture of safety in our employees' minds and across all internal processes, and look to continuously improve and embrace international best practice.

Our Safety Management System (SMS) aims to identify the potential hazards connected with aviation operations and mitigate these risks to acceptable levels. The SMS covers all organisational tiers, with specific safety programmes compiled for the operating activities of flight operations, cabin crew, engineering and maintenance, and ground services.

Since we began operating on 15 May 2002, we have operated 704,000 cycles and carried 74 million passengers safely with no accident during passenger or cargo operations.

Compliance with the highest safety standards

In the most recent IOSA renewal audit, Air Astana Group demonstrated its adherence to the highest international standards and best safety practice for the ninth time.

During the 2023 audit, the documentation and implementation of nearly 1,000 IOSA standards and recommended practices were verified for all operational activities.

Air Astana has had European Aviation Safety Agency's (EASA) Part 145 approval to maintain its fleet in accordance with EASA requirements since 2003. The on-site EASA Part-145 renewal audit took place in Almaty, Shymkent and Astana in June 2023. As a holder of an EASA Part 145 certificate, we carry out full maintenance services on our own aircraft and additionally provide line maintenance services to 20 other air carriers. We have also been certified as an EASA Part 147 Maintenance Training Organisation since 2015; the renewal audit was carried out in September 2023.

We were the first operator to be audited under the EASA Third Country Operations (TCO) certification in December 2015. The authorisation remains compliant with EASA Part-TCO, as well as with UK TCO authorisation obtained in 2022.

Our operations are in compliance with appropriate standards of safety and security regulated by the Aviation Administration of the Republic of Kazakhstan (AAK) as state of operator and, under ICAO Article 83bis agreement, the Irish Aviation Authority (IAA) as state of registry responsible for airworthiness.

During 2023, Air Astana underwent a number of external regulatory inspections or renewals:

1 CEO-1 Vice presidents; CEO-2 Directors, senior managers; CEO-3 Managers.

- **Aviation Administration of Kazakhstan (AAK)** – AOC renewal audit; scheduled inspection of Aviation Security; certification inspection of MRO on all Air Astana's bases; inspection of Air Astana Aviation Training Centre; scheduled en route and ramp inspection.
- **Turkish Directorate General of Civil Aviation** – renewal approval of line maintenance of customer aircraft.
- **Seychelles Civil Aviation Authorities** – audit of Almaty Line Maintenance Station.
- **Irish Aviation Authorities** – conducted Aircraft Certificate of Airworthiness renewals for 43 aircraft.
- **EASA** – Part 145 and Part 147 renewals audits.
- **Ramp inspections –** Air Astana operations and aircraft underwent 20 European Civil Aviation Conference (ECAC) SAFA (Safety Assessment of Foreign Aircraft) and 6 ramp (non-ECAC) inspections. Airline SAFA weighted average in 2023 was 0.11, significantly lower than the national and industry average.

Within the internal compliance monitoring programme, nearly 260 compliance audits were conducted by Air Astana based on IOSA SARPS and national regulations. Compliance monitoring is also supported by membership of the IATA Fuel Quality Pool (IFQP).

Safety programmes

In 2023, Air Astana's flight data monitoring analysed more than 99% of flights. The purpose is to identify, measure and assess existing operational risks and take relevant mitigation measures with an emphasis on trends and root causes. Elements of evidence-based training (i.e. data and lessons learnt from both the flight management system and safety investigations reports) have been incorporated into the Training System for pilots and produced positive outcomes.

We continue to encourage hazards and error reporting by operational staff as an important element of our safety culture. Over the year more than 3,300 safety reports were registered, which enabled us to maintain an accurate perception of risk. During 2023, Corporate Safety Compliance (CSC) department developed an interactive weekly safety report for all operational departments, including direct access to update information on safety occurrences.

The 'Prevention of Use of Unauthorised Substances' programme for safety sensitive aviation activity staff (SSAA) continued in 2023. In September 2023, mandatory Unauthorised Substances training for all operational staff was launched. In addition to regular publications on the Air Astana app and Instagram, the first survey about Unauthorised Substances took place to assess awareness about the programme and identify areas for improvement. Alongside this, to demonstrate leadership participation to all SSAA staff members, we ran a promotional campaign in 2023 entitled: 'Managers get checked as well'.

Our Fatigue Risk Management (FRM) programme enables Crew Planning & Control to estimate the alertness of crews and make necessary adjustments to rostering based on trends. In addition, the self-assessment tool, Crew Strain application (CSA) was increasingly used by flight and cabin crew members to provide feedback on experienced fatigue levels, workload, roster and rest conditions, particularly during the busy summer months. A specialist consultancy has been contracted to advise on further development of the FRM programme and a review of training modules is ongoing.

A process of efficient communication between departments and stakeholders on the management of change and relevant risk assessment (RA) continued. The most common RAs carried out in 2023 related to aerodrome changes, conflict zones, regulatory changes and specific changes to FlyArystan operations, as well as for new routes and/or destinations including charter and scheduled flights.

We made further progress with enhancing the Wildlife Hazard Management Plan in 2023, focusing on Almaty airport. UK experts, contracted by Air Astana, conducted training sessions for all employees involved in controlling birdstrikes. A follow-up visit found increased consistency in effective actions taken at the major airport used by Air Astana and a decrease in birdstrike rates. A cautiously optimistic assessment needs to be verified in the next season.

While the relevant airport operators are responsible for security screening of passengers and baggage at the Group's domestic and international airports, the Air Astana Group trains its staff to remain vigilant in identifying potential security breaches and in dealing with unruly passengers. In 2023, Air Astana Group implemented additional baggage screening to detect undeclared dangerous goods transportation at certain airports.

Air Astana is a major contributor to a number of international safety organisations and programmes, set up to enhance safety and operational efficiency and including IATA Global Aviation Data Management. Through our membership of the Association of Asia Pacific Airlines, we participate in safety and security workgroups, which allows us to stay abreast of the latest technology, innovations and processes, while also ensuring that safety programme managers interact with leading professionals. Similarly, membership of Flight Safety Foundation (since 2004) and the International Society of Air Safety Investigators (since 2009) stimulates an environment conducive to improvement.

In October 2023, Air Astana hosted its 7th Regional Safety Seminar to promote and encourage safety within the region[1]. Entitled 'Proactive Safety: Organisational and Human Factors', the seminar aimed to share knowledge, experience and best practice within the aviation industry. It was attended by representatives from 8 different countries, 19 speakers and over 125 participants from other airlines, aircraft manufacturers, international organisations and regulators.

1 CIS and Central Asia countries.

Our people

2023 HIGHLIGHTS

- In 2023, Air Astana achieved recognition as the ‘Most Attractive Employer’ within the transportation sector and ranked second among 100 companies in Kazakhstan.
- This year, we honoured 215 employees with 10th anniversary awards and 50 employees with 20th anniversary awards.

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.

Our people remain at the heart of our operations. As one of the major employers in Kazakhstan, we pride ourselves on attracting and retaining some of the best talents, thanks to our strong focus on recognition, development and equality. In 2023, we continued to drive operational excellence through investing in our people – particularly in our training programmes and employee engagement, underpinning our continued success in delivering best-in-class services.

Yevgeniya Ni
Chief Human Resources Office

Employees

Approach

The long-term sustainable success of the Group’s business depends on the expertise, skills and motivation of our employees. As a socially responsible organisation, we recruit, appraise and reward employees based on merit and enable them to develop to their maximum potential. Our workplace environment – based on our corporate HEART and CHARM values – is one where recognition, development and equality all thrive to ensure that we attract and retain talented people. We operate our business with the highest standards of integrity and ethics, which is also reflected in the transparency and fairness of our recruitment process.

Employment

In 2023, Air Astana achieved recognition as the ‘Most Attractive Employer’ within the transportation sector and ranked second among 100 companies in Kazakhstan with more than 1,000 employees, as revealed by The Talentist, an extensive employer brand perception study. This is commissioned by ANCOR and conducted by the independent research company IPSOS, targeting the working-age population of the country.

During 2023, our focus on operational excellence continued, marked by the resumption of a global pilot selection process and the inclusion of cadets from the AB-initio training programme. Additionally, the Engineering and Maintenance apprentice programme was reinstated.

To enhance awareness of aviation professions among the population, we organised over 100 online and offline events, engaging with schools, universities and external partners/communities. This proactive approach significantly increased the number of job applications at all levels, particularly among young people.
This helped us to expand our internship programmes, offering opportunities to acquire hands-on skills for a fulfilling career within aviation, including operations, maintenance, marketing, finance and information technology. Interns actively contribute to real-life projects, execute tasks aligned with their areas of interest and augment their expertise through dedicated education and training. Since the introduction of the internship programme in 2018, approximately 1,000 interns have successfully completed the programme, securing employment within the Air Astana and progressing in their careers.

The continued development of internship programmes underscores Air Astana’s dedication to attracting and nurturing talented young professionals, positioning them to play pivotal roles in the Company’s sustained success within the aviation industry.

In 2023, the Group employed 6,499 people (2022: 6,184). We took on a total of 1,077 new employees during the year: 725 at Almaty; 345 across other Kazakhstan cities; and 7 at international stations. The gender split across new employees was 543 women and 534 men.

The age profile of the Group remains relatively young with more than 90% younger than 40: aged under 30 – 2,669; aged 30–50 – 3,257; aged over 50 – 573. The turnover rate from the total number of employees is 12.3% (2022: 12.0%), which is within the normal range[1].

Pilot Training Programme

TOTAL NUMBER OF GRADUATES SINCE THE START OF THE PROGRAMME
274

GROWTH IN THE NUMBER OF CADETS IN 2023
19

PLANNED GROWTH IN 2024
40

Aviation Technician Training Programme

TOTAL NUMBER OF GRADUATES SINCE THE START OF THE PROGRAMME
22

GROWTH IN THE NUMBER OF CADETS IN 2023
10

Diversity and equal opportunities

We promote diversity and equal opportunity in the workplace, believing that every employee should be able to fulfil their potential, regardless of gender, age, nationality, religion or physical characteristics. We consider that cultural diversity and success go hand in hand: different nationalities bring different perspectives and experiences, broadening our thinking and ideas, which are valuable assets to the Group.

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 3,884 women and 2,615 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 40 people, the gender split currently is 45% female and 55% male.

Remuneration for each category of employees is set regardless of gender.

Our position on equality also includes entitlement to parental leave regardless of gender, although in practice more women than men exercise this right. During 2023, 71 men and 948 women took parental leave. The total number of employees who returned to work in the reporting period after parental leave ended was 954 (male – 64, female – 890). Return to work: male – 90%, female – 94%. All 954 were still employed 12 months later. We believe that professional growth and development should be the right of all our employees, including those with disabilities.
We continue to look for opportunities to organise occupancy, so in June 2023, a person with disabilities joined us as an intern.

We are proud to have created an inclusive and friendly work environment, which has also led to improved team productivity and provided equal opportunities now and in the future.

In 2023 there were no registered cases of discrimination.

1 As determined by the Company.

Our people

Freedom of association

The Group acknowledges the right of employees to join trade unions, which protect and support their interests, and conducts negotiations with three trade unions:

1. A non-governmental organisation (NGO) 'Local Trade Union of Aviation Workers of Kazakhstan'.
2. NGO 'Local Air Astana Pilot Labour Union'.
3. 'AVIATOR Pilot Labour Union of Air Astana JSC'.

In 2023 10% of employees belonged to trade unions.

The Group always strives to prevent labour disputes before they arise. The internal labour regulations outline the procedures for employees to address grievances in relation to working conditions, recommendations or other issues within the Group. Direct supervisors, department heads and overseeing business partners are involved in resolving issues/problems. Additionally, internal mediators are engaged to facilitate the resolution of employee problems. Trade unions, in turn, exist to balance the opinions of employee representatives and participate in committees within the framework of labour legislation. Every employee of the Group is informed that they may join a trade union at any time.

In 2023, between employee representatives and employer representatives, a Collective Agreement was signed for a three-year term. A joint document titled 'Agreement on the Conciliation Commission for the Resolution of Individual Labour Disputes was also signed.

Competitive salaries and benefits

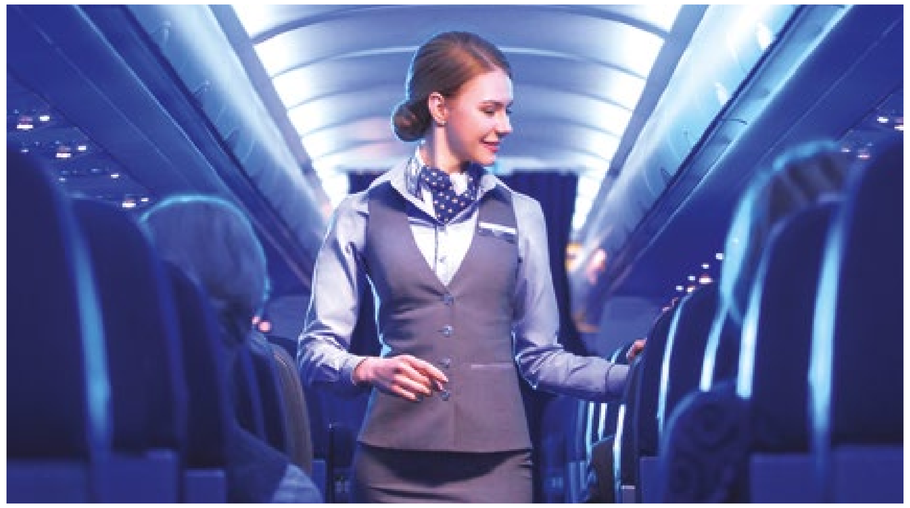
In order to attract and retain a highly skilled and motivated workforce, the Group provides fixed and variable pay as well as short-term and long-term benefits that are competitive and merit-based. All employees undergo an annual performance appraisal and, as a result, have their salaries reviewed. In 2023, 60% of those who were appraised were female and 40% male. Eligible employees are notified of any changes to their salary (effective from 1 March each year) through the electronic document management system.

The aviation global market recovery in 2022 and shortage of pilots prompted us to review pilot salaries gradually in 2022 and 2023. Alongside this, we also focused on incentive programmes for operational staff.

Following the principles of responsible management, the Group closely monitors the economic dynamics of the market and actively supports the welfare of its employees. In 2023, the Group took measures to increase salaries for employees in working and junior positions.

Our benefits package is available to all employees, whether permanent, temporary or part-time. However, some benefits are only available after passing the probation period. Our employee benefits package includes:

- Corporate pension plan
- Health and medical insurance
- Loss-of-licence insurance for pilots
- Mental health support through the services of psychologists
- Discounts on flights with Group or partner airlines
- Shuttle bus for commuting to and from work
- Discounts for gym membership and in restaurants, bars and hotels
- Support for various sporting activities (football and volleyball teams, etc.).



In line with national labour legislation, compensation is paid to employees when they reach retirement age and their contract is terminated, the amount paid depending on the length of service at that stage:

- Two months' salary for employment of up to 10 years' uninterrupted service
- Three months' salary for employment of more than 10 years' uninterrupted service.

If an employee participates in the corporate pension plan and reaches pension age in accordance with the labour legislation of the Republic of Kazakhstan and upon dismissal of an employee aged 58 years or more, the employee receives the full payment provided by the terms of the plan. The interest rate was 14.05% per annum; the annual effective interest rate is 15.2% in 2023.

Employee engagement

Internal communication remains the key element for engaging with employees. Alongside the monthly communication from CEO distributed via the corporate mobile app, we connected with our colleagues through other channels, such as Instagram and chatbots, and conducted regular pulse surveys. Our annual Management Conference was once again also streamed via YouTube and available to all employees.

In 2023, as part of our internal communication programme, as well as business-related information, we paid special attention to the hobbies of employees, inviting them to share their stories in order to find like-minded people and popularise sports and art among colleagues. We have also focused on employees' well-being, inviting them to participate in a corporate 4-month challenge in sports, social and self-development areas, which had significant impact on youth engagement.

Twice a year, we partner with Gallup to conduct an employee engagement survey. The most recent of these took place in November 2023 with employee engagement assessed at 4.13 (with five being the highest score), a slight improvement on 4.10 in 2022.

Recognition culture

Listening and responding to feedback has always been an important part of our corporate culture. We launched the KC Recognition platform to stimulate this practice across all levels of the business. In 2023, colleagues sent 24,000 thank you messages to each other. Employees receive HEART coins for each recognition, which can be spent on coffee, books and promotional products in our online shop. At our annual HEART ceremony, 150 best employees – who were nominated by their colleagues – received HEART Awards; the 20 best-of-the-best employees also received a special prize – a 7-day family holiday.

Breakfast with the CEO is a very special occasion during the year, which celebrates employees' 10th and 20th work anniversaries. This year, we honoured 215 employees with 10th anniversary awards and 50 employees with 20th anniversary awards.

Human rights

The Group is committed to promoting and upholding human rights, including the eradication of slavery in all its forms. We truly believe that slavery, forced or compulsory labour 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 labour or human trafficking in our operations.

Training and development

Talent management

Talent management is a strategic and systematic process of identifying, attracting and planning for employees with high potential and leadership aspirations. The development and improvement of their skills and competencies is a prerequisite for the sustainable development of the Group. Our talent management programme focuses on search and selection, talent development and retention, people performance management, succession planning and leadership development, and culture and values.

KC Talents

As a part of talent management process, the KC Talents programme was introduced in 2010 with the strapline: 'We are looking for people to drive the future'. The programme is aimed at identifying and developing future leaders among non-management employees. Over the last 13 years, 48 talents have participated in the Group-sponsored training programme at the Cranfield School of Management in the UK, the Corporate University of Samruk-Kazyna and De Montfort University Kazakhstan. This successful programme has seen more than 60% of its participants promoted over that period.

In 2023, 14 bright talents were selected to join the programme with bespoke training provided jointly by De Montfort University Kazakhstan and Air Astana Training Academy. The University covered key business modules including finance, marketing, HR, project management, strategic management and corporate governance. The Training Academy focused on behavioural skills including but not limited to: communication techniques, influencing styles, networking, flexible leadership, feedback skills, conflict and change management and public speaking. Additional support was also provided through individual coaching sessions by external specialists and mentoring from senior and top managers within the Group.

The KC Talents 2023 group completed their training in April 2024.

Succession planning

Succession planning in the Group plays an important role in ensuring stability and business continuity. Moving employees into key positions minimises risks and prevents the loss of valuable experience and knowledge. The focus is on the long-term perspective of the organisation, its growth and development, helping to build a successful future. At the same time, this approach attracts highly qualified specialists who see the prospects and stability offered by the Group. The Group has established a system to identify and develop potential leaders within the organisation, contributing to the development of a leadership culture and increasing the efficiency of the organisation itself. We have a rolling development programme for Senior Management, which includes leadership training at Henley Business School in the UK and individual coaching sessions with executive coaches.

Internship programmes

We have had an internship programme in place since 2018 and its ongoing development demonstrates our commitment to attracting and developing talented young professionals, who will be nurtured to contribute to our continued success.

Internship programmes cover a number of business functions, including operations, maintenance, marketing, finance and information technology. Interns are given the chance to work alongside experienced professionals and gain the practical skills necessary for a successful career in the aviation industry. They have the opportunity to participate in real-world projects, perform tasks related to their area of interest and expand their knowledge and skills through education and training. To date, some 1,000 interns have participated in the programme and many have remained as full-time employees with Air Astana Group.

Our people

Training Academy

A strong emphasis in 2023 has been on increasing the focus on our leadership programme, Leadership Essentials, widening our E-learning capabilities and offering bespoke skill development modules for the business. The aim of the Leadership Essentials programme is for current and newly promoted leaders to attend and gain job-relevant skills in people management and leadership. In 2023, 271 managers completed the full course of modules. Training Needs Analyses and Surveys were conducted internally in order to identify skills training and then to design bespoke skill development modules, which took into account the needs of employees across the business.

External, specially designed courses were delivered on Negotiation skills and Supplier Management for Ground Services and an Enhancing Sales Performance workshop for local and overseas Sales teams. For the 2023 Talent group, the Academy designed and delivered key modules specifically focused on core topics based on psychometric assessment results that highlighted key development needs. Within the Academy team itself, a recurrent advanced Train the Trainer programme for the Academy team was completed to promote best practice in Training delivery.

Our blended training approach continues to promote efficiency and productivity with self-learning education growth; 115 webinars and 5 new corporate courses (average feedback score – 9.1 out of 10) were completed. There are now 118 self-learning materials within our online library providing access to high quality self-learning courses, books and materials that are all aligned to the HEART values and corporate competencies. An online Book Club (Be HEART Be SMART) was launched to encourage discussion and self-development.

In 2023, the Academy received an award from the public ITeachMe Foundation for 'Inspiring Partnership'. Our trainers conducted classroom/online courses in public speaking with many of the participants having various degrees of disability. Our partnership co-operation over the years has resulted in hundreds of young people gaining self-confidence in communications and public speaking.

Average training hours per employee in 2023 was 6.32 hours (for total employees) and 7.35 hours (for active employees). All employees have equal access to the self-learning and development tools via Learning Management System (LMS) regardless of position, length of service or gender. The total number of training hours delivered for operational personnel in 2023 was 40,872; for administration and managerial personnel – 3,824 hours. The average number of training hours per operational personnel – 8.5 training hours/person; per administration and managerial personnel – 4.9 training hours/person.

Labour practice

Six 'Kazakhstan Labour Legislation' webinars were delivered in 2023 for supervisory and managerial personnel. The total number of webinar hours provided was 48; 740 employees attended the webinars. All webinars were recorded, and a self-enrolment option is available for all employees.

Operational training

Within operational training, our initial courses include both regulatory safety training and customer service training for front line employees, with 252 Ground Services employees and 193 cabin crew completing this training. Annual recurrent training modules were also completed by 506 existing Ground Services employees and 1,251 cabin crew; 83 cabin attendants completed promotion training. Within Engineering & Maintenance courses for Part 147, Part 145, Type Training, LEAP CFM and 68 ATO courses were completed.

All Flight Operations training programmes meet Kazakhstan regulatory requirements and ICAO standards, as well as IOSA requirements. All 560 current pilots completed annual recurrent ground and simulator training in accordance with Operational Manual Part D (OM-D). Twelve Ab-initio pilot cadets graduated; 28 First Officers attended 'Enhanced Command Selection & Command Upgrade Training' during the year and 82 pilots completed initial type rating courses on A320 and B767.

We recruited and trained 126 new pilots. Six new type rating examiners, five type rating instructors and thirteen Line Training Instructors successfully completed training programmes.

A new programme, 'Running the Show' was launched in May 2023 to prepare First Officers for future commander roles with 77 participating to date. An Upset Prevention and Recovery Training (UPRT) programme was also introduced in 2023. Upset Prevention and Recovery Training (UPRT) provides pilots with the ability to prevent an aircraft from entering and recovering from challenging spatial attitudes, placing particular emphasis on developing manual piloting skills to enhance safety. The International Development of Technology organisation provided training for subject matter expert instructors and, in future, UPRT will be a part of simulator training and checks, run by our own instructors. From the beginning of 2024, crew members will each undertake an extra simulator session of 4 hours. Since the L3 Harris A320 Full Flight Simulator Training was launched at the Flight Training Centre in Astana during the summer of 2023, 372 pilots have attended training and completed 2,296 simulator hours during 578 sessions). The 2024 forecast is for simulator utilisation to increase to 5,500–6,000 hours.

During 2023, the Training Academy successfully passed an IOSA audit to renew the IATA membership. The Training Academy was also successful in passing an AOC audit for compliance with operational training requirements conducted by the national supervisory body, the AAK, and its certification as an accredited Aviation Training Organisation (ATO) was renewed. This permits the Academy to continue delivering 79 approved operational training courses for Air Astana Group employees and external clients for the next two years.

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A new international competency-based training approach for mandatory dangerous goods transportation has been developed in line with ICAO and IATA standards and approved by the AAK.

The installation of a Real Fire Fighting Trainer (RFFT) has already been delivered and set up and an Airbus 320 family Cabin Emergency Evacuation Trainer (CEET) was designed in 2023 with plans for it to be in place in Q1 2024 at the Flight Training Centre in Astana. These two simulators provide practical training for Airbus 320 flight and cabin crew members in safety and emergency procedures, including evacuation procedures in different scenarios such as pilot incapacitation, aircraft decompression, cabin fires and landing/ditching emergencies.

Customer experience

Our customer experience training teams have run several projects, all of which enhanced the experience our customers received at each stage of the journey. Customer experience and service training was provided for 125 business class flight attendants, 58 pursers and 63 in-flight supervisors, who were newly promoted. A tailored service skills programme for the 'Shanyraq' Business Lounge agents was run with a focus on our premium customers and our Lost & Found agents were taken through effective service recovery techniques. It is also important not to forget our internal customer experience: the team completed customised programmes for the HR Staff Service Centre, Cleaning Services and Security Services units in order to establish and maintain an enhanced employee experience.

Suppliers

Approach

To meet our operational need for quality goods and services delivered in a timely manner we have developed a broad-based supply chain. We have built long-term relationships with many of our suppliers, who range from start-ups and small businesses to large multinational companies.

Procurement practices

The Air Astana Group procurement process is based on international best practice. We adhere to the principles of transparency and providing equal opportunities to all potential suppliers within a framework that includes procurement procedures, management standards and rules.

Wherever possible, the Group is committed to including organisations in its procurement process who employ disabled people. This year, the Group reached agreements for the supply of archive file folders and mattress cover from organisations for disabled people.

The Group has incorporated anti-corruption clauses, and the ethical practices required from suppliers, along with reliability clauses, into all suppliers' contracts.

2023 was once again a difficult period, characterised by both economic and geopolitical issues. There were substantial disruptions to routes, although alternative logistics options opened up for main suppliers from Europe and the US into Kazakhstan. The ongoing Ukraine-Russian conflict still created significant obstacles for on-ground deliveries of oversize and heavy shipments through these territories forcing the Group to seek other delivery options. The southern route via Georgia and Azerbaijan is not economically viable with double the turnaround time for critical parts and material. However, the Group's priority is to rigorously follow and be compliant with EU and US sanctions imposed on Russia, and we need to find a balance between economic efficiency, effectiveness and on-time deliveries while, at the same time, searching for the best way to satisfy our business and operational needs.

Air Astana Group promotes its sustainability values throughout its supply chain. During 2023, the Group developed its Procurement Standard, which includes criteria for suppliers as part of sustainable development and includes supporting human rights, combating modern slavery, embracing diversity and inclusion, preventing corruption and minimising environmental impact. Approval of the Procurement Standard is expected in the Q1 of 2024.

Purchases from local suppliers

The Group is committed to sourcing goods and services from local suppliers. As per our geographical definition, 'local' pertains to the Republic of Kazakhstan, where our significant operations are based. We recognise the importance of supporting the local economy and fostering sustainable development within our community by prioritising partnerships with suppliers from Kazakhstan. Through this approach, we aim to contribute to the socio-economic growth of the country while ensuring the efficient procurement of essential goods and services for our operations.

	2023	2022	2021
Percentage of the procurement budget used for significant locations of operation[1] that is spent on suppliers local to operations (percentage of products and services purchased locally)	31%	26%	33%

1 The territory of the Republic of Kazakhstan.

Communities

As a responsible corporate citizen, we believe that it is important to nurture strong relationships with our passengers, business partners and also with communities where we operate. We focus on initiatives that have a meaningful impact on the communities we serve: sustainability, inclusivity and long-term positive outcomes.

Throughout the Company's operations, we have remained consistent in the approach and methodology that we use to support social projects:

- Cooperation with local and national charitable organisations and other not-for-profit organisations
- Individual charity – provision of targeted support to population groups most in need of assistance, including severely ill children and veterans of the Great Patriotic War
- Employee involvement in charitable activities through fundraising and volunteering opportunities
- Implementation of long-term corporate social and environmental projects.

The criteria for the selection and identification of charities and supporting projects are based on bringing value to communities and aligning with the Group's ESG goals and corporate values.

PROJECTS IMPLEMENTED IN 2023

Project	Description
Charity donation of stationery	In collaboration with the Turksib District Akimat, through 'The Road to School' project, we distributed backpacks filled with stationery supplies to children from low-income families in Almaty.
Zhas Kyran programme	'Zhas Kyran' is an innovative programme that provides travel grants to gifted schoolchildren from 7 to 17 years of age to participate in international educational, scientific, sports and creative competitions and contests within the Air Astana Group route network.
Provision of flight tickets	We provide air tickets for children from families with limited financial resources, flying for treatment or surgery, with cancer or cardiovascular diseases that are incurable in Kazakhstan. Our assistance includes providing air tickets to international destinations for both the child and one accompanying adult. In addition to supporting children, we assist medical centres in organising trips for foreign doctors to Kazakhstan.
Community sponsorship initiative	We provided support to various organisations, including: an international organisation operating under the auspices of the United Nations (UNICEF), Almaty International Women's Club (AIWC), 'Teplo' charity foundation, Almaty Marathon and Public Foundation 'DOM'.
New Year charity support	The New Year charity event provided 230 children with psychological, medical and pedagogical consultations and psychology-pedagogical correction rooms.
Employees volunteering in charity projects	As part of the KC challenge, employees donated school backpacks and stationery for their colleagues' children and children from disadvantaged families.
Children's Day celebration	We congratulated children on Children's Day in Regional clinical hospital and Kazakh Research Institute of Oncology and radiology in Almaty; at Almaty and Astana airports we handed out specially prepared gifts, such as travel kits and headphones.
Support for the national football team	We supported the national football team at the matches with Finland and Northern Ireland attended by 30,019 people. We set up four branded fan zones and streamed an advertising video at the match.
Almaty Marathon	Over 80 employees took advantage of discounted tickets with donations going to charity; many of their colleagues came out on the day to cheer them on. This event attracts many tourists to Kazakhstan, and we enabled foreign marathon participants to book hotels in Almaty with a 10% discount.

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Exceeding market expectations

2023 was the consecutive third year of growth for the Group across operational and financial metrics despite the impacts of the double crisis caused by COVID-19 and the Russia-Ukraine conflict.

Our competitive cost per available seat kilometer (CASK), combined with our three growth pillars, where we continue untapping opportunities within Kazakhstan, Central Asia and Caucasus, and the potential of nearby mega markets including China and India, enable us to look into the future with confidence.

Ibrahim Canliel
CFO of Air Astana JSC

Revenue drivers

Group (million USD)	2023	2022	Change (USD)	Change, %
Revenue and other income				
Passenger revenue	**1,143.6**	998.1	145.5	14.6%
Cargo and mail revenue	**22.5**	22.1	0.4	1.8%
Other income	**8.4**	12.1	(3.7)	(30.8%)
Total revenue and other income	**1,174.5**	**1,032.4**[1]	**142.1**	**13.8%**

1 All financial information has been rounded up, so minor discrepancies may arise from the addition of these amounts.

The results are presented on both a statutory basis and adjusted to exclude the impact of two factors in 2022: firstly, the extraordinary market event (EME) of the partial mobilisation in Russia in Q4 2022, which resulted in a one-off inflow of citizens from Russia to and through Kazakhstan with a revenue impact of USD 16.2 million; and secondly, a gain from fuel hedging (FH) to the amount of USD 12.1 million. It is management's belief that this adjustment better represents the underlying performance of the Company.

Group revenue and other income increased by USD 142.1 million or 13.8% in 2023 to USD 1,174.5 million, compared to USD 1,032.4 million in 2022. Excluding EME in 2022, revenue and other income increased by USD 158.3 million or 15.6%.

Adjusted EBITDAR grew by USD 12.4 million or 4.3% to USD 300.8 million compared to USD 288.4 million in 2022. Excluding EME and FH, Adjusted EBITDAR increased by USD 40.7 million or 15.7% compared to USD 260.1 million in 2022.

Operating profit was USD 136.0 million compared to USD 148.7 million in 2022. Excluding the effect of EME and FH, operating profit increased by USD 15.6 million or 12.9% from USD 120.4 million in 2022.

Profit for the year was USD 68.7 million, compared to USD 78.4 million in 2022. Excluding EME and FH in 2022, profit increased by USD 12.2 million or 21.5%.

Net finance expenses increased by USD 2.8 million or 8.8% to USD 35.1 million in 2023 compared to USD 32.3 million in 2022 primarily due to interest expense on lease liabilities by USD 9.3 million as a result of aircraft fleet expansion. However, interest income on bank deposits increased by USD 7.8 million.

Net foreign exchange loss for 2023 was USD 13.8 million, an improvement of USD 1.3 million compared to a loss of USD 15.1 million reported in 2022.

Total cash at the end of December 2023 was USD 274.0 million, an increase of USD 21.1 million or 8.4% compared to end of December 2022 (excluding available facilities totalling USD 163.7 million).

Revenue drivers

The increase in 2023 revenue and other income was achieved by 11.1% and 2.4% growth in ASK and RASK respectively.

During 2023, international ASK growth of 15.5% outpaced the domestic growth of 5.9% by almost three times. Both the Air Astana and FlyArystan brands expanded in their extended home market of Central Asia and the Caucasus as well as nearby international markets. While international ASK growth was double digit across both brands, FlyArystan's international growth of 30.6% outpaced Air Astana's 13.6%. The recovery of airport charges and the Kazakhstan Identity & Security fee starting from June 2023 were further contributors to the revenue increase.

Cost drivers

Group (million USD)	2023	2022	Change (USD)	Change, %
Operating expenses				
Fuel and oil costs	**279.2**	231.9	47.3	20.4%
Employee and crew costs	**193.1**	148.9	44.2	29.7%
Depreciation and amortization	**162.0**	135.2	26.8	19.9%
Engineering and maintenance	**108.2**	125.9	(17.7)	(14.1%)
Handling, landing fees and route charges	**105.7**	84.9	20.8	24.5%
Passenger service	**101.1**	80.3	20.8	25.9%
Selling costs	**40.4**	33.3	7.2	21.6%
Other	**48.8**	43.3	5.5	12.7%
Total operating expenses	**1,038.5**	**883.7**	**154.9**	**17.5%**

Cargo revenue and mail revenue went up by USD 0.4 million in total mainly due to a 2% increase in cargo volumes, cargo type mix and increased co-mail revenue on domestic routes.

Other income was lower by USD 3.7 million due to insurance claims satisfied in December 2022 totalling USD 4.6 million.

Cost drivers

Total operating costs increased by USD 154.9 million or 17.5% compared to 2022, or by USD 142.7 million or 15.9% excluding FH. This mainly resulted from the 11.1% increase in capacity year-on-year.

In 2023, fuel costs went up by USD 47.3 million or 20.4%. In the base year of 2022, the Company recorded a fuel hedge gain totalling USD 12.1 million, excluding which the increase would have been USD 35.1 million or 14.4%. The fuel consumption increased by 8.8% while average fuel cost per metric ton in 2022 was USD 786, up USD 32 or 4.2% compared to 2022.

Employee and crew costs increased by USD 44.2 million or 29.7%, primarily impacted by the adjustment of pilot salaries which are broadly in line with the international market. In addition, number of employees across the Group increased by 4.6% (number of operational personnel increased by 5.1%, while number of administrative personnel went up by 2.0%). This cost base remains one of the lowest in the industry.

The depreciation and amortisation cost increased by USD 26.8 million or 19.9%, primarily driven by the growth in the fleet.

This was partly offset by the engineering and maintenance costs that were reduced by USD 17.7 million or 14.1% in 2023. In addition, in 2022 expenses for the repair of the thrust reverser were booked while the insurance claims reimbursement was recognised in December 2022 in the amount of USD 4.6 million as other income.

Handling, landing fees and route charges, and passenger service charges increased by USD 20.8 million each or 24.5% and 25.9% respectively. While this was impacted by general inflation, the key source of the cost growth was the higher increase of international ASKs in comparison to domestic (15.5% and 5.9% respectively).

Selling costs went up by USD 7.2 million or 21.6% compared to 2022 mainly due to increased operations on higher cost international stations.

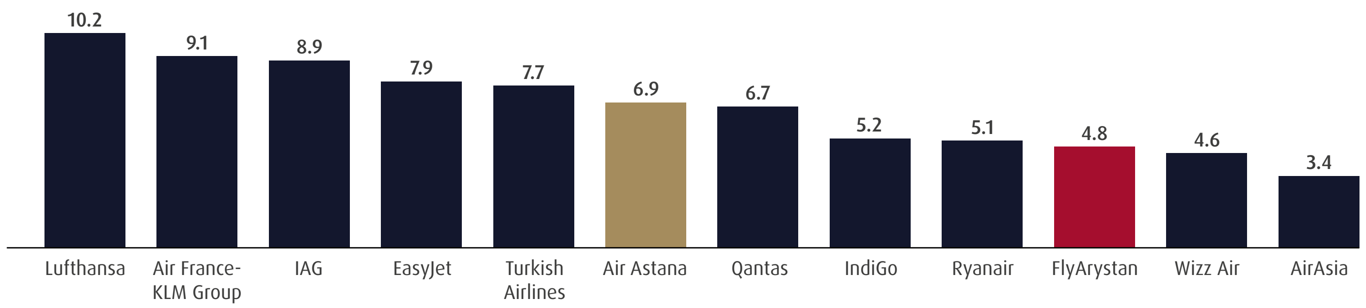
Other costs increased by USD 5.5 million or 12.7% mainly due to increased expenses for insurance by USD 2.7 million as a result of fleet expansion and increased operations as well as higher rates, and taxes by USD 2.5 million mainly due to a lower comparison base in 2022 (adjustment of previously posted accruals withholding tax from non-resident companies) and increased expenses in 2023 due to taxes paid in India resulting from increased operations.

Mitigating industry-wide cost headwinds

The global airline industry continued to be impacted by cost inflationary pressures in 2023. The Group CASK grew by 5.8%, including the effect of: higher employee expenses mainly arising from pilot and crew salary increases; higher depreciation expenses due to fleet expansion; and higher passenger service expenses and handling, landing fees and route charges mainly due to increased operations on international routes and inflation. The fuel component of CASK grew by 8.4%, impacted by non-recurring USD 12.1 million gain from fuel hedging in 2022 and increase in average fuel price by 4.2%. Excluding fuel hedge gain in 2022, the total Group CASK would have increased by 4.3% in 2023. Fuel burn per ASK improved by 2.1%.

Jet fuel prices and availability are subject to market fluctuations, local and global refining capacity, periods of market surplus and shortage, as well as meteorological, economic and political factors and events occurring throughout the world, which the Company can neither control nor accurately predict. Fuel costs accounted for 27% of the Group's total operating expenses in 2023, compared to 26% in 2022.

Cost per ASK in 2023
US$ cents



The efficient cost structure enabled the Group to outperform most of its peers in terms of cost per ASK.

Metrics are calendarised to December 2023 year-end, except for EasyJet CASK and Turkish Airlines CASK and EBITDAR margin, for which the chart is showing information for LTM Sep 2023. Calendarisation for Ryanair is an estimate based on passenger number and load factor, given the lack of quarterly information on ASK. (1) Air Astana and FlyArystan are shown on a standalone basis, including intragroup revenue. (2) EBITDAR does not have a standardised definition/method of calculation, and EBITDAR of Air Astana may not be comparable to similarly titled metrics of other companies.

In 2023, the Group used approximately 348 thousand tonnes of jet fuel, compared to 320 thousand tonnes in 2022. The Company continued to take delivery of aircraft containing more fuel-efficient engines, such as the Airbus A320neo, Airbus A321neo and Airbus A321LRneo models, replacing older aircraft. Additionally, the Company seeks to manage fuel costs by procuring directly from fuel producers and refineries in Kazakhstan whenever possible, monitoring alternative suppliers for domestic and international stations, and training its pilots for efficient fuel management.

Overall, the Company remains focused on mitigating the cost headwinds, for example, carefully managing its relationship with key suppliers to ensure a high level of quality and consistency of supply, while protecting its cost position. Key suppliers for Air Astana Group include its airports, caterers and external maintenance providers.

Hedging strategy

Approximately 70% of the Company's fuel uplift is from Kazakhstan where it sources primarily direct from the refineries and manages the logistics including transportation. As result of avoiding intermediary organisations, the Company benefits from reduced costs.

Approximately 30% of fuel is sourced internationally, which the Company hedges using call options. The Group has fully hedged the anticipated international uplift for the first half of 2024 with positions at USD 80/bbl and USD 85/bbl.

Comfortable net debt position and strong balance sheet

Group NAD / Adjusted EBITDAR reduced from 1.7x in 2022 to 1.5x in 2023, driven by organic cash generation and reduction in year-end lease liability balance, comfortably within the Company's mid-term target of less than 3.0x.

The Company also repaid the EBRD loans of USD 47.7 million (including the loan of USD 35 million taken in 2023) and the finance lease deferrals of USD 21.6 million ahead of schedule.

In 2023, the Company saw a reduction in lease liabilities from USD 732.8 million to USD 718.9 million despite growth in size of fleet. This was driven by the voluntary early repayment of EXIM deferrals and the depreciation of capitalised leases of existing aircraft.

The cash to sales ratio was at 23.3%, excluding the available facilities of USD 163.7 million. Pro forma liquidity ratio was 37.3%, including unutilised facilities in the amount of USD 163.7 million (14% of revenue).

Outlook

The Group expects to report further growth in 2024, underpinned by increased capacity and fleet expansion. This comprises the net addition of seven aircraft, increasing the total fleet to 56 aircraft from 49 at 2023 year-end. The growth will be sustained across both brands, in particular at FlyArystan and on international routes.

The Group's extended home market of Central Asia and Caucasus remains a leading growth opportunity, characterised by low penetration for air travel and the Group's strong market position. In addition, nearby mega markets including China and India as well as lifestyle destinations in Asia, Gulf, Turkey and Europe present further growth opportunities for the Group.

While CASK is expected to outpace the RASK in 2024, the mid-term EBITDAR expectation is mid-to-high 20s EBITDAR margin and the load factor to remain broadly consistent with 2023.

In the medium term, financial robustness is expected to continue, with the liquidity ratio above 25% and the leverage below 3.0x NAD/EBITDAR.

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 Air Astana Group's Corporate Risk Management System (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 Group'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 the Group's adoption of the 'COSO 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 Group 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 Group's risk appetite and tolerance to risk
- Reviews reports from the head of the structural unit responsible for risk management with description and analysis of the Group'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 the Group's 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 Group's policies.

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

RISK RESPONSIBILITIES

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

First line: Air Astana Group structural units and all employees

Within the risk management process, the main functions of the Group'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
- Implementa tion, monitoring and improvement of control procedures in the framework of entrusted business processes
- Compliance with the risk appetite within the competence
- Provision of reports on the implementation of risk management action plans on risks to the Risk Management Unit
- Maintenance of a database of realised risks and business incidents
- Provision of timely and complete information on risks to interested parties, including but not limited to the Risk Management Unit.

Second line: Risk Management Unit

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

- Co-ordination of CRMS activities within the Group
- 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 Group's risk profile
- Preparation of the strategic plan for the CRMS
- Control of the quarterly updates of the Risk Register, Risk Map and risk management action plans for risks in red and dark red zones
- Control of the implementation of risk assessment with the participation of the Group'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 Group
- 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 Service with regard to plan formation, discussion of audit inspection results, exchange of knowledge and methods
- Identification of any possible risks, actual or potential, negative tendencies indicating increased risk, analysis of the factors causing the risk and assessment of any expected loss.

Third line: Internal Audit Service

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

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Significant risks

Link to strategy: Growth, Efficiency, Excellence

Risk impact level: Very high, High, Moderate, Low

Risk exposure trend: ↑ Increase, ↓ Decrease, ↔ No change

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 opposite 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 2023.

SAFETY

Description of risk
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.

Link to strategy: Excellence

Risk impact level: Moderate

Risk exposure trend: ↔

Mitigation actions
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 Group has made a significant investment in training of instructors with a strong emphasis on standardisation.

There are regular independent assessments by regulatory authorities, EASA, and CAC Kazakhstan as well as industry assessments (IOSA).

AVIATION SECURITY

Description of risk
Consequences of aviation security risk could adversely affect any airline's performance and reputation. Effective aviation security risk management is, therefore, essential to the Group.

Link to strategy: Excellence

Risk impact level: High

Risk exposure trend: ↑

Mitigation actions
The Group has all required aviation security management policies and procedures in place. The Aviation Security Division reviews these policies regularly. The Group provides training on aviation security to all required employees and for those whose duties require access to the airport restricted area. Airport audits are performed regularly for compliance and ensuring aviation security.

To reflect the escalation of geopolitical tension, the Group has increased the probability level of the risk since this political instability has already had a considerable impact on the Group. However, the Group is committed to ensuring resilience on all operational fronts with safety and security being the top priority at all times.

COMMERCIAL

Description of risk
Factors such as intensive market competition, government intervention, operational limitation, geopolitical tensions and rising costs can create challenges for the Group.

Link to strategy: Growth

Risk impact level: Very high

Risk exposure trend: ↔

Mitigation actions
The last year continued to present significant challenges and opportunities for the aviation industry. Faced with a rapidly changing travel landscape in 2023, the Air Astana Group responded swiftly by increasing frequencies to existing destinations and revising winter and summer schedules. Air Astana Group has a complex risk response and closely monitors both the domestic market and the worldwide situation. The Group applies the following measures: network optimisation, frequency adjustment, fleet and route optimisation.

(part of ESG risks)

HUMAN RESOURCES

Description of risk
Air Astana Group's Human Resources Policy is designed to recruit and retain 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. The Group considers its employees to be one of the Company's main assets.

Link to strategy: Growth, Excellence

Risk impact level: Moderate

Risk exposure trend: ↔

Mitigation actions
The Group fosters equality in the workplace, ensuring a discrimination-free environment for people to thrive regardless of gender, age, ethnicity, religion or cultural background. Human resources risk management covers key areas including recruitment, retention of key personnel, competitive salaries and benefits, provision of seamless access to resources and talent development. The Group provides training and self-development to ensure employee satisfaction. The Group's corporate values remain a priority as a vector of the working environment.

HEALTH, SAFETY AND ENVIRONMENT

Description of risk
The Group understands its moral and ethical responsibility for the health and safety of employees and is consistent in its efforts to protect their physical and mental well-being. 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: Efficiency

Risk impact level: Low

Risk exposure trend: ↔

Mitigation actions
The Group 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.

In line with Ecological Code of the Republic of Kazakhstan, the Group issues an environmental impact declaration for the quantity of its solid, hazardous and non-hazardous waste. The Group collects and sorts waste, which is then transferred for:

- third-party disposal by specialised companies (hazardous – waste oil, used filters, rechargeable batteries, worn tires, scrap metal, residues of solvents, paintwork materials, aggressive liquids, used mercury-containing lamps, etc.)
- waste dumping (solid waste)
- scrap metal, paper waste and PET recycling.

Air Astana Integrated Report 2023

Link to strategy: Growth, Efficiency, Excellence

Risk impact level: Very high, High, Moderate, Low

Risk exposure trend: Increase, Decrease, No change

SERVICE QUALITY

Description of risk

A high level of service standards is at the core of the Group's activities. Failure to provide high-quality services could lead to damage to the Group's reputation along with the loss of customers and a reduction in the Air Astana and FlyArystan Skytrax ratings.

Link to strategy

Growth, Excellence

Risk impact level

Moderate

Risk exposure trend

↔

Mitigation actions

Both Group airlines are committed to delivering an exceptional end-to-end travel experience for their customers. 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.
Employees undergo extensive training to instil high service levels that meet Group standards.

Through data analysis, the Group is able to efficiently analyse customer feedback and determine how customer satisfaction scores are impacted by product and service changes across different stages of travel.

CREDIT

Description of risk

The Group is exposed to credit risk, whereby a counterparty could cause financial loss to the business by failing to fulfil its obligation. The Group's credit risk mainly arises from deposits with banks and a financial institutions, those held by counterparties, receivables from agents selling commercial air transportation as well as other receivables. The Group uses external ratings such as S&P Global Ratings (S&P) or its equivalent in order to measure and monitor its credit risk exposures toward financial institutions.

The default of a bank counterparty may adversely affect the Group's financial performance and stability. Due to macroeconomic uncertainty and instability in the banking sector, the probability of the risk was increased in order to pay more attention to mitigating the credit risk.

Link to strategy

Growth

Risk impact level

High

Risk exposure trend

↑

Mitigation actions

The Group'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 forecasted 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, the Group has policies and stringent procedures in place, which are regularly implemented and updated as necessary.

The Group's Travel Agent Ticketing Authority Policy establishes guidelines and criteria for authorising travel agents to issue tickets. With this robust policy, the Group can ensure that authorised agents have a sound financial standing and adhere to specific standards, which reduces the likelihood of defaults.

Prepayments and cash deposits are required from direct agents, which adds an additional layer of security and ensures that a financial guarantee is in place, reducing the impact of defaults or delayed payments.

LIQUIDITY

Description of risk

Liquidity risk is one whereby the Group may not be able to meet its present and future short-term cash obligations when they fall due. The Group retains financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

Link to strategy

Growth

Risk impact level

Moderate

Risk exposure trend

↔

Mitigation actions

The Group closely monitors its liquidity position via different ratios (current ratio, cash to sales ratio) and continually seeks opportunities to obtain banking and other available products with the most favourable conditions.

JET FUEL

Description of risk

Fuel expenses are one of the major costs for the Company and, along with the whole industry, Air Astana is exposed to risks related to the high volatility of fuel prices and related costs.

While fuel prices have moderated in 2023, they remain at elevated levels. During 2023, the demand for oil recovered, but sanctions on Russian oil arising from the Russian-Ukraine conflict affected oil supplies.

As a consequence, jet fuel risk remains one of the most critical risks for the Company.

Link to strategy

Growth

Risk impact level

Very high

Risk exposure trend

↔

Mitigation actions

For locally sourced fuel, the Group negotiates prices on a competitive basis with Kazakhstani suppliers with agreed and stable contracts. The Group also maintains ongoing negotiations with suppliers regarding price reductions. Another important aspect is the Group's monitoring of alternative suppliers for domestic and international stations. Where there are no restrictions, the Group also applies a fuel surcharge on international routes as an additional tool for reducing risk.

To reduce its overall consumption of fuel, the Group 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 pilot training programmes include skills for efficient fuel management.

The Group has partially hedged its international fuel uplift exposure for 2023. This is aimed at reducing fluctuations in fuel prices.

Link to strategy			Risk impact level				Risk exposure trend		
Growth	Efficiency	Excellence	Very high	High	Moderate	Low	Increase	Decrease	No change

OPERATIONAL

Description of risk

Risks that the Group could incur losses as a result of ineffective operation activities (i.e. excess or shortage of operating fleet, low on-time performance or pilot shortage risk).

Link to strategy: Growth, Efficiency

Risk impact level: Moderate

Risk exposure trend: ↔

Mitigation actions

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 Group undertakes regular delay analysis and delay meetings.

The Group 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.

Due to external engine issues, the Group pays more attention to the fleet size risk. To manage the risks, the Company delivers and redelivers aircraft in accordance with an approved fleet plan and based on the market situation.

CYBER AND INFORMATION SECURITY

Description of risk

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.

Link to strategy: Excellence

Risk impact level: Moderate

Risk exposure trend: ↔

Mitigation actions

To manage these risks, the Group has robust cyber-security measures in place. The Group 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.

(part of ESG risks)

IT INFRASTRUCTURE FAILURE

Description of risk

The core processes of the Group are dependent on IT services and infrastructure.

Therefore, effective and resilient IT management is essential to the Company.

Link to strategy: Growth, Efficiency

Risk impact level: Moderate

Risk exposure trend: ↔

Mitigation actions

To mitigate this risk, the Group 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 Group 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 Group's resilience to internal and external risk factors.

IT infrastructure is fully geared to support business continuity within the best possible limits with redundancy and backup systems in place.

COMPLIANCE

Description of risk

Facing regulatory non-compliance, including sanctions breaches, alongside risks of corruption, fraud, and unethical behaviour, represents a risk for the Company. These issues can result in legal penalties, financial losses and reputational harm, underscoring the need for stringent compliance frameworks and ethical governance.

Link to strategy: Excellence

Risk impact level: High

Risk exposure trend: ↔

Mitigation actions

The Group effectively manages risks related to non-compliance, sanctions breaches, and unethical behaviour through a robust Compliance Management System. This includes vigilant monitoring of legislative updates, rigorous due diligence and sanctions screening of all counterparties to ensure adherence to legal and ethical standards. The system is bolstered by transparent reporting mechanisms, such as whistleblowing lines.

Comprehensive training is provided to employees focusing on corporate ethics, the prevention of conflicts of interest, sanctions and compliance issues. Through these measures, along with continuous monitoring and improvement processes, the Group not only addresses potential and actual compliance risks but also reinforces its commitment to upholding high standards of integrity and ethical conduct, and safeguarding its reputation and operational success.

Managing climate-related risks

Air Astana Group remains committed to addressing climate-related risks and fostering sustainable practices in every facet of our operations.

As we reflect on the challenges and achievements of the last year, it is evident that the imperative to manage climate risks has actually intensified. Beyond the direct impact on our operations, climate change poses multifaceted challenges with far-reaching financial, reputational and operational implications. From supply chain disruptions to the integrity of our flight operations and safety procedures, the spectrum of physical risks underscores the urgency of our efforts.

In this section, we delve into our actions to manage these risks effectively, ensuring resilience in the face of environmental uncertainty while reinforcing our dedication to responsible stewardship.

It is important to mention that ongoing efforts are being made to identify climate-related risks and enhance actions aimed at mitigating these.

We are committed to increasing our efforts to mitigate climate change risks, ensure responsible business practices, build a diverse and inclusive workforce, and give back to the people and the communities where we operate. Please refer to the TCFD section on pages 53–55 for further information.

PHYSICAL RISK	OPERATIONAL IMPACT	MITIGATION ACTIONS
Natural disasters (volcanic eruption/ash, water flood, hurricane, tornado, typhoon)	• Supply chain • Flight operation • Safety procedures • On-time performance • Customer satisfaction (service quality)	• Maintaining a list of alternative suppliers and distribution channels in regions less prone to natural disasters, reducing dependency on single-source suppliers located in high-risk areas • Searching for alternative ways of delivering goods, spare parts (rail, truck) or considering alternative suppliers located in other regions (if realised) • Providing comprehensive training programmes for employees on disaster preparedness, emergency response procedures and safety protocols to ensure a swift and coordinated response during natural disasters • Preparing a detailed plan for all departments immediately after the event; exploring possible scenarios; supplying detailed information from station managers to the Control Centre to enable the right decisions to be taken; informing flight dispatch and the crew about any dangerous areas • Conducting post-event evaluations and debriefings following natural disasters to assess the effectiveness of mitigation measures and identify areas for improvement
Fog, smog, sandstorm	• Flight operation • On-time performance • Customer satisfaction (service quality)	• Monitoring of Meteorological Aerodrome Reports/Terminal Aerodrome Forecast • Detaining crew at hotel/home to minimise disruption to flight duty periods in case of unsuitable visibility • Delaying flight with captain coordination to avoid flight diversion • Consulting with airport weather service. • Departure of flights according to weather conditions with probable delays with reference to the Terminal Aerodrome Forecast. • Equipping aircraft with state-of-the-art navigation and visibility systems to improve pilot situational awareness and visibility during low-visibility conditions
Snow, ice (unsuitable runway surface)	• Flight operation • Safety procedures • On-time performance • Customer satisfaction (service quality)	• Monitoring of Global Reporting Format (GRF) and its updates • Detaining crew at hotel/home to minimise disruption to flight duty periods in case of unsuitable runway surface conditions • 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 • Delaying flight with captain co-ordination to avoid flight diversion • Implementing de-icing and anti-icing procedures for aircraft to prevent the accumulation of snow and ice, ensuring safe takeoff and landing operations • 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 • Safety procedures	• Monitoring of Meteorological Aerodrome Reports • Requesting calculation from Flight Dispatch for aircraft performance • Reviewing restrictions for high outside air temperatures • Considering aircraft type change; adding additional landing for refuelling; minimising payload; delaying flight until temperature drops down

Insurance

We also employ insurance as part of our suite of risk management tools since this enables us to share some risks with 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.

Continued governance resilience

Dear shareholders, our recent successful listing on three stock exchanges will inevitably increase visibility and attract investors' attention to our business. In this regard, I would like to assure you that the focus on integrity and compliance across every aspect of the Group's corporate governance remains our priority.

Nurlan Zhakupov
Chairman of the Board of Directors

Resilience built on strong governance

Air Astana Group's ability to deliver long-term success is dependent on a number of unwavering principles. Central to this is the adherence to international and best practice standards for corporate governance. We have our own Corporate Governance Code (the Code), that was developed in accordance with the UK Corporate governance Code, Astana International Financial Centre Market Rules and Air Astana JSC Charter.

The Code is supported by robust governance practices and our Board of 9 members includes 4 Independent Non-Executive Directors, who bring both expertise and objectivity to the table. In its oversight of the integrity and compliance of the business, the Board is backed by an exemplary senior management team with an average of 15 years' tenure with the Group and joint experience of over 32 years in the industry. Added to this, the Group is instilled with a strong set of corporate values and achieving excellence at all levels.

Board changes and succession

During the year, there were a number of changes to the representation of National Welfare Fund Samruk-Kazyna JSC on the Air Astana JSC Board of Directors. More details about the Board changes can be found on page 84 of the corporate governance report.

The composition of the other members of the Board remained largely unchanged and this continuity provides the Board with the experience and knowledge of the business: 66% of the Board has over 4 years of being immersed in the oversight of the Group's operational and financial activities. An external evaluation of Board performance was undertaken in early 2023 by Nestor Advisors Ltd, a London-based corporate governance advisory firm, and reported on in full in last year's Integrated Report.

The report commented 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.

It made a number of recommendations for the future including the Board adopting a more strategic approach to planning its oversight responsibilities and Director development as part of its work throughout the year. It also proposed the development of a formalised succession planning process for both senior executives and the Board. These and other recommendations have been implemented during the course of the year.

Statement of compliance with applicable corporate governance codes

The Company complies with the Corporate Governance Code approved by the shareholders in 2019. The Code is based on Kazakhstan law and aligned with the UK Corporate Governance Code.

The Code is aligned with the principles and standards of the AIFC Market Rules and adopts certain principles from the UK Corporate Governance Code. Some standards of the Code present more granular guidance than that provided by the AIFC Market Rules and UK Corporate Governance Code, particularly as they account for the legal framework of the Republic of Kazakhstan that governs the corporate affairs of the Company. By way of guidance, the standards within the AIFC Market Rules set out best practice standards relevant to each of the corporate governance principles and are subject to a comply-or-explain disclosure requirement. Other than as set out in the following paragraph, the standards adopted in the Code adopt or, in some cases exceed, the threshold requirements presented by the AIFC Market Rules.

Air Astana JSC acknowledges that Standard 20 of the AIFC Market Rules recommends that the Chairman of a Board of Directors meet the criteria for independence. However, as set out in the Charter and as adopted by principle 2.5 of the Code, the largest shareholder of the Company, from time to time, is entitled to appoint as Chair any Director as a representative of such shareholder, provided always that, at the time of appointment, such shareholder holds at least 30% of the share capital of the Company. In accordance with such provisions, National Welfare Fund Samruk-Kazyna JSC, as the largest shareholder at the date of this report, and holding on such date at least 30% of the share capital of the Company, has appointed Mr. Zhakupov, a representative of National Welfare Fund Samruk-Kazyna JSC, as Chairman. Mr. Zhakupov does not meet the criteria of independence.

While the Integrated Report covers the Air Astana Group's activities in 2023, the Group's IPO in early 2024 took place before this went to print and, since then, some changes have been instigated that already have a bearing on the Group's corporate structure and governance. We have felt it prudent to flag the most relevant of these throughout the corporate governance section.

In 2023, the Board agreed to obtain a separate Air Operator Certificate (AOC) for FlyArystan and in September reached a number of decisions about its future: FlyArystan became a separate legal entity, 100% owned by Air Astana, and renamed FlyArystan JSC; a separate Charter for FlyArystan was approved; the President and members of the FlyArystan JSC Board of Directors were elected. FlyArystan is now in the process of obtaining its own AOC and, in the meantime, a corporate governance framework is being developed in line with legal requirements.

ALIGNMENT WITH SECTIONS OF THE 2018 UK CORPORATE GOVERNANCE CODE

Board leadership and Company purpose
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 p. 90

Division of responsibilities
Information on the governance framework of the Company.
Read more on p. 94

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 p. 96

Audit, risk and internal control
Overview of the framework for oversight of the Company'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 p. 100

Remuneration
Report from the Nomination and Remuneration Committee on overseeing the Company's Remuneration Policies and practices, performance outcomes and annual report on remuneration.
Read more on p. 103

Confident leadership

Key:
- A Audit Committee
- E ESG Committee
- N Nomination and Remuneration Committee
- S Strategic Planning Committee
- T Treasury Committee

NURLAN ZHAKUPOV N

Chairman of the Board of Directors, representative of the shareholder National Welfare Fund Samruk-Kazyna JSC

Appointed: December 2023

Qualifications and experience

Nurlan Zhakupov graduated from Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the Russian Federation: Candidate of economic sciences; Master of Economics and Bachelor of Economics (International Economic Relations Department).

Prior to his appointment as the CEO of National Welfare Fund Samruk-Kazyna JSC in April 2023, Mr. Zhakupov served in a variety of management and senior management positions. He held the post of the Chief Executive Officer of Kazakhstan Investment Development Fund Management Company Ltd, representative of Rothschild & Co in Kazakhstan, Chief Executive Officer of JSC SEC ASTANA, Managing Director for Development and Investment and member of the Management Board at NAC Kazatomprom JSC. He previously held various managerial positions in finance in Royal Bank of Scotland, UBS BANK, Head of Astana office, National Mining Company Tau-Ken Samruk, Credit Suisse, Research, Investment and Development Ltd, Chambishi Metals Plc, Eurasian Industrial Association.

Other appointments

Chief Executive Officer of National Welfare Fund Samruk-Kazyna JSC

Does not hold any shares in Air Astana.

AIDAR RYSKULOV E S T

Non-Executive Director, representative of the shareholder National Welfare Fund Samruk-Kazyna JSC

Appointed: September 2023

Qualifications and experience

Aidar Ryskulov holds Master of Business Administration degree from Nazarbayev University (Executive MBA). He is a graduate of Karaganda State University (named after E.A. Buketov) majoring in finance and credit. He has held senior positions in finance for more than 20 years. He was a member of the Board of Directors in various companies and banks, including Sekerbank T.A.S. (Turkey), Development Bank of Kazakhstan, Investment Fund of Kazakhstan, Kazexportgarant, Alliance Bank and Samruk-Kazyna Finance.

Other appointments

Managing Director for Economics and Finance of Samruk-Kazyna JSC; Chairman of the Board of Directors of QAZAQ AIR JSC; Member of the Board of Directors of National Company Kazakhstan TemirZholy JSC.

Does not hold any shares in Air Astana.

MYLES WESTCOTT N S

Non-Executive Director, representative of the shareholder BAE Systems (Kazakhstan) Limited

Appointed: March 2018

Qualifications and experience

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

Other appointments

Group Financial Controller for BAE Systems.

Does not hold any shares in Air Astana.

SIMON WOOD E T

Non-Executive Director, representative of the shareholder BAE Systems (Kazakhstan) Limited

Appointed: January 2019

Qualifications and experience

Simon Wood joined BAE Systems in 1996 and 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.

Does not hold any shares in Air Astana.

PETER FOSTER

Chief Executive Officer of Air Astana JSC

Appointed: August 2019

Qualifications and experience

Peter Foster entered the airline industry immediately after graduating from Cambridge University in 1982, as a management trainee of John Swire and Sons (HK) Ltd, the owners of Cathay Pacific Airways Ltd. From 1982 to 1999 he served in a variety of management and senior management positions with Cathay Pacific Airways in Hong Kong, Asia, Australia and Europe, and underwent business management training at INSEAD, France. Mr. Foster left Cathay Pacific Airways in 1999 to head up the rehabilitation team of Philippine Airlines Inc. He subsequently served as Chief Executive Officer of Royal Brunei Airlines from 2002 to 2005 prior to his appointment as the CEO 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

Chairman of the Board of Directors of FlyArystan JSC.

Does not hold any shares in Air Astana.

KEITH GAEBEL A T

Non-Executive Independent Director

Appointed: March 2020

Qualifications and experience

Keith Gaebel is a leading expert in financial reporting and corporate governance.
During his 25 years' experience with large international chartered accounting firms, Mr. Gaebel held various positions including the Head of the Financial Reporting Group (FRG) for the Commonwealth of Independent States (PricewaterhouseCoopers – 2000 to 2004; Ernst & Young – 2004 to 2008) and was a Global Authority on various International Financial Reporting Standards. In addition, as a recognised world-class expert, he was involved in the development of 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

Independent director in National Payment Corporation of the National Bank of the Republic of Kazakhstan JSC.

Does not hold any shares in Air Astana.

Air Astana Integrated Report 2023

Key: (A) Audit Committee (E) ESG Committee (N) Nomination and Remuneration Committee (S) Strategic Planning Committee (T) Treasury Committee

YELDAR ABDRAZAKOV (A) (E) (N)

Non-Executive Independent Director

Appointed: March 2020

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 of Directors of ForteBank JSC; Member of the Board of Directors of KASE.

Does not hold any shares in Air Astana.

JANET HECKMAN (A) (E) (N) (S)

Non-Executive Independent Director

Appointed: January 2019

Qualifications and experience

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

Other appointments

Non-executive independent director – member of the Board of Directors of Astana International Exchange (AIX); Non-executive independent director – member of the Supervisory Board of TBC Bank (Georgia) PLC; Non-executive independent director – member of the Board of Directors of Citibank Kazakhstan JSC.

Does not hold any shares in Air Astana.

GARRY KINGSHOTT (N) (S)

Non-Executive Independent Director

Appointed: August 2019

Qualifications and experience

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

Mr. Kingshott is a member of the Australian Institute of Company Directors (MAICD).

Other appointments

None.

Does not hold any shares in Air Astana.

BOARD CHANGES IN 2023

Nurzhan Baidauletov stepped down as Chairman of the Board on 12 September 2023 and Aidar Ryskulov was elected as Chairman of the Board on behalf of the National Welfare Fund Samruk-Kazyna JSC in his place.

With effect from 11 December 2023, Mr. Ryskulov was replaced as Chairman of the Board by Nurlan Zhakupov (representing Samruk-Kazyna JSC). Mr. Ryskulov remains a member of the Board and sits on the Treasury, ESG and Strategic Planning Committees.

Yerhar Zhanadil, a member of the Board of Directors (representing Samruk-Kazyna JSC), stepped down on 5 September 2023. Saltanat Satzhan, a member of the Board of Directors (representing Samruk-Kazyna JSC) was elected on 5 September 2023 and stepped down on 11 December 2023.

Following the IPO, members of the Board were reappointed for the next two years.

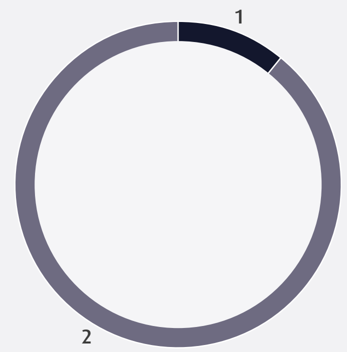
DIVERSITY RELATED DISCLOSURES

We are mindful of the requirements in relation to gender and ethnic diversity of the Board of Directors. As mentioned in the Company's Prospectus, Samruk-Kazyna JSC and BAE Systems Limited entered into the Voting Agreement with respect to their Shares. In such agreement, inter alia, Samruk-Kazyna JSC and BAE Systems Limited have agreed on ensuring the continued representation of Samruk-Kazyna by two Directors until the later of the second anniversary of completion of the Offering and the second annual General Shareholders Meeting to be held following completion of the Offering. On or before the end of the three-month period following completion of the Offering, BAE Systems shall cause one of its Directors to resign, and such Director shall be replaced by an independent director nominated and appointed in accordance with the Charter. Current Directors were elected for a two-year term expiring in 2026. Diversity of the Board of Directors is a priority for the Nomination and Remuneration Committee. The Company includes Diversity of the Board of Directors as a mid-long term target in its ESG Strategy for 2027–2032.

DIVERSITY OF THE BOARD

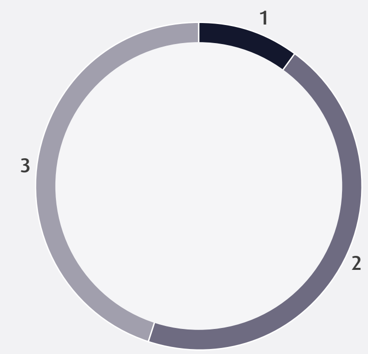
Board gender

1. Female 1
2. Male 8



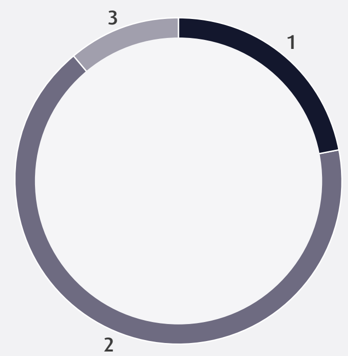
Board composition

1. Executive Directors 1
2. Non-Executive Directors 4
3. Non-Executive Independent Directors 4



Board tenure

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



BOARD MEETINGS ATTENDANCE IN 2023

Member	Position	Meetings attended (total 12)
Nurlan Zhakupov	Chairman of the Board, Non-Executive Director	◆◇◇◇◇◇◇◇◇◇◇◇
Aidar Ryskulov	Non-Executive Director	◆◆◆◆◆◆◆◇◇◇◇◇
Myles Westcott	Non-Executive Director	◆◆◆◆◆◆◆◆◆◆◆◆
Simon Wood	Non-Executive Director	◆◆◆◆◆◆◆◆◆◆◆◆
Peter Foster	Executive Director	◆◆◆◆◆◆◆◆◆◆◆◆
Garry Kingshott	Non-Executive Independent Director	◆◆◆◆◆◆◆◆◆◆◆◆
Janet Heckman	Non-Executive Independent Director	◆◆◆◆◆◆◆◆◆◆◆◆
Keith Gaebel	Non-Executive Independent Director	◆◆◆◆◆◆◆◆◆◆◆◆
Yeldar Abdrazakov	Non-Executive Independent Director	◆◆◆◆◆◆◆◆◆◆◆◆
Nurzhan Baidauletov[1]	Non-Executive Director	◆◆◆◆◆◇◇◇◇◇◇◇
Saltanat Satzhan[2]	Non-Executive Director	◆◆◆◆◆◆◆◇◇◇◇◇
Yernar Zhanadil[3]	Non-Executive Director	◆◆◆◆◇◇◇◇◇◇◇◇

1 Nurzhan Baidauletov stepped down from the Board of Directors on 12 September 2023.
2 Saltanat Satzhan, Member of the Board of Directors from 5 September 2023 to 11 December 2023.
3 Yerhar Zhanadil, Member of the Board of Directors until 5 September 2023.

Strong management with proven track record

IBRAHIM CANLIEL

Chief Financial Officer

Years in the Company: 20

Ibrahim Canliel has been with 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 in Economics from Marmara University, an MBA of the Bosphorus University and more recently completed the Director's Programme at Cranfield University.

FILIPPOS SIAKKAS

Chief Operating Officer

Years in the Company: 9

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.

GERHARD COETZEE

Chief Safety Compliance Officer

Years in the Company: 18

Gerhard started his career as a South African Air Force navigator completing his service in the position of Staff Officer Flight Safety responsible for 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.

PETER FOSTER

Chief Executive Officer of Air Astana JSC

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YEVGENIYA NI

Chief Human Resources Officer

Years in the Company: 22

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.

YERDAULET SHAMSHIYEV

Chief Government Relations Officer

Years in the Company: 22

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.

PIYUSH TAORI

Chief Digital and Information Officer

Years in the Company: 1

Piyush has a Bachelors' degree in Electronics Engineering and a Master's degree in Software Systems from Birla Institute of Technology & Science, Pilani in India. He joined Air Astana group as CIO for FlyArystan in August 2023 and was subsequently appointed Chief Digital and Information Officer for the Air Astana Group. Prior to joining Air Astana, Piyush worked in Middle East for Emirates Airlines, Qatar Airways and Gulf Air for well over two decades. He held different IT management and senior management roles in these airlines, heading IT at Gulf Air just before joining Air Astana. Piyush has substantial experience of leading large teams and managing large scale in-house software development, including large product development. In his previous roles, he also led large-scale digital transformation programmes, driving core modernisation of IT infrastructure and cloud migration.

DILYARA KUNKHOZHAYEVA

Vice President Procurement and Supply

Years in the Company: 18

Dilyara graduated from KIMEP University with a degree in finance and management and also holds a Master's degree in Business Administration (KIMEP University). Before joining the airline industry, Dilyara was employed in KIMEP University and in Ernst and Young, Kazakhstan. She is also a member of the Chartered Institute of Procurement and Supply based in the UK (certified MCIPS).

Dilyara started her career at Air Astana in 2006 and now heads the Procurement and Supply Department which is responsible for entire supply chain of the Airline, including procurement, customs and logistics and warehouse management.

KEITH WARDLE

Vice President Engineering & Maintenance

Years in the Company: 10

Mr. Wardle was born in 1967 and is a citizen of the United Kingdom. Keith's career began in 1985 with a Royal Air Force aircraft engineering apprenticeship. Following a successful military career Keith became an aircraft maintenance licensed engineer, working for BAE Systems and later DHL Express. Since 2001 Keith has worked in management roles for both passenger and cargo airlines, including management of aircraft maintenance operations and oversight of contracted maintenance for aircraft and engines, later moving into the field of engineering support. Fully conversant with aircraft maintenance and airworthiness regulation, Keith has worked in senior roles for airlines in the UK, Germany and Dubai, with assignments spanning the globe including, Alaska, Chile, Saudi Arabia, China and New Zealand. Mr. Wardle holds a First Class Honours Degree in Aerospace Engineering and MSc in Professional Engineering gained at Kingston University, London.

YERBOLAT BAISALYKOV

Senior Vice-President Revenue Management and Commercial Planning

Years in the Company: 19

Yerbolat originally joined Air Astana in June 2004 as a flight attendant. After graduating from the Eurasian National University named after L.N. Gumilyov in 2005, he began his career with the Company as a revenue management analyst and further qualified with a degree in Economics from the Karaganda Economic University in 2008. Between 2005 and 2011, Yerbolat held various positions in the Revenue Management department. From 2011 to 2014, he headed up the airline's representative office in the Republic of Azerbaijan. In September 2014, he was appointed manager of the Revenue Management department and, in January 2016, he was promoted to Director of Revenue Management. He also holds an MBA in Aviation from Toulouse Business School.

BELLA TORMYSHEVA

Vice President, Corporate Communications

Years in the Company: 16

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.

ZHANAR NAIZABEKOVA

General Legal Counsel, Vice President Legal Affairs

Years in the Company: 5

Zhanar joined Air Astana in 2019 as a Legal Director and later served as general Legal Counsel/VP Legal Affairs of Air Astana Group. She has 23 years of legal experience in various areas, including oil and gas, telecommunications and more than 12 years in transport. Her areas of expertise include mediation and dispute resolution in civil and corporate law, mergers and acquisitions, transport, anti-monopoly, commercial, bankruptcy, labour, insurance and intellectual property law. Zhanar holds a Bachelor's degree and LLM in anti-monopoly law from the Kazakh State Law University (Kazakhstan).

Zhanar is a member of the Board of the Kazlogistics Union, member of various working groups on discussion and amendments to the legislation and regularly takes part in professional conferences as a speaker.

YULIYA LIM

Chief Compliance and Sustainability Officer

Years in the Company: 12

Yuliya has more than 17 years' experience, in both external and internal auditing, having started her career in one of the Big 4 accountancy firms, specialising in banks (including the National Bank of the RK) and other financial institutions. In her role as Chief Compliance and Sustainability Officer, Yuliya is responsible for all matters related to compliance (anti-corruption, sanctions, ethics), economic security, ESG and data privacy practices within Air Astana, ensuring its continued growth and excellence.

Yuliya graduated from Kazakhstani Institute of Management, Economics and Strategic Research (KIMEP) with an BA and MA in Economics. She is in the process of completing an MBA in Aviation Management at Danube University Krems (Austria). She holds a fellowship certificate from the Association of Chartered Certified Accountants (FCCA) and recently completed the Leadership Programme as a part of executive training at Henley Business School (UK).

In September 2023, she became the Subject Matter Expert at KZ Compliance Association, contributing her substantial expertise to the vibrant compliance community in Kazakhstan and other neighbouring countries. Apart from this, she is a frequent speaker at various forums and conferences.

Air Astana Integrated Report 2023

Board leadership and Company purpose

The role of the Board

The principles of the Air Astana Corporate Governance Code (the Code) form the basis on which the Company operates a safe, sustainable and successful business in order to generate long-term value for its shareholder. Responsibility for upholding these principles, allied with a watching brief of all risks and internal controls, lies with the Board of Directors. Day-to-day management of the business is delegated to the CEO whose activity is supported by the executive team.

The principles of the Code are embedded in Air Astana JSC's corporate governance framework and this serves as an aid to achieving the Company's aims. 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 approval of the long-term development strategy, as well as monitoring implementation of the approved strategy.

Performance

Preliminary approval of the annual financial statements of the Company or financial statements for other relevant periods and endorsing the Annual Report on the performance of the Board of Directors, as well as approving the Annual Report of the Company.

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.

Conflicts of interest

There are no potential conflicts of interest between the duties of any Director or senior management and the Company in terms of their private interests and/or other duties, except for those set out below. Neither are there any arrangements or understandings with the shareholders, customers, suppliers or others that influenced the selection of any Director or senior management.

Each of the members of the Board of Directors has a statutory duty to perform his or her duties in good faith, act in the best interests of the Company and shareholders and maintain confidentiality of all information on the Company's activities, including for three years from ceasing to be a member. Members are also required to monitor and, to the extent possible, eliminate potential conflicts of interest, including with respect to the unlawful use of the Company's assets and their misuse in transactions with related parties.

In this connection, the members of the Board of Directors are under an obligation to disclose information with respect to persons with whom they are affiliated. Under the JSC Law, transactions with related parties require the approval of the Board or shareholders where the relevant member, if related or affiliated to the related counterpart to the transaction, would be prevented from voting in such decision-making process.

Nurlan Zhakupov and Aidar Ryskulov have been nominated for appointment to the Board of Directors as representatives of the National Welfare Fund Samruk-Kazyna JSC. Samruk-Kazyna JSC may from time to time acquire and hold interests in businesses that compete directly or indirectly with Air Astana JSC or with which Air Astana JSC conducts business. As at the date of this report, Aidar Ryskulov is appointed as chair of the board of directors of Qazaq Air Joint Stock Company.

In the event of any transactional conflict that arises between any duties to Air Astana JSC and his other duties, or may possibly arise, the Company is required to procure that the transaction be authorised in accordance with the JSC Law and the Charter without his involvement.

There are no family relationships between any of the Directors and/or Senior Managers.

Our purpose, values and culture

For over 20 years, Air Astana has been key to opening up Kazakhstan to the world and vice versa through its flight connections with its major neighbours in Europe. Launching FlyArystan in 2019 to promote flights across the world's largest landlocked country has not only increased mobility by significantly reducing travelling times but created closer links between communities. This has in turn has bolstered economic growth by enabling new employment opportunities through emerging small businesses and infrastructure development through the opening and expansion of local airports. With a strong position in Kazakhstan's domestic market and in the neighbouring Central Asia and Caucus regions, the Group is now looking to expand international flights within these mega markets.

We believe that our focus on excellence will be the major driver to positioning ourselves as one of the finest airline groups in the world. It is one of the pillars on which we have also built our status as a major economic and social enabler within Kazakhstan. This is also true for our employees for whom we have created a positive work environment through our corporate values and a culture of recognition. Our business ethos is embedded throughout with our commitment to our HEART and CHARM values, which that rewards and provides equal opportunities at every level.

Leading by example, our senior management promote our strategy, values and beliefs across the business to ensure that our employees are fully engaged with and positive about the Group's vision for the future.

To fully understand their perceptions, we actively seek their opinions and gauge their responses through a number of different channels, including employee engagement and pulse surveys, measures of health, safety and well-being as well as diversity indicators. Air Astana was, for example, the first business in Kazakhstan to introduce an internal pension programme, which was well received and is a factor in retaining talent. The Board plays an important role in monitoring the results of engagement surveys and regular compliance reviews as part of its remit.

OUR PURPOSE

Connecting Kazakhstan and the rest of Eurasia with **true Kazakh hospitality**

OUR STRATEGY

Growth | Efficiency | Excellence

OUR VALUES

Air Astana's HEART values: Hospitable, Efficient, Active, Reliable, Trustworthy

FlyArystan's CHARM values: Creative, Happy, Agile, Reliable, Modern

OUR CULTURE

Our corporate culture reflects our core values and ambitions, as well as our commitment to all our stakeholders. **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.

How the Board considers stakeholders' interests

The direction, management, performance and sustainability of the business all contribute to the Company realising its long-term success. The responsibility for overseeing and setting the Company's strategy and objectives falls within the remit of the Board. It also needs to understand and take account of the interests of its stakeholders in all Boardroom decision-making to factor in the potential impacts on each group.

Relations with shareholders

Delivering on our financial obligations to our shareholders is key to fostering good relationships with them. Major shareholder representatives sit on the Board of Directors and are kept up to date with the Company's affairs in order to make a meaningful contribution to all strategic decision-making. The Chair of the Board of Directors has effective channels in place to ensure that any shareholder concerns or issues are properly addressed.

Share ownership

During the preparation of the Integrated Report, the Air Astana Group floated on three stock exchanges. Achieving this also required the restructuring of the overall share ownership.

As of the end of 2023, Air Astana Group was 51% owned by the National Welfare Fund Samruk-Kazyna JSC, which was established to improve the competitiveness and stability of the national economy and to mitigate external risks to domestic economic growth.

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, owned 49% of Air Astana.

To facilitate the IPO offering in early 2024, National Welfare Fund Samruk-Kazyna JSC and BAE Systems (Kazakhstan) Limited decreased their shares from 51% and 49% to 41% and 17%, respectively, with the remaining shares available for trading on the open market.

Dialogue with shareholders

The Company actively engages with shareholders to engender dialogue and feedback. The Independent Directors on the Board are tasked with ensuring that all stakeholder interests are taken into account in decision-making, having ascertained any concerns or queries independent of the shareholders and executive team.

Constructive use of the General Meeting of shareholders

The General Meeting of shareholders is the highest governing body of the Company which has the authority to make decisions on major issues concerning the Company's activities. Its functions and activities are defined by the legislation of the Republic of Kazakhstan, the provisions of the Charter and internal documents. The Board of Directors cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of an extraordinary Meeting of shareholders convened upon request of a Major Shareholder. However, the Board of Directors may include additional items onto the agenda at its own discretion, subject to further approval of the General Meeting of Shareholders.

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

Employee engagement

We are the leading employer in Kazakhstan, employing 6,499 people across all our operations. We recognise that the success of our business relies on the dedication and skill of our employees.

The Air Astana Group continually engages with employees through various initiatives, including employee pulse surveys, regular communications from the Chief Executive Officer and conferences held offline and streamed via YouTube. To measure labour relations, the Group partners with Gallup to conduct Employee Social Stability Index surveys bi-annually.

In response to the results of the Air Astana Group's various employee engagement initiatives and the highest rate of inflation in Kazakhstan for 12 years, the Group increased salaries for the majority of employees in 2022 and 2023. Employee engagement was 4.13, 4.10 and 3.85 out of five for 2023, 2022 and 2021.

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

The Air Astana Group believes that, by pursuing its corporate HEART values for Air Astana and CHARM values for FlyArystan, it has created a positive work environment for its employees. It promotes a culture of recognition, with a focus on training and development, and provides equal opportunities to ensure that it retains its employees and attracts new talent.

Board activities in 2023

AREAS OF FOCUS	TOPICS DISCUSSED
Strategy	• Preliminary approval of the Business Plan (Development Plan) for 2023–2027 • Approval of the ESG Strategy for 2023–2032 and the Plan of initiatives (short-, mid-, long-term) aimed at the achievement of goals and objectives set up in the ESG Strategy of Air Astana JSC
Risk management	• Approval of the Risk Map and Risk Register on a quarterly basis • Quarterly reports on the realised risks • Report on internal analysis of corruption risks for 2022
Operations and finance	• Reports on the results of financial and operational activity of the Company • Regular reports: cash forecast update, update on status of IPO preparation, operational safety review • Proposals from the CEO regarding the operating leases and major transactions • Approval of the decisions of the CEO of Air Astana JSC on opening of bank accounts • Quarterly treasury reports on placed deposits and bank exposure • Annual banks review • Approval of the credit limits for the accredited banks and inclusion of banks in the list of accredited banks • Extending the tenor of the unsecured revolving credit line • Preliminary approval of the annual consolidated financial statements of the Company for 2023 • Matters related to determining the amount of payment to the external auditor • Approval of amendments to policies, including the special procurement procedure of the Company and organisations with 50% or more of voting shares (participatory interests) directly or indirectly owned by the Company under the right of ownership or trust, the Cash Management, Bank Risk and Treasury Reporting Policy, Data Privacy Policy and Code of Conduct
Governance and compliance	• Approval of the annual report on the activities of the Board of Directors and its Committees • Approval of the Board of Directors' and its Committees' activity plans and schedule of meetings • Reports on Hotline messages and internal investigations. • Report on compliance matters for 2023 • Reports on the activities of the Internal Audit Service • Matters related to the Internal Audit Service: internal documents regulating their activity, performance appraisal, changes in the staff and remuneration • Preliminarily approval of the amended Regulations of the Audit Committee of the Board of Directors • Report on the external evaluation of the effectiveness of the Board of Directors • Matters related to the terms of the payment of IPO Bonus to the CEO of Air Astana JSC
People	• Considering the Nomination and Remuneration Committee's recommendations with regards to salary changes, determination of the terms of payment and amount of payment of the bonuses to the employees of the Company whose remuneration shall be determined by the Board of Directors (the CEO, the Head and employees of the Internal Audit Service, Chief Accountant and Corporate Secretary of the Company).
Matters related to subsidiaries (FlyArystan JSC)	• Agreeing with the proposal of the CEO of Air Astana JSC regarding acquiring a separate AOC for the low-cost airline of the Company (FlyArystan) • Changing the corporate name of Aviation Company 'Air Kazakhstan' JSC to FlyArystan Joint-Stock Company • Approval of the Charter of FlyArystan JSC • Election of the CEO of FlyArystan JSC • Board of Directors of FlyArystan JSC: determining the number of members and the terms of office, electing members of the Board of Directors • Placement of the shares of FlyArystan JSC • Operating leases and major transactions

Division of responsibilities

Air Astana JSC is committed to maintaining high standards of corporate governance.

The aims of the Company's corporate governance framework are to:

- Manage with due responsibility, accountability and effectiveness in order to maximise Company and shareholder value
- Provide transparency and due disclosure of information
- Ensure the effectiveness of risk management and its internal control system.

BOARD ROLES AND RESPONSIBILITIES

Role of the Chairman

Nurlan Zhakupov

The Chairman, who is a Non-Executive Director, 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 Air Astana's CEO.

Role of other Non-Executive Directors

Myles Westcott, Simon Wood, Aidar Ryskulov

Any shareholder of the Company can nominate Non-Executive Directors to be elected by the General Meeting of shareholders, subject to compliance with the Company's Charter. These bring diverse financial and operational experience and expertise to the Board and its Committees as well as adding an external perspective and objectivity to the Board's decision-making. In addition to 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 Non-Executive 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 CEO

Peter Foster

The Chief Executive Officer sits on the Board of Directors, has responsibility for the day-to-day activity of the Company and has a legal mandate to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company.

The 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 Committees

- Strategic Planning See p. 97
- ESG See p. 98
- Treasury See p. 99
- Audit See p. 100
- Nomination and Remuneration See p. 102

Chief Executive Officer

Senior Management Team

SUPPORTING ROLES

- Corporate Secretary
- Internal Audit Service (IAS)
- Compliance and Sustainability

Role of the Corporate Secretary

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

Role of the Internal Audit Service

The Internal Audit Service provides risk-based and objective assurance, advice and insight in order to protect and enhance the value of the Company.

Role of Compliance and Sustainability

The mission of the Compliance and Sustainability Department is to assist the Company in achieving its strategic goals in accordance with the requirements of legislative, ethical and social norms (compliance) and without damage to its sustainability from a long-term perspective, taking into consideration stakeholders' expectations (sustainability).

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Composition, succession and evaluation

The process for Board nominations is led by the Nomination and Remuneration Committee, which also ensures that the Company has succession plans in place for both Board and senior management.

Board composition and independence

The Board is elected by cumulative voting at the General Meeting of shareholders unless one candidate is proposed to be elected to fill one vacancy.

Mr. Nurlan Zhakupov, Chairman of the Board since December 2023, is nominated by National Welfare Fund Samruk-Kazyna JSC. To mitigate any concerns about independence, we have four Independent Directors on the Board.

A number of changes were made to the composition of the Board and its Committees during the year. In making these changes, the Nomination and Remuneration Committee and Board took into account various considerations including Board diversity, independence and the combination of skills, knowledge and experience of the Directors. More details on the Board changes can be found on page 84.

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

According to the Code, the activities of the Board of Directors are subject to an external independent evaluation every three years. 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.

In subsequent years 2024–2025, the Board will undertake a self-assessment that will also assist in monitoring of the implementation of the recommendations and any improvements.

Board induction and training

In accordance with the approved Induction Programme, within the first six months of their appointment, newly appointed Directors undergo an onboarding programme. This has been developed in order to bring them up to speed quickly about Air Astana JSC 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. Aidar Ryskulov and Saltanat Satzhan underwent the induction process, which included familiarisation with corporate policies and procedures. A dedicated induction session was arranged at Air Astana's offices, where they got a chance to meet with key management who gave an overview of the Company's business and plans.

Information and support

The Chairman of the Board is responsible for ensuring the timely receipt by the Directors of accurate, clear and relevant information needed to enable them to perform their duties.

The Senior Management Team and 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.

Re-election

The term of office for each member of the Board of Directors is determined by the General Shareholders' Meeting, but should not be for less than for 2 years. Once elected, there is no limit to the number of times that members may be re-elected to the Board of Directors. The effectiveness and commitment of each Board member are also reviewed in order to 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.

Following the IPO in 2024, Board members were re-appointed for the term of two years.

Strategic Planning Committee

GARRY KINGSHOTT
Chair

ROLE AND RESPONSIBILITIES

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

The Strategic Planning Committee is responsible for:

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

COMPOSITION AND ATTENDANCE

Member	Position	Meetings attended (total 9)
Garry Kingshott	Committee Chair	◆◆◆◆◆◆◆◆◆
Myles Westcott	Non-Executive Director	◆◆◆◆◆◆◆◆◆
Janet Heckman	Non-Executive Independent Director	◆◆◆◆◆◆◆◆◆
Saltanat Satzhan[1]	Non-Executive Director	◆◆◆◆◇◇◇◇◇
Yernar Zhanadil[2]	Non-Executive Director	◆◆◆◆◆◇◇◇◇

1 Member of the Board of Directors from 5 September 2023 to 11 December 2023.
2 Member of the Board of Directors until 5 September 2023.

Main activities during 2023

During 2023, one of the Committee's major focuses was on the process of preparation of the Company to IPO. At each meeting, the Committee received an update on the status of IPO preparation and made recommendations to the Board on various related matters.

With the decision to start the process of obtaining AOC for FlyArystan, the Committee's responsibility has been extended to matters related to the Company's subsidiary, including recommendations to the Board on issues related to corporate governance and the business operations of FlyArystan.

The Committee has also been engaged in regular reviews of the Company's performance against the budget and cash forecast reports. It also made recommendations about the procedure for the distribution of the net income and payment of shareholder dividends for 2022. Looking to the future, the Committee recommended preliminary approval of the Annual Budget for 2024 and the Business Plan (Development Plan) for 2024–2028.

Priorities for 2024

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:

- Reviewing the Company's performance against budget, business plan and ten-year strategy
- Reviewing updates on the Company's cash position
- Reviewing the latest results from FlyArystan
- Considering the Annual Budget and Business Plan for the next 5-year cycle.

ESG Committee

YELDAR ABDRAZAKOV
Chair

ROLE AND RESPONSIBILITIES

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

The ESG Committee is responsible for:

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

COMPOSITION AND ATTENDANCE

Member	Position	Meetings attended (total 4)
Yeldar Abdrazakov	Committee Chair	◆◆◆◆
Aidar Ryskulov[1]	Non-Executive Director	◆◇◇◇
Simon Wood	Non-Executive Director	◆◆◆◆
Janet Heckman	Non-Executive Independent Director	◆◆◆◆
Nurzhan Baidauletov[2]	Non-Executive Director	◆◆◆◇

1 Member of the Board of Directors since 12 September 2023.
2 Chairman of the Board of Directors until 12 September 2023.

Main activities during 2023

The year started with reviewing and recommending approval of the ESG Strategy of the Company for 2023–2032 to the Board of Directors. This had been amended towards the end of the previous year to reflect changes related to an update of the SWOT analysis of the Company's ESG system, expansion of the Company's activities in relation to UN SDG 13 Climate Action and to add the roles of the management and the Board of Directors with regard to ESG. The Committee also reviewed and recommended to the Board approval of the initiatives (short-, mid-, long-term) aimed at achieving the goals and objectives set for the management and Board in the ESG Strategy in order to provide a systematic approach to managing ESG activities, which had been updated.

The Committee also considered the information on the status of the limited assurance of non-financial indicators of the Sustainability section in the Company's Integrated Annual Report 2022.

In alignment with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Air Astana has initiated a comprehensive Climate-Related Risks and Opportunities Project to identify, assess, disclose and manage the impact of climate change on Air Astana's operations and financial performance.

The Committee reviewed the report on the implementation progress of this project and welcomed all members of the Board of Directors to join them.

The Committee has also reviewed information about the ESG Communications Strategy, developed by the Corporate Communication Department, and the ESG materials published through various communication channels.

Priorities for 2024

Focus on implementation of ESG initiatives within the framework of the Company's ESG Strategy for 2023–2032, Climate-Related Risks and Opportunities Project and study on potential of production and consumption of SAF.

During 2024, we also plan to update the Low-Carbon Development Programme to align with our commitment to achieving net zero by 2050.

Treasury Committee

KEITH GAEBEL
Chair

ROLE AND RESPONSIBILITIES

The Treasury Committee assists the Board of Directors in monitoring and improving the effectiveness of risk management of the Company's treasury functions.

The Treasury Committee is responsible for:

- 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.

COMPOSITION AND ATTENDANCE

Member	Position	Meetings attended (total 4)
Keith Gaebel	Committee Chair	◆◆◆◆
Simon Wood	Non-Executive Director	◆◆◆◆
Saltanat Satzhan[1]	Non-Executive Director	◆◆◇◇
Yernar Zhanadil[2]	Non-Executive Director	◆◆◇◇

1 Member of the Board of Directors from 5 September 2023 to 11 December 2023.
2 Member of the Board of Directors until 5 September 2023.

Main activities during 2023

In 2023, 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. On a quarterly basis, the Committee received reports on the Company's placed deposits and exposure to counterparty banks to ensure compliance with the internal policies, and continued monitoring liquidity levels through regular cash forecast updates throughout the year. During the year, the Committee additionally recommended Board approval of several items related to the existing credit lines, amending the Cash Management, Bank Risk & Treasury Reporting Policy, increase in the number of accredited banks, as well as approval of the credit limits for the new accredited banks and opening new bank accounts.

Priorities for 2024

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, review of counterparty banks, accredited banks credit limits and other bank and treasury risks.

Audit Committee

KEITH GAEBEL
Chair

ROLE AND RESPONSIBILITIES

The Audit Committee supports the Board of Directors in overseeing the Company's financial and economic activities, the reliability and efficiency of internal control and risk management systems, the application of the corporate governance standards, the independence of processes related to the external and internal audit, and compliance with the laws and regulations of the Republic of Kazakhstan.

Meetings of the Audit Committee are conducted at least once a quarter. The Audit Committee is responsible for:

- 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 Internal Audit Service, Risk Management Division and Compliance and Sustainability Officer Department
- Assessing all aspects of the independence of the external auditor and the Internal Audit Service
- Developing 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
- Developing recommendations for the Board of Directors on the appointment (or termination) of employees to the Internal Audit Service
- Reviewing reports from the Company's management and external auditor on material accounting matters and decisions.

COMPOSITION AND ATTENDANCE

Member	Position	Meetings attended (total 6)
Keith Gaebel	Committee Chair	◆◆◆◆◆◆
Janet Heckman	Non-Executive Independent Director	◆◆◆◆◆◆
Yeldar Abdrazakov	Non-Executive Independent Director	◆◆◆◆◆◆

Main activities during 2023

Key matters considered by the Audit Committee:

External auditor and financial statements

- Reports of the external auditor on the results of the audit of the consolidated financial statements for the year ended 31 December 2022, for the 6 months ended 30 June 2023, for the 9 months ended 30 September 2023
- Determination of the auditing organisation performing the audit (review) of the financial statements for the year ending 31 December 2024 and for the additional scope of work related to the issuance of a Comfort Letter for the purposes of the IPO
- Review of the procedures used by Air Astana JSC for the selection of the external audit organisation in view of local legislation changes

Internal Audit Service (IAS)

- Regular reports on the activities of the IAS
- Report on the status of implementation of the Strategic Plan of the Internal Audit Service
- Changes to the 2023 Annual Audit Plan
- Changes in the Regulation of the IAS
- Amendments to the Regulations of the Audit Committee

Compliance and ethical conduct

- Report on internal analysis of corruption risks
- Reports on conflict of interests. Review of the status of automation of the processes related to familiarisation with the policy for the prevention and resolution of conflicts of interest and filling out the declaration on the presence/absence of a conflict of interest
- Regular reports on compliance matters that cover revision of compliance (corruption) risks at the corporate level, identification of corruption risks at the business process level, whistleblowing hotline, internal investigations, conflicts of interest, sanctions compliance, review and assessment of single source purchases, third-party due diligence procedure, review and assessment of candidates for the positions of CEO and CEO-1 levels
- Regular reports on messages received to the Company's whistleblowing hotline
- Amendments to the Code of Conduct, Data Privacy Policy and Sanctions Policy

Risk management and internal control

- Quarterly update of risk register and risk map
- Quarterly reports on realised risks
- Company's risk appetite

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ADDITIONAL INFORMATION

Other questions

- Update on implementation of APEX (Airline Performance Excellence)
- FlyArystan matters: annual financial statements
- Report on litigations and state inspections of the Company

Priorities for 2024

The Audit Committee will continue to focus on maintaining the integrity and quality of financial statements and ensuring that the Company prepares its financial and business reports based on the principles of transparency and accountability, completeness and reliability. The Audit Committee will continue to promote the enhancement of the Company's internal control, risk management and compliance systems.

Risk management and internal control

The Board is responsible for evaluation of the effectiveness of management's processes, for monitoring and reviewing risk management and internal control. The Board reviews the effectiveness of the internal control system during the year under the auspices of the Audit Committee. The Board of Directors regularly reviews and evaluates the overall risk management system 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 and internal control systems.

Internal audit

Leila Nik-Zade
Head of the Internal Audit Service

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 the 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 continues improving the approach and methodology of performing internal audit engagements. The IAS is agile in planning and performing internal audit engagements, aiming to carry out its responsibilities more effectively and efficiently. The IAS uses a risk-based approach in selecting internal audit engagements for the Annual Audit Plan and defining audit scope and audit procedures for internal audit engagements. The Internal Audit Manual describes in details audit processes.

The IAS fully implemented the Annual Audit Plan for 2023. In total, throughout 2023, the IAS completed 23 internal audit engagements, including tasks related to 4 areas of continuous monitoring.

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.

Compliance with the standards

In November 2022, the IAS successfully passed an external independent assessment with a final result – 'Fully conforms 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 by 100%.'

One of the key factors behind the IAS's success is the high professional level of its employees. The IAS employees continuously enhancing their knowledge and skills.

External audit

The external auditor adheres to the 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 involves a set of procedures that precede the signing of an agreement for rendering audit services per 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.

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

Nomination and Remuneration Committee

JANET HECKMAN
Chair

ROLE AND RESPONSIBILITIES

The Nomination and Remuneration Committee develops recommendations for the Board of Directors regarding the recruitment and selection 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 according to Company's Charter and the legislation of the Republic of Kazakhstan.

The Nomination and Remuneration Committee meets regularly and is responsible for:

- Development of requirements for candidate qualifications and recommendations on election or nomination for the roles of, amongst others, the Independent Non-Executive Directors and the CEO of the Company
- Development of a Succession Planning Policy
- Recommendations on the policy and structure of remuneration, including conducting comparative analyses of remuneration levels.

COMPOSITION AND ATTENDANCE

Member	Position	Meetings attended (total 7)
Janet Heckman	Committee Chair	◆◆◆◆◆◆◆
Garry Kingshott	Non-Executive Independent Director	◆◆◆◆◆◆◆
Yeldar Abdrazakov	Non-executive Independent Director	◆◆◆◆◆◆◆
Myles Westcott	Non-Executive Director	◆◆◆◆◆◆◆
Aidar Ryskulov[1]	Non-Executive Director	◆◆◇◇◇◇◇
Nurzhan Baidauletov[2]	Non-Executive Director	◆◆◆◆◆◇◇

1 Member of the Board of Directors since 12 September 2023.
2 Chairman of the Board of Directors until 12 September 2023.

Main activities during 2023

Board and Committees

The Nomination and Remuneration Committee makes recommendations regarding the composition of the Board and its Committees, as well as the remuneration and compensation of the Chairman and Independent Non-Executive Directors.

The Committee reviewed the report on the external Board assessment and the updated Board skills matrix and discussed the succession of the Board of Directors based on the skills matrix, as well as further actions.

Terminations and appointments

The Committee 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

The Committee recommended to the Board approval of the Regulations of Incentive Plans, as well as annual approvals of internal regulations within the remit of the Board. For those employees of the Company whose remuneration shall be determined by the Board/shareholders, the Committee made recommendations about changes in salaries and terms, and the amount of bonus payments. The Committee also made recommendations about the terms of the airline performance bonus for 2023 based on performance measures and weightings.

Priorities for 2024

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 2024, with special focus on matters related to the succession planning for the Board of Directors.

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 Air Astana, taking into 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 2023

In 2023, the total remuneration paid to Independent Directors and the executive body was USD 1,150,052.

DIVIDEND

We have developed Air Astana JSC Dividend Policy in accordance with the legislation of the Republic of Kazakhstan, the Company's 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 the Company's continued growth.

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

As per the guidance provided in Company's Prospectus in the near-term the Company does not expect to pay dividends. This will be reassessed in the future with a view in the mid-term to paying up to 20% of IFRS net profit of the Air Astana Group subject to growth requirements and its ability to meet leverage and liquidity ratios.

For the last three years the Group paid dividends of USD 16 million in 2023 for 2022 reporting year. The Air Astana Group is targeting a near-term dividend payment of approximately 20% of net profit.

Air Astana Integrated Report 2023

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, and the results of its consolidated operations, cash flows and changes in equity for the year then ended in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IFRS Accounting 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 Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue on 14 March 2024 by the management of the Group.

On behalf of the management of the Group:

PETER FOSTER	IBRAHIM CANLIEL	SAULE KHASSENOVA
Chief Executive Officer	Chief Financial Officer	Chief Accountant

АО «ЭЙР АСТАНА»

Almaty, Republic of Kazakhstan
14 March 2024

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 statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising material 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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report continued

TO THE SHAREHOLDERS OF JOINT STOCK COMPANY AIR ASTANA

The recognition of the passenger revenue, including accounting for customer loyalty program provision

Please refer to Note 3, paragraph 'Revenue', Note 5, paragraph 'Customer loyalty program' in the consolidated financial statements and Notes 7, 21.

The key audit matter	How the matter was addressed in our audit
The revenue of the Group is mainly represented by passenger revenue which is recognised when the transportation services are provided to customers. In addition, the Group recognises contract liabilities for customer loyalty programs in its consolidated financial statements that relate to points granted to participants of the Nomad club program. Revenue is recognised when the points are redeemed by a customer and the underlying performance obligation relating to the redeemed points is fulfilled. The transaction price is allocated between the transportation service and the award provided based on their stand-alone selling prices. The accounting for these loyalty programs involves significant judgment and estimates, particularly for estimation of the deferred revenue associated with the points awarded and the timing and amount of revenue recognition for redeemed points. Total passenger revenue for 2023 amounted to USD 1,143,596 thousand and customer loyalty program provision as at 31 December 2023 amounted to USD 11,928 thousand. The recognition of the passenger revenue, including the recognition of contract liabilities for customer loyalty programs, involves a significant risk of material misstatement and is, therefore, considered as a key audit matter in our audit, since the estimates and assumptions of the management have a significant effect on the recognition and estimation of these items, which are significant in terms of the amount. We considered fraudulent revenue recognition to be a key audit matter as passenger revenue is one of the Group's key performance indicators and management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records.	Our approach to address the matter included, among other, the following procedures: • Testing and evaluating design, implementation and operating effectiveness of internal controls related to revenue recognition, specifically: – Testing controls related to transfer of data between relevant IT systems that management uses to recognise revenue; – For the IT systems or processes that are outsourced to third party service providers, assessing Type 2 SOC 1 reports attesting the appropriateness and effectiveness of the internal control systems established by the service providers. • Testing and evaluating design, implementation and operating effectiveness of internal controls over the tracking and accounting of points awarded and redeemed within IT systems that management uses to initially accrue and subsequently redeem points, including controls over the estimation processes for deferred revenue. • Assessment of the methodologies used by management to estimate the fair value of the points awarded and the expected redemption rate. • Testing consistency and mathematical accuracy of the method and assumptions used in calculation of frequent flyer program liabilities. • Reconciliation of points awarded and redeemed during the year to the underlying IT systems. Assessment of the expected usage rate and stand alone selling price of points against historical experience, and recent trends, analysing historical redemption patterns and comparison with industry benchmarks. • Assessment of the appropriateness of high risk manual journal entries and evaluation of business rationale of the transactions, including inspection of supporting documents. • Testing, on a sample basis, passenger revenue transactions by inspecting the supporting documents. • Assessment of the Group's disclosures for the consistency with the requirements of IFRS Accounting Standards, including critical accounting judgments and key sources of estimation uncertainty.

The recognition of provision for aircraft under lease agreements without transfer of title

Please refer to Note 3, paragraph 'Provisions' and Note 22 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
For aircraft under lease agreements without transfer of title, the Group is contractually committed to either return the aircraft in a specified condition or to compensate the lessor based on the actual condition of the aircraft and its major components upon return. Provision is made for the expected cost associated with these contractual return conditions. In addition, 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. At each reporting date, the estimation of the maintenance provision includes a number of variable factors and assumptions, including anticipated utilization of each aircraft; the expected cost of maintenance activities and the time it is expected to occur; the condition of the aircraft; and the lifespan of life-limited parts. Management has engaged an expert to assist in estimating the timing and cost of expected engine maintenance activities. We have identified this as a key audit matter because of the inherent level of management judgement required in estimating the amount of provision and complex and subjective elements around these estimations. In addition, the provision for aircraft under lease agreements without transfer of title in the amount of USD 253,788 thousand is material to the consolidated financial statements.	The following procedures were performed: • Assessment of the key assumptions adopted by management in estimating the provisions, as follows: – Assessing if the expected utilisation of aircraft is reasonable and achievable in view of the entity's circumstances and evaluation of the consistency of the management's forecast with other evidence obtained by us; – Assessment of the expected cost of maintenance activities against historical actual costs incurred and existing maintenance agreements; – Agreeing expected cost of maintenance activities and the time it is expected to occur to supporting documentation. • Assessment of the accuracy of management's previous estimates and the consistency of the provisions based on analysis of historical flight hours, estimate of the cost of maintenance work to historic invoices (retrospective review). • Inspection of the reports provided by the management's expert and evaluation of the relevance and reasonableness of the expert's findings and conclusions. • Assessment of the knowledge, skill, and ability of the management's expert and the expert's relationship to the entity. • Assessment of the disclosures in the consolidated financial statements for the consistency with the requirements of IFRS Accounting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 Accounting 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.

Air Astana Integrated Report 2023

Independent Auditors' Report continued

TO THE SHAREHOLDERS OF JOINT STOCK COMPANY AIR ASTANA

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

14 March 2024

Consolidated statement of profit or loss

FOR THE YEAR ENDED 31 DECEMBER 2023

'000 USD	Notes	2023	2022	2021
Revenue and other income				
Passenger revenue	7	1,143,596	998,120	715,794
Cargo and mail revenue	7	22,519	22,124	33,570
Other income	7	8,399	12,138	7,846
Gain from sale and leaseback transaction	7	–	–	4,628
Total revenue and other income		1,174,514	1,032,382	761,838
Operating expenses				
Fuel and oil costs[1]		(279,172)	(231,884)	(136,558)
Employee and crew costs	8	(193,067)	(148,907)	(116,265)
Depreciation and amortisation	12	(162,011)	(135,178)	(120,832)
Engineering and maintenance	8	(108,180)	(125,891)	(94,582)
Handling, landing fees and route charges	8	(105,727)	(84,933)	(70,097)
Passenger service	8	(101,136)	(80,321)	(60,894)
Selling costs	8	(40,431)	(33,254)	(25,075)
Insurance		(10,981)	(8,317)	(8,050)
IT and communication costs		(6,538)	(5,743)	(4,575)
Consultancy, legal and professional services		(5,729)	(4,258)	(3,392)
Taxes		(3,920)	(1,427)	(2,501)
Property and office costs		(3,865)	(2,483)	(2,641)
Aircraft lease costs	8	(2,217)	(3,893)	(3,662)
Impairment loss on trade receivables		(124)	(394)	(113)
Other operating costs		(15,435)	(16,784)	(10,428)
Total operating expenses		(1,038,533)	(883,667)	(659,665)
Operating profit		135,981	148,715	102,173
Finance income	9	14,806	6,995	2,405
Finance costs	9	(49,892)	(39,254)	(47,066)
Foreign exchange loss, net		(13,803)	(15,065)	(12,522)
Profit before tax		87,092	101,391	44,990
Income tax expense	10	(18,387)	(22,977)	(8,831)
Profit for the year		68,705	78,414	36,159
Basic and diluted earnings per share (in USD)[2]	20	0.225	0.256	0.118

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 166.

1 Loss on fuel options of USD 2,510 thousand was added to fuel costs for the year ended 31 December 2023. Fuel costs for the years ended 31 December 2022 and 31 December 2021 include gain of USD 12,145 thousand and USD 8,013 thousand, respectively.
2 Basic and diluted earnings per share have been retrospectively recalculated to reflect the updated number of shares issued.

On behalf of the Group's management:

PETER FOSTER
Chief Executive Officer

IBRAHIM CANLIEL
Chief Financial Officer

SAULE KHASSENOVA
Chief Accountant

Almaty, Republic of Kazakhstan
14 March 2024

Consolidated statement of other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2023

'000 USD	Notes	2023	2022	2021
Profit for the year		68,705	78,414	36,159
Other comprehensive income to be reclassified into profit or loss in subsequent periods:				
Cash flow hedges – effective portion of changes in fair value	19	(1,025)	272	–
Corporate income tax related to cash flow hedges – effective portion of changes in fair value		205	(54)	–
Realised net loss from cash flow hedging instruments	25	12,408	12,078	11,760
Corporate income tax related to loss from hedging instruments	25	(2,482)	(2,416)	(2,352)
Other comprehensive income for the year, net of income tax		9,106	9,880	9,408
Total comprehensive income for the year		77,811	88,294	45,567

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 166.

Consolidated statement of financial position

AS AT 31 DECEMBER 2023

'000 USD	Notes	31 December 2023	31 December 2022	31 December 2021
ASSETS				
Non-current assets				
Property, plant and equipment	11	853,320	817,585	722,200
Intangible assets		2,836	1,553	1,528
Prepayments	15	18,451	15,517	16,299
Guarantee deposits	13	33,302	29,520	17,974
Deferred tax assets	10	37,040	18,487	2,711
Trade and other receivables	16	1,343	1,300	3,611
		946,292	883,962	764,323
Current assets				
Inventories	14	67,548	49,175	51,555
Prepayments	15	24,825	21,011	26,534
Income tax prepaid		13,259	8,978	2,630
Trade and other receivables	16	23,525	21,307	14,134
Other taxes prepaid	17	10,247	8,378	7,709
Guarantee deposits	13	1,979	3,516	1,568
Cash and bank balances	18	274,006	252,888	226,357
Other financial assets	19	763	1,660	7,383
		416,152	366,913	337,870
Total assets		1,362,444	1,250,875	1,102,193
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		(16,292)	(25,398)	(35,278)
Retained earnings		221,975	169,990	91,576
Total equity		213,359	152,268	63,974
Non-current liabilities				
Loans	24	–	4,162	4,759
Lease liabilities	25	543,896	574,211	580,539
Provision for aircraft maintenance	22	148,618	117,958	86,456
Employee benefits		623	2,268	1,625
		693,137	698,599	673,379
Current liabilities				
Loans	24	412	7,934	57,527
Lease liabilities	25	174,997	158,593	146,354
Deferred revenue	21	84,368	80,152	57,260
Provision for aircraft maintenance	22	105,170	71,685	40,710
Trade and other payables	23	91,001	81,405	62,989
Other financial liabilities		–	239	-
		455,948	400,008	364,840
Total liabilities		1,149,085	1,098,607	1,038,219
Total equity and liabilities		1,362,444	1,250,875	1,102,193

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 166.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

'000 USD	Share capital	Functional currency translation reserve	Reserve on hedging instruments	Retained earnings	Total equity
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**
At 1 January 2023	17,000	(9,324)	(25,398)	169,990	152,268
Profit for the year	–	–	–	68,705	68,705
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	–	–	9,106	–	9,106
Total comprehensive income for the year	–	–	9,106	68,705	77,811
Dividends declared	–	–	–	(16,776)	(16,776)
Other	–	–	–	56	56
At 31 December 2023	**17,000**	**(9,324)**	**(16,292)**	**221,975**	**213,359**

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 166.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2023

'000 USD	Notes	2023	2022	2021
OPERATING ACTIVITIES:				
Profit before tax		**87,092**	**101,391**	**44,990**
Adjustments for:				
Depreciation and amortisation of property, plant and equipment and intangible assets	12	**162,011**	135,178	120,832
Gain on disposal of property, equipment and other assets	7	**(3,499)**	(2,239)	(7,117)
Change in impairment allowance for trade receivables, prepayments, guarantee deposits and cash and bank balances	13,15, 16,18	**(76)**	(2,428)	(363)
Write-down of obsolete and slow-moving inventories	14	**(621)**	4,290	(139)
Change in vacation accrual	23	**(316)**	(76)	318
Accrual of provision for aircraft maintenance	8	**85,830**	80,514	60,818
Change in customer loyalty program provision	21	**2,774**	962	(1,415)
Foreign exchange loss, net		**13,803**	15,065	12,522
Finance income, excluding impairment	9	**(14,321)**	(6,274)	(1,789)
Finance costs, excluding impairment	9	**49,462**	39,140	46,813
Effect of COVID-19 related rent concessions	8, 25	**–**	–	881
Gain from early return of engine	25	**–**	–	(490)
Operating cash flow before movements in working capital		**382,139**	**365,523**	**275,861**
Change in trade and other receivables		**(831)**	(3,807)	(3,830)
Change in prepaid expenses and prepayments		**(5,625)**	3,271	(6,402)
Change in inventories		**(16,787)**	(481)	(3,515)
Change in trade and other payables and provision for aircraft maintenance		**(17,993)**	(732)	4,081
Change in deferred revenue		**1,442**	21,930	20,563
Change in other financial instruments		**(129)**	5,995	(7,383)
Cash generated from operations		**342,216**	**391,699**	**279,375**
Income tax paid		**(42,839)**	(47,003)	(3,965)
Interest received		**14,081**	6,274	1,627
Net cash generated from operating activities		**313,458**	**350,970**	**277,037**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		**(41,777)**	(48,270)	(31,682)
Proceed from sale and leaseback transaction		**–**	–	8,719
Proceeds from disposal of property, plant and equipment		**4,980**	1,974	3,982
Purchase of intangible assets		**(2,116)**	(659)	(541)
Bank and Guarantee deposits placed		**(9,979)**	(25,286)	(4,115)
Bank and Guarantee deposits withdrawn		**2,876**	11,882	10,583
Net cash used in investing activities		**(46,016)**	**(60,359)**	**(13,054)**

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 166.

Consolidated statement of cash flows continued

FOR THE YEAR ENDED 31 DECEMBER 2023

'000 USD	Notes	2023	2022	2021
FINANCING ACTIVITIES:				
Repayment of lease liabilities	25	(173,302)	(173,501)	(93,553)
Interest paid	25	(42,717)	(38,354)	(49,088)
Repayment of borrowings and additional financing from sale and leaseback	25	(46,640)	(104,395)	(106,794)
Proceeds from borrowings and additional financing from sale and leaseback	25	35,000	52,706	12,305
Dividends paid	20	(16,776)	–	–
Net cash used in financing activities		(244,435)	(263,544)	(237,130)
NET INCREASE IN CASH AND BANK BALANCES		23,007	27,067	26,853
Effect of exchange rate changes on cash and bank balances held in foreign currencies		(1,888)	(535)	(1,849)
Effects of movements in ECL on cash and bank balances		(1)	(1)	(1)
CASH AND BANK BALANCES, at the beginning of the year		252,888	226,357	201,354
CASH AND BANK BALANCES, at the end of the year	18	274,006	252,888	226,357

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 166.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

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 "FlyArystan" (formerly JSC "Aviation Company "Air Kazakhstan") (hereinafter – the "Subsidiary") which was acquired in November 2019 by purchasing one hundred percent of the shares and voting interests. Together the Company and the Subsidiary are referred to as the "Group".

The operations of Subsidiary commenced in October 2023. In December 2023, JSC "FlyArystan" issued additional 240,000 shares in favour of the Company. The total additional investment amounted to KZT 960,000 thousand.

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

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 2023, the Group operated 49 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.

As at 31 December 2023, the shareholders of the Group were JSC "National Welfare Fund "Samruk-Kazyna" (which held the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which owned 51% and 49% of the shares of the Company, respectively. On 15 February 2024, the Company completed its initial public offering ("IPO"), raising KZT 54,256,673 thousand (USD 121,111 thousand). The Company listed simultaneously on three exchanges: Kazakhstan Stock Exchange, Astana International Exchange, and London Stock Exchange. In addition to the primary offering, existing shareholders JSC "National Welfare Fund "Samruk-Kazyna", and BAE Systems Kazakhstan Limited both sold their shares (or GDRs representing shares), reducing their shareholdings to 41% and 16.95%, respectively. Other shareholders had less than 10% of shares post-IPO.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 Accounting 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 statements 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 2023. All financial information presented in USD has been rounded to the nearest thousand, so minor discrepancies may arise from addition of these amounts.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Basis of accounting continued

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 2023, travel restrictions related to COVID-19 were abolished in Kazakhstan and most countries around the world. The Group is monitoring the situation on an ongoing basis.

Going concern

The Group's cash position remains strong. As of 31 December 2023 the Group's cash and bank balances increased by USD 21,118 thousand compared to 31 December 2022, whereas the Group had repaid its bank loans in the amount of USD 46,250 thousand. As at 31 December 2023, the Group's net current liabilities were USD 39,796 thousand (2022: USD 33,095 thousand; 2021: USD 26,970 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 revenue shares of the Group on routes to Russia and Ukraine were at 8% and 2% respectively. The management believes that the impact of the conflict is limited, as the Group has reallocated vacant capacity from suspended routes to other destinations.

3. Material 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 brand Air Astana and low cost brand FlyArystan; these include information for the determination of performance evaluation and allocation of resources by the management. The Group management uses the operating profit calculated according to IFRS Accounting 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 recognises 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 amortisation 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.

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Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

(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 re-measurements 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, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is re-measured 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 re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

(ii) Sale and leaseback transactions

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

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

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

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

Guarantee deposits

Guarantee deposits represent amounts paid to the lessors of aircraft, which are held as security deposits by the lessors in accordance with the provisions of lease agreements without transfer of title. These deposits are returned to the Group at the end of the lease period. Lease deposits relating to the lease agreements without transfer of title are presented as assets in the consolidated statement of financial position. These deposits are interest-free and are recorded at amortised cost using an average market yield of 2.97% per annum (2022: 2.66%, 2021: 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 2023, 31 December 2022 and 31 December 2021 and for the years then ended:

	Average rate			Reporting date spot-rate		
USD	2023	2022	2021	31 December 2023	31 December 2022	31 December 2021
1,000 Tenge (KZT)	2.19	2.17	2.35	2.20	2.16	2.32
Euro (EUR)	1.08	1.05	1.18	1.10	1.07	1.13
British Pound (GBP)	1.24	1.23	1.38	1.27	1.20	1.35

The following table summarises KZT exchange rates at 31 December 2023, 31 December 2022 and 31 December 2021 and for the years then ended:

	Average rate			Reporting date spot-rate		
KZT	2023	2022	2021	31 December 2023	31 December 2022	31 December 2021
US Dollar (USD)	456.31	460.48	426.03	454.56	462.65	431.8
Euro (EUR)	493.33	484.22	503.88	502.24	492.86	489.1
British Pound (GBP)	567.3	568.22	586.25	577.47	556.57	583.32

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Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

Finance income and costs

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

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

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

Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxation

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Aircraft

The purchase price of aircraft is denominated in US dollar.

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

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

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

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

Rotable spare parts

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

The cost of replacing part of an item of property, plant and equipment is recognised 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 and training equipment	4–20 years
Vehicles	7–9 years
Other	5–10 years

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Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

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

Intangible assets

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

Impairment of tangible and intangible assets

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

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

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

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

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 cash flows.

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

Provision for aircraft maintenance under lease agreement without transfer of title

The Group is obligated to perform regular scheduled maintenance of aircraft under the terms of its lease agreements without transfer of title and regulatory requirements relating to air safety. The lease agreements also require the Group to return aircraft to lessors in a satisfactory condition at the end of the lease term, which may require the performance of final return conditions. The Group's scheduled aircraft maintenance programs carried out through the lease periods are designed to reduce the incidence of final return costs. Major aircraft maintenance relates to airframes (referred to as the C- check, D-check and redelivery preparation program) and engines. The C-check is heavy maintenance with approved performance intervals. It takes place the earliest of every 6,000–12,000 flight hours, 3,000–8,000 flight cycles and 18–36 months according to aircraft type.

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

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

Overhaul and restoration works (not depending on aircraft utilisation)

Costs resulting from restoration work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul are recognised 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.

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Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition 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 de-recognition 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 de-recognition, 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.

Classification, subsequent measurement and gains and losses

Financial liabilities

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 de-recognition is also recognised in profit or loss.

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FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

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 de-recognised 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 de-recognition 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 de-recognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group de-recognises 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 de-recognition 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 de-recognition 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.

De-recognition

Financial assets

The Group de-recognises 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 de-recognised.

Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also de-recognises 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 de-recognition 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 re-measured 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.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting policies continued

The Group considers transactions with the probability of occurrence more than ninety percent highly probable transactions.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio).

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

The Group uses fuel options contracts as hedges of its exposure to jet fuel price fluctuations in forecast transactions and firm commitments. The ineffective portion relating to the ineffective portion relating to commodity contracts is recognised in the consolidated statement of profit or loss.

Amounts recognised as OCI are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, such as when the hedged financial expense is recognised or when a forecast transaction occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in OCI remains in OCI until the forecast transaction or firm commitment affects consolidated statement of profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

Cost of hedging

If the time value of a purchased option is separated and excluded from the designated hedging instrument, then the excluded portion is separately accounted for as a cost of hedging. As such, the change in fair value of the excluded portion is recognised in OCI and accumulated in a separate component of equity to the extent that it relates to the hedged item.

As a result of the above accounting, fluctuations in the fair value of the time value element will be accounted in OCI, both positive and negative. At the maturity date, the time value of option becomes zero, the fair value is equal to the intrinsic value.

Crude oil commodity options

The Group has also entered into certain crude oil commodity options to mitigate the risk of variability of future cash flows on jet fuel consumptions. These are just purely economic hedges and changes to its value are directly charged to the consolidated statement of profit or loss within 'Fuel and oil costs'.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- guarantee deposits and bank balances that are determined to have low credit risk at the reporting date; and
- other guarantee deposits and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or if the external credit rating assigned to a financial asset by an international rating agency falls by six notches according to Standard and Poor's Global Ratings (S&P Global Ratings), Moody's or Fitch credit rating agencies.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per S&P Global Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the contractual life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

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Notes to the consolidated financial statements continued

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3. Material accounting policies continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

4. Application of new and revised international financial reporting standards

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing 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 with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of Exchangeability (Amendments to IAS 21).

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS Accounting 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).

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.

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 2023, 2022 and 2021, allowances for doubtful accounts were equal to USD 964 thousand, USD 997 thousand and USD 1,935 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 2023 impairment allowances were equal to USD 45,258 thousand as disclosed in Note 16 (31 December 2022: USD 45,524 thousand, 31 December 2021: USD 46,604 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 2023, the Group recognised a write-down for obsolete and slow-moving inventories in the amount of USD 5,237 thousand (2022: USD 5,858 thousand, 2021: USD 1,568 thousand) (Note 14).

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Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

5. Critical accounting judgments and key sources of estimation uncertainty continued

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.

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 recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The tax code permits an entity to carry forward the accumulated tax losses for the next ten years. As at 31 December 2023 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 brand Air Astana and Low Cost brand 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.

In 2023, the Group amended the treatment of intercompany leases costs between Air Astana and FlyArystan in its segment reporting to consistently apply IFRS 16 Leases in both operating segments.

As a result of this change, the Group has recognised the depreciation of right-of-use assets arising from these intercompany lease transactions with FlyArystan. These transactions are treated as inter segment transactions and are reflected in elimination section of the segment report. The amendments have been applied for the years ended 31 December 2023, 2022 and 2021. The Group does not conduct separate analyses of the financial position for each segment.

Operating results for the years ended 31 December 2023, 2022 and 2021:

'000 USD Consolidated Profit or Loss statement	2023 Air Astana	2023 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	869,171	274,425	–	1,143,596
Cargo and mail revenue	20,773	1,746	–	22,519
Other income	7,449	981	(31)	8,399
Lease	87,277	673	(87,950)	–
Total revenue and other income	**984,670**	**277,825**	**(87,981)**	**1,174,514**
Operating expenses				
Fuel and oil costs	(209,195)	(69,977)	–	(279,172)
Employee and crew costs	(148,667)	(44,416)	16	(193,067)
Depreciation and amortisation	(159,148)	(43,648)	40,785	(162,011)
Engineering and maintenance	(99,663)	(43,522)	35,005	(108,180)
Handling, landing fees and route charges	(82,480)	(23,247)	–	(105,727)
Passenger service	(86,901)	(14,235)	–	(101,136)
Selling costs	(36,740)	(3,691)	–	(40,431)
Insurance	(7,723)	(3,258)	–	(10,981)
IT and communication costs	(4,925)	(1,613)	–	(6,538)
Consultancy, legal and professional services	(5,608)	(132)	11	(5,729)
Taxes	(3,920)	–	–	(3,920)
Property and office costs	(3,498)	(367)	–	(3,865)
Aircraft lease costs	(1,995)	(1,844)	1,622	(2,217)
Other operating costs	(14,334)	(1,228)	3	(15,559)
Total operating expenses	**(864,797)**	**(251,178)**	**77,442**	**(1,038,533)**
Operating profit	**119,873**	**26,647**	**(10,539)**	**135,981**

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

6. Segment reporting continued

'000 USD Consolidated Profit or Loss statement	2022 Air Astana	2022 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	782,911	215,209	–	998,120
Cargo and mail revenue	20,673	1,451	–	22,124
Other income	10,853	1,285	–	12,138
Lease	62,972	–	(62,972)	–
Total revenue and other income	**877,409**	**217,945**	**(62,972)**	**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 amortisation	(132,959)	(30,710)	28,491	(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)	(2,636)	2,480	(3,893)
Property and office costs	(2,344)	(139)	–	(2,483)
Taxes	(1,427)	–	–	(1,427)
Other operating costs	(16,487)	(691)	–	(17,178)
Total operating expenses	**(747,895)**	**(192,686)**	**56,914**	**(883,667)**
Operating profit	**129,514**	**25,259**	**(6,058)**	**148,715**

'000 USD Consolidated Profit or Loss statement	2021 Air Astana	2021 FlyArystan	Inter-group elimination	Total
Revenue and other income				
Passenger revenue	562,393	153,401	–	715,794
Cargo and mail revenue	31,930	1,640	–	33,570
Other income	6,414	1,432	–	7,846
Lease	54,661	–	(54,661)	–
Gain from sale and leaseback transaction	4,628	–		4,628
Total revenue and other income	**660,026**	**156,473**	**(54,661)**	**761,838**
Operating expenses				
Fuel and oil costs	(97,895)	(38,663)	–	(136,558)
Depreciation and amortisation	(119,505)	(25,779)	24,452	(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)	(3,754)	3,524	(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)
Other operating costs	(9,690)	(851)	–	(10,541)
Total operating expenses	**(559,203)**	**(150,771)**	**50,309**	**(659,665)**
Operating profit	**100,823**	**5,702**	**(4,352)**	**102,173**

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7. Revenue and other income

'000 USD	2023	2022	2021
Passenger revenue			
Scheduled passenger flights including:	1,092,287	931,393	663,379
Fuel surcharge	109,786	91,836	60,764
Airport services	57,185	45,773	32,459
Excess baggage	6,638	6,920	5,718
Charter flights	51,309	66,727	52,415
	1,143,596	998,120	715,794

Passenger revenue increased by USD 145,476 thousand during 2023 as compared to 2022 primarily due to the optimization in operations.

Passenger revenue increased by USD 282,326 thousand during 2022 as compared to 2021 primarily due to the restoration in demand.

'000 USD	2023	2022	2021
Cargo and mail revenue			
Cargo – Regular	20,469	19,121	13,975
Mail	2,050	1,796	1,685
Cargo – Charter	–	1,207	17,910
	22,519	22,124	33,570

'000 USD	2023	2022	2021
Other income			
Gain on disposal of property, plant and equipment and other assets	3,499	2,239	2,489
Other income	1,546	7,421	3,183
Income from ground services	1,522	1,204	1,281
Other	1,832	1,274	893
	8,399	12,138	7,846

In December 2022 the Group recognised 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 recognised 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.

During 2023, 2022 and 2021 passenger, cargo and mail revenue, representing total revenue from contracts with customers, were generated from the following destinations in each operating segment:

	Operating segments		
'000 USD	2023 Air Astana	2023 FlyArystan	Total
Domestic	241,306	205,753	447,059
Asia and Middle East	302,053	17,784	319,837
Europe	264,741	22,697	287,438
CIS	81,844	29,937	111,781
Total revenue from passenger, cargo and mail	889,944	276,171	1,166,115

	Operating segments		
'000 USD	2022 Air Astana	2022 FlyArystan	Total
Domestic	205,782	158,422	364,204
Asia and Middle East	246,219	10,510	256,729
Europe	265,702	20,628	286,330
CIS	85,881	27,100	112,981
Total revenue from passenger, cargo and mail	803,584	216,660	1,020,244

	Operating segments		
'000 USD	2021 Air Astana	2021 FlyArystan	Total
Domestic	175,991	133,180	309,171
Asia and Middle East	152,496	3,401	155,897
Europe	131,539	4,541	136,080
CIS	134,297	13,919	148,216
Total revenue from passenger, cargo and mail	594,323	155,041	749,364

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8. Operating expenses

'000 USD	2023	2022	2021
Employee and crew costs			
Wages and salaries of operational personnel	113,450	87,182	69,930
Wages and salaries of administrative personnel	25,246	19,701	16,941
Accommodation and allowance	17,256	12,875	8,427
Social tax	13,528	10,668	8,159
Wages and salaries of sales personnel	8,038	6,641	5,178
Training	6,662	5,894	4,002
Contract crew	–	27	19
Other	8,887	5,919	3,609
	193,067	148,907	116,265

The average number of employees during 2023 was 5,467 (2022: 5,001; 2021: 4,559).

'000 USD	2023	2022	2021
Engineering and maintenance			
Maintenance – provisions (Note 22)	85,830	80,514	60,818
Spare parts	13,142	12,150	10,709
Maintenance – variable lease payments	12,734	11,314	12,914
Technical inspection	2,665	2,598	2,724
Maintenance – components[1]	(6,191)	19,315	7,417
	108,180	125,891	94,582

1 During 2023 the Group received compensation amounts of USD 15,905 thousand from suppliers.

'000 USD	2023	2022	2021
Handling, landing fees and route charges			
Handling charge	45,211	35,989	28,832
Aero navigation	37,593	29,497	23,247
Landing fees	20,941	17,826	16,612
Meteorological services	229	142	164
Other	1,753	1,479	1,242
	105,727	84,933	70,097

'000 USD	2023	2022	2021
Passenger service			
Airport charges	48,378	39,148	29,596
Catering	31,027	22,301	16,249
Security	5,913	4,130	2,842
In-flight entertainment	5,090	5,317	4,664
Other	10,728	9,425	7,543
	101,136	80,321	60,894

'000 USD	2023	2022	2021
Selling costs			
Reservation costs	22,140	19,719	15,965
Commissions	9,152	7,129	4,157
Advertising	8,341	5,669	4,431
Interline commissions	352	370	234
Other	446	367	288
	40,431	33,254	25,075

'000 USD	2023	2022	2021
Aircraft lease costs			
Variable lease charges	907	393	332
Lease return costs	635	242	380
Leased engine on wing costs	395	2,390	656
Lease of engines and rotable spare parts	280	868	1,413
Effect of COVID-19 related rent concessions (Note 25)	–	–	881
	2,217	3,893	3,662

In 2023, due to increase in the operating activity, the Group's operating expenses increased in comparison with 2022 and 2021.

9. Finance income and costs

'000 USD	2023	2022	2021
Finance income			
Interest income on bank deposits	14,071	6,274	1,621
Reversal of impairment allowance on financial assets	485	721	616
Other	250	–	168
	14,806	6,995	2,405

'000 USD	2023	2022	2021
Finance costs			
Interest expense on lease liabilities (Note 25)	44,578	35,239	35,448
Unwinding of the discount of provision for aircraft maintenance (Note 22)	3,362	–	–
Interest expense on bank loans (Note 25)	1,415	3,256	11,296
Impairment allowance on financial assets	430	114	253
Financial assets and liabilities held at FVTPL	–	239	–
Other	107	406	69
	49,892	39,254	47,066

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10. Income tax expense

The Group's income tax expense for the years ended 31 December was as follows:

'000 USD	2023	2022	2021
Current income tax			
Current income tax	(41,137)	(42,599)	(4,707)
Adjustment recognised in the current year in relation to the current tax of prior years	1,920	1,376	(416)
	(39,217)	(41,223)	(5,123)
Deferred tax expense			
Deferred income tax benefit/(expense)	20,830	18,246	(3,708)
	20,830	18,246	(3,708)
	(18,387)	(22,977)	(8,831)

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 2023, 2022 and 2021 is presented in the table below:

'000 USD	2023	2022	2021
Deferred tax assets			
Lease liabilities	132,305	123,633	106,091
Provision for aircraft maintenance	50,758	37,929	25,433
Trade and other payables	5,219	3,843	5,482
Trade receivables	3,674	3,805	2,285
Tax loss carried forward	41	–	1,381
Other	1,047	1,172	355
Total deferred tax assets	193,044	170,382	141,027
Deferred tax liabilities			
Right of use assets	(120,772)	(113,204)	(97,434)
Difference in depreciable value of property, plant and equipment and intangible assets	(31,309)	(34,074)	(36,043)
Inventories	(2,621)	(2,809)	(2,182)
Prepaid expenses	(477)	(768)	(1,091)
Other	(825)	(1,040)	(1,566)
Total deferred tax liabilities	(156,004)	(151,895)	(138,316)
Net deferred tax assets	37,040	18,487	2,711

As at 31 December 2023 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 utilised fully (tax loss carried forward as of 31 December 2021: USD 6,905 thousand).

Movements in deferred tax assets and liabilities presented above were recorded in profit or loss accounts, except for USD 2,277 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. (2022: USD 2,470 thousand; 2021: USD 2,352 thousand).

In accordance with the local tax legislation both hedged and unhedged foreign currency losses are treated as deductible expenses for the purpose of corporate income tax calculations. If such deductible expenses cannot be fully utilised in the year of origination the tax code permits an entity to carry forward the accumulated tax losses for the next ten years.

In accordance with the local tax legislation, if deductible expenses from derivative instruments cannot be fully utilised in the year of origination, the tax code permits an entity to carry forward the accumulated tax losses for the next ten years. In previous years, the probability of gain from derivative instruments was low and no deferred tax asset was recognised for tax losses from derivative instruments. During 2022 and 2021 the Group earned a gain from derivative instruments and utilised tax losses accumulated in prior years and recognised 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 2023, 2022 and 2021 was 20%. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to profit or loss before income tax.

Below is a reconciliation of theoretical income tax at 20% (2022 and 2021: 20%) to the actual income tax expense recorded in the Group's consolidated statement of profit or loss:

'000 USD	2023	2022	2021
Profit before tax	87,092	101,391	44,990
Corporate income tax, %	20%	20%	20%
Income tax at statutory rate	(17,418)	(20,278)	(8,998)
Recognition of previously unrecognised tax losses	–	–	1,381
USD forex effect	1,997	350	617
Tax effect of non-deductible expenses	(2,966)	(3,049)	(1,831)
Income tax expense	(18,387)	(22,977)	(8,831)

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11. Property, plant and equipment

'000 USD	Rotable spare parts	Office and training equipment	Building, premises and land	Vehicles	Aircraft under lease	Equipment in transit and construction in progress	Total
Cost							
At 1 January 2021	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
Additions	18,565	3,774	10,821	251	163,833	2,736	199,980
Disposals	(5,279)	(638)	(3,167)	(65)	(14,455)	–	(23,604)
Other transfers	–	8,312	2,106	–	–	(10,418)	–
At 31 December 2023	116,178	23,435	48,084	2,868	1,415,345	2,497	1,608,407

Accumulated depreciation

'000 USD	Rotable spare parts	Office and training equipment	Building, premises and land	Vehicles	Aircraft under lease	Equipment in transit and construction in progress	Total
At 1 January 2021	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
Charge for the year	12,093	1,755	4,017	186	143,151	–	161,202
Disposals	(3,034)	(624)	(2,635)	(49)	(14,219)	–	(20,561)
At 31 December 2023	48,544	8,726	15,433	1,671	680,713	–	755,087
Net book value							
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
At 31 December 2023	67,634	14,709	32,651	1,197	734,632	2,497	853,320

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 734,632 thousand (2022: USD 714,186 thousand; 2021: USD 648,097 thousand) (Note 25). The total amount of Aircraft Under Lease as at 31 December 2023 includes eighteen Airbus aircraft related to the FlyArystan division with a net book value of USD 271,447 thousand (2022: fourteen Airbus aircraft with a net book value of USD 181,708 thousand; 2021: ten Airbus aircraft with a net book value of USD 118,216 thousand).

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Technical Center (Hangar) in Astana with a carrying amount of USD 18,413 thousand was pledged in favor of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 24). In 2022, the land plot, where the above-mentioned Aviation Technical Center is located, was divided into two separate parts. The main land plot where Aviation Technical Center is located remains pledged in JSC Halyk Bank of Kazakhstan till the end of availability of credit line in 2025. The second part of the land was released from pledge.

The cost of fully depreciated items as at 31 December 2023 is USD 22,250 thousand (2022: USD 19,627 thousand; 2021: USD 14,711 thousand).

Impairment

As at 31 December 2023, 31 December 2022 and 31 December 2021 there were no indicators of impairment.

12. Depreciation and amortisation

'000 USD	2023	2022	2021
Depreciation of property, plant and equipment (Note 11)	161,202	134,544	120,173
Amortisation of intangible assets	809	634	659
Total	162,011	135,178	120,832

13. Guarantee deposits

'000 USD	31 December 2023	31 December 2022	31 December 2021
Non-current			
Guarantee deposits for leased aircraft	32,233	29,311	17,549
Other guarantee deposits	1,599	481	828
Impairment allowances	(530)	(272)	(403)
	33,302	29,520	17,974
Current			
Other guarantee deposits	1,580	1,723	1,450
Guarantee deposits for leased aircraft	400	538	124
Guarantee deposits to secure Letters of Credit for maintenance liabilities	–	1,258	–
Impairment allowances	(1)	(3)	(6)
	1,979	3,516	1,568
	35,281	33,036	19,542

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Group. Guarantee deposits are denominated primarily in US Dollars. The Group assesses credit risk for such deposits as low mainly because almost all lessors are rated from AA to BBB in accordance with S&P Global Ratings credit quality grades.

For those lessors who are not credit rated by international rating agencies, the management calculates the expected credit loss based on the assumption that such lessors are rated at CCC by S&P Global Ratings. The amount of deposits with such lessors as of 31 December 2023 is USD 3,732 thousand (2022: USD 1,721 thousand, 2021: USD 2,850 thousand).

In 2023 the Group re-issued two standby letters of credit with JSC Halyk bank of Kazakhstan (initially issued in Citibank Europe PLC and secured by cash) as a result, the cash collateral in the amount of USD 1,258 thousand was returned by Citibank Europe PLC to the Group's account.

As at 31 December 2023, the Group had guarantees and stand-by letters of credit in JSC Halyk Bank of Kazakhstan in the amount of USD 10,168 thousand, USD 13,396 thousand in JSC Altyn Bank and USD 41,979 thousand in JSC Citibank Kazakhstan.

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13. Guarantee deposits continued

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

'000 USD	31 December 2023	31 December 2022	31 December 2021
Within one year	400	1,796	124
After one year but not more than five years	11,456	10,517	6,305
More than five years	20,804	18,842	11,288
	32,660	31,155	17,717
Fair value adjustment	(27)	(48)	(44)
	32,633	31,107	17,673

The main driver for increases in guarantee deposits for leased aircraft in 2022 was the additional 16 aircraft committed for delivery in 2023–2026.

14. Inventories

'000 USD	31 December 2023	31 December 2022	31 December 2021
Spare parts	41,548	36,980	34,258
Fuel	14,733	6,581	7,112
Crockery	4,136	2,879	3,902
Goods in transit	4,238	2,277	2,530
De-icing liquid	447	1,791	827
Uniforms	1,825	1,288	1,049
Promotional materials	2,586	670	1,470
Blank forms	263	269	282
Other	3,009	2,298	1,693
	72,785	55,033	53,123
Less: cumulative write-down for obsolete and slow-moving inventories	(5,237)	(5,858)	(1,568)
	67,548	49,175	51,555

The movements in the cumulative write-down for obsolete and slow-moving inventories were as follows for the years ended 31 December:

'000 USD	2023	2022	2021
Cumulative write-down for obsolete and slow-moving inventories at the beginning of the year	(5,858)	(1,568)	(1,707)
Write-down for the year	(206)	(8,029)	(34)
Reversal of previous write-down for the year	827	3,739	173
Cumulative write-down for obsolete and slow-moving inventories at the end of the year	(5,237)	(5,858)	(1,568)

15. Prepayments

'000 USD	31 December 2023	31 December 2022	31 December 2021
Non-current			
Advances for services	9,146	9,165	7,306
Prepayments for long-term assets	9,305	6,352	8,993
	18,451	15,517	16,299
Current			
Advances for goods	10,934	11,088	13,288
Advances for services	11,506	8,138	12,594
Prepayments of leases without transfer of legal title	2,569	2,003	1,147
	25,009	21,229	27,029
Less: impairment allowance for prepayments	(184)	(218)	(495)
	24,825	21,011	26,534

As at 31 December 2023, 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 2023, 31 December 2022 and 31 December 2021 were:

'000 USD	2023	2022	2021
At the beginning of the year	(218)	(495)	(498)
Accrued during the year	(74)	(451)	(8)
Written-off against previously created allowance	98	–	–
Reversed during the year	10	728	11
Allowance for doubtful debt at the end of the year	(184)	(218)	(495)

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 2023	31 December 2022	31 December 2021
Non-current			
Other financial assets	45,258	45,524	47,092
Due from employees and Ab-initio pilot trainees	1,343	1,300	3,123
	46,601	46,824	50,215
Less: impairment allowance	(45,258)	(45,524)	(46,604)
	1,343	1,300	3,611
Current			
Trade receivables	23,135	20,119	14,906
Due from employees and Ab-initio pilot trainees	1,354	1,337	993
Receivable from lessors – variable lease reimbursement	–	848	170
	24,489	22,304	16,069
Less: impairment allowance	(964)	(997)	(1,935)
	23,525	21,307	14,134

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16. Trade and other receivables continued

In 2016, due to the significant credit quality deterioration, KazInvestBank JSC announced that its banking license was recalled, and Delta Bank JSC experienced temporary suspension of its license for accepting new deposits and opening new accounts on 22 May 2017. Consequently, the management reclassified all funds held with these banks from the bank deposit line item to non-current trade and other receivables and recognised an impairment allowance of approximately 90% of the funds as at 31 December 2016.

As at 31 December 2023 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 75% (2022: 50%; 2021: 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 amortised using the straight-line method over the remaining amortisation term.

The Group's net trade and other receivables are denominated in the following currencies as at 31 December:

'000 USD	2023	2022	2021
Tenge	16,008	8,161	12,334
US Dollar	2,070	8,353	2,453
Euro	1,757	1,232	756
Other	5,033	4,861	2,202
	24,868	22,607	17,745

The movements in impairment allowance for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 were:

'000 USD	2023	2022	2021
At the beginning of the year	(46,521)	(48,539)	(49,634)
Accrued during the year	(840)	(220)	(1,562)
Reversed during the year	1,116	1,588	2,175
Written-off against previously created allowance	97	–	–
Foreign currency difference	(74)	650	482
At the end of the year	(46,222)	(46,521)	(48,539)

17. Other taxes prepaid

'000 USD	31 December 2023	31 December 2022	31 December 2021
Value-added tax recoverable	9,722	7,826	7,590
Other taxes prepaid	525	552	119
	10,247	8,378	7,709

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 2023	31 December 2022	31 December 2021
Term deposits with an initial maturity of less than 3 months	178,313	155,476	81,595
Current accounts with foreign banks	85,661	82,254	102,172
Current accounts with local banks	9,578	14,712	42,488
Cash in hand	111	183	107
Accrued interest	353	272	3
	274,016	252,897	226,365
Impairment allowances	(10)	(9)	(8)
	274,006	252,888	226,357

Cash and bank balances are denominated in the following currencies as at 31 December:

'000 USD	2023	2022	2021
US Dollar	262,832	229,006	217,119
Tenge	3,869	12,766	2,285
Euro	1,686	4,634	1,652
Indian Rupee	2,164	2,705	425
British Pound	1,504	1,520	2,712
Chinese Yuan	249	558	203
Uzbek Som	284	336	266
Russian Rouble	239	188	285
Other	1,179	1,175	1,410
	274,006	252,888	226,357

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.

Loss on fuel options of USD 2,510 thousand was added to fuel costs for the year ended 31 December 2023. Fuel costs for the years ended 31 December 2022 and 31 December 2021 include gain of USD 12,145 thousand and USD 8,013 thousand, respectively.

'000 USD	Call option (purchase)
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
At 1 January 2023	1,660
Acquisition	3,225
Loss included in "fuel and oil costs"	(2,510)
Payments on exercised contracts	(587)
Loss included in OCI - Net change in fair value	(1,025)
At 31 December 2023	763

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20. Equity

As at 31 December 2023, 2022 and 2021, 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 Accounting 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 2023 the Company had retained earnings, including the profit for the current year, of USD 221,975 thousand (2022: USD 169,990 thousand; 2021: USD 91,576 thousand).

On 31 March 2023, a general annual meeting of the Company's shareholders was held. The general meeting decided to distribute 20% of the Company's net profit for 2022 in the amount of KZT 7,516,580 thousand (equivalent of USD 16,776 thousand) between the Company's shareholders in proportion to their interests. The dividends were fully paid on 26 May 2023 (No dividends were declared during 2022 and 2021).

In 2023 dividends in the amount of KZT 442 thousand (equivalent of USD 0.99 thousand) per share were declared (2022: nil, 2021: nil) on the 17,000 authorised ordinary shares as at declaration date.

On 8 July 2022 the Company changed the number of authorised ordinary shares from 17,000 to 1,700,000. On 10 January 2024 existing shares were split to 306,000,000 shares and additional 60,000,000 shares were authorised for issue. On 15 February 2024 the Group successfully completed its IPO. The number of authorised but not issued shares is 9,473,685 as at the date of approval of the consolidated financial statements.

The calculation of basic earnings per share is based on profit or loss for the year and the updated number of ordinary shares outstanding after the share split of 306,000,000. Basic and diluted earnings per share have been retrospectively recalculated to reflect the updated number of shares issued. The Company has no instruments with potential dilutive effect.

'000 USD	2023	2022	2021
Profit for the year	68,705	78,414	36,159
Number of ordinary shares	306,000,000	306,000,000	306,000,000
Earnings per share – basic and diluted (USD)	**0.225**	**0.256**	**0.118**

21. Deferred revenue

'000 USD	31 December 2023	31 December 2022	31 December 2021
Unearned transportation revenue	72,440	70,998	49,068
Customer loyalty program provision	11,928	9,154	8,192
	84,368	80,152	57,260

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 2023.

22. Provision for aircraft maintenance

'000 USD	31 December 2023	31 December 2022	31 December 2021
Engines	210,975	155,955	98,667
D-Check	22,486	13,464	12,430
Landing gear	6,141	4,880	4,543
Provision for redelivery of aircraft	5,864	4,963	3,936
Auxiliary Power unit	5,328	4,698	4,002
C-Check	2,994	5,683	3,588
	253,788	189,643	127,166

The movements in the provision for aircraft maintenance were as follows for the years ended 31 December:

'000 USD	2023	2022	2021
At 1 January	189,643	127,166	83,070
Accrued during the year (Note 8)	88,793	82,503	61,348
Used during the year	(25,047)	(18,037)	(16,722)
Reversed during the year (Note 8)	(2,963)	(1,989)	(530)
Unwinding of the discount (Note 9)	3,362	–	–
At 31 December	253,788	189,643	127,166

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 increase in the provision balance as at 31 December 2023 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 2023	31 December 2022	31 December 2021
Within one year	105,170	71,685	40,710
During the second year	62,411	38,651	37,809
During the third year	59,412	46,648	30,159
After the third year	26,795	32,659	18,488
Total provision for aircraft maintenance	253,788	189,643	127,166
Less: current portion	105,170	71,685	40,710
Non-current portion	148,618	117,958	86,456

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.

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23. Trade and other payables

'000 USD	31 December 2023	31 December 2022	31 December 2021
Trade payables	62,929	47,425	35,375
Advances received	8,570	12,232	5,424
Deposits received from agents	7,250	6,844	3,441
Due to employees	6,860	5,071	4,490
Accrued bonuses	1,637	6,559	11,425
Taxes payable	1,637	1,065	740
Pension contribution	1,014	773	580
Vacation pay accrual	1,005	1,321	1,397
Deferred revenue refund	–	6	–
Other	99	109	117
	91,001	81,405	62,989

The Group's trade and other payables are denominated in the following currencies:

'000 USD	31 December 2023	31 December 2022	31 December 2021
US Dollar	37,505	33,230	16,361
Tenge	43,945	33,088	39,424
Euro	4,395	3,900	2,846
British Pound	958	671	519
Other	4,198	10,516	3,839
	91,001	81,405	62,989

24. Loans

'000 USD	31 December 2023	31 December 2022	31 December 2021
Non-current			
Loan	–	4,162	4,759
	–	4,162	4,759
Current			
Current portion of loan	412	7,889	57,320
Interest payable	–	45	207
	412	7,934	57,527

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.

As per the loan agreement with JSC Halyk Bank of Kazakhstan the Technical Center (Hangar) in Astana with a carrying amount of USD 18,413 thousand was pledged in favor of JSC Halyk Bank of Kazakhstan on 5 May 2021 (Note 11). During 2021 the Group received borrowings from JSC Halyk Bank of Kazakhstan within the existing Credit Line in the amount of USD 10,000 thousand and KZT 1,000,000 thousand (equivalent USD 2,305 thousand). At the same year the Group has repaid USD 25,000 thousand and KZT 35,013,000 thousand (equivalent USD 81,444 thousand), out of which significant part was ahead of schedule.

In the first quarter of 2022 the Group has received available facilities from JSC Halyk Bank of Kazakhstan in the amount of USD 10,000 thousand and KZT 13,500,000 thousand (equivalent USD 27,705 thousand). During 2022 the Group has fully repaid all the borrowed facilities from JSC Halyk Bank of Kazakhstan. In 2022, the land plot, where the above-mentioned Aviation Technical Center is located, was divided into two separate parts. The main land plot where Aviation Technical Center is located will remain pledged in JSC Halyk Bank of Kazakhstan till the end of availability of credit line in 2025. The second part of the land was released from pledge.

On 31 August 2021 the Group entered into a multi-currency Loan Agreement with EBRD for the total amount of USD 50,000 thousand. Uncommitted Tranche 2 in the amount of USD 15,000 thousand was for the purpose of financing capital expenditures (flight simulation facility, which planned to be pledged to the EBRD) and Committed Tranche 1 in the amount of USD 35,000 thousand is for working capital needs (COVID-19 package). In February and March 2022 the Group withdrew USD 5,000 thousand and USD 10,000 thousand, respectively for working capital needs. In April 2022 EBRD upgraded status of Tranche 2 to a "committed". In March 2023 the Group received USD 20,000 thousand for working capital needs and USD 15,000 thousand for the reimbursement of capital expenditures related to purchase of the Flight Simulation Equipment. The Group fully repaid the loan in July 2023.

As of 31 December 2023 the Group had available credit lines totalling USD 142,832 thousand with the option to be utilised until September 2025 at JSC Halyk Bank of Kazakhstan. Additionally, there are revolving credit line of USD 20,000 thousand at Citibank Kazakhstan JSC.

The Group's loans are denominated in the following currencies:

'000 USD	31 December 2023	31 December 2022	31 December 2021
US Dollar	412	12,096	31,196
Tenge	–	–	31,090
	412	12,096	62,286

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 2023 the Group has five Airbus and three Boeing 767 aircraft under fixed interest lease agreements with transfer of title (2022: five Airbus and three Boeing 767 aircraft; 2021: 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 2023, 2022 and 2021.

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 734,632 thousand (2022: USD 714,186 thousand; 2021: USD 648,097 thousand) (Note 11).

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25. Lease liabilities continued

	Minimum lease payments			Present value of minimum lease payments		
'000 USD	31 December 2023	31 December 2022	31 December 2021	31 December 2023	31 December 2022	31 December 2021
Not later than one year	**214,585**	196,804	177,178	**174,997**	158,593	146,354
Later than one year and not later than five years	**512,484**	537,167	545,269	**431,400**	463,293	484,301
Later than five years	**121,453**	119,600	101,281	**112,496**	110,918	96,238
	848,522	853,571	823,728	**718,893**	732,804	726,893
Less: future finance charges	**(129,629)**	(120,767)	(96,835)	**–**	–	–
Present value of minimum lease payments	**718,893**	732,804	726,893	**718,893**	732,804	726,893

	Minimum lease payments			Present value of minimum lease payments		
'000 USD	31 December 2023	31 December 2022	31 December 2021	31 December 2023	31 December 2022	31 December 2021
Included in the consolidated financial statements as:						
– current portion of lease obligations	**–**	–	–	**174,997**	158,593	146,354
– non-current portion of lease obligations	**–**	–	–	**543,896**	574,211	580,539
	–	–	–	**718,893**	732,804	726,893

The Group's lease obligations are mainly denominated in US Dollars.

Reconciliation of movements of loans and lease liabilities to cash flows arising from financing activities

'000 USD	Loans (Note 24)	Lease liabilities	Total
Balance as at 1 January 2023	**12,096**	**732,804**	**744,900**
Repayment of borrowings	(46,250)	–	(46,250)
Proceed from borrowings	35,000	–	35,000
Repayment of lease liabilities	–	(173,302)	(173,302)
Repayment of additional financing	(390)	–	(390)
Interest paid	(1,459)	(41,258)	(42,717)
Total changes from financing cash flows	**(13,099)**	**(214,560)**	**(227,659)**
Effect of changes in foreign exchange rates	–	81	81
Other changes	–	–	–
Additional adjustment - new leases and modifications	–	160,574	160,574
Non-cash settlement due to netting with guarantee deposits	–	(4,584)	(4,584)
Interest expense (Note 9)	1,415	44,578	45,993
Total other changes	**1,415**	**200,568**	**201,983**
Balance as at 31 December 2023	**412**	**718,893**	**719,305**

'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	**3,256**	**214,697**	**217,953**
Balance as at 31 December 2022	**12,096**	**732,804**	**744,900**

'000 USD	Loans (Note 24)	Lease l iabilities	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**

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 2023 a foreign currency loss of USD 19,613 thousand (2022: USD 32,020 thousand; 2021: USD 44,098 thousand), before deferred income tax of USD 3,923 thousand (2022: USD 6,404 thousand; 2021: USD 8,820 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 2023 the amount reclassified from the hedging reserve to foreign exchange loss in the consolidated statement of comprehensive income was USD 12,408 thousand (before deferred income tax of USD 2,482 thousand) (2022: 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).

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, recognised assets of USD 4,579 and recognised a gain of USD 4,628 thousand.

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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 2023, 31 December 2022 and 31 December 2021 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	2023	2022	2021
Reversal of impairment loss on trade and other receivables and prepayments	15, 16	212	1,645	616
(Accrual)/reversal of impairment loss on guarantee deposits	13	(256)	134	(252)
Accrual of impairment loss on cash and bank balances	18	(1)	(1)	(1)
		(45)	1,778	363

Trade and other receivables

'000 USD	31 December 2023	31 December 2022	31 December 2021
Default banks	45,258	45,524	47,092
Trade receivables	23,135	20,119	14,906
Amounts due from employees	2,697	2,637	4,116
Receivable from lessors	–	848	170
Total gross carrying amount	71,090	69,128	66,284
Impairment allowance	(46,222)	(46,521)	(48,539)
Total net carrying amount	24,868	22,607	17,745

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 2023, 9 debtors including IATA Billing Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 69% of the Group's trade and other receivables excluding banks in default (at 31 December 2022: fifteen debtors comprised 52%; at 31 December 2021: eight debtors comprised 46%).

The following tables provide information about the exposure to credit risk for trade receivables as at 31 December 2023, 31 December 2022 and 31 December 2021.

	31 December 2023			31 December 2022			31 December 2021		
'000 USD	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
Current (not past due)	22,344	(8)	22,336	18,941	(15)	18,926	12,920	(23)	12,897
1–30 days past due	390	–	390	503	–	503	372	–	372
31–90 days past due	62	–	62	229	–	229	169	–	169
More than 90 days past due	339	(339)	–	446	(446)	–	1,445	(1,445)	–
	23,135	(347)	22,788	20,119	(461)	19,658	14,906	(1,468)	13,438

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.

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26. Financial instruments continued

The table below presents the credit quality of receivables from lessors and others:

Credit rating

'000 USD	31 December 2022
BBB- to AAA	848
Without ratings	–
Gross carrying amounts	848
Impairment allowance	–
Balance at 31 December	848

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	2023	2022	2021
Balance at 1 January	46,521	48,539	49,634
Accrual of impairment allowance	840	220	1,562
Write-off of impairment allowance	(97)	–	–
Foreign currency difference	74	(650)	(482)
Reversal of impairment allowance	(1,116)	(1,588)	(2,175)
Balance at 31 December	46,222	46,521	48,539

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 2023	31 December 2022	31 December 2021
Credit rating			
BBB- to AAA	28,901	27,990	15,289
C to CCC+	3,732	1,721	2,850
Without ratings	3,179	3,600	1,812
Gross carrying amounts (amortised cost before impairment)	35,812	33,311	19,951
Impairment allowance	(531)	(275)	(409)
Total net carrying amount	35,281	33,036	19,542

The Group did not have any guarantee deposits that were either past due or impaired.

'000 USD	2023	2022	2021
Balance at 1 January	(275)	(409)	(157)
Net re-measurement of loss allowance	(256)	134	(252)
Balance at 31 December	(531)	(275)	(409)

Cash and bank balances

The Group held cash and bank balances of USD 274,006 thousand at 31 December 2023 (2022: USD 252,888 thousand; 2021: USD 226,357 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:

	31 December 2023			31 December 2022			31 December 2021		
'000 USD 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+	257,562	(9)	257,553	232,795	(8)	232,787	189,811	(5)	189,806
B+ to BB+	16,343	(1)	16,342	19,919	(1)	19,918	36,447	(3)	36,444
Without ratings	111	–	111	183	–	183	107	–	107
	274,016	(10)	274,006	252,897	(9)	252,888	226,365	(8)	226,357

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.

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26. Financial instruments continued

		31 December 2023		31 December 2022		31 December 2021	
'000 USD	Notes	Tenge	Euro	Tenge	Euro	Tenge	Euro
Assets							
Other taxes prepaid	17	10,247	–	8,378	–	7,709	–
Trade and other receivables	16	16,008	1,757	8,161	1,232	12,334	756
Income tax prepaid		13,259	–	8,978	–	2,630	–
Cash and bank balances	18	3,869	1,686	12,766	4,634	2,285	1,652
Guarantee deposits		341	313	177	306	145	443
Total		43,724	3,756	38,460	6,172	25,103	2,851
Liabilities							
Trade and other payables	23	43,945	4,395	33,088	3,900	39,424	2,846
Loans	24	–	–	–	–	31,090	–
Lease liabilities		4,832	–	3,260	–	4,427	–
Total		48,777	4,395	36,348	3,900	74,941	2,846
Net position		(5,053)	(639)	2,112	2,272	(49,838)	5

In 2023 the following table details the Group's sensitivity of weakening of the US Dollar against the Tenge by 10% (2022 and 2021: 21% and 10%) and Euro by 10% (2022 and 2021: 10.6% and 9%) and strengthening of the US Dollar against the Tenge by 10% (2022 and 2021: 21% and 13%) and Euro by 10% (2022 and 2021: 10.6% and 9%).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for above-mentioned sensitivity ratios.

The sensitivity analysis includes trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, loans and lease liabilities.

A negative number below indicates a decrease in Profit or Loss and positive number would be an opposite impact on the Profit or Loss:

	Weakening of US Dollar		Strengthening of US Dollar	
'000 USD	Tenge	Euro	Tenge	Euro
31 December 2023	10%	10%	(10%)	(10%)
(Loss)/profit	(404)	(51)	404	51

	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%)
(Loss)/profit	(3,987)	–	5,183	–

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 2023					
Financial assets					
Trade and other receivables	22,778	747	1,343	–	24,868
Guarantee deposits	384	1,595	12,230	21,099	35,308
Cash and bank balances	274,006	–	–	–	274,006
Financial liabilities					
Non-interest bearing					
Trade and other payables	73,544	7,250	–	–	80,794
Fixed rate					
Loans	106	317	–	–	423
Lease liabilities	53,282	161,303	512,484	121,453	848,522

'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

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Notes to the consolidated financial statements continued

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26. Financial instruments continued

Fair values

Cash and bank balances

The carrying value of cash and bank balances approximates their fair value as they either have short- term maturity or are interest-bearing and hence are not discounted.

Fuel call options

The Group uses options to hedge the risk of jet fuel price movement. The Group uses standard market instruments for fuel hedging purposes, such as "call option" (where the premium is paid in advance by the Group to cover the risk of increases of commodity price above the predetermined level). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from call option suppliers, the Group hedges only the amount of fuel purchased outside the Republic of Kazakhstan signing a general agreement with several international banks on the conclusion of derivative transactions. The management of the Group determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Group. The Group determines the economic relationship between the hedge instrument and the hedge item by analyzing the historic price movement of aviation fuel and Brent by performing a regression analysis. The resulting Beta coefficient is assessed for statistical significance and used as a hedge ratio.

The hedge ineffectiveness comes from the probability that due to constantly changing economic conditions the highly probable transaction, purchase of aviation fuel, might not occur.

The fair values (FV) of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Group applied discounted expected future cash flows method under income approach to reach fair value of the instruments. The cash-flows represent payouts from the counterparties to the Group in case of a floating price exceeding a strike price.

To estimate payouts the Group applied Monte Carlo method based on Geometric Brownian Motion model. The following key inputs parameters were used by the Group in their model:

- Spot: Brent Crude Oil futures last price as at 31 December 2023 and 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: 5.3% (as at 31 December 2022: 3%) according to the Group estimations.

These hedge items are highly probable future transactions planned for the first half of 2024. The hedge instrument is the crude oil call option with the strike prices of USD 85 and USD 80 per barrel. Based on the hedge ratio of 1.157, the Group hedged 353,884 barrels of fuel as of 31 December 2023. 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 delivery date and contract maturity was in 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.

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 Accounting 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 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.

Notes to the consolidated financial statements continued

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27. Measurement of fair values continued

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 2023, 2022 and 2021 all of the Group's assets were measured at amortised cost except for fuel call options.

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.

Further information about the assumptions made in measuring fair values is included in Note 26.

28. Commitments and contingencies

Capital commitments

In 2011 the Group finalised 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 2024 to 2026:

'000 USD	31 December 2023	31 December 2022	31 December 2021
Within one year	22,166	14,070	9,372
After one year but not more than five years	511,496	406,869	64,494
More than five years	852,470	747,355	55,489
	1,386,132	1,168,294	129,355

In 2021 the Group signed operating lease agreements for four A320neo aircraft and one A320ceo aircraft with expected delivery dates in 2022–2023.

In 2022 the Group signed operating lease agreements for twelve A320neo aircraft and for three A321neo aircraft with expected delivery dates in 2023–2025 both for expansion and replacement of retiring aircraft. Also, the Airline signed the operating lease for three B787-9 aircraft with deliveries in 2025–2026.

During 2022 three A320neo aircraft, three A321neo aircraft and one A320ceo aircraft were delivered.

During 2023 four A320neo, two A320ceo and one A321neo aircraft were delivered.

In 2023 the Group signed operating lease agreements for two A320neo, two A321neo and four A321neo LR aircraft with expected delivery dates in 2024–2026 both for expansion and replacing of retiring aircraft.

In 2021 the Group signed agreements for Full-flight simulator delivery and Simulator center construction in Astana. The simulator has been delivered to the airline. Full-flight simulator installation and commissioning was finished in 2023.

In 2023 the Group signed various contracts aimed at implementing projects for the modernization and enhancement of its operational activities.

Non-cancellable commitments related to the Simulator project and other projects:

'000 USD	31 December 2023	31 December 2022	31 December 2021
Within one year	1,054	993	6,385
	1,054	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.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

28. Commitments and contingencies continued

Taxation contingencies

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

The management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The functional currency of the Company is US Dollar, as it best reflects the economic substance of the underlying events and circumstances of the Company. The Tax Code of the Republic of Kazakhstan does not contain provisions which would regulate questions arising from the application of functional currency in accounting books different from tenge. However, the Tax Code requires all taxpayers in Kazakhstan to maintain their tax records and to settle tax liabilities in tenge. Therefore, the Group also maintains records and conducts calculations in tenge for the purpose of taxation and settlement of tax liabilities and makes certain estimates in this respect. The management believes that such approach is the most appropriate under the current legislation.

Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The Group initially incurred a fine imposed by the court following an investigation by the Antimonopoly agency of the Republic of Kazakhstan regarding an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered during the period January 2021 – May 2022. Initially, the court determined a penalty amounting to KZT 6,806,138 thousand (USD 15,041 thousand); however, after the Group appealed the court decision, the fine was decreased significantly to the amount of KZT 876,863 thousand (USD 1,848 thousand). The Group fully repaid the fine in January 2024. Following the initial court decision, the Group faces the possibility of legal proceedings with the Antimonopoly agency of the Republic of Kazakhstan concerning an alleged non-compliance in the collection of fuel surcharge from passengers for services rendered starting from June 2022. If such legal proceedings were to occur, the Group might be subject to a fine which cannot be estimated reliably because the principle underlying the assessment of the fine by the latest court was unclear. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and geopolitical conflicts have also increased the level of uncertainty in the business environment. The 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

As at 31 December 2023, 31 December 2022 and 31 December 2021 the shareholders of the Group were JSC "National Welfare Fund "Samruk-Kazyna" (which held the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which owned 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	2023	2022	2021
Salaries and bonuses	7,323	6,582	6,010
Social tax	671	625	556
	7,994	7,207	6,566

Transactions with related parties

Related parties comprise the shareholders of the Group and all other companies in which those shareholders, either individually or together, have a controlling interest or significant influence.

The Group provides air transportation services to Government departments, Government agencies and State-controlled enterprises. The Group has established its buying and approval process for purchases and sales of products and services. Both sales and purchase transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

The following table represents the related party transactions:

'000 USD	2023		2022		2021	
Services received	Transaction value[1]	Outstanding balance	Transaction value[1]	Outstanding balance	Transaction value[1]	Outstanding balance
State-owned companies	149,402	1,332	104,777	2,095	42,570	(1,850)
Shareholders and their subsidiaries	67,765	(1,598)	28,139	(32)	10,115	(2,203)
	217,167	(266)	132,916	2,063	52,685	(4,053)

1 Transaction values with related parties for 2023 was presented without value-added tax amounts. Comparative figures for 2022 and 2021 were adjusted accordingly.

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

'000 USD	2023		2022		2021	
Services provided by the Group	Transaction value[1]	Outstanding balance	Transaction value[1]	Outstanding balance	Transaction value[1]	Outstanding balance
Shareholders and their subsidiaries	1,229	1,018	1,204	3,469	1,141	430
State-owned companies	–	–	–	–	–	3
	1,229	1,018	1,204	3,469	1,141	433

1 Transaction values with related parties for 2023 was presented without value-added tax amounts. Comparative figures for 2022 and 2021 were adjusted accordingly.

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.

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Notes to the consolidated financial statements continued

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29. Related party transactions continued

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. Fees for the services received from the independent auditors

The fees for the services received from the independent auditors including the statutory audit and other non-audit fees as per the agreements for the year ended 31 December 2023:

'000 USD	2023
Audit fee	515
Non-audit fees related to IPO	444
Other non-audit fees	90
	1,049

31. Subsequent events

During January and February 2024, the Group obtained new short-term loans for working capital needs from JSC Halyk Bank of Kazakhstan and JSC Citibank Kazakhstan in amount of KZT 9,000,000 thousand (USD 19,733 thousand) and KZT 8,000,000 thousand (USD 17,792 thousand). The loans were fully repaid in February 2024.

On 15 February 2024, the Company completed its initial public offering ("IPO"), raising KZT 54,256,673 thousand (USD 121,111 thousand). The Company listed simultaneously on three exchanges: Kazakhstan Stock Exchange, Astana International Exchange, and London Stock Exchange. In addition to the primary offering, existing shareholders JSC "National Welfare Fund "Samruk-Kazyna", and BAE Systems Kazakhstan Limited both sold their shares (or GDRs representing shares), reducing their shareholdings to 41% and 16.95%, respectively. Other shareholders had less than 10% of shares post-IPO.

In February 2024, JSC "FlyArystan" issued additional 100,000 shares in favour of the Company. The total additional investment amounted to KZT 400,000 thousand.

32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the management of the Group and authorised for issue on 14 March 2024.

Major transactions

16 October 2023

Air Astana JSC announces on the decision of the General Meeting of Stockholders of the Company dated 13 October 2023 on entering into a major transaction with International Aero Engines LLC for off-wing engine maintenance services to cover up to 125 (one hundred and twenty five) PW1127G/PW1133G type engines for Airbus A320 NEO family aircraft including 23 aircraft and 9 spare engines for the period of 8 years from the entry into service of each aircraft and 35 aircraft for the period of 12 years from the entry into service of each aircraft with the latest delivery scheduled for May 2028).

Economic performance

Through its core activities and socio-economic investments, the Group contributes to the local and national economies wherever it operates. Recognising its duties as a corporate citizen, it operates its business in a responsible, efficient and profitable manner and is committed to supporting sustainable development through:

- Direct business activity and focusing on improved efficiency and productivity
- Paying taxes
- Creating both direct and indirect employment opportunities
- Developing supply chains and procurement from local suppliers.

Detailed information about Air Astana Group's economic performance can be found in the audited financial statements of this Integrated Report on pages 109 to 114.

USD '000	2023	2022	2021
Direct economic value generated	1,189,320	1,039,377	764,243
Revenue	1,174,514	1,039,377	764,243
Economic value distributed			
Operating cash costs	841,531	733,249	540,752
Employee wages and benefits	193,067	148,907	116,265
Payments to providers of capital	62,769	38,495	46,744
Taxes paid	3,920	1,427	2,501
Community investments	15	84	147
Economic value retained	88,018	117,215	57,834

GRI content index

The Air Astana Group has reported in alignment with the GRI Standards for the period from 1 January 2023 to 31 December 2023.

GRI Standard/Disclosure	Location of disclosures/Reasons for omission
GRI 2: General Disclosures 2021	
2-1 Organisational details	
• Name of the organisation	Cover of the Annual Report 2023
• Ownership and legal form	Notes to the consolidated financial statements, page 115
• Location of headquarters	Almaty, Kazakhstan
• Location of operations	At a glance, pages 6–7
2-2 Entities included in the organisation's sustainability reporting	Air Astana Group
2-3 Reporting period, frequency and contact point	
• Reporting period for financials	1 January 2023 – 31 December 2023
• Reporting period for sustainability data	1 January 2023 – 31 December 2023
• Publication date	April 2024 (Annual)
• Contact point for questions regarding the report	Corporate.governance@airastana.com Sustainability.issues@airastana.com
2-4 Restatements of information	The Company has not performed restatement of the information
2-5 External assurance	Independent practitioner's assurance report, page 171
2-6 Activities, value chain and other business relationships	At a glance, pages 6–7; Business model, pages 14–15; Stakeholder engagement and priorities, pages 16–20; Sustainability, page 65
2-7 Employees	Sustainability, pages 60–65
2-9 Governance structure and composition	Sustainability, page 44; Corporate Governance report, pages 94–95
2-10 Nomination and selection of the highest governance body	Corporate Governance report, pages 96, 102–103
2-11 Chair of the highest governance body	Corporate Governance report, pages 82, 91, 94
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance report, pages 90, 94
2-13 Delegation of responsibility for managing impacts	Sustainability, page 44; Corporate Governance report, pages 94–95
2-14 Role of the highest governance body in sustainability reporting	Sustainability, page 44
2-15 Conflicts of interest	Corporate Governance report, page 91 Policy for prevention of conflicts of interest
2-16 Communication of critical concerns	Sustainability, pages 45–46
2-17 Collective knowledge of the highest governance body	Sustainability, page 44
2-18 Evaluation of the performance of the highest governance body	Corporate Governance report, page 96
2-19 Remuneration policies	Corporate Governance report, page 103
2-20 Process to determine remuneration	Corporate Governance report, page 103

GRI Standard/Disclosure	Location of disclosures/Reasons for omission
2-22 Statement on sustainable development strategy	Sustainability, pages 42–43, 47–49
2-23 Policy commitments	Sustainability, pages 45–46
2-24 Embedding policy commitments	Sustainability, pages 45–46
2-25 Processes to remediate negative impacts	Sustainability, pages 45–46, 63
2-26 Mechanisms for seeking advice and raising concerns	Sustainability, pages 45–46, 63
2-27 Compliance with laws and regulations	Sustainability, page 53
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), International Society of Air Safety Investigators (ISASI)
2-29 Approach to stakeholder engagement	Stakeholder engagement and priorities, pages 16–20
GRI 3: Material Topics 2021	
3-1 Process to determine material topics	Sustainability section, page 46
3-2 List of material topics	Sustainability section, page 46
3-3 Management of material topics	Throughout the annual report – see individual indicators for further information
Strategy	Strategy, pages 26–29
Ethics and compliance	Sustainability, pages 45–46
Corporate Governance	Covered in GRI 2-9 – 2-21
Stakeholder engagement	Covered in GRI 2-29
Economic performance (GRI 201: Economic performance 2016)	
201-1 Direct economic value generated and distributed	Additional information, page 167
201-2 Financial implications and other risks and opportunities due to climate change	Sustainability, pages 53–55; Risk Management, page 78
201-4 Financial assistance received from government	No financial assistance has been received from government since the launch of Air Astana
Procurement practices (GRI 204: Procurement practices 2016)	
204-1 Proportion of spending on local suppliers	Sustainability, page 65
Anti-corruption (GRI 205: Anti-corruption 2016)	
205-1 Operations assessed for risks related to corruption	Sustainability, pages 45–46
205-2 Communication and training about anti-corruption policies and procedures	Sustainability, pages 45–46
205-3 Confirmed incidents of corruption and actions taken	Sustainability, pages 45–46
Aviation safety management systems	Sustainability, pages 58–59
Energy (GRI 302: Energy 2016)	
302-1 Energy consumption within the organisation	Sustainability, pages 50–51
302-4 Reduction of energy consumption	Sustainability, pages 50–51

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GRI content index continued

GRI Standard/Disclosure	Location of disclosures/Reasons for omission
GRI 3: Material Topics 2021 continued	
Emissions (GRI 305: Emissions 2016)	
305-1 Direct (Scope 1) GHG emissions	Sustainability, pages 51–52
305-4 GHG emissions intensity	Sustainability, page 52
305-5 Reduction of GHG emissions	Sustainability, page 51
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Sustainability, page 52
Waste management (GRI 306: Waste 2020)	
306-2 Management of significant waste-related impacts	Sustainability, page 52
306-5 General waste by type and disposal methods	Sustainability, page 52
Environmental compliance	Sustainability, page 53
Employment (GRI 401: Employment 2016)	
401-1 New employee hires and employee turnover	Sustainability, page 61
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability, page 62
401-3 Parental leave	Sustainability, page 61
Occupational health and safety (GRI 403: Occupational health and safety 2018)	
403-1 Occupational health and safety management system	Sustainability, pages 56–58
403-2 Hazard identification, risk assessment, and incident investigation	Sustainability, pages 56–58
403-3 Occupational health services	Sustainability, pages 56–58
403-4 Worker participation, consultation, and communication on occupational health and safety	Sustainability, pages 56–58
403-5 Worker training on occupational health and safety	Sustainability, pages 56–59
403-6 Promotion of worker health	Sustainability, pages 56–58
403-9 Work-related injuries	Sustainability, pages 57–58
Training and development (GRI 404: Training and education 2016)	
404-1 Average hours of training per year per employee	Sustainability, pages 63–65
404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability, pages 63–65
404-3 Percentage of employees receiving regular performance and career development reviews	All employees receive annual appraisal as well as career development review
406-1 Incidents of discrimination and corrective actions taken	Sustainability, page 61
Customer privacy (GRI 418: Customer privacy 2016)	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability, pages 45–46
Innovation and digitalisation	Operating review, page 41
Service quality	Operating review, pages 38–41
Passenger turnover	Operating review, pages 32–34
On-time flight performance	Operating review, page 39
Fleet technological improvements	Operating review, pages 36–37

Independent practitioner's assurance report

Building a better working world

To the Shareholders and Management of Air Astana Group

Scope

We have been engaged by Air Astana Group (the 'Group') refers to Air Astana JSC (the 'Company') and its 100% subsidiary organization FlyArystan JSC to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, (hereinafter 'Engagement'), to report on the selected indicators (hereinafter 'Subject Matter' or 'Indicators') in the field of sustainability contained in the Group's Integrated Annual Report (hereinafter referred to as the 'Report') for the period from January 1 to December 31, 2023 (hereinafter 'the Reporting Period').

Subject Matter includes following disclosures with relevant GRI-indexes:

- 201-1 Direct economic value generated and distributed;
- 204-1 Proportion of spending on local suppliers;
- 205-1 Operations assessed for risks related to corruption;
- 205-2 Communication and training about anti-corruption policies and procedures;
- 205-3 Confirmed incidents of corruption and actions taken;
- 302-1 Energy consumption within the organization;
- 305-1 Direct (Scope 1) GHG emissions;
- 305-4 GHG emissions intensity;
- 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions;
- 306-5 General waste by type and disposal methods;
- 401-1 New employee hires and employee turnover;
- 401-3 Parental leave;
- 403-9 Work-related injuries;
- 404-1 Average hours of training per year per employee;
- 406-1 Incidents of discrimination and corrective actions taken;
- 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.

The Subject Matter is disclosed in the following sections of the Report:

- Sustainability section of the Integrated Annual Report, pages 42–66. Part 'Economic performance', page 167
- Subject Matter related figures in the Integrated Annual Report pages 2–3, 31, 92
- GRI Index and relevant sections of the Report which the GRI Index refers to, pages 168–170.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Group

In preparing the Subject Matter the Group applied the:

- Global Reporting Initiative Sustainability Reporting Standards 2021 (hereinafter 'the GRI Standards'), as set forth in section 'About the Report' on the page 1 of the Report (hereinafter 'the Criteria').

Group's responsibilities

The Group's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Independent practitioner's assurance report continued

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with the Group. ISAE 3000 requires that we plan and perform our engagement to obtain limited assurance about whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included the following:

- We interviewed representatives of the Group's divisions involved in the preparation of the Subject Matter;
- We conducted analytical procedures of the quantitative information related to Subject Matter;
- We examined sustainability-related internal corporate documents of the Group;
- On a sample basis, we compared the Subject Matter with source information;
- We evaluated the presentation of the Subject Matter in the layout of the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the period from January 1 to December 31, 2023, in order for it to be in accordance with the Criteria.

Ernst & Young Advisory LLP.

April 26, 2024
Almaty, Kazakhstan

Glossary

AAK	Aviation Administration of Kazakhstan
ACTK	Available cargo tonne-kilometres
Air Astana Group	Air Astana and FlyArystan brands
APEX	Airline Passenger Experience Association
ASK	Available-seat kilometres
CAC	Civil aviation Committee
CASK	Cost of Available Seat Kilometre
CEET	Cabin Emergency Evacuation Trainers
CRMS	Corporate Risk Management System
CSAT	Customer Satisfaction Ratings
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
EME	Extraordinary market event
ESG	Environmental, Social and Governance
FH	Fuel hedging
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
IOSA	IATA Operational Safety Audit
ISO	International Organization for Standardization
KPI	Key Performance Indicator
LCC	Low-cost carrier
LCDP	Low-Carbon Development Programme
NPS	Net Promoter Score

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