

Annual report 2023

8 YEARS WE ARE CONNECTING REGIONS



“QAZAQ AIR” JSC annual report year 2023

The main strategic goal of QAZAQ AIR JSC (hereinafter referred to as the Airline) is to develop domestic regional routes with an emphasis on destinations where there is active demand, but the market either lacks supply or has insufficient availability. The Airline is focused on ensuring convenient connections with international flights, allowing passengers to easily and quickly reach global transport hubs through key cities in Kazakhstan, which are centers of growth and development. This not only contributes to the development of domestic air travel but also supports the overall economic growth of the country.



Our values



Safety



Reliability



Efficiency



Sustainable growth



Diligence and proficiency

Reliability guarantee

In 2023, the airline ranked among the top three in the category of **"Best Regional Airlines in Central Asia and CIS 2023"** according to the prestigious international Skytrax rating.

Skytrax is a mark of reliability and exceptional quality, as well as a testament to international Recognition.

In the 2023 Skytrax surveys, the names of more than 300 airlines were mentioned. Survey participants—passengers from over 100 nationalities—rated airlines on aspects ranging from aircraft quality to crew uniforms.

19 609 mln

tenge, total income in 2023

588 407

passengers were carried in 2023

32,3 tenge

cost per available seat kilometer (CASK) in 2023

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Female Crew

On the airline's flight, the entire crew — the Captain, First officer and two flight attendants — consisted of women, marking a first in the history of both the airline and Kazakhstan's aviation.

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Excursion for Children

QAZAQ AIR organized a sightseeing tour for children aboard an aircraft for International Children's Day.



"Tusaukeser"

In the fall, for the first time, the airline hosted the traditional "Túsaukésér" ceremony on board one of its domestic flights.



Tree planting

As part of the environmental month "Zhasyl Astana", employees of the airline QAZAQ AIR took part in a city clean-up day and planting trees in the Presidential Park of the capital.

Address from the Chairman of the Board of Directors



Andrew Cowen
Chairman of the Board of Directors

I am pleased to present the 2023 Annual Report of QAZAQ AIR, a year marked by significant achievements and meaningful changes for our company.

In 2023, QAZAQ AIR experienced steady growth and enhanced operational efficiency. We successfully met our passenger traffic targets, expanded our route network and optimized operational costs.

Safety continues to be our foremost priority. This year, we made substantial investments in the technical maintenance of our aircraft. Additionally, we advanced the integration of cutting-edge technologies and best global practices to uphold the highest standards of safety and service quality for our passengers.

The success of our company is deeply rooted in the commitment and expertise of our dedicated team. In 2023 we continued to invest in the development of our employees through training and professional growth programs. Our goal is to foster a corporate culture that encourages innovation, collaboration, and continuous improvement.

I would like to express my sincere gratitude to the Sole Shareholder, as well as to all our partners and employees, for their invaluable contributions to the success of QAZAQ AIR. We are confident that 2024 will bring new opportunities and milestones for our company. Together, we will continue to build on our achievements and strive for even greater success.



“Success awaits those who are ready to seize the opportunities that come their way.”

— **George Samuel Clason, “The Richest Man in Babylon”**

By the decision of the Management Board of “Sovereign Wealth Fund “Samruk-Kazyna” JSC dated June 14, 2024 No. 33/24 was elected as an Independent Director, Chairman of the Board of Directors of QAZAQ AIR JSC.



**PASSENGER
TRAFFIC:**

**3.2*
MILLION**

Environmental protection

Our Low-Carbon Development Program (LCDP) for 2023–2032 is integrated into the Group's ESG Strategy and aligns with Kazakhstan's goal of achieving carbon neutrality by 2060.

Social Aspects

Engagement with various stakeholder groups enables us to better understand and respond to their needs and expectations, which is critical for both securing their support and ensuring the continued success of the company.

Management

The sustainable development of our business is guided by principles of transparency, responsibility, ethical behavior, fairness, respect for human rights and a firm stance against corruption.

Address by the Acting Chief executive officer



LOAD FACTOR

84%

TOTAL NUMBER OF DIRECTIONS

29

TAKEOFFS/LANDINGS PERFORMED

8 822



Adilbek Umrallyev
Acting Chief executive officer

In 2023, QAZAQ AIR carried a record 588,000 passengers. The load factor reached 84% (a 2% increase compared to 2022). Throughout the year, we successfully executed a program of international flights from Almaty to Tamchi and Bishkek, as well as regional flights on the Almaty-Usharal and Shymkent-Zhezkazgan routes. Additionally, our route network expanded to include socially important subsidized routes to Turkestan, Zhezkazgan and Petropavlovsk.

In 2023, QAZAQ AIR once again ranked among the top three regional airlines in Central Asia and the CIS according to the international aviation rating agency Skytrax.

The Airline's Aviation Training Center achieved significant success, including the expansion of its certificate scope and the approval of new training programs for initial training, conversion training and recurrent training of aviation personnel.

The technical base for aircraft maintenance was expanded, with the airline's engineers certified for the fleet's operating type and authorized to carry out independent maintenance of the aircraft.

We are confident that the continued development of our company, the expansion of our route network and improvements in service quality will strengthen our position in the market and make a significant contribution to the development of civil aviation in Kazakhstan as a whole. We thank our partners and passengers for their trust and look forward to successful collaboration in the future.

““”

“Most of the time, we learn on the job, overcoming new challenges in business and a changing environment. But external knowledge flows are also crucial to gain new, practically useful methods for business operations.” —

Adilbek Umrallyev, Acting Chief executive officer

DEVELOPMENT HISTORY



2015

the first full year of operational activity. **163 thousand passengers** were carried on three aircrafts.

the legal entity "QAZAQ AIR"JSC was registered and **the first demonstration flight on the Almaty-Astana-Almaty route** was performed. The commencement of the first commercial flights began.



2017

IOSA safety standard audit was conducted. Passenger traffic increased up to **306 thousand passengers**.



2016

New six routes were opened. Amount of carried passengers exceeded **251 thousand passengers**.



2019

A hub-and-spoke route network from Astana base was launched. The service of subsidiary regional routes started. Passenger traffic consisted of **432 thousand passengers**.



2018

The process of relocation of the airline base to Astana started. Two new De Havilland Canada Dash-8 Q400 aircrafts were received. More than **378 thousand passengers** were transported.



2021

The own Aviation training center was certified. More than **561 thousand passengers** were carried.



2020

The international border routes have been launched in pilot mode. Break-even has been achieved in terms of EBITDA. The company's own aircraft line maintenance station has been put into operation. Passenger traffic increased up to **570 thousand passengers**.



2023

The Aviation training center successfully completed the audit. **588 thousand passengers** were carried on 26 routes.



The Airline's fleet consists of **5 modern turbo-prop aircrafts De Havilland Dash-8 – Q400NG** (formerly known as Bombardier Q400) of Canadian production.

Range
2063 km

Capacity
76-86 chairs

Ceiling altitude
7 620 m

Maximum speed
667 km/h

Length
32.8 m

Wingspan
28.4 m

Height
8.4 m

Engines
PW150

DEVELOPMENT STRATEGY

Mission

Enhancing the accessibility of safe regional air travel across the Republic of Kazakhstan and to neighboring regions.

Vision

A regional airline with an optimal fleet, its own team of pilots and technical service staff, providing a high level of flight safety and service quality with mutually beneficial partnerships with long-haul carriers.

Strategic Goals

- Safety and operational efficiency
- Development of regional air travel
- Sustainable development

Safety and Operational Efficiency

- International safety certification (IOSA)
- Development of a base in Astana
- Development of an in-house engineering and technical service
- Training of local pilots and engineers
- Compliance with global standards for aircraft airworthiness and operation

Sustainable Development

- Implementation of corporate governance principles
- Application of advanced human resources management practices
- Environmental responsibility



Strategic Objectives

- Optimizing cost structure and reducing foreign currency expenses
- Optimal fleet ownership structure and financing schemes (purchase of aircraft on favorable terms)
- Development of additional services (paid baggage, insurance, meals, etc.)
- Increasing distribution

Development of Regional Air Travel in the Republic of Kazakhstan

- Expansion of fleet size
- Optimization of the route network
- Launching international and expanding regional routes
- Strengthening partnerships with long-haul carriers



RESUMPTION OF DEMAND FOR AIR TRAVEL



The volume of global passenger air transport in 2023 increased by

37%

The volume of passenger air transport in Kazakhstan in 2023 increased by

23%

GLOBAL PASSENGER AIR TRANSPORT MARKET

According to the International Air Transport Association (IATA), the volume of global passenger air travel in 2023 increased by 37% compared to 2022. In December 2023, the growth was 25.3% year-on-year, with international travel up by 24.2% and domestic travel increasing by 27%.

The global aviation industry fully recovered from the effects of the pandemic in 2023 and, for the first time since 2019, was able to return to profitability. According to IATA data, the highest growth in passenger traffic in December was observed in the Asia-Pacific region (+60.7%), with passenger turnover jumping by 126% and flight load factors rising from 74.1% to 83.1%.

European airlines faced a 22% increase in international passenger traffic, with seat occupancy rising to 83.8% from 80.7% in 2022. In North America, the first indicator grew by 28.3%, while the second reached 84.6%, compared to 80.7% the previous year. Traffic on domestic routes in China soared by nearly 139% in the past year, now surpassing pre-pandemic levels by 7.1%.

AVIATION MARKET OF KAZAKHSTAN

In 2023, global economic growth continued to slow down, reaching only 3%, compared to 3.5% in 2022 and 6.3% in 2021. Three years after the pandemic-induced shock, the global economy is "still healing its wounds." The recovery is being hindered not only by the long-term consequences of COVID-19 but also by the events in Ukraine and the increasing geopolitical fragmentation. However, 2023 was effectively the first full year when the world no longer faced quarantine restrictions.

Tourist flows almost completely recovered to the levels of 2019, and the consumption of services grew faster than the demand for durable goods. In Kazakhstan, according to the Ministry of Transport and Communications, passenger traffic increased by 23% in 2023 and Kazakh airlines transported a record 13 million passengers. The number of passengers for the airline on both domestic and international routes increased by 5% compared to the previous year, reaching the maximum available capacity.

CONTRIBUTION TO THE DEVELOPMENT OF THE DOMESTIC AIR TRANSPORT MARKET

In Kazakhstan there are still regional routes that are not sufficiently served by convenient and affordable air transport. However, the development of regional air links contributes to unlocking the socio-economic potential of Kazakhstan's regions. Today most of our passengers use unique routes that are not offered by other airlines. The airline continues its intensive efforts to develop domestic air travel and will focus on cross-border routes to support the quality growth of the Kazakh economy and improve the population standard of living.

Key Performance Results

KEY PERFORMANCE INDICATORS

FACTORS AFFECTING KEY RESULTS

The results of 2023 confirm the achievement of key milestones in the airline's development and its contribution to the growth of Kazakhstan's civil aviation. In 2023 the airline's revenues decreased by 4%, primarily due to the forced reduction of international flights due to the lack of approval from Russian aviation authorities. Additionally several factors negatively impacted the on-time performance of flights in 2023 including local airport infrastructure (limited servicing equipment and weather conditions), lack of aircraft parking spaces for engine checks, and difficulties organizing them, as well as staff shortages.

KEY EVENTS OF 2023

- Over 588,000 passengers were transported, with 8,822 flights operated across 29 routes.
- Aircraft load factor reached 84%, with a 2% growth compared to 2022.
- New international flights were launched between Almaty and Bishkek, Almaty and Tamchy, as well as regional routes from Almaty to Usharal and Shymkent to Zhezkazgan.

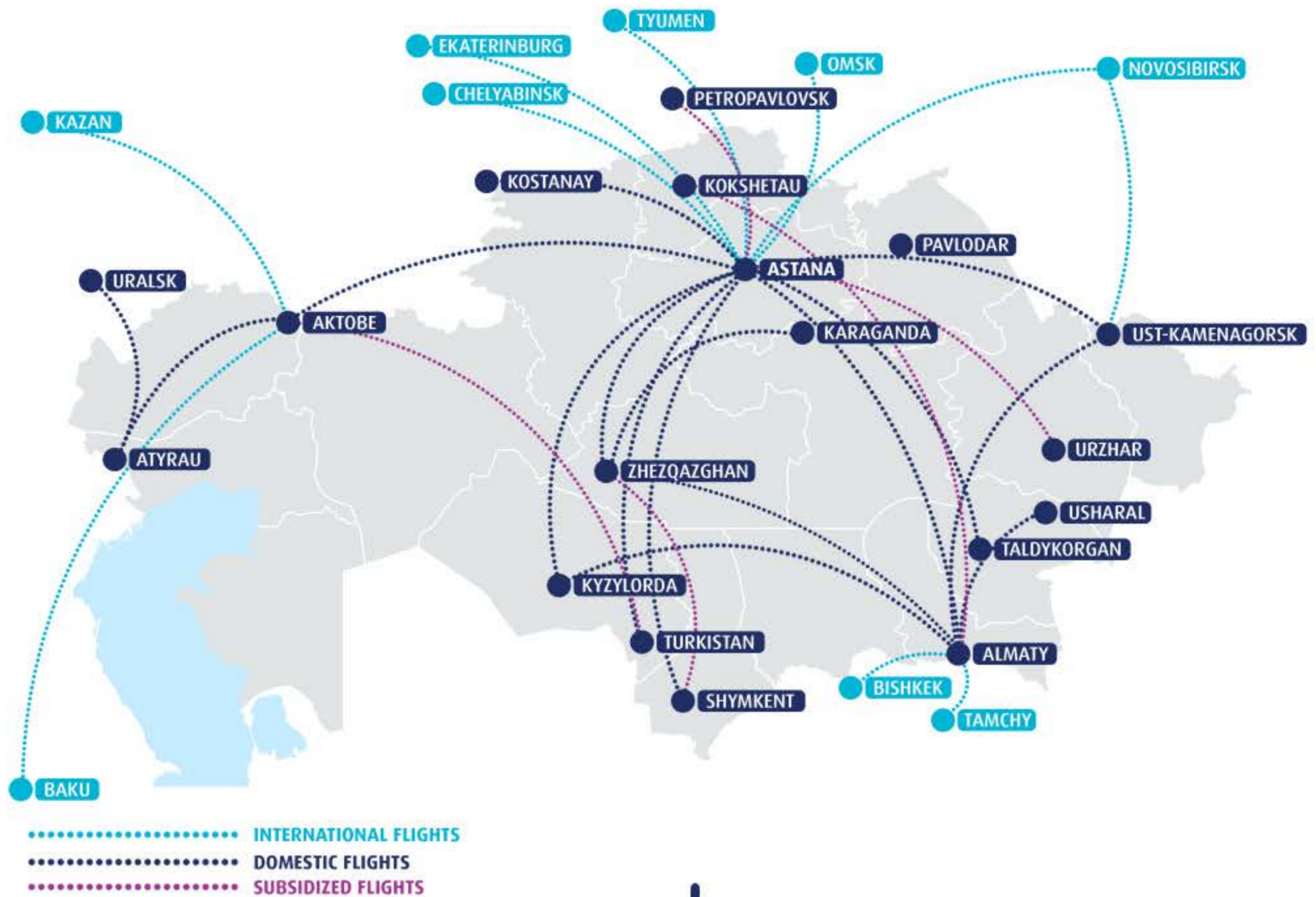
- Subsidized flights to Turkestan, Shymkent, Zhezkazgan and Petropavlovsk were carried out with the support of the Ministry of Industry and Infrastructure Development of Kazakhstan.
- The Aviation Training Center demonstrated successful results including passing the inspection by the Aviation Administration of Kazakhstan expanding the certificate's scope and approval on new training programs for initial training, conversion and recurrent training of aviation personnel. This demonstrates the company's commitment to staff development and training to high standards.
- Ground equipment was acquired for aircraft technical maintenance.
- Engineers of the airline successfully completed type training and 9 of them received permits for independent aircraft maintenance.
- To enhance business efficiency, the company implemented a job grading system with the assistance of the "Samruk Business Academy."

CONTRIBUTION TO THE DEVELOPMENT OF THE DOMESTIC AIR TRANSPORT MARKET

In Kazakhstan there are still regions underserved by convenient and affordable air transport. Developing regional air connections helps unlock the socio-economic potential of Kazakhstan's regions. Today, most of our passengers use unique routes that are not available from other airlines. The airline continues its intensive work on developing domestic air transport and will focus on cross-border routes to support quality growth in the Kazakh economy and improve the living standards of the population.

Indicator	2023	2022
Production Indicators:		
Passenger traffic (thousands)	588	561
Cargo volume (tons)	26,9	32,1
Aircraft load factor (%)	84	82
On-time performance (%)	76,8	75,7
Financial Indicators (billion KZT):		
Revenue	19,6	20,4
Dividends	0	0
Net loss	-7,6	-6,6
Operating costs	20,8	18,9
Operating profit/loss	-2,9	3,2
Taxes paid (billion KZT)	0,7	0,8

2023 ROUTE MAP



Domestic Routes across Kazakhstan



International Routes



Domestic Flights:

- Astana – Almaty – Astana
- Astana – Aktobe – Astana
- Astana – Zhezkazgan – Astana
- Astana – Taldykorgan – Astana
- Astana – Turkestan – Astana
- Astana – Kostanay – Astana
- Astana – Kyzylorda – Astana
- Astana – Shymkent – Astana
- Astana – Ust-Kamenogorsk – Astana
- Aktobe – Atyrau – Aktobe
- Atyrau – Uralsk – Atyrau
- Almaty – Zhezkazgan – Almaty
- Almaty – Kyzylorda – Almaty
- Almaty – Ust-Kamenogorsk – Almaty
- Almaty – Usharal – Almaty
- Zhezkazgan – Karaganda – Zhezkazgan

Subsidized Flights:

- Aktobe – Turkestan – Aktobe
- Astana – Petropavlovsk – Astana
- Astana – Urjar – Astana
- Almaty – Kokshetau – Almaty
- Shymkent – Zhezkazgan – Shymkent

International Flights:

- Aktobe – Baku – Aktobe
- Aktobe – Kazan – Aktobe
- Astana – Omsk – Astana
- Astana – Yekaterinburg – Astana
- Astana – Novosibirsk – Astana
- Astana – Tyumen – Astana
- Astana – Chelyabinsk – Astana
- Almaty – Bishkek – Almaty
- Almaty – Tamchi – Almaty (charter flight)
- Ust-Kamenogorsk – Novosibirsk – Ust-Kamenogorsk

Financial Overview of Results

Key Financial Indicators, KZT thousands	2023	2022	2021	2020
Revenue	19 609 146	20 415 161	12 753 160	7 652 007
Change, %	-4%	60%	67%	-5%
EBITDA	1 252 971	3 871 479	472 493	-1 936 133
Change, %	-68%	719%	124%	-1%
Operating Profit/(Loss)	-2 922 536	3 193 836	-2 800 499	-10 188 527
Change, %	-192%	214%	73%	-77%
Net Profit/(Loss)	-7 592 255	-6 598 778	-6 461 796	-13 486 142
Change, %	-15%	-2%	52%	-115%

Impact on Financial Performance: Due to reaching the maximum capacity of the active fleet and the forced reduction of international flight programs in 2023, key financial indicators showed a decrease compared to the previous year.

Revenue from Transportation and Other Income, KZT thousands	2023	2022	Change, %
Total Revenue from Transportation	19 280 716	21 119 850	-4%
<i>including:</i>			
- Fuel Surcharge	1 870 727	1 736 548	8%
- Airport Fees	956 649	1 008 228	-5%
- Excess Baggage	131 009	107 584	-22%
Total revenue from contracts with customers	19 413 742	20 290 861	-4%
Total Other Income	195 404	124 300	57%
Total Revenue from Customers	19 609 146	20 415 161	-4%

In 2023, the airline's route network provided maximum possible flight efficiency under current fleet conditions with the previously established interregional hub in Astana. The number of regular domestic flights significantly increased due to the forced reduction in international flight programs, which helped prevent a substantial decrease in revenue.

Operational Results	2023	2022	2021	23/22
Number of Passengers Transported	588 407	561 053	569 782	5%
Number of Flights Operated	8 822	8 564	9 254	3%
Passenger Load Factor	84%	82%	78%	2%

The number of aircraft departures and regular air routes, including international destinations, has increased significantly.

Financial Overview of Results

Operating expenses	2023	2022	Change, %
Personnel Expenses	3 947 780	4 025 950	-2%
Fuel	4 683 652	4 256 259	10%
Depreciation and Amortization	2 417 496	2 399 690	1%
Engineering and Technical Maintenance	3 222 438	1 692 041	90%
Ground Handling, Takeoff/Landing Fees, Route Fees	2 541 602	2 167 880	17%
Passenger Services	1 414 899	1 593 626	-11%
Insurance	664 348	474 832	40%
Transportation, Accommodation, Per Diem	387 328	596 469	-35%
Information Technology	414 281	414 233	0%
Other Expenses	340 079	336 376	1%
Total Operating Expenses	20 773 671	18 941 781	10%

In 2023, QAZAQ AIR's passenger traffic reached 588,000 passengers, a 5% increase compared to the previous year. The airline completed 8,822 flights, a 3% increase from 2022.

ULTIMATE AVIATION SAFETY: OUR PRIORITY



QAZAQ AIR places a high priority on aviation safety implementing a robust security policy throughout its operations. In August 2023 the airline in collaboration with the National Security Committee of Astana city conducted an internal audit of aviation security focusing on preventing the transportation of prohibited items and unauthorized access to controlled zones. The audit confirmed a high level of aviation security within the airline. To maintain this level of security QAZAQ AIR consistently conducts internal security audits in compliance with ICAO standards and the regulatory requirements of Kazakhstan's aviation authorities. In 2023 the airline's quality control auditor inspected the engineering and flight departments addressing and resolving any issues found. During the scheduled audit conducted by the Aviation Administration of Kazakhstan the airline received positive feedback with no remarks issued during the inspection reflecting the high standards of aviation security. Moreover, QAZAQ AIR's aviation security policies are designed to meet IOSA standards and the national legislation of Kazakhstan ensuring a standardized level of security. The airline successfully passed the international IOSA audit though the aviation security service identified four areas for improvement concerning external suppliers to enhance service quality in aviation security. The airline updated its legislative requirements incorporating mandatory conditions for external suppliers regarding the frequency and conditions of security checks.

SAFETY MANAGEMENT SYSTEM (SMS)

Ensuring the safety of passengers and employees is the airline's top priority. QAZAQ AIR strives to achieve the highest level of safety adhering to both national and international safety standards in the delivery of its services. The entire team is engaged in maintaining and promoting this safety commitment. In 2023 QAZAQ AIR continued to improve its Safety Management System (SMS) focusing on identifying safety hazards, managing risks, monitoring flight safety performance and promoting a culture of safety within the company. The airline has a state-of-the-art fully integrated safety management system in Kazakhstan. The safety management department regularly analyzes crew feedback regarding flight performance and takes corrective actions when needed to address identified deficiencies.

SAFETY CULTURE

The health and safety of QAZAQ AIR's employees form the foundation for the company's strategic goals. The airline adheres to workplace safety standards reducing injury risks and fostering a culture of safety in all aspects of its operations. In 2023, the airline reported a Lost Time Injury Frequency (LTIF) of 0, with no recorded accidents or incidents during the year.

Aviation Security



Also the following airports were mandatory service providers:

1. AO "Mezhdunarodny Aeroport Turkestan"
2. AO "Aeroport Ust-Kamenogorsk"
3. AO "Aviakompanija 'Zhetysu'" in the city of Taldykorgan
4. AO "Aeroport Shymkent"
5. AO "Mezhdunarodny Aeroport Nursultan Nazarbaev"
6. AO "Mezhdunarodny Aeroport Alija Moldagulova" in Aktobe
7. PAO "Aeroport Koltsovo" in Yekaterinburg
8. Mezhdunarodny Aeroport Novosibirsk (Tolmachevo)
9. TOO "Mezhdunarodny Aeroport 'Oral'"
10. AO "Mezhdunarodny Aeroport Khiuaz Dospanovoy" in Atyrau
11. OAO "Omskij Aeroport"
12. AO "Mezhdunarodny Aeroport 'Kostanaj' imeni Akhmeta Bajtursynuly"
13. AO "Mezhdunarodny Aeroport Almaty"

ESG PRINCIPLES

According to IATA research the global transportation industry accounts for 15.9% of total CO₂ emissions with only 1.9% coming from aviation. The DHC-8 series 400 aircraft used by the airline fleet are among the most efficient aircraft in terms of emissions in the environment over distances of up to 1,000 km. Despite the fleet's high efficiency the airline continues to work on reducing fuel consumption with pilots often using a practice of reducing engine power by up to 10% during takeoff.

ENVIRONMENTAL SAFETY

The airline aims to minimize the negative impact of its operations on the population and the environment, prevent industrial accidents that harm the environment and promote the rational use and replenishment of natural resources. The company is committed to improving energy efficiency, resource conservation and the use of alternative energy sources. The airline's management undertakes to comply with applicable environmental regulations.

The airline adheres to the principle of "do no harm" to people and the environment while achieving its goals. It evaluates the environmental impact of any new activity. The airline's environmental policy focuses on increasing the energy and ecological efficiency of passenger, baggage, mail and cargo transportation.

To achieve its environmental policy goals, the airline performs the following:

- Maintaining the functionality of the environmental management system.
- Monitoring and analyzing operational activities and technological processes to identify new opportunities for improving environmental performance.
- Managing waste with an emphasis on recycling raw materials as the most effective waste disposal method.
- Optimizing the flight network to reduce noise and emissions from aircraft engines into the atmosphere.
- Selecting suppliers based on their environmental performance.
- Informing employees about the airline's successes in environmental protection and fostering a culture of waste recycling.

**Fuel consumption and CO₂ emissions per passenger seat for the DHC-8 series 400 aircraft are 35% lower than those of regional aircraft of similar size and comparable to narrow-body jet aircraft with large capacity.*



CO₂ emissions
lower by
35%*

GROUND HANDLING



734
contracts with more than

327
suppliers in the amount of

22 513
million KZT



The Ground Handling department is constantly working on improving the quality of interaction with passengers at airports. The main goal of this division is to ensure flight safety, provide high-quality service and create a comfortable atmosphere at all stages of passenger service at the airport. The department is also responsible for timely and high-quality servicing of aircraft.

In 2023 the airline operated passenger flights to 21 airports including 4 regular flights to the Russian Federation: Omsk, Novosibirsk, Kazan, Yekaterinburg and a seasonal charter route from Almaty to Issyk-Kul. The airline has its own employees in key cities such as Astana, Aktobe, Atyrau, Shymkent and Zhezkazgan which are major hubs for flight routes and transit passenger traffic. For optimization of costs outsourcing is successfully used in 17 other cities.

The airline signed agreements with major cargo shippers, such as Asia Freight for cargo transport and developed procedures for handling cargo in the category of "Lithium Ion Batteries in compliance with Section II of PI 966," which will help increase cargo volumes. To improve the quality of aircraft servicing, the airline updated its remote training program for airport engineering and aviation staff and introduced a new program for supervisors and airline representatives to independently perform their duties. The programs covered all employees in the Ground Handling Department and external organizations involved in aircraft and passenger servicing and were implemented across all airports in the airline's route network.

The department's primary activities include passenger, baggage and mail handling, as well as meeting growing demands and needs. The airline provides a wide range of services to passengers. However, a significant part of the department's work is related not only to passenger service but also to ensuring and controlling the servicing of aircraft during pre-flight preparations. This includes on-time servicing of aircraft during layovers, passenger boarding and disembarking, baggage, cargo and mail loading and unloading, as well as ensuring adherence to aviation safety and technical regulations both at the terminal and on the apron.

The airline continuously strives to develop and improve the quality of the service provided to passengers.

SALES ORGANIZATION

In 2023 the airline's sales agency network grew by adding three new aviation agencies working under direct contracts with the airline.

The airline continues to expand its distribution network by signing an interline agreement for ticket sales through Hahn Air which will allow QAZAQ AIR tickets to be sold by over 100,000 travel agencies in 190 countries around the world. Promotional campaigns were conducted with major online travel agencies in Kazakhstan such as Kaspi and Aviata to increase passenger traffic.

The number of participants in the loyalty program IQ BONUS has doubled.

SUPPLIER RELATIONS

In 2023 the airline's procurement of goods and services was carried out in accordance with the Procurement Procedure approved by the shareholder the Samruk-Kazyna Foundation and the Rules for Managing Procurement Activities at the airline. The key principles of procurement included transparency, openness, prevention of unjustified restrictions and maximizing the number of participants to achieve economic efficiency.

Procurements were conducted electronically via the zakup.sk.kz portal using various methods including open tenders and competitive negotiations. Procurement contracts included anti-corruption and sanctions clauses due to global destabilization.

MAINTENANCE AND REPAIR OF AVIATION EQUIPMENT



The aircraft maintenance system of the airline is aimed at ensuring an acceptable level of flight safety, technical airworthiness of the operated equipment and timely departures. In 2023 successful certification inspections were conducted by the authorized organization, the Aviation Administration of Kazakhstan (AAK) for the renewal of the operator's certificate as well as the extension of the operational technical maintenance of aircraft.

Three of the airline's aircraft underwent periodic maintenance at a certified maintenance organization (ADA in Abu Dhabi, UAE) recognized by the authorized organization (AAK). Five PW150A engines were overhauled at certified repair organizations including Pratt & Whitney Canada (Canada), Lufthansa Technik (Germany) and Standard Aero Singapore (Singapore) all recognized by the AAK.

In 2023 10 engineers successfully completed initial type training and received certifications to independently service aircraft. To ensure the timely performance of maintenance and the safe preparation of aircraft for flights additional ground equipment and tools for operating aircraft in winter conditions were purchased. The technical division consists of three departments, and the staffing levels were optimized after certification inspections.

Continuing Airworthiness

Management Section: responsible for maintaining flight readiness, modifications, developing and implementing strategies for scheduled maintenance of the fleet and aircraft components in accordance with the maintenance program and requests from aircraft and engine manufacturers to ensure flight safety.

Logistics Department: responsible for global logistics, including ensuring the supply of spare parts, consumables, equipment and tools as well as their storage for the maintenance of aircraft.

Aircraft Operational Maintenance

Department: Responsible for continuous technical maintenance of the airline's aircraft to ensure the timely performance of operational maintenance and rectification of defects on aircraft.

CREATING AND MAINTAINING A POSITIVE COMPANY IMAGE

External and internal communications play a crucial role in shaping the company's business reputation. The informational and communication work is carried out to strengthen and develop existing tools for interacting with target audiences. The airline actively promotes the launch of new routes and participates in resolving conflicts with passengers. The PR and Advertising Department promptly provides information to the media in response to inquiries, including topics such as ticket refunds, schedule changes, flight launches and key passenger safety rules.

To strengthen its position as a regional air carrier and enhance passenger and partner loyalty, the airline implements a series of image-building and event-based activities:



TREE PLANTING INITIATIVE

In an effort to improve the environmental situation and air quality in Astana city the airline's employees participated in a city-wide clean-up and tree planting event at the Presidential Park in the capital.



QURBAN AIT CHARITY EVENT

In honor of the "Qurban Ait" holiday the airline's employees launched a charitable campaign providing assistance to 120 patients at the "Amara" hospice in the capital as well as three low-income families.



CHILDREN'S EXCURSION

On the occasion of International Children's Day the airline organized a tour of a QAZAQ AIR aircraft for children.

PR Activities



WOMEN'S CREW

In July 2023 the airline made history with a landmark flight: the entire crew of a De-Havilland Dash 8-Q400 aircraft was made up of women. The project titled "The First Domestic Women's Crew" marked a significant milestone in the airline's history and gained widespread attention in society. In Central Asia where gender issues are often discussed this initiative went beyond a mere PR campaign becoming a real catalyst for sociocultural change. Over 200 publications in both local and international media, as well as on social media, highlighted that these women demonstrated that professions are not limited by gender.



PR ROOM AWARDS

The airline's team was awarded the Grand Prix in the national industry competition "PR Room Awards."



TÚSAUKÉSÉR CEREMONY

In the fall, for the first time, the airline hosted the traditional "Túsaukésér" ceremony on board one of its domestic flights. This symbolic event emphasized the importance of Kazakhstan's traditions and cultural heritage. The ceremony, which marks a child's first step symbolized respect for national values and strengthened the connection between the airline and its passengers.

The internal electronic corporate publication "Vestnik QAZAQ AIR" serves as one of the primary tools for internal communication and is an integral part of the company's image. It helps shape corporate culture, fosters a unified information space, and promotes a cohesive corporate spirit, loyalty and commitment among employees.

The airline continues to conduct events and PR campaigns aimed at enhancing its image and boosting trust from passengers and partners. It also actively participates in social initiatives reflecting its commitment to social responsibility. These efforts are expected to not only strengthen the airline's position in the market but also contribute to the development of civil aviation in Kazakhstan.

INCREASING MARKET SHARE AND SALES VOLUME

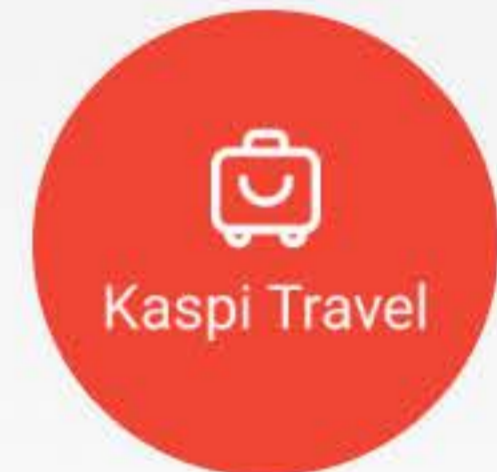
To strengthen its image, stimulate ticket sales and increase passenger loyalty the airline implemented several marketing initiatives:

For the entire winter period, the Airline has organized a promotion for passengers to carry sports equipment free of charge on all routes.

The airline organized promotional campaigns in collaboration with online ticket-selling platforms (aviata.kz and Kaspi Travel), as well as directly through its own website. These sales events offered discounts on tickets during specific periods in 2023:

- January 9-11, 2023 on Kaspi Travel
- February 6-8, 2023 on AVIATA.KZ
- March 20-23, 2023 on Flyqazaq.com
- August 21-23, 2023 on Kaspi Travel
- September 25-29, 2023 on AVIATA.KZ
- November 24, 2023 on Flyqazaq.com
- November 24-26, 2023 on AVIATA.KZ

The airline introduced special promotions through the IQ BONUS program offering passengers a choice between an instant ticket discount of up to 3% or the accumulation of bonus points for flights. In 2023 the total number of participants in this program reached 5,208.



Financial Results of Operations

The key financial goals for the company are currently focused on increasing revenues and optimizing expenses.

Financial Summary (in thousands of KZT):	2023	2022	2021	23/22
Revenue	19 609 146	20 415 161	12 753 160	-4%
Operating Expenses	-20 773 671	-18 941 781	-15 112 066	10%
Profit/Loss from Operating Activities	-1 164 525	1 473 380	-2 358 906	-179%
Profit/Loss from Recovery/Impairment of Assets	-1 758 011	1 720 455	-441 593	-202%
Profit/Loss from Operating Activities	-2 922 536	3 193 835	-2 800 499	-191%
Other Income and Expenses	-10 461 539	-5 097 381	-4 961 335	-105%
Loss Before Tax	-7 539 003	-1 903 546	-7 761 834	-296%
Income Tax Expense/Savings	-53 252	-4 695 231	1 300 038	98%
Loss for the Period	-7 592 255	-6 598 777	-6 461 796	-15%
Total Comprehensive Loss for the Year	-7 592 255	-6 598 777	-6 461 796	-15%

Revenue in 2023

The 4% decrease in revenue from core operations occurred due to the forced reduction of the international flight program as a result of the refusal by Russian aviation authorities to issue flight permits. This was largely offset by the growth in revenue from domestic routes.



Financial Results of Operations

Current Operational Expenses

The increase in operating expenses was primarily due to higher costs associated with aircraft engine maintenance and repairs, engine leasing, aviation fuel, and airport and navigation services.

Key Financial Indicators (in thousands of KZT)	2023	2022	2021	23/22
Активы	31 292 681	34 047 398	29 243 322	-8%
Обязательства	40 891 791	36 263 509	40 225 956	13%
Собственный капитал	-9 599 116	-2 216 111	-10 982 634	-333%

At the end of 2023 the airline's assets amounted to 31 billion KZT down by 2.8 billion KZT from the previous year. This decrease was mainly due to a reduction in property, plant and equipment by 1.5 billion KZT and a valuation decrease of 1.8 billion KZT for aircraft as assessed by the independent appraisal firm LLP "Independent Expert Evaluation." Additionally cash holdings decreased from 5.2 billion KZT to 3.3 billion KZT. The fair market value of the five DHC-8 400 aircraft was assessed based on global indicators from analytical agencies IBE and Ascend.

The financial performance is disclosed in detail in the Airline's annual audited financial statements for 2023, which are an integral part of the Airline's Annual Report for 2023.

Notable Achievements:

- 1) Revenue for 2023 decreased by 4% compared to 2022, totaling 19.6 billion KZT;
- 2) EBITDA declined to 1.3 billion KZT from 3.9 billion KZT in 2022.;
- 3) New international routes were launched from Almaty to Bishkek and Tamchy, and regional routes from Almaty to Usharal and from Shymkent to Zhezkazgan.;
- 4) Socially important, subsidized routes to Turkestan, Shymkent, Zhezkazgan, and Petropavlovsk were added to the network;
- 5) Two aircraft underwent scheduled heavy maintenance (C-check), and component overhauls were conducted on three engines;
- 5) A record number of over 588,000 passengers were transported across 26 routes in 2023.

The key performance indicators of the airline for 2023, as shown in the audited financial statements, demonstrated the following dynamics:

Production Indicators

Indicators	2023	2022	Change %
Takeoffs/Landings	8 822	8 564	3%
Passengers Transported	588 407	561 053	5%
Number of Aircraft	5	5	0%

Financial

Indicators (in millions of KZT)	2023	2022	Change %
Revenue	19 609	20 415	-4%
Expenses	(20 774)	(18 942)	-10%
Operating Profit/(Loss)	(1 164)	1 473	-179%
Operating Profit/(Loss) (incl. revaluation)	(2 922)	3 193	-192%
Financial Income	476	344	38%
Financial Expenses	5 107	5 418	6%
Net Profit/(Loss)	(7 592)	(6 599)	-15%

Financial Results of Operations

Balance Sheet

AFS indicator (in millions of KZT)	2023	2022	Change Δ
Assets	31 293	34 047	(2 754)
Equity	(9 599)	(2 216)	(7 383)
Liabilities	40 892	36 263	4 629

Cash Flow Statement

AFS indicator (in millions of KZT)	2023	2022	Change Δ
Operating Cash Flow	665	4 732	(4 067)
Investing Cash Flow	(2 756)	(3 244)	488
Financing Cash Flow	209	12	197
Net Increase/(Decrease) in Cash	(1 881)	1 500	(3 381)
Cash at Start of Period	5 232	3 675	1 557
Exchange Rate Impact	(86)	57	(143)
Cash at End of Period	3 264	5 232	(1 968)

In November 2023, the Fund made a decision on the targeted replenishment of the Airline's authorized capital to make payments under the consulting services agreement with KPMG Tax and Advisory LLP (Resolution of the Fund's Board No. 53/23 dated November 2, 2023). Capitalization was carried out by the Fund buying out 1,000 ordinary shares of the Airline at a placement price of 209,250 tenge per ordinary share in accordance with the pre-emptive right. At the end of 2023, the Airline received a loss from current operating activities (-1,164 million tenge (in 2022: profit - 1,473 million tenge)).

The loss from operating activities for 2023 amounted to 2,922 million tenge (in 2022: profit - 3,193 million tenge). A negative factor was the impairment of fixed assets (aircraft) in the amount of 1,758 million tenge.

For 2023, interest in the amount of 2,279 million tenge was accrued and capitalized on existing loans previously provided by the Fund for the acquisition of aircraft.

Due to the following significant non-cash transactions, a net loss of - 7,592 million tenge was received for 2023 (in 2022: - 6,599 million tenge), including including:

- financial expenses for 2023 amounted to 5.106 million tenge (for 2022: 5.418 million tenge) due to the amortization of the discount at the market rate of preferential loans provided by the Fund for the purchase of 5 aircraft in 2019;

Due to the presence of a net loss, the Fund decided not to pay dividends to the shareholder based on the results of 2023.

In 2023, there were no appeals from the Sole Shareholder regarding the actions of the Airline and its officials.

CORPORATE GOVERNANCE



GOVERNANCE SYSTEM

The primary strategic goal of the airline is long-term value growth and sustainable development. To achieve this goal an effective corporate governance system is built to support strategy implementation. The foundation of corporate governance is based on the principles of efficiency, responsiveness and transparency.

Key Principles of Corporate Governance:

- Sustainable Development

The company recognizes its impact on the economy, ecology and society. In striving for long-term value growth it must ensure its sustainable development in the long term while maintaining a balance of interests for all stakeholders. Sustainable development is achieved through thoughtful and rational interaction with stakeholders.

- Effectiveness

The Board of Directors is the governing body accountable to the sole shareholder responsible for strategic leadership and oversight of the executive body's activities. The executive body is accountable to the Board of Directors and is responsible for managing the daily activities of the organization, ensuring alignment with the strategy, development plan and decisions made by the sole shareholder and the Board of Directors.

- Risk Management, Internal Control, and Audit

The company has established a risk management and internal control system designed to provide reasonable assurance in achieving its strategic and operational goals. This system consists of organizational policies, procedures, norms of behavior and actions, methods and management mechanisms created by the Board of Directors and the executive body.

- Transparency

To safeguard the interests of stakeholders the company provides timely and accurate information on all significant aspects of its operations, including its financial condition, performance results, ownership structure and governance.

GOVERNANCE SYSTEM STRUCTURE

100% of the airline's shares are owned by JSC "Samruk-Kazyna Sovereign Wealth Fund." The main objective of the Fund is to manage its equity stakes (or shares) in national development institutions, national companies, and other legal entities in order to maximize their long-term value and enhance their competitiveness in global markets. Additional information about the Fund is available on its official website: <http://www.sk.kz>.

The sole shareholder participates in management through the exercise of shareholder functions and through the Board of Directors, as defined in the Company's Charter and Corporate Governance Code. The Board of Directors is the governing body accountable to the sole shareholder, ensuring strategic leadership and overseeing the activities of the Executive Board. The Board of Directors performs its functions in accordance with the laws of the Republic of Kazakhstan, the Company Charter, the Corporate Governance Code, the Board of Directors' Regulations and other internal documents of the Company.

In accordance with its competence the Board of Directors approves the development plan, oversees the effective functioning of the risk management, internal control, and internal audit systems and monitors the effective implementation of key strategic projects.

COMPOSITION OF THE BOARD OF DIRECTORS

As of December 31, 2023, the Board of Directors of the Company consists of five directors:



Aidar Kairatovich Ryskulov

Chairman of the Board of Directors,
representing the interests of JSC "Samruk-Kazyna".

Elected as Chairman of the Board of Directors of JSC "QAZAQ AIR" by the decision of the Management Board of JSC "Samruk-Kazyna" on August 31, 2023, Resolution No. 42/23.

Date of Birth	September 20, 1981
Citizenship	Republic of Kazakhstan
Education	2014-2015 - Nazarbayev University, Executive MBA (joint program with Duke University). 1998-2002 - Karaganda State University named after E.A. Buketov, specialization in Finance and Credit.
Professional Experience	August 2023 - Present: Managing Director for Economics and Finance, member of the Management Board of JSC "Samruk-Kazyna"; August 2019 – August 2023 - Managing Director for Economics and Finance at JSC "Samruk-Energo"; June 2014 – August 2019 - Director of the Corporate Finance Department at JSC "Samruk-Kazyna".



Saltanat Erbolkyzy Satjan

Member of the Board of Directors,
representing the interests of JSC "Samruk-Kazyna".

Elected as a member of the Board of Directors of JSC "QAZAQ AIR" by the decision of the Management Board of JSC "Samruk-Kazyna" in December 2023, Resolution No. /23.

Date of Birth	March 24, 1989
Citizenship	Republic of Kazakhstan
Education	- Bachelor of Economics from Australian National University (under the Bolashak program). - Honorary Member of the Association of Chartered and Certified Accountants. - CFA Level II. - MBA candidate.
Professional Experience	2023 – Present - Managing Director for Development and Privatization at JSC "Samruk-Kazyna". 2021-2023 - Head of the Department for Consolidated Analytical Work and Control at JSC "Samruk-Kazyna".

Corporate Governance



Bakhtiyor Nazaraliyevich Eshonkulov

Independent Director

Elected as an Independent Director of JSC "QAZAQ AIR" by the decision of the Management Board of JSC "Samruk-Kazyna" on August 26, 2021, Resolution No. 36/21.

Date of Birth

March 2, 1967

Citizenship

Republic of Kazakhstan

Education

2018: Certified Internal Auditor (CIA), Institute of Internal Auditors, Houston, USA.
1996-1998: FCCA, program of the Association of Chartered Certified Accountants (ACCA), Glasgow, UK.
1984-1995: Economist, Ph.D. in Economics, Lomonosov Moscow State University.

Professional Experience

2020-2023: Independent Director, Member of the Board of Directors at JSC "Kazpost".
2018 - Present: Chief Financial Officer, AstanaInvestments LLC, Houston, USA.
2019-2020: Partner, IFRS Consultant, RSM Qazaqstan, Almaty, Kazakhstan.



Adylgazy Sadvokasovich Bergenyev

Independent Director

Elected as an Independent Director of JSC "QAZAQ AIR" by the decision of the Management Board of JSC "Samruk-Kazyna" on December 2, 2022, Resolution No. 66/22.

Date of Birth

May 15, 1958

Citizenship

Republic of Kazakhstan

Education

Higher Education

Professional Experience

Member of the Accounts Committee for Control over Execution of the National Budget.

Corporate Governance



Yerkin Anesovich Nauryzbayev

Chairman of the Management Board, Member of the Board of Directors

Elected as a member of the Board of Directors of JSC "QAZAQ AIR" by the decision of the Management Board of JSC "Samruk-Kazyna" on December 2, 2022, Resolution No. 66/22.

Date of Birth	December 5, 1981
Citizenship	Republic of Kazakhstan
Education	2005-2007: U.S. Air Force Pilot School 2004-2005: Air Defense School of the Republic of Turkey 1999-2004: Air Force Academy of the Republic of Turkey
Professional Experience	Since September 9, 2022 – Present: Chairman of the Management Board of JSC "QAZAQ AIR" June 11, 2022 – September 9, 2022: Acting Chairman of the Management Board of JSC "QAZAQ AIR" 2020 – June 11, 2022: Head of Personnel Training Department, Member of the Management Board of JSC "QAZAQ AIR"

Changes in the Board of Directors in 2023

- August 24, 2023: By Resolution No. 41/23 of the Management Board of JSC "Samruk-Kazyna," the term of Nurbaeva N.N. as Chairman of the Board of Directors, representing the interests of JSC "Samruk-Kazyna," was terminated early.
- August 31, 2023: Aidar Kairatovich Ryskulov was elected as Chairman of the Board of Directors, representing the interests of JSC "Samruk-Kazyna" (Protocol No. 42/23).
- December 7, 2023: By Resolution No. 58/23, the term of Sharipov T.S. as a member of the Board of Directors, representing JSC "Samruk-Kazyna," was terminated early. Saltanat Erbolkyzy Sätjan was elected as a new member, representing JSC "Samruk-Kazyna."

Attendance at Board Meetings in 2023

No.	Name	Attendance Rate	Term on the Board
1	Nurbaeva N.N.	100%	01.01.2023 - 24.08.2023
2	Ryskulov A.K.	100%	31.08.2023 - 31.12.2023
3	Sharipov T.S.	100%	01.01.2023 - 07.12.2023
4	Sätjan S.E.	100%	07.12.2023 - 31.12.2023
5	Eshonkulov B.N.	100%	01.01.2023 - 31.12.2023
6	Bergenyev A.S.	100%	01.01.2023 - 31.12.2023
7	Nauryzbayev E.A.	100%	01.01.2023 - 31.12.2023

Corporate Governance

Duration of Board Meetings in 2023

No.	Meeting Number and Date	Meeting Type	Duration
1	Board Meeting No. 84 (27.02.2023)	In-person	2 hr 30 min
2	Board Meeting No. 85 (13.03.2023)	In-person	15 min
3	Board Meeting No. 86 (19.04.2023)	Remote	-
4	Board Meeting No. 87 (24.04.2023)	In-person	2 hr 30 min
5	Board Meeting No. 88 (23.06.2023)	In-person	2 hr
6	Board Meeting No. 89 (03.08.2023)	In-person	1 hr 30 min
7	Board Meeting No. 90 (29.08.2023)	In-person	2 hr 12 min
8	Board Meeting No. 91 (17.11.2023)	In-person	2 hr
9	Board Meeting No. 92 (27.12.2023)	In-person	1 hr
10	Board Meeting No. 93 (29.12.2023)	In-person	30 min

Summary of Board Activities in 2023

The Board of Directors held regular meetings in line with the Annual Work Plan of the Board and convened extraordinary meetings as necessary. Over the year the Board conducted a total of 10 meetings including 9 in-person sessions and 1 remote session. In these meetings, a total of 82 issues were reviewed.

Key Issues Discussed by the Board in 2023

Strategic Issues	<ul style="list-style-type: none"> • Status of the Roadmap implementation for the transfer of JSC "QAZAQ AIR" to a competitive environment. • Decisions on the issuance and sale of shares within the authorized quantity, including methods and pricing. • Approval of the Business Plan for JSC "QAZAQ AIR" for the period 2024-2028.
Economic and Financial Matters	<ul style="list-style-type: none"> • Preliminary approval of JSC "QAZAQ AIR" annual financial statements for 2022. • Setting limits for balance sheet and off-balance sheet obligations for counterparty banks of JSC "QAZAQ AIR." • Establishment of requirements for interaction between JSC "QAZAQ AIR" and JSC "Kazpost."
Reports	<ul style="list-style-type: none"> • Flight safety reports. • Compliance control reports. • Company risk management reports. • Internal audit service reports. • Compliance service activity reports. • Business Plan implementation reports. • Annual report of the Board's activities for 2022. • Reports on the execution of the Corrective Action Plan following an unscheduled audit of JSC "Samruk-Kazyna" covering the period from July 1, 2019, to June 1, 2022. • Reports on improving business processes, operational performance, and development of the Technical Block. • 2022 Annual Report of the Company. • Reports on the performance results of Management Board members for the period 2022-2023.

Corporate Governance

Corporate Governance Compliance	<ul style="list-style-type: none"> • Establishment of board committees, approval of their regulations, and election of committee members. • Review of adherence to corporate governance principles and the 2022 Corporate Governance Code of JSC "QAZAQ AIR." • Approval of the Corporate Governance Improvement Plan for 2023-2024. • Review of progress on the Internal Audit Service Improvement Plan (2023-2025). • Approval of the annual report on the implementation of the Corporate Governance Improvement Plan. • Approval for Independent Directors to hold positions in other organizations.
Personnel Management Issues	<ul style="list-style-type: none"> • Early termination and new appointment for the head of the Internal Audit Service. • Approval of the company's organizational structure and headcount. • Adjustment of Key Performance Indicators (KPIs) for the Chairman, Board members, and Internal Audit head for 2023. • Review of the Nationalization Plan for personnel until the end of 2026. • Approval of job descriptions for key executives, including the Chairman, Compliance head, and Corporate Secretary. • Election of Board members and setting KPIs with actual values for 2022. • Extension of the tenure of the Compliance Service head. • Implementation of disciplinary measures for employees as required.
Approval and Updates of Internal Regulations	<ul style="list-style-type: none"> • Social support guidelines for senior executives, including the Chairman, board members, Internal Audit and Compliance Service staff, and the Corporate Secretary. • Human Resources Policy for 2023-2028. • Regulations governing the Board of Directors and its committees. • Rules for remuneration, evaluation, and incentives for the management and internal services.
Strategic Plans	<ul style="list-style-type: none"> • Approval of the revised and annual audit plans for 2023 and 2024. • Compliance Service and Board Work Plans for 2024.
Matters Submitted to the Sole Shareholder for Consideration	<ul style="list-style-type: none"> • Approval of Financials and Charter • 2022 financial statements and a new version of the Company Charter. • Amendments to the Board of Directors Regulations.

In 2023, there were no instances where decisions were refused by either the Board or the Sole Shareholder due to non-compliance with legal or internal regulatory standards.

Board Performance Evaluation

In line with the Evaluation Policy, a self-assessment was conducted by board members in 2023 using a 360-degree feedback mechanism. Results of this assessment are appended to this report, reflecting mutual evaluations and individual performance effectiveness.

COMMITTEES OF THE BOARD OF DIRECTORS

As of February 27, 2023, the Board of Directors established the following committees:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Audit and Risk Committee

The Audit and Risk Committee serves as an advisory body to the Board of Directors, focusing on thorough analysis of financial reporting, internal controls, and risk management. This includes assessing strategic, financial, legal, operational, compliance risks, sustainability risks, and flight safety risks. Additionally, it oversees external and internal audits and ensures regulatory compliance.

Committee Composition as of December 31, 2023:

- Chairman: Eshonkulov B.N.
- Member: Bergenev A.S.

Attendance in Committee meetings:

No.	Name	Attendance Rate	Term on the Board
1	Eshonkulov B.N.	100% (9/9)	27.02.2023 - 31.12.2023
2	Bergenev A.S.	100% (9/9)	27.02.2023 - 31.12.2023
3	Sharipov T.S. (Expert non-voting)	87.5% (7/8)	27.02.2023 - 31.12.2023

Committee Meetings

In 2023, the Audit and Risk Committee held 9 in-person meetings, during which 38 issues were addressed.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board on matters related to executive appointments, setting motivational KPIs, evaluating performance, remuneration, and succession planning for the executive team, Corporate Secretary, and other employees whose compensation requires Board approval.

Committee Composition as of December 31, 2023:

- Chair: Bergenev A.S.
- Member: Eshonkulov B.N.
- Member: Sätjan S.E.

Attendance in Committee meetings:

No.	Name	Attendance Rate	Term on the Board
1	Bergenev A.S.	100% (8/8)	27.02.2023 - 31.12.2023
2	Eshonkulov B.N.	100% (8/8)	27.02.2023 - 31.12.2023
3	Sharipov T.S.	87.5% (7/8)	27.02.2023 - 27.12.2023
4	Sätjan S.E.	-	27.12.2023 - 31.12.2023

Corporate Governance

Committee Meetings

In 2023, 8 in-person meetings of the Committee were held, during which 30 issues were discussed.

The Committees of the Board of Directors addressed issues in accordance with their competences and were guided by the Committees' work plans for 2023.

The Board of Directors accepted all the recommendations made by the Committees.

Remuneration of Board Members

In accordance with the Charter of the Airline, the sole shareholder determines the amount and terms of remuneration and compensation for expenses for the members of the Board of Directors for fulfilling their duties. Independent directors are paid remuneration and reimbursed for expenses related to their duties, as per the contracts they hold.

Internal Audit Service

The main objective of the Internal Audit Service is to provide the Board of Directors with independent and objective assurances and consultations aimed at improving the risk management systems, internal controls, and corporate governance within the Company.

The Service is responsible for organizing and conducting internal audits and is organizationally subordinate to and functionally accountable to the Board of Directors.

The Service conducts internal audits of the Company's business processes in accordance with the Annual Audit Plan, which is developed based on the Company's risk analysis and approved by the Board of Directors. In its work, the Service follows the Service Regulations, Internal Audit Organization Guidelines, as well as the International Professional Standards for Internal Auditing by the Institute of Internal Auditors and their practical guidance.

In 2023, the Internal Audit Service carried out activities (audits and checks) as outlined in the Annual Audit Plan and additional assignments from the Board of Directors. Specifically:

- An audit of the Company's management's performance of motivational KPIs for 2022 was conducted.
- Adjustments were made to the results of the audit of the Commercial Block conducted in Q4 2022, with a focus on recommendations. The audit report was signed off by the audited entity and management, and a Corrective Action Plan was adopted.
- An audit of the effectiveness of human resources management was conducted, including an evaluation of the job grading process.

As a result of the audits, the Company's management received recommendations for improving the internal control systems of business processes and eliminating violations that negatively affect the Company's performance.

The Internal Audit Service regularly monitored the implementation of the issued recommendations.

MANAGEMENT BOARD

As of December 31, 2023:



Nauryzbaev Yerkin Anesovich

Chief executive officer, Member of the Board of Directors

By the decision of the Sole Shareholder of the Airline dated September 1, 2022 (Minutes of the Board of Samruk-Kazyna JSC No. 48/22), the appointment of Erkin Anesovich Nauryzbayev to the position of Chairman of the Board of the Airline from September 9, 2022 was agreed. By order dated September 30, 2022 No. 491-L, Erkin Anesovich Nauryzbayev was appointed to the position of Chairman of the Board of the Airline.

Date of Birth	December 5, 1981
Citizenship	Republic of Kazakhstan
Education	2005-2007: U.S. Air Force Pilot School 2004-2005: Air Defense School of the Republic of Turkey 1999-2004: Air Force Academy of the Republic of Turkey
Professional Experience	Since September 9, 2022 – Present: Chairman of the Management Board of JSC "QAZAQ AIR" June 11, 2022 – September 9, 2022: Acting Chairman of the Management Board of JSC "QAZAQ AIR" 2020 – June 11, 2022: Head of Personnel Training Department, Member of the Management Board of JSC "QAZAQ AIR"



Umraliev Adilbek Jumabaevich

Chief Financial Officer

By the decision of the Board of Directors of the Airline dated November 17, 2023 (minutes No. 91), Financial Director Adilbek Dzhumabaevich Umraliev was elected as a member of the Airline's Management Board.

Date of Birth	January 29, 1985
Citizenship	Republic of Kazakhstan
Education	- 2007: Moscow State University, Computational Mathematics and Cybernetics - 2009: T. Ryskulov Kazakh University of Economics, Finance, and International Trade, Finance - 2014-2015: European University Business School, MBA Program - 2016-2018: International Air Transport Association (IATA) Training Center, Airline Management Diploma
Professional Experience	- 2010-2019: Senior Manager, Asset Development Department and Transport & Logistics Sector, "Samruk-Kazyna" JSC. - 2009-2010: "National Infocommunication Holding Zerde" JSC, Chief Expert, Information and Communication Technology Development Department.

Corporate Governance

Changes in the Board of Directors of the Airline in 2023

- On August 29, 2023, the Board of Directors of the Airline, as per Protocol No. 90, extended the term of office of the current Board members until September 8, 2024.
- On November 17, 2023, by decision of the Board of Directors (Protocol No. 91), the powers of the Managing Director for Legal Support, Personnel Management, and Support, Mrs. Urazova S.E., were prematurely terminated. The Financial Director, Adilbek Jumabaevich Umralliev, was elected as a new member of the Board of Directors.
- On December 29, 2023, by decision of the Board of Directors (Protocol No. 93), the powers of the Technical Director, Mardonayev M.P., were prematurely terminated as a member of the Board of Directors.

Report on the Work of the Board of Directors in 2023

The Board of Directors operates in accordance with the Company's Charter, addressing current issues and implementing decisions made by the sole shareholder — Samruk-Kazyna JSC — and the Board of Directors of the Airline. In 2023, the Board held 52 meetings of which 32 were in-person and 20 were remote. A total of 100 issues were discussed.

Key Decisions and Issues Considered by the Board in 2023:

- Approval of supplier contracts for engine and auxiliary power unit (APU) repairs;
- Purchase of a company vehicle;
- Transactions involving conflicts of interest;
- Approval of the salary scheme for employees;
- Approval of the staffing schedule of the Company;
- Amendments to the Company's employee social support rules;
- Changes to the labor remuneration, bonuses, and performance evaluation policies;
- Amendments to the rules for preparing, agreeing upon, concluding, monitoring, and storing contracts;
- Approval of the new version of the Company's uniform and insignia wear regulations;
- Approval of the new edition of the Company's special clothing, footwear, and protective equipment provisions;
- Adoption of the salary transition plan;
- Approval of the Company's claims and litigation policy;
- Approval of standard contract forms and agreements;
- Regulations for daily parking for employees at the rented office premises in the "Palazzo degli Affari" business center;
- Acceptance procedure for inventory and fixed assets;
- Revision of the General Rules for Air Passenger and Baggage Transport;
- Approval of the budget for 2024;
- Employee rewards for 2022.

Issues Pre-Approved and Sent for Review by the Board of Directors:

- Preliminary approval of the Risk Report;
- Preliminary approval of the Flight Safety Report;
- Preliminary approval of the Compliance Monitoring Report;
- Preliminary approval of the annual financial statements for 2023;
- Setting limits on balance and off-balance liabilities for counterparty banks;
- Preliminary approval of the implementation report for the 2022-2026 Business Plan;
- Preliminary approval of amendments to the Company's Charter;
- Preliminary approval of CEO-1 job descriptions;
- Preliminary approval of the report on the implementation of the Business Process Improvement Plan for the Technical Block;
- Preliminary approval of the corrective action plan following an unscheduled audit by Samruk-Kazyna JSC;
- Preliminary approval of adjustments to the key performance indicators for the Chairman and Board members for 2023;
- Review of the functional analysis of divisions and approval of overall staffing levels and organizational structure;
- Review of the Nationalization of Personnel Plan for 2023-2026;
- Preliminary approval of the performance indicators for the Chairman and Board members, including actual results for 2022, and the related reward payments;
- Review of the status of the Roadmap for the transfer of QAZAQ AIR to a competitive environment.

Corporate Governance

- on the agenda of the Board of Directors:
- Increase in the authorized capital of QAZAQ AIR for the purpose of covering the costs of an independent privatization consultant;
- Preliminary approval of the 2024-2028 Business Plan for QAZAQ AIR;
- Preliminary approval of the Human Resources Policy for QAZAQ AIR;
- Preliminary approval of job descriptions for CEO-1 level positions.

In 2023, the Board met regularly, with appropriate decisions made on the issues presented to the Board of Directors and the sole shareholder. The necessary instructions were provided, and key decisions were implemented effectively.

Key Events of 2023:

1. May 3, 2023: The Board of Directors approved the new salary schemes for employees, based on the position evaluation project carried out by Samruk Business Academy.
2. December 7, 2023: The Board approved the revised General Rules for Air Passenger and Baggage Transport.

COMPLIANCE SERVICE



The Compliance Service aims to implement a comprehensive compliance program, define anti-corruption policies, and oversee the implementation of anti-corruption measures. This includes assessing corruption risks and fostering an internal corporate culture based on transparency and integrity, in line with both national legislation and international best practices.

The presence of a dedicated structure promotes a systematic approach to the various elements of the Anti-Corruption Policy at QAZAQ AIR.

Key Activities in 2023

During the reporting period, significant work was carried out to create and develop a compliance system, adhering to the laws of the Republic of Kazakhstan and international standards. The key actions included:

1. Development and approval of documents governing compliance activities, ethics, anti-corruption measures, conflict of interest management, and compliance risk management, especially in dealings with third parties.

2. The company approved amendments to its Charter, incorporating compliance activities, including:

- Compliance Service Regulations;
- Code of Conduct;
- Anti-Corruption and Fraud Policy;
- Whistleblower Policy;
- Conflict of Interest Policy;
- Counterparty Reliability Check Rules.

Anti-Corruption Framework

The core documents that regulate anti-corruption requirements within the company are the Code of Conduct and the Anti-Corruption and Fraud Policy. These documents publicly declare the company's firm stance against corruption in all forms and emphasize its commitment to enhancing the anti-corruption culture across the organization.

Key Changes and Actions

- Updated Code of Conduct: To align with

global best practices, the company introduced an updated version of the Code of Conduct, which now includes specific provisions on anti-corruption measures and business ethics standards.

- Accessibility of Policies: The policies are made available in user-friendly languages and are posted on the company's website for easy access by employees and other stakeholders.

Communication and Awareness

The company has focused on enhancing corporate communication by issuing informational newsletters, covering topics such as:

- Anti-corruption requirements;
- Regulatory changes in anti-corruption law;
- Rules regarding the acceptance and giving of gifts;
- The functioning of the compliance hotline;
- Recommendations for addressing identified weaknesses and preventing violations (within the framework of compliance risk management).

Training and Seminars

A seminar was held in collaboration with the Anti-Corruption Agency of Kazakhstan, covering the country's anti-corruption policies, preventive tools, and answers to employee queries. During the seminar, the Compliance Service also conducted training on the operation of the company's anti-corruption system, updates to Kazakhstan's anti-corruption legislation, and practical examples of conflict of interest resolution.

Office and Website Updates

- Information Stands: Information boards with hotline contact details have been placed in office spaces.
- Compliance Section on Website: A dedicated section has been created on the company website, containing core compliance documents and direct contact details for the head of the Compliance Service.

These initiatives are designed to improve understanding of the compliance system and make it accessible to all interested parties.

Continuous Improvement

Following global corporate governance best practices, the Compliance Service is committed to continuously improving existing compliance documents and procedures to ensure their relevance and alignment with the company's goals.

CORPORATE ETHICS

At QAZAQ AIR the Code of Conduct has been adopted, which establishes the core values, principles, and behavioral standards within the company to protect the interests of all stakeholders. The Code of Conduct aims to foster a strong corporate culture and enhance the company's reputation as an open and honest market participant. The provisions of the Code apply directly to all employees, officials, and directors of the company. The standards and principles outlined in the Code are expected to be the guiding principles of every employee's daily work. For guidance or advice regarding the provisions of the Code, employees can reach out to their immediate supervisor or the head of the company's Compliance Service.

Employees can report violations of the Code or other compliance procedures and internal control systems via the company's hotline. These reports can be made anonymously and are protected from retaliation. The contact numbers for the hotline are available on the company's corporate website.

HUMAN RESOURCES POLICY

From December 2022 to April 2023, a project on job grading was implemented in cooperation with "Samruk Business Academy". This project aimed to standardize job descriptions across the company.

As a result of the job grading implementation, a new salary structure was approved on May 3, 2023, and salary revisions were made for 73% of employees.

Further steps to improve employee compensation included:

- Health-related financial assistance implemented in January 2023, providing support for employees' health expenses alongside their vacation.
- Family support assistance was also introduced.

Additionally, to enhance the motivation of aviation personnel (pilots and co-pilots), and encourage high-quality performance and professional development, a new flight hour payment system was introduced in May 2023. The Board of Directors Decision No. 12-2023, dated March 16, 2023, approved the new procedure for paying flight hours, establishing a flight hour coefficient, and implementing differentiated pay based on flight time. These measures reflect the company's commitment to improving employee compensation and motivation, aiming to enhance professionalism and performance across all roles.

In 2023, QAZAQ AIR implemented additional measures to improve the compensation system for aviation personnel, particularly for captains and second pilots, by linking their flight hour payments to their overall work experience within the company.



The company also introduced one-time bonuses tied to festive dates and year-end results.

Furthermore, the company aligned several documents with its Human Resources Management Corporate Standard in cooperation with the Samruk Fund. The following documents were updated or introduced in 2023:

- Human Resources Policy for 2023-2028 (approved on November 17, 2023)
- Rules for Labor Payment and Bonuses for Managers (approved on December 27, 2023)
- Rules for Labor Payment, Performance Evaluation, and Bonuses for Employees of the Internal Audit Service, Compliance Service, and Corporate Secretary (approved on December 27, 2023)
- Rules for Social Support for the Chairman of the Management Board, Management Board Members, and Employees of the Internal Audit Service, Compliance Service, and Corporate Secretary (approved on April 24, 2023)

PERSONNEL MANAGEMENT



In 2023, the company conducted various activities in the area of social support for employees and ensuring social and labor stability, including:

- An open house day for employees' children with a visit to the international airport "Nursultan Nazarbayev" and the airline's aircraft on July 3, 2023.
 - A training session for all employees on the topic "Effective Communication" on July 15, 2023.
 - A children's drawing competition dedicated to the 8th anniversary of the airline on August 25, 2023.
 - A series of lectures for employees as part of the global campaign "16 Days of Activism Against Gender-Based Violence." A digital application, CHECKOFFICE, was introduced.
- An IR screening of workplaces was conducted on November 3, 2023. Daily alcohol and drug testing is conducted for flight crew members before departure. Annual medical examinations, including for aviation and space medical certification (VLEK), have been organized.
- During the reporting period, no accidents were recorded in the company.
- The SRS index for 2023 was 61%, compared to 53% in 2022. The deviation from the previous year allows the conclusion that at QAZAQ AIR:
- The level of satisfaction with the social package increased (60% in 2022, 76% in 2023).
 - Satisfaction with work and rest schedules increased (67% satisfied in 2022, 84% in 2023).
 - The number of employees claiming no moral or psychological pressure from management increased (77% in 2022, 87% in 2023).
 - There was a rise in overall life satisfaction (86% in 2022, 92% in 2023).
 - Willingness to recommend the company to friends and acquaintances increased (68% in 2022, 74% in 2023).
 - The satisfaction with salary remained unchanged (58% satisfied with salary in 2022, 60% in 2023).

At the end of 2023, the total headcount of QAZAQ AIR reached 309 employees.

Of these:

- Men: 159
- Women: 150
- Administrative personnel: 79
- Production personnel: 230

The actual headcount was 281 employees:

- Men: 156
- Women: 125
- Administrative personnel: 69
- Production personnel: 212

Employee turnover for 2023 was 24.9%.

The company employs 47 pilots, 45 flight attendants, 16 engineers and 6 mechanics. QAZAQ AIR continues to expand its team of professionals to ensure high international standards of safety, comfort, and service.

ACTIVITIES OF THE AVIATION TRAINING CENTER



One of the priority tasks of the airline is the continuous improvement of the qualifications of flight crew members and the training of new specialists.

To achieve this, the airline established the Aviation Training Center in May 2022, which provides training for flight attendants and pilots. In 2023, the scope of the Aviation Training Center's certificate was expanded with new aviation personnel training programs. During the reporting period, 46 trainees were trained, including:

- 9 trainees in the course "Initial Cabin Crew Training for DHC8-Q400 Aircraft"
- 9 trainees in the course "Cabin Crew Training Considering Aircraft Type DHC8-Q400"
- 9 trainees in the course "Cabin Crew Training Considering Operator's Specifics"
- 11 trainees in the course "Initial Pilot and Flight Attendant Training on Crew Resource Management (CRM)"
- 10 trainees in the course "Initial Pilot Instructor Training on Teaching Methods"
- 8 trainees in the course "Training on Company Resources Optimization"

By the end of 2023, 46 trainees successfully completed their training and began performing their duties at the airline.

The creation and maintenance of the aviation training center at the airline represents a significant step in the company's development as an industry player. The center provides the opportunity to train instructors, which is a strong motivation for employees to engage in self-development and professional growth. Additionally, the Aviation Training Center is an excellent commercial startup for expanding the company's presence in the competitive market.

RISK MANAGEMENT AND INTERNAL CONTROL

The Corporate Risk Management System (KRMS) is a key element of corporate governance at the airline, aimed at the timely identification and assessment of risks that may negatively impact the company's operations, and implementing measures to minimize them.

The purpose of the KRMS is to provide reasonable assurance of achieving the company's goals (strategic, operational, goals related to preparing reliable reports, compliance with applicable laws, and internal requirements).

The main tasks of KRMS and internal control are:

- Enhancing risk culture and integrating risk management and internal control into all aspects of the company's operations.
- Reducing the volatility of performance results.
- Ensuring the use of opportunities to increase the value of assets and the company's profitability in the long term.

The development of internal control and risk management systems in the company is carried out with the participation of the Board of Directors, the Management Board, the Internal Audit Service, the Compliance Service, the Risk Manager, and the structural units – risk owners.

The Board of Directors is responsible for the effective functioning and development of the KRMS and internal control system as a whole. The Board of Directors and the Management Board rely on the "three lines of defense" model in their functions,

which includes:

- First line (business functions): All structural divisions of the company.
- Second line (risk monitoring and control functions): The risk manager and the Compliance Service.
- Third line (independent assessment of risk management and internal control effectiveness): The Internal Audit Service.

The activities of the KRMS and internal control in the company are governed by the ****Risk Management and Internal Control Policy****. According to the Policy, risks are grouped and classified as follows:

- Strategic risks
- Operational risks
- Financial risks
- Legal risks

Below is a list of the most relevant risks identified by the risk owners, which are crucial for the company's operations. This list is by no means exhaustive, as any unforeseen events may impact the company's activities.

The identified risks are reflected on the Risk Map in terms of significance:

- **Red Zone** – Critical risks to the company;
- **Orange Zone** – Major risks to the company;
- **Yellow Zone** – Medium risks to the company..

Strategic Risks

	Description of possible consequences from the realization of the risk	Event name
Flight Safety Risk	Flight safety is one of the company's top priorities. Ineffective prevention of serious incidents or ineffective responses to them can negatively impact financial results and the company's reputation. The likelihood of this risk materializing is minimal.	<ol style="list-style-type: none"> 1. Development, maintenance, and continuous improvement of all elements of the flight safety management system. 2. Maintaining operational personnel's awareness of human factor risks. 3. Monitoring all incidents caused by human, technical, external, and other factors, as well as tracking the effectiveness of the measures taken. 4. Supporting an effective monitoring program to ensure continuous and effective control over compliance with international and national production standards.

Corporate Governance

Aviation security risks	Inability to Prevent or Respond to a Serious Aviation Safety Incident Failure to prevent or respond to a serious aviation safety incident can negatively affect the company's reputation, operations, and financial performance.	<ol style="list-style-type: none"> 1. Training of employees according to the aviation safety training program. 2. Quality control of aviation safety (internal inspections, reviews, reliability checks, airport audits). 3. Analysis and evaluation of trends based on collected data.
Commercial Risk	The local market is highly competitive. Additional market capacity and/or a decrease in demand can negatively impact the company. These or other commercial risk factors can significantly affect the company's operations.	<ol style="list-style-type: none"> 1. Optimizing the schedule to ensure maximum utilization of crews and aircraft. 2. Monitoring prices, new frequencies, new routes, and competitors' flight times. 3. Tracking flight occupancy rates. 4. Searching for alternative routes. 5. Timely response and feedback to comments in the media and social networks.
Human Resource Risk	The development of advanced human resource management methods is one of the company's strategic goals. Failure to create, develop, and retain qualified personnel can negatively impact the company's operational effectiveness.	<ol style="list-style-type: none"> 1. Measuring turnover rates and analyzing their causes. 2. Implementing retention measures for employees. 3. Actively seeking and hiring staff.

Financial Risks

	Description of possible consequences from the realization of the risk	Event name
Currency Risk	Significant fluctuations in exchange rates may impact the company's financial results.	<ol style="list-style-type: none"> 1. Making payments based on the actual exchange rate of acquired reserves compared to the current market rate. 2. Controlling the foreign currency position.
Credit Risk	Financial and other losses from non-fulfillment of obligations to the company's financial requirements.	<ol style="list-style-type: none"> 1. Adherence to established limits for counterparties and requirements approved by the company's internal regulations and the Shareholder.
Liquidity Risk	Inability to meet financial obligations or difficulty financing business operations.	<ol style="list-style-type: none"> 1. Monitoring liquidity, controlling cash outflows, maintaining a "liquidity cushion."

Operational Risks

	Description of possible consequences from the realization of the risk	Event name
Cyber Risk and Information Security Risk	Risk of losses from external or internal threats to the company's computers, information, infrastructure, and commercial and production operations supported by information technology.	<ol style="list-style-type: none"> 1. Implementing regulatory documents and processes in line with the best global information security practices. 2. Conducting information security audits. 3. Providing training according to international information security standards.
Fuel Risk	The company is exposed to the risk of aviation kerosene shortages at oil refineries, which may force the company to purchase fuel at significantly higher prices from airports or third parties.	<ol style="list-style-type: none"> 1. Monitoring the aviation fuel balances. 2. Ensuring the purchase of aviation fuel from resource holders.
Production Safety Risk	Possible diseases or injuries to employees may affect the company's production and financial performance.	<ol style="list-style-type: none"> 1. Implementing all necessary procedures to ensure a high level of production safety.

Corporate Governance

Legal Risks

	Description of possible consequences from the realization of the risk	Event name
Compliance Risk	The company's activities are strictly regulated by local and international aviation authorities. Any violation of laws and standards may impact the company's operational and financial performance.	1. Conducting inspections/audits, updating regulatory documents, and training employees.
Litigation Risk	A court decision that is unfavorable to the company (potential actions by counterparties or employees that result in losses for the company).	<ol style="list-style-type: none"> 1. Updating security measures in contracts. 2. Developing a procedure for handling claims and legal actions. 3. Enhancing the qualifications of employees responsible for the legal support of transactions and disputes. 4. Analyzing civil disputes and their outcomes, and adjusting actions accordingly.

External Auditor

In accordance with the decision of the Board of Directors of JSC "Samruk-Kazyna," the auditing organization for the company for the years 2021–2023 is "Grant Thornton."

Hotline of JSC Samruk-Kazyna National Wealth Fund

The Initiative Reporting Line (Hotline) is operated by an independent company, ensuring transparency of the process and confidentiality of data, thereby increasing trust in this tool and aligning with best international practices. The contact information for the Hotline is available on the corporate website.

The Hotline addresses concerns related to bribery and corruption, violations in accounting, disclosure of protected information, unequal employment conditions, unethical behavior, threats to health, safety, and the environment.

Complaints can be submitted by anyone in Russian, Kazakh, or English through the following communication channels:

by phone at 8 800 080 4747

by email at mail@sk-hotline.kz

through the online portal at <http://sk-hotline.kz/>

via WhatsApp Messenger at +7 771 191 8816.



Contacts

Phone: +7 727 356 1414
Email: info@flyqazaq.com

JSC QAZAQ AIR

Financial statements of the year ended 31 December 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management of JSC QAZAQ AIR (hereinafter – the “Company”) is responsible for the preparation of the financial statements as at 31 December 2023, the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (hereinafter – “IFRS”).

In preparing the financial statements, 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;
- application of reasonable estimates and assumptions;
- additional disclosures when compliance with requirements of IFRS is insufficient to enable users of the financial statements to understand the impact of specific transactions, as well as other events and conditions on the financial position and results of the Company’s operations; and
- assessment of the Company’s ability to continue as a going concern.

Management is also responsible for:


- designing, implementing and maintaining an effective and reliable system of internal controls;
- maintaining of proper accounting system, allowing preparation of the Company’s financial position information at any time with reasonable accuracy, and to ensure compliance with IFRS;
- maintaining statutory accounting records in compliance with law of the Republic of Kazakhstan;
- adopting of measures within its competence to safeguard assets of the Company;
- detecting and preventing fraud and other abuses.

The financial statements of the Company for the year ended 31 December 2023 were approved by the management on 28 February 2024.

Chairman of the Management Board

Chief Financial Officer – Management Board member

Chief accountant



Nauryzbayev Yerkin Anesovich

Uraliyev Adilbek Dzhumabayevich

Kisekova Gulmira Kazbekovna

28 February 2024
Astana, the Republic of Kazakhstan

Grant Thornton LLP

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and management of JSC QAZAQ AIR

Opinion

We have audited the financial statements of JSC QAZAQ AIR (hereinafter – “the Company”), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – “ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty regarding the going concern

We draw attention to Note 3 to the financial statements, which indicates that for the year ended 31 December 2023, the Company's loss amounted to 7,592,255 thousand tenge. As at 31 December 2023, the Company's total liabilities exceed its total assets by 9,599,116 thousand tenge, and accumulated losses amounted to 43,875,625 thousand tenge. These conditions, together with other matters set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern for the foreseeable future. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statement

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of JSC QAZAQ AIR, 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 audit.

Grant Thornton LLP


Evgeny Zhemaletdinov
Auditor/Engagement partner



Certified Auditor of the Republic of Kazakhstan
Certificate No. MF-0000553 dated
20 December 2003


Yerzhan Dossymbekov
General Director
Grant Thornton LLP



State license No. 18015053 dates 3 August 2018 for
providing audit services on the territory of the Republic of
Kazakhstan, issued by the internal state audit Committee
of the Ministry of Finance of the Republic of Kazakhstan.

28 February 2024
Almaty, the Republic of Kazakhstan

JSC QAZAQ AIR

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

In thousands of tenge	Note	2023	2022
Revenue and other income			
Revenue and other operating income	5	19,609,146	20,415,161
Total revenue and other income		19,609,146	20,415,161
Operating expenses			
Fuel		(4,683,652)	(4,256,259)
Employee cost	6(a)	(3,947,780)	(4,025,950)
Engineering and maintenance	6(b)	(3,222,438)	(1,692,041)
Handling, landing fees and route charges	6(c)	(2,541,602)	(2,167,880)
Depreciation and amortisation		(2,417,496)	(2,399,690)
Passenger service	6(d)	(1,414,899)	(1,593,626)
Insurance		(664,348)	(474,832)
Information technology		(414,281)	(414,234)
Transport, accommodation, and subsistence costs		(387,328)	(596,469)
Training costs		(300,354)	(419,219)
Property lease cost		(224,045)	(156,855)
Selling costs	6(e)	(142,736)	(303,205)
Consultancy, legal and professional fees		(36,721)	(72,505)
Aircraft licenses		(25,037)	(18,383)
Provided staff costs		(10,875)	(14,257)
Other		(340,079)	(336,376)
Total operating expenses		(20,773,671)	(18,941,781)
(Loss) / profit from current operating activities		(1,164,525)	1,473,380
(Impairment loss) / profit from revaluation on property and equipment	9	(1,758,011)	1,720,455
(Loss) / profit from operating activities		(2,922,536)	3,193,835
Finance income	7	476,603	344,976
Finance costs	7	(5,106,971)	(5,417,813)
Other income / (expense), net		61,329	(135,911)
Net foreign exchange, (loss) / gain, net		(47,428)	111,367
Loss before taxation		(7,539,003)	(1,903,546)
Corporate income tax expense	8	(53,252)	(4,695,231)
Loss for the period		(7,592,255)	(6,598,777)
Other comprehensive income		-	-
Total comprehensive loss for the year		(7,592,255)	(6,598,777)

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board


Naryzbayev Yerkin Anesovich

Chief Financial Officer–Management Board member


Umaraliyev Adilbek Dzhumabayevich

Chief accountant


Kisekova Gulmira Kazbekovna

28 February 2024
Astana, the Republic of Kazakhstan



JSC QAZAQ AIR

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023**

In thousands of tenge	Note	31 December 2023	31 December 2022
Assets			
Property and equipment	9	24,066,203	25,593,214
Intangible assets		20,997	19,889
Advances given	10	312,202	-
Non-current assets		24,399,402	25,613,103
Inventories	11	2,385,610	1,812,434
Trade and other receivables	12	303,261	219,843
Prepayments and deferrals	10	940,320	1,170,161
Cash and cash equivalents	13	3,264,088	5,231,857
Current assets		6,893,279	8,434,295
Total assets		31,292,681	34,047,398
Equity			
Share capital	14	34,276,509	34,067,259
Accumulated loss		(43,875,625)	(36,283,370)
Total equity deficit		(9,599,116)	(2,216,111)
Liabilities			
Loan from the Parent Company	15	37,579,771	32,473,873
Non-current liabilities		37,579,771	32,473,873
Trade and other payables	16	1,931,543	2,046,144
Other taxes payable except corporate income tax		137,608	100,131
Deferred income	17	959,947	1,373,403
Advances received		282,928	269,958
Current liabilities		3,312,026	3,789,636
Total liabilities		40,891,797	36,263,509
Total equity and liabilities		31,292,681	34,047,398

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board

Chief Financial Officer – Management Board member

Chief accountant



Nauryzbayev Yerkin Anesovich
Umraliyev Adilbek Dzhumabayevich
Kisekova Gulmira Kazbekovna

28 February 2024
Astana, the Republic of Kazakhstan

JSC QAZAQ AIR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of tenge	Share capital	Accumulated loss	Total equity deficit
As at 1 January 2022	120,000	(11,102,634)	(10,982,634)
Loss for the year	-	(6,598,777)	(6,598,777)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(6,598,777)	(6,598,777)
Transactions with the Owner of the Company			
Issue of shares (Note 14)	33,947,259	-	33,947,259
Release of discount on the Parent Company loan (Note 8,15)	-	(18,581,959)	(18,581,959)
Total transactions with the Owner of the Company	33,947,259	(18,581,959)	15,365,300
As at 31 December 2022	34,067,259	(36,283,370)	(2,216,111)
Loss for the year	-	(7,592,255)	(7,592,255)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(7,592,255)	(7,592,255)
Transactions with the Owner of the Company			
Issue of shares (Note 14)	209,250	-	209,250
Total transactions with the Owner of the Company	209,250	-	209,250
Balance as at 31 December 2023	34,276,509	(43,875,625)	(9,599,116)

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board

Chief Financial Director–Management Board member

Chief accountant

28 February 2024
Astana, the Republic of Kazakhstan


Naurymbayev Yerkin Anesovich
Umraliyev Adilbek Dzhumabayevich
Kisekova Gulmira Kazbekovna

JSC QAZAQ AIR

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023**

In thousands of tenge	2023	2022
Cash flows from operating activities		
Cash receipts from customers	20,687,072	22,034,729
Cash paid to suppliers	(15,329,283)	(12,987,773)
Cash paid to employees	(4,243,012)	(3,876,947)
Cash paid for taxes other than corporate income tax	(821,555)	(717,135)
Interest payments on loans received from the Parent Company (Note 15)	–	(15,498)
Other cash receipts	1,875	–
Cash flows from operating activities before interests and corporate income tax paid	295,097	4,437,376
Interests received	423,350	344,976
Corporate income tax paid	(53,252)	(49,741)
Net cash flows from operating activities	665,195	4,732,611
Cash flows from investing activities		
Acquisition of property and equipment	(2,750,083)	(3,244,677)
Acquisition of intangible assets	(5,955)	(211)
Net cash flows used in investing activities	(2,756,038)	(3,244,888)
Cash flows from financing activities		
Contribution to share capital (Note 14)	209,250	33,947,259
Loan repayment to the Parent Company (Note 15)	–	(33,932,150)
Payments on lease liabilities, including interests paid	–	(2,653)
Net cash flows from financing activities	209,250	12,456
Net increase in cash and cash equivalents	(1,881,593)	1,500,179
Cash and cash equivalents as at 1 January	5,231,857	3,674,715
Effect of foreign exchange differences	(86,517)	57,591
Change in provision for expected credit losses	341	(628)
Cash and cash equivalents as at 31 December (Note 13)	3,264,088	5,231,857

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board

Chief Financial Officer – Management Board member

Chief accountant


 Nauryzbayev Yerkin Anesovich

 Uraliyev Adilbek Dzhumabayevich

 Kisekova Gulmira Kazbekovna

28 February 2024
Astana, the Republic of Kazakhstan

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. GENERAL INFORMATION

Joint Stock Company QAZAQ AIR (hereinafter - the “Company”) was established on 1 April 2015 in accordance with the legislation of the Republic of Kazakhstan.

The sole shareholder of the Company is JSC Samruk-Kazyna National Welfare Fund (hereinafter - the “Parent Company”), which is owned by the Government of the Republic of Kazakhstan. The main activity of the Company is the provision of regular domestic and international air transportation services. The company is based in Astana and serves the interregional hub route network, which includes domestic and international routes, as well as socially important directions subsidized by the state.

As at 31 December 2023, the Company operated five of its own turboprop aircraft of the De Havilland Dash 8 Q400 NextGen model. The Company's fleet is registered in the Kazakhstan Aircraft registry. The company has a licensed linear maintenance station and a certified aviation training center. The company is an official member of the International Air Transport Association IATA and is certified according to the international industrial safety standard IOSA.

The Company is registered at the address: Republic of Kazakhstan, Astana, Yesil district, 20 Mangilik El Ave.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New standards, interpretations and amendments to existing standards and interpretations

The accounting principles adopted in the preparation of the financial statements are consistent with the principles applied in the preparation of the Company's financial statements for the year ended 31 December 2022, except for the adopted new standards and interpretations that became effective from 1 January 2023. The Company has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

The Company adopted the following new and revised standards during the reporting year, effective from 1 January 2023:

- IFRS 17 – *Insurance Contracts*;
- Amendments to IAS 8 – *Definition of Accounting Estimates*;
- Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*;
- Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IAS 12 – *International Tax Reform—Pillar II Model Rules*.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

Management believes that the new standard had no impact on the Company's financial statements.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New standards, interpretations and amendments to existing standards and interpretations (continued)

Definition of Accounting Estimates – Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments did not have a material impact on the Company's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments did not have a material impact on the Company's financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments did not have a material impact on the Company's financial statements.

Amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023. The amendments had no material impact on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS
(CONTINUED)**

New and revised IFRS - issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*;
- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*;
- Amendments to IAS 7 and IFRS 7 – *Supplier Finance Arrangements*.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact of the amendments on the current classification of liabilities.

Amendments to IFRS 16: – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The Company is currently assessing the impact of the amendments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Going concern basis

The accompanying financial statements have been prepared on a going concern basis, which involves the disposal of assets and settlement of liabilities in the ordinary course of business.

In 2023 the Company's revenue decreased by 4% and was equal to 19,609,146 thousand tenge compared to 20,415,161 thousand tenge for the previous year. The main reason for the decrease in income is the forced reduction of the international flight program due to restrictions on obtaining permits from the authorized bodies of the receiving states.

As a result, in 2023 the Company achieved an increase in positive cash flows from operating activities in the amount of 665,195 thousand tenge (31 December 2022: 4,732,570 thousand tenge). As at 31 December 2023 the balance of cash and cash equivalents on the Company's accounts amounted to 3,264,088 thousand tenge (31 December 2022: 5,231,857 thousand tenge).

For the year ended 31 December 2023 the Company incurred a net loss of 7,592,255 thousand tenge (2022: 6,598,777 thousand tenge) and the Company's total liabilities as at 31 December 2023 exceed its total assets by 9,599,116 thousand tenge (31 December 2022: 2,216,111 thousand tenge). Net loss for 2023 includes amortisation of discount on loans from the Parent Company and interests accrued in the amount of 5,105,898 thousand tenge (2022: 5,417,813 thousand tenge). Vast majority of the Company's liabilities in the amount of 92% of all liabilities is represented by loans from the Parent Company for acquisition of aircraft, provision of their scheduled maintenance.

The circumstances above indicate that the Company's going concern for the foreseeable future mainly depends on the Parent Company's support.

The management of the Company has neither intention nor need to liquidate or suspend its operations. These financial statements of the Company have been prepared on a going concern basis, which assumes continuation of significant support from the Parent Company, including possible financing and conversion of loans to equity if needed. As at 31 December 2023 these financial statements have been prepared on a going concern basis.

Functional and presentation currency

The national currency of the Republic of Kazakhstan is the tenge (hereinafter - “tenge”), which is the Company’s functional currency and the currency in which these financial statements are presented. All financial information presented in tenge has been rounded to the (nearest) thousands, except when otherwise indicated.

Basis of preparation

This financial information has been prepared on a historical cost basis, except for aircraft, which are measured at fair value at each reporting date.

The accounting policies described below have been applied by the Company consistently throughout the reporting periods presented in these financial statements.

Revenue from passenger transportation

The Company identifies two performance obligations – passenger transportation and charter flights. Ticket sales are reported as revenue at a point in time when performance obligation related to passenger transportation service has been satisfied. The cost of tickets sold and still valid but not used by the reporting date is recognised as deferred (unearned) passenger transportation revenue. This item is reduced either when the Company performs the transportation service or when the passenger requests a refund for the ticket. A certain portion of revenue from unused tickets is recognised at the actual flight date in the amount presuming that the probability that a customer will claim the Company to fulfil its obligations for the service is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial income and expenses

For all financial instruments measured at amortised cost, interest income or expense is recognised at the effective interest rate that is discounted to expected future cash payments or receipts through the expected life of the financial instrument, or a shorter period, where applicable, of accuracies are adjusted to the net carrying amount of the financial asset or financial liability.

Foreign currency

When preparing the financial statements, transactions in a currency other than the functional currency (foreign currency) are reflected at the exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the appropriate rate of exchange at the date of the financial statements. Non-monetary items denominated in a foreign currency and measured at fair value are translated using the exchange rates ruling at the date the fair value was determined.

Non-monetary items carried at historical cost in a foreign currency are not restated. Exchange differences on monetary items arising from changes in exchange rates are recognised in profit or loss in the period in which they occur.

The weighted average exchange rates prevailing on the Kazakhstan Stock Exchange (hereinafter - the "KASE") are used as the official exchange rates in the Republic of Kazakhstan.

Employee benefits

In accordance with the legislation on pension provision and social insurance, the Company withholds pension contributions from employees' wages and transfers them to pension funds. Once the pension contributions have been paid, the Company has no further pension obligations. After retirement, all pension payments are managed directly by the pension fund.

Short term rewards

Discounting is not applied in determining the liability for short-term employee benefits and related expenses are recognised as the service is rendered by employees. For amounts expected to be paid under a short-term cash bonus or profit-sharing plan, a liability is recognised if the Company has a present legal or constructive obligation to pay the related amount arising from the past performance of services by employees and the amount of that liabilities can be measured reliably.

Corporate income tax

Corporate income tax expenses include current income tax and deferred tax. Current and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax

Current corporate income tax includes the amount of tax that is expected to be paid or refunded on taxable profit or loss for the year, which is calculated based on tax rates in effect or in substance in effect at the reporting date, and income tax adjustments of previous years.

Deferred tax

Deferred tax is recognised for temporary differences arising between the carrying amounts of assets and liabilities, which are determined for the purposes of their recognition in the financial statements, and their tax base. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The amount of deferred tax is determined based on the tax rates that will apply in the future, when the temporary differences reverse, based on laws in force or substantively enacted at the reporting date.

The deferred tax estimate reflects the tax consequences resulting from the way in which the Company intends to recover or settle the carrying amount of its assets or settle liabilities at the end of the reporting period.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a FIFO (first-in-first-out) method, except for fuel and anti-icing fluids, which are costed on a weighted average basis and includes the costs of acquiring inventories and other costs to bring inventories to present location and bringing them into the appropriate state.

Net realisable value is the estimated selling price of inventories less all estimated costs of completion and selling expenses.

Property and equipment

Recognition and measurement

Items of property and equipment other than aircraft are stated at cost less accumulated depreciation and impairment losses.

The cost includes costs that are directly attributable to the acquisition of the relevant asset.

If significant components that make up an item of property and equipment have different useful lives, they are accounted for as separate items (significant components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from its disposal with its carrying amount and is recognised net in the line “other income” or “other expenses” in profit or loss for the period.

Aircrafts are measured at fair value less accumulated depreciation and any impairment losses recognised after the revaluation date. Revaluation occurs with sufficient frequency to provide assurance that the fair value of the revalued asset does not differ materially from its carrying amount. The amount of the increase resulting from the revaluation of an aircraft is recognised directly under the revaluation surplus heading in other comprehensive income. However, such an increase in value shall be recognised in profit or loss to the extent that it reverses a decrease in the same asset previously recognised in profit or loss.

Decrease in value resulting from the revaluation of an aircraft is recognised in profit or loss for the period. However, such a decrease is recognised in other comprehensive income to the extent of the existing amount of the credit balance in the item “revaluation surplus”. On disposal of an asset, the portion of the revaluation reserve that is directly attributable to that asset is transferred from the asset revaluation reserve to retained earnings.

Subsequent costs

The costs of replacing a significant component of an item of property and equipment increases the carrying amount of that item if it is probable that the Company will derive future economic benefits from that item and its cost can be measured reliably. The carrying amount of the replaced component is written off. Expenses for day-to-day maintenance of items of property and equipment are recognised in profit or loss for the period at the time they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Items of property and equipment are depreciated from the date they are installed and ready for use, and for items of property and equipment built in-house, from the date the item is completed and ready for use. Depreciation is calculated based on the cost of the asset less its estimated residual value.

Each component of an item of property and equipment is depreciated on a straight-line basis over its expected useful life because that method most accurately reflects the expected consumption of future economic benefits embodied in the asset, and the depreciation charge is included in profit or loss for the period.

The expected useful lives of property and equipment were as follows:

Fixed asset group	Useful life
Aircraft (excluding individual components of the asset)	25 years
Machinery and equipment	4 – 25 years
Vehicles	5 – 10 years
Computers and office equipment	4 – 7 years

The individual components of an aircraft asset are depreciated over the average expected useful life between overhauls, which is based on flight hours or cycles.

Depreciation methods expected useful lives and residual values of property and equipment are reviewed at each reporting date and adjusted if necessary.

Property and equipment, other than aircraft, are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs

Subsequent costs are capitalised in the cost of a particular asset only if they increase the future economic benefits embodied in that asset. All other costs are recognised in profit or loss for the period incurred.

Amortisation

Amortisation is calculated based on the cost of the asset less its estimated residual value.

Typically, each component of an intangible asset is amortised on a straight-line basis over its expected useful life because that method most accurately reflects the expected consumption of the future economic benefits embodied in the asset, and the depreciation charge is included in profit or loss for the period.

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

Amortisation methods expected useful lives and residual values of property and equipment are reviewed as at each financial year end date and adjusted if necessary.

Intangible assets

Intangible assets acquired by the Company and having a finite useful life are carried at cost less accumulated depreciation and impairment losses.

Deferred expenses

Deferred expenses are prepayments for insurance services, licenses and software, which are amortised on a straight-line basis for the periods of service provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Prepayment

Prepayments are reported at cost less any allowance for impairment. A prepayment is classified as non-current if the expected date of receipt of the goods or services related to it is more than one year, or if the prepayment relates to an asset that will be accounted for as non-current on initial recognition. An advance payment for the acquisition of an asset is included in its carrying amount when the Company obtains control of the asset, and it is probable that the future economic benefits associated with it will flow to the Company. Other prepayments are written off to profit or loss when the related goods or services are received. If there is an indication that the assets, goods or services relating to the prepayment will not be received, the carrying amount of the prepayment is written off and the associated impairment loss is recognised in profit or loss for the year.

Recognition and initial measurement

Trade receivables are initially recognised when they are incurred. All other financial assets and liabilities are initially recognised when the Company enters into a contractual relationship involving these instruments.

A financial asset (unless it is a trade receivable that does not contain a significant financing component) or financial liability is initially measured at fair value. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as being measured: at amortised cost.

Financial assets are reclassified after initial recognition only if the Company changes the 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 business model.

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not designated by the Company as at fair value through profit or loss:

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

Financial assets - business model evaluation

The Company evaluates the objective of the business model in which the asset is held at the level of a portfolio of financial instruments, as this best reflects the way the business is managed, and information is provided to the management. The following information is considered:

- policies and targets set for the portfolio and how these policies work in practice. This includes management's strategy to earn contractual interest income, maintain a defined interest rate structure, ensure that the maturities of financial assets match the maturities of the financial liabilities used to finance those assets or expected cash outflows, or realize cash flows through the sale of assets.
- how portfolio performance is measured and how this information is communicated to the Company's management.
- risks affecting the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers responsible for managing the portfolio are remunerated (for example, whether the remuneration depends on the fair value of the specified assets or on the contractual cash flows received from the assets).
- the frequency, volume and timing of historical sales of financial assets, the reasons for such sales, and expectations regarding the future level of sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for that purpose and the Company continues to recognize those assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets – an assessment of whether the cash flows provided for in the contract are solely payment of principal and interest.

For the purposes of this assessment, the "principal amount" is defined as the fair value of a financial asset at initial recognition. "Interest" is defined as compensation for the time value of money, for credit risk on principal outstanding for a certain period of time, and for other major risks and costs associated with lending (such as liquidity risk and administrative costs) and include profit margin.

When assessing whether the cash flows provided for in the contract are exclusively payments of the principal amount and interest on the outstanding part of the principal amount (the "SPPI criterion"), the Company analyses the contractual terms of the financial instrument. This includes assessment of whether the financial asset contains any contractual condition that may change the timing or amount of the contractual cash flows so that the financial asset would not meet the analyzed requirement.

During the assessment, the Company analyzes:

- conditional events that may change the timing or amount of cash flows;
- conditions that can adjust the coupon rate stipulated by the contract, including variable rate terms;
- conditions for early repayment and prolongation of the validity period;
- conditions that limit the Company's claims to cash flows from specified assets (for example, non-recourse financial assets)

The early repayment condition meets the SPPI criterion if the amount paid for early repayment represents, in substance, the principal amount outstanding and interest on the principal amount outstanding and may include reasonable additional compensation for early termination. In addition, the condition for early repayment is considered to meet this criterion if the financial asset is acquired or originated at a premium or discount to the nominal amount specified in the contract, the amount payable upon prepayment is, in substance, the nominal amount specified in the contract plus accrued (but not paid) contractual interest (and may also include reasonable additional compensation for early termination of the contract); and at initial recognition of the financial asset, the fair value of its early repayment condition is insignificant.

Financial assets - subsequent measurement and gains and losses

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by the amount of the impairment loss. Interest income, exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss for the period.

Modification of the terms of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company assesses whether the cash flows of the modified asset are significantly different. If the cash flows differ significantly ("significant modification of terms"), then the rights to the contractual cash flows of the original financial asset are considered to have expired. In this case, the recognition of the original financial asset is derecognised and the new financial asset is recognised at fair value.

The Company conducts a quantitative and qualitative assessment of whether the modification of the conditions is significant, i.e. whether the cash flows of the original financial asset and the cash flows of the modified or replaced financial asset differ significantly. The Company conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. If the cash flows are significantly different, then the rights to the contractual cash flows of the original financial asset are considered to have expired. In making this assessment, the Company is guided by guidance on the derecognition of financial liabilities by analogy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Modification of the terms of financial assets and financial liabilities (continued)

Financial assets (continued)

The Company concludes that the modification is significant based on the following qualitative factors:

- change in the currency of a financial asset;
- change in the type of collateral or other means of improving the quality of the asset;
- a change in the terms of a financial asset resulting in non-compliance with the SPPI criterion (for example, adding a conversion term).

If the cash flows of the modified asset measured at amortised cost do not differ significantly, such modification of terms does not result in derecognition of the financial asset. In this case, the Company restates the gross carrying amount of the financial asset and recognizes the amount of the adjustment to the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is restated as the present value of the renegotiated or modified cash flows, discounted using the financial asset's original effective interest rate. Costs and fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining life of the modified financial asset.

Financial liabilities

The Company derecognizes financial liability when its terms change in such a way that the cash flows of the modified liability change significantly. In this case, a new financial liability with modified terms is recognised at fair value. The difference between the carrying amount of the old financial liability and the amount of the new financial liability with modified terms is recognised in profit or loss.

The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognised in profit or loss. The difference resulting from the modification of the terms of transactions with shareholders is recognised in equity as part of the transaction with the owner of the company.

If the modification of terms (or replacement of a financial liability) does not result in the derecognition of a financial liability, the Company applies an accounting policy that is consistent with the approach for adjusting the gross carrying amount of a financial asset in cases where the modification of terms does not result in the derecognition of a financial asset – i.e. the Company recognizes any adjustment to the amortised cost of a financial liability arising from such modification (or replacement of a financial liability) in profit or loss at the date of the modification (or replacement of a financial liability).

Changes in the amount of cash flows on existing financial liabilities are not considered modifications of terms if they are a consequence of the current terms of the contract.

The Company conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. The Company concludes that the modification is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- changing the type of collateral or other means of improving the quality of the obligation;
- adding a conversion option;
- change in the subordination of a financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Modification of the terms of financial assets and financial liabilities (continued)

Financial liabilities (continued)

For measurement purposes, terms are considered to be significantly different if the present value of the cash flows under the new terms, including commission payments less commission received, discounted at the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability. If the replacement of one debt instrument with another, or modification of its terms, is accounted for as an repayment, then the cost or commission incurred is recognised as part of the profit or loss on the settlement of the related debt. If the replacement of one debt instrument by another or modification of its terms is not accounted for as an repayment, then the carrying amount of the related liability is adjusted by the costs or fees incurred and the adjustment is amortised over the remaining life of the modified liability.

Derecognition

Financial assets

The Company derecognises a financial asset when it loses its contractual cash flow rights on that financial asset, or when it transfers the rights to receive the contractual cash flows in a transaction that transfers substantially all the risks and the benefits of ownership of that financial asset, or in which the Company neither transfers nor retains a substantial portion of all the risks and rewards incidental to ownership of that financial asset, but does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in the statement of financial position but retains all or substantially all of the risks and rewards of ownership of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when the contractual obligations under it are discharged, canceled or terminated. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are materially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the redeemed carrying amount and the consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and presented in the statement of financial position on a net basis only when the Company currently has an enforceable right to offset the recognised amounts and intends to either settle them on a net basis or realize the asset and fulfill the obligation at the same time.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Additional costs directly related to the issuance of ordinary shares and stock options are reflected, taking into account the tax effect, as a decrease in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for expected credit losses (hereinafter – “ECLs”) on financial assets measured at amortised cost.

The Company estimates the reserves for losses in an amount equal to the ECL for the entire period., with the exception of the following instruments, for which the amount of the recognised reserve will be equal to the 12-month expected credit losses:

- Bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Estimated reserves for losses in respect of guarantee deposits, trade and other receivables will always be estimated at an amount equal to the expected credit losses for the entire term.

In assessing whether there has been a significant increase in the credit risk of a financial asset since initial recognition and in assessing ECLs, the Company analyzes reasonable and verifiable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's past experience and a reasonable assessment of credit quality, and includes forward-looking information.

The Company assumes that the credit risk of a financial asset has increased significantly if it is overdue for more than 30 days.

A financial asset is classified by the Company as a financial asset for which a default event has occurred in the following cases:

- it is unlikely that the borrower will repay its loan obligations to the Company in full without the Company taking measures such as the sale of collateral (if any); or
- the financial asset is overdue by more than 90 days.

Lifetime ECLs are ECLs that arise from all possible default events over the expected life of a financial instrument.

The 12-month ECL is that part of the ECL that arises from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period is considered when ECLs are measured over the maximum contractual period over which the Company is exposed to credit risk.

Assessment of ECL

Expected credit losses are an estimate weighted by the likelihood of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses financial assets carried at amortised cost for credit impairment. A financial asset is 'credit-impaired' when one or more events occur that have a negative effect on the estimated future cash flows of that financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

Non-derivative financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired is, in particular, the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or overdue payment by more than 90 days;
- restructuring by the Company of a loan or advance payment on terms that it would not otherwise consider;
- the likelihood of bankruptcy or other financial reorganization of the borrower; or
- the disappearance of an active market for a security as a result of financial difficulties.

Presentation of allowance for expected credit losses in the statement of financial position

Allowances for expected credit losses on financial assets measured at amortised cost are deducted from the gross carrying amount of those assets.

Presentation of allowance for expected credit losses in the statement of financial position (continued)

Write-offs

The full carrying amount of a financial asset is written off when the Company has no reason to expect that the financial asset will be recovered in full or in part. For businesses, the Company makes individual assessments of the timing and amount of write-offs based on a reasonable expectation of recovery. The Company does not expect a significant recovery of the amounts written off. However, written off financial assets may continue to be subject to enforcement in order to comply with the Company's procedures for recovering amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is calculated.

For the purposes of impairment testing, assets that cannot be tested individually are combined into the smallest group of assets that generates cash inflows from continuing use that are independent of cash inflows from other assets or cash generating units (hereinafter – “CGUs”).

The recoverable amount of an asset, or CGU, is the largest of two values: the value in use of that asset (that unit) and its fair value less costs to sell. In calculating value in use, expected future cash flows are discounted to their present value using a pre- tax discount rate that reflects the current market estimate of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss for the period.

An impairment loss recognised in a prior period is reviewed at each reporting date to determine whether there is any indication that the loss should be reduced or no longer recognised. Amounts written off for impairment losses are reversed if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset can be restored to its carrying amount, less accumulated depreciation, if no impairment loss had been recognised.

Lease

When an entity enters a contract, the entity evaluates whether the contract as a whole or its individual components is a lease. A contract is a lease or contains a lease component if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. To assess whether the right to control the use of an identified asset under this contract is transferred, the Company applies the definition of a lease under IFRS 16.

This accounting policy will apply to contracts that were concluded on or after 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease (continued)

The Company as a lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is the initial amount of the lease liability, adjusted for the amount of lease payments made on or before the commencement date, plus the initial direct costs incurred and the estimated costs that would be incurred on dismantling and relocation of the underlying asset, restoration of the underlying asset or the site on which it is located, less lease incentives received.

Subsequently, a right-of-use asset is depreciated on a straight-line basis from the commencement date of the lease to the end of the lease term, unless the lease agreement transfers ownership of the underlying asset to the Company before the end of the lease term or if the cost of the right-of-use asset exercise reflects the exercise by the Company of a call option. In such cases, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined using the property and equipment approach. In addition, the cost of a right-of-use asset is periodically reduced by the amount of impairment losses, if any, and adjusted when certain revaluations of the lease liability are made.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if such a rate cannot be readily determined, using the Company's incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate based on interest rates from various external sources and makes certain adjustments to take into account the terms of the lease and the type of asset being leased.

Lease payments included in the measurement of the lease liability include:

- fixed charges, including substantively fixed charges;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the lease;
- amounts expected to be paid by the tenant under the residual value guarantee;
- the exercise price of a purchase option if it is reasonably certain that the Company will exercise the option, the lease payments for the additional lease period arising from the existence of an option to extend the lease, if it is reasonably certain that the Company will exercise the option to extend the lease, and penalties for early termination of the lease, unless there is reasonable assurance that the Company will not terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if future lease payments change due to a change in an index or rate, if the Company's estimate of the amount payable under the residual value guarantee changes, if the Company changes its estimate of whether it will exercise a call option, an option to extend the lease, or its termination, or if a lease payment that is in substance fixed is renegotiated. was reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as property and equipment and lease liabilities as loans and borrowings in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes lease payments made under such agreements as an expense on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

4. USE OF PROFESSIONAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect how accounting policies are applied and how much assets, liabilities, income and expenses are reported. Actual results may differ from these estimates.

The assumptions and estimates made on their basis are regularly reviewed to determine if they need to be changed. Changes in accounting estimates are recognised in the reporting period in which the estimates are revised and in all subsequent periods affected by those changes.

Recoverability of a deferred tax asset

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and level of future taxable income and future tax planning strategies. The tax code allows a business to carry forward accumulated tax losses for the next ten years. Management has concluded that it is probable that sufficient taxable profit will be available to utilize the deferred tax asset by comparing the pre-tax profit projected in the 5-year business plan with the tax loss carry forward as at 31 December 2023. Refer to Note 2 for information about the assumptions and uncertainties in the estimates that have the primary risk of requiring a material change, in the amounts presented in the financial statements in the next financial year.

Fair value measurement

Certain accounting policies of the Company and disclosures require an assessment of the fair value of financial and non-financial assets and liabilities.

When estimating the fair value of an asset or a liability, the Company uses, to the extent possible, observable market data. Fair value measurements are assigned to different levels of the fair value hierarchy, depending on the inputs used in the respective valuation techniques:

- level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- level 2: Inputs other than quoted prices used for Level 1 estimates that are observable either directly (i.e., such as prices) or indirectly (i.e., determined from prices).
- level 3: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is generally assigned to the level of the hierarchy that corresponds to the lowest level input that is material to the overall measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change takes place.

Revaluation of Property and equipment

The Company accounts for aircraft at revalued amounts. Revalued aircraft represent one class of assets under IFRS 13 based on the nature, characteristics and risks inherent in the asset. The inputs for determining the fair value of aircraft belong to level 3 in the fair value hierarchy (unobservable inputs).

During 2023 and 2022 the Company used data from IBE and Ascend global indicative analytical agencies for independent assessment of the market value of aircraft. In 2023, the Company performed revaluation of the aircraft assets and recognised an impairment in the amount of 1,758,011 thousand tenge (Note 9).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

5. REVENUE AND OTHER OPERATING INCOME

In thousands of tenge	2023	2022
Revenue from passenger transportation		
Regular passenger transportation	19,280,716	20,119,850
<i>including:</i>		
- <i>fuel surcharges</i>	1,870,727	1,736,548
- <i>airport taxes</i>	956,649	1,008,228
- <i>excess baggage</i>	131,009	107,584
Charter flights	133,026	171,011
Total revenue from contracts with customers	19,413,742	20,290,861
Other income		
Other income	195,404	124,300
	195,404	124,300
	19,609,146	20,415,161

For the year ended 31 December 2023, domestic passenger traffic comprised 79% (2022: 62%) of total passenger transportation revenue.

The decrease in revenue in 2023 compared to 2022 is due to the forced reduction in the international flight program due to restrictions on the granting of permits for scheduled flights by the authorized authorities of host countries. The flight program increased by 3% in 2023 to 8,822 sorties (2022: 8,564 sorties) due to domestic flights, which did not offset 2022 profitability levels.

During 2023 and 2022, revenues from the transportation of passengers, cargo and mail were received in the following areas:

In thousands of tenge	2023	2022
Domestic flights	15,587,992	12,904,546
International flights	4,021,154	7,510,615
	19,609,146	20,415,161

During 2023 and 2022, there was no single client that brought more than 10% to the total revenue from operations.

6. OPERATING EXPENSES

(a) Employee costs

In thousands of tenge	2023	2022
Wages and salaries of operational personnel	2,961,352	2,941,231
Wages and salaries of administrative personnel	571,744	631,820
Social tax and social contribution	315,825	364,404
Wages and salaries of sales personnel	98,859	88,495
	3,947,780	4,025,950

The number of employees in the Company was 309 as at 31 December 2023 (31 December 2022: 309).

(b) Engineering and maintenance

In thousands of tenge	2023	2022
Spare parts pool and maintenance	1,292,390	640,427
Engine rental	787,768	351,141
Maintenance in the parking lot	448,323	247,810
Transportation expenses	410,384	230,770
Expenses for the write-off of aviation spare parts	211,162	189,661
Other	72,411	32,232
	3,222,438	1,692,041

JSC QAZAQ AIR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. OPERATING EXPENSES (CONTINUED)

(b) Engineering and maintenance (continued)

A significant increase in engineering and maintenance expenses in 2023 is due to the reorganization of the work of the Company's technical unit and an increase in the intensity of maintenance of aircraft and their components due to natural obsolescence and amortisation.

Parking maintenance costs represent the costs associated with regular aircraft inspections and routine repairs.

In 2022 and 2023, the Company revised its approaches to planning the overhaul of aircraft engines. In 2023, a major overhaul of 4 engines was carried out, including the manufacturer carrying out additional warranty repairs of one engine (in 2022, a major overhaul of 4 engines was carried out). An intensive engine overhaul program in 2023, including unscheduled engine repairs, led to a significant increase in engine rental costs to support the production flight program.

(c) Handling, landing fees and route charges

In thousands of tenge	2023	2022
Ground handling	830,568	515,371
Air navigation	629,137	715,892
Landing fees	553,173	504,548
Security	407,586	361,565
De-icing fluids	121,138	70,504
	2,541,602	2,167,880

(d) Passenger service

In thousands of tenge	2023	2022
Airport taxes	1,143,656	1,384,286
Catering	188,656	157,756
Other	82,587	51,584
	1,414,899	1,593,626

(e) Selling costs

In thousands of tenge	2023	2022
Commissions payable to airline ticketing agencies	105,861	266,128
Credit card service charges	28,592	32,917
Other	8,283	4,160
	142,736	303,205

The reduction in commissions in 2023 is due to a significant reduction in international flight programs due to restrictions from host government authorities.

7. FINANCE INCOME AND COSTS

In thousands of tenge	2023	2022
Financial income		
Interest income on bank deposits	476,603	344,976
	476,603	344,976
Financial costs		
Amortisation of the discount on the Parent Company loan and interest expenses (Note 15)	(5,105,898)	(5,417,717)
Broker services	(1,073)	–
Interest expense on lease liabilities	–	(96)
	(5,106,971)	(5,417,813)

JSC QAZAQ AIR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

8. CORPORATE INCOME TAX EXPENSES

As at 31 December 2023 and 2022, the Company applied the corporate income tax rate established in the Republic of Kazakhstan.

In thousands of tenge	2023	2022
Current income tax expense	53,252	49,741
Deferred income tax expense / (benefit)	–	4,645,490
Deferred income tax expense / (benefit)	53,252	4,695,231

Reconciliation of the effective tax rate:

	2023		2022	
	In thousands of tenge	%	In thousands of tenge	%
Loss before taxation	(7,539,003)	100	(1,903,532)	100
Income tax calculated at the established rate applicable to the Company	(1,507,801)	20.0	(380,706)	20.0
Tax effect of non-deductible expenses	99,924	(1.3)	588,920	(23.8)
Unrecognised tax loss	1,461,129	(19.4)	4,487,017	(235.7)
	53,252		4,695,231	

Change in temporary differences during the year:

In thousands of tenge	1 January 2023	Recognised in profit or loss	31 December 2023
Tax losses carried-forward	8,258,275	(276,662)	7,981,613
Trade and other payables	81,543	27,531	109,074
Taxes payable other than corporate income tax	6,044	(1,175)	4,869
Intangible assets	1,314	(3,920)	(2,606)
Deferred tax assets	8,347,176	(254,226)	8,092,950
The Parent Company loan	(1,056,601)	906,863	(149,738)
Property and equipment	(2,580,218)	808,492	(1,771,726)
Deferred tax liabilities	(3,636,819)	1,715,355	(1,921,464)
Deferred tax asset	4,710,357	1,461,129	6,171,486
Unrecognised deferred tax asset	(4,710,357)	(1,461,129)	(6,171,486)
Total deferred tax asset/(liability)	–	–	–

In thousands of tenge	1 January 2022	Recognised in profit or loss	Recognised in equity	31 December 2022
Tax losses carried-forward	8,549,461	(291,186)	–	8,258,275
Trade and other payables	16,145	65,398	–	81,543
Other taxes payable	6,418	(374)	–	6,044
Intangible assets	1,408	(94)	–	1,314
Lease liabilities	477	(477)	–	–
Deferred tax assets	8,573,909	(226,733)	–	8,347,176
The Parent Company loan	(6,673,572)	971,481	4,645,490	(1,056,601)
Property and Equipment	(1,676,585)	(903,633)	–	(2,580,218)
Right-of-use assets	(412)	412	–	–
Deferred tax liabilities	(8,350,569)	68,260	4,645,490	(3,636,819)
Deferred tax asset / (liability)	223,340	(158,473)	4,645,490	4,710,357
Unrecognised deferred tax asset	(223,340)	(4,487,017)	–	(4,710,357)
Total deferred tax asset/(liability)	–	(4,645,490)	4,645,490	–

The statutory limitation period for accumulated tax losses of 39,908,063 thousand tenge as at 31 December 2023 (31 December 2022: 41,291,376 thousand tenge) expires ten years from the date of occurrence. The nearest term for offsetting accumulated tax losses in the amount of 487,618 thousand tenge expires in 2025.

JSC QAZAQ AIR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

9. PROPERTY AND EQUIPMENT

In thousands of tenge	Aircrafts	Vehicles	Machinery and equipment	Computers and office equipment	Right-of-use assets	Construction in progress	Total
<i>Initial cost / Revalued amount</i>							
As at 1 January 2022	38,176,487	31,869	19,906	117,068	10,586	160,420	38,516,336
Additions	122,850	–	5,131	15,755	–	2,845,598	2,989,334
Disposals	–	–	–	(2,385)	(10,585)	(1,361)	(14,331)
Internal transfers	3,003,838	–	805	–	–	(3,004,643)	–
As at 31 December 2022	41,303,175	31,869	25,842	130,438	1	14	41,491,339
Additions	–	14,683	261,275	7,256	–	2,372,276	2,655,490
Disposals	–	–	(770)	(1,331)	(1)	(11,091)	(13,193)
Internal transfers	2,360,124	–	1,048	–	–	(2,361,172)	–
As at 31 December 2023	43,663,299	46,552	287,395	136,363	–	27	44,133,636
<i>Accumulated depreciation</i>							
As at 1 January 2022	(15,091,575)	(30,701)	(10,808)	(93,976)	(8,527)	–	(15,235,587)
Charge for the year	(2,378,688)	(1,167)	(4,033)	(10,016)	(1,591)	–	(2,395,495)
Disposals	–	–	–	2,385	10,117	–	12,502
Revaluation	1,720,455	–	–	–	–	–	1,720,455
As at 31 December 2022	(15,749,808)	(31,868)	(14,841)	(101,607)	(1)	–	(15,898,125)
Charge for the year	(2,391,543)	(1,835)	(10,246)	(9,663)	–	–	(2,413,287)
Disposals	–	–	679	1,310	1	–	1,990
Impairment	(1,758,011)	–	–	–	–	–	(1,758,011)
As at 31 December 2023	(19,899,362)	(33,703)	(24,408)	(109,960)	–	–	(20,067,433)
<i>Book value</i>							
As at 31 December, 2022	25,553,367	1	11,001	28,831	–	14	25,593,214
As at 31 December, 2023	23,763,937	12,849	262,987	26,403	–	27	24,066,203

From May 2023 to July 2023, the Company completed scheduled basic maintenance of five aircraft in the UAE at an authorized aircraft maintenance organizations. From November 2023, the second aircraft has been undergoing scheduled maintenance.

JSC QAZAQ AIR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

9. PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of aircrafts, if they were carried at cost less accumulated depreciation, is as follows:

In thousands of tenge	31 December 2023	31 December 2022
Initial cost	43,663,299	41,303,175
Accumulated depreciation	(13,606,631)	(11,215,089)
Accumulated impairment	(6,292,731)	(4,534,719)
Residual value	23,763,937	25,553,367

In 2023 an independent appraisal company Independent Expert Appraisal LLP performed an assessment of the fair market value of five model DHC-8 400 aircraft. According to the independent appraiser's report the Company recognised a decrease in fair value of the aircraft in 2023 in the statement of profit and loss in the amount of 1,758,011 thousand tenge (2022: increase of 1,720,455 thousand tenge).

As at 31 December 2023 all of the Company's aircraft with a carrying amount of 23,763,938 thousand tenge served as collateral for loans received from the Parent (31 December 2022: 25,553,367 thousand tenge).

10. ADVANCES GIVEN, PREPAYMENTS AND DEFERRALS

In thousands of tenge	31 December 2023	31 December 2022
<i>Long term</i>		
Advances given	312,202	–
	312,202	–
<i>Short term</i>		
Deferred expenses	409,061	291,070
Prepayment for services	258,342	362,892
Prepayment for goods	257,404	500,686
Prepayment for other taxes	15,513	15,513
	940,320	1,170,161

11. INVENTORIES

In thousands of tenge	31 December 2023	31 December 2022
Spare parts	1,560,446	1,248,407
Aviation fuel	670,840	441,044
Uniform	44,608	36,312
Other materials	117,049	110,737
	2,392,943	1,836,500
Inventories write-off to net realizable value	(7,333)	(24,066)
	2,385,610	1,812,434

12. TRADE AND OTHER RECEIVABLES

In thousands of tenge	31 December 2023	31 December 2022
Value added tax recoverable	221,327	117,655
Trade receivables	179,177	229,816
Receivable of employees	43,418	31,278
Allowance for doubtful receivables	(140,661)	(158,906)
	303,261	219,843

Information about the Company's exposure to credit, currency and impairment risks in relation to financial assets is disclosed in Note 18.

JSC QAZAQ AIR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	31 December 2023	31 December 2022
Short-term deposits with original maturity less than 90 days in Kazakhstani banks	3,151,649	2,803,474
Current accounts in Kazakhstani banks	112,402	2,429,403
Cash on hand	8801	8484
	3,264,852	5,232,961
Provision on expected credit losses	(764)	(1,104)
	3,264,088	5,231,857

The Company accumulates cash on current accounts and short-term deposits, the intended use of which is to carry out scheduled maintenance of aircraft. This cash is not restricted in use.

The movement of the reserve for expected credit losses is presented in the following table:

In thousands of tenge	2023	2022
As at 1 January	(1,104)	(476)
Accrued	(501)	(987)
Recovered	841	359
As at 31 December	(764)	(1,104)

14. SHARE CAPITAL

Share capital

In thousands of tenge	31 December 2023	%	31 December 2022	%
Samruk- Kazyna National Welfare Fund JSC	34,276,509	100	34,067,259	100

In September 2022, the Parent Company decided to replenish the Company's share capital to repay previously issued loans by repurchasing 147,089 common shares of JSC QAZAQ AIR at an offering price of 230,794 tenge per common share for a total amount of 33,947,259 thousand tenge. Thus, as at 31 December 2022, the Company's share capital amounted to 34,067,259 thousand tenge.

In October 2023 the sole shareholder of the Company decided to increase the share capital of the Company to repay the loans issued through repurchasing 1,000 common shares of JSC QAZAQ AIR at the placement price of 209,250 tenge per one common share in the total amount of 209,250 thousand tenge. Therefore, as at 31 December 2023 the share capital of the Company amounted to 34,276,509 thousand tenge (31 December 2022: 34,067,259 thousand tenge).

Dividends

In accordance with the legislation of the Republic of Kazakhstan, a shareholder of the Company has the right to distribute a part of previous years retained earnings as the dividends. Profit distribution is not allowed if the equity becomes negative or the distribution of net income would result in insolvency of the Company.

The Company did not declare or pay dividends during 2023 and 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

15. LOAN FROM THE PARENT COMPANY

In thousands of tenge	31 December 2023	31 December 2022
Amount payable	36,049,236	36,049,236
Unamortised discount	(748,687)	(5,283,006)
Accrued interest expense payable	2,279,222	1,707,643
	37,579,771	32,473,873

In February 2019, the Company signed a 12-year loan agreement with the Parent Company for the purchase of two new DHC-8 Q400NG aircraft from Bombardier Inc. in the amount of 16,000,000 thousand tenge with principal repayment in one amount at the end of the term and interest in semi-annual installments with the first payment after 60 months from the date of the first tranche at a rate of 0.1% per annum. The Company recognised a discount of 8,169,673 thousand tenge at the dates of receipt of tranches under this loan for the difference between market rates at the dates of receipt and the nominal rate of 0.1% per annum.

In October 2019, the Company received a loan from the Parent Company for 15 years for the purchase of three DHC-8 Q400NG aircraft in the amount of 20,344,416 thousand tenge with repayment of the principal amount at the end of the term and interest in semi-annual payments with the first payment after 24 months from the date of the first tranche at a rate of 2.5% per annum. On November 2, 2022, the repayment period of the remuneration was increased to 60 months from the date of the first tranche. The Company recognised a discount in the amount of 8,909,680 thousand tenge on the date of receipt of tranches on this loan for the difference between the market rates on the date of receipt and the nominal rate of 2.5% per annum.

As at 31 December 2023, the amount of available funds to be received under two credit lines mentioned above is 37,579,771 thousand tenge. The Company provided purchased aircraft as collateral for these loans.

In September 2022 credit lines under agreements No.656 and No.652, with a maturity date until 31 December 2030 and an interest rate of 0.01% per annum to finance the Company's operating activities, were repaid ahead of schedule in the amount of 33,947,648 thousand tenge by using funds contributed by the Parent Company to the capital on the basis of the decision of the Parent Company. At the date of early repayment, the discount from the initial recognition of amounts on these loans in the amount of 23,227,449 thousand tenge was released, which is reflected in the statement of changes in equity in the amount of 18,581,959 thousand tenge and in the amount of 4,645,490 thousand tenge in Note 8.

Finance costs during the period ended 31 December 2023 amounted to 5,105,898 thousand tenge (31 December 2022: 5,417,717 thousand tenge). (Note 7)

Reconciliation of changes in liabilities and cash flows from financing activities on loans from Parent company

In thousands of tenge	The Parent Company loan
Balance as at 1 January 2023	32,473,873
Interest expense	571,580
Amortisation of the discount on the Parent Company loan	4,534,318
Total changes	5,105,898
Balance as at 31 December 2023	37,579,771
Balance as at 1 January 2022	37,776,355
Changes in cash flows from financing activities	
Repayment of the Parent company loan	(33,947,648)
Total changes due to cash flows from financing activities	3,828,707
Interest expense	560,311
Release of the discount on the Parent Company loan	23,227,449
Amortisation of the discount on the Parent Company loan	4,857,406
Total changes	28,645,166
Balance as at 31 December 2022	32,473,873

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

16. TRADE AND OTHER PAYABLES

In thousands of tenge	31 December 2023	31 December 2022
Trade payables	1,394,793	1,526,999
Wages and salaries to employees	495,786	501,037
Other	40,964	18,108
	1,931,543	2,046,144

Information about the Company's exposure to currency risk and liquidity risk in relation to trade and other payables is disclosed in Note 18.

17. DEFERRED INCOME

Deferred income on transportation represents the value of sold but unused passenger tickets that have not yet expired. As at 31 December 2023, deferred income amounted to 959,947 thousand tenge (31 December 2022: 1,373,403 thousand tenge)

18. FAIR VALUE AND RISK MANAGEMENT

Accounting classifications and fair value

Management believes that the fair value of the Company's financial assets and liabilities is approximately equal to their book value. The basis for determining fair value is disclosed below.

Management classifies the fair value of the Company's financial assets and liabilities in Level 2 of the fair value hierarchy.

Fair value measurement

The estimated fair value of all financial assets and liabilities determined for disclosure purposes is calculated using discounted cash flow methods, based on estimated future cash flows and market interest rates at the reporting date.

Financial risk management

The use of financial instruments exposes the Company to the following types of risk:

- credit risk;
- liquidity risk;
- market risk.

Basic principles of risk management

The Management Board of the Company has overall responsibility for the organization of the Company's risk management system and supervision of the functioning of this system. The Company's Management Board is responsible for developing the Company's risk management policy and overseeing its implementation. The Company's Management Board regularly reports on its work to the Board of Directors in accordance with the established procedure.

Credit risk

Credit risk is the risk that the Company will incur a financial loss caused by a customer or counterparty to a financial instrument failing to meet its contractual obligations and arises primarily from the Company's customer receivables and bank balances.

The carrying amount of financial assets reflects the Company's maximum exposure to credit risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The maximum exposure to credit risk for trade receivables, margin deposits, restricted cash and cash and cash equivalents with banks as at the reporting date was as follows:

In thousands of tenge	Book value	
	31 December 2023	31 December 2022
Trade account receivables (Note 12)	179,177	229,816
Cash and cash equivalents other than cash on hand	3,264,051	5,231,813
	3,443,228	5,461,629

Trade and other receivables

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer. As at 31 December 2023, there is no significant concentration of credit risk on trade account receivables (31 December 2022: none).

An analysis of the Company's exposure to credit risk in relation to trade and other receivables is presented below:

In thousands of tenge	31 December 2023	31 December 2022
	Not credit-impaired	Not credit-impaired
Other clients:		
The duration of trading relations with the Company is less than 5 years	179,177	229,816
Total gross carrying amount	179,177	229,816

Estimated expected credit losses for credit institutions as at 31 December 2023 and 2022

The Company allocates each position exposed to credit risk based on data that is determined to predict the risk of loss (including, but not limited to, external ratings, audited financial information, management accounts and cash flow projections, and counterparty information available to in the media) and through the application of expert judgment. Credit risk levels are determined using qualitative and quantitative factors that are indicative of default risk and are consistent with external credit rating definitions obtained from Standard & Poor's.

Cash and cash equivalents

As at 31 December 2023, the Company had cash and cash equivalents excluding cash on hand totaling 3,263,287 thousand tenge (31 December 2022: 5,231,773 thousand tenge) (Note 13). Cash and cash equivalents are placed with banks rated BB to BB+ by Standard & Poor's and Moody's.

Impairment of cash and cash equivalents was estimated based on expected credit losses under contractual maturities, which reflect the short terms of exposures. The Company considers, based on external counterparty credit ratings, that its cash and cash equivalents have low credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to liquidity management is to ensure, to the extent possible, that the Company has sufficient liquidity at all times to meet its obligations on time, both under normal and stressful conditions, without incurring unacceptable losses or exposing reputation of the Company.

The Company generally ensures that sufficient cash is available on demand to meet expected operating expenses, including servicing financial liabilities, without taking into account the potential impact of exceptional circumstances that could not reasonably be foreseen, such as the impact of natural disasters.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to liquidity risk

Information on the remaining contractual maturities of financial liabilities at the reporting date is provided below. Gross and undiscounted amounts are presented, excluding the effect of offset agreements. It is not expected that the cash flows taken into account in the maturity analysis could be materially earlier or significantly different.

31 December 2023						
In thousands of tenge	Book value	Cash flows under the contract	Less than 2 months	Less than 12 months	Less than 60 months	Over 60 months
Non-derivative financial liabilities						
Trade payables	1,323,338	1,323,338	1,323,338	–	–	–
Loan from the Parent Company	37,579,771	38,328,459	–	–	13,530,252	24,798,207
	38,903,109	39,651,797	1,323,338	–	13,530,252	24,798,207
31 December 2022						
In thousands of tenge	Book value	Cash flows under the contract	Less than 2 months	Less than 12 months	Less than 60 months	Over 60 months
Non-derivative financial liabilities						
Trade payables	1,434,038	1,434,038	1,434,038	–	–	–
Loan from the Parent Company	32,473,873	37,756,879	–	–	–	37,756,879
Lease liabilities	2,386	2,948	–	2,948	–	–
	33,910,297	39,193,865	1,434,038	2,948	–	37,756,879

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share prices, will adversely affect the Company's earnings or the value of its holdings of financial instruments. The goal of market risk management is to control and keep exposure to market risk within acceptable limits while optimizing the return on investment.

In order to manage market risks, the Company does not buy or sell derivative instruments. The Company does not apply hedge accounting to manage the volatility in profit or loss over a period.

Currency risk

The Company is exposed to currency risk on cash and cash equivalents, margin deposits and purchases denominated in a currency other than the Company's functional currency, these transactions are denominated primarily in US dollars.

With respect to other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to maintain the net exposure at risk within acceptable limits by buying or selling foreign currency at spot rates, when necessary, to eliminate short-term imbalances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to currency risk

The Company's exposure to currency risk as at 31 December 2023 was as follows:

In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Pound	Total as at 31 December, 2023
Financial assets:						
Cash and cash equivalents	2,436,673	754,307	66,739	4,077	2,255	3,264,051
Total financial assets	2,436,673	754,307	66,739	4,077	2,255	3,264,051
In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Pound	Total as at 31 December, 2022
Financial liabilities:						
Trade payables	749,460	400,617	15,329	48,066	–	1,213,472
Total financial liabilities	749,460	400,617	15,329	48,066	–	1,213,472
Open position	1,687,213	353,690	51,410	(43,989)	2,255	2,050,579

The Company's exposure to currency risk as at 31 December 2022 was as follows:

In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Total as at 31 December, 2022
Financial assets:					
Cash and cash equivalents	4,242,844	785,787	200,762	3,485	5,232,878
Total financial assets	4,242,844	785,787	200,762	3,485	5,232,878
In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Total as at 31 December, 2022
Financial liabilities:					
Trade payables	584,575	745,852	21,639	11,262	1,363,328
Total financial liabilities	584,575	745,852	21,639	11,262	1,363,328
Open position	3,658,269	39,935	179,123	(7,777)	3,869,550

The following foreign exchange rates were applied during the year:

In tenge	Spot exchange rate at the reporting date	Spot exchange rate at the reporting date
	31 December 2023	31 December 2022
1 US dollar	454.56	462.65
1 euro	502.24	492.86
1 russian ruble	5.06	6.43

Sensitivity analysis

A reasonably possible strengthening/ weakening of tenge, as shown below, against all other currencies as at 31 December 2023 and 2022 would have affected profit or loss, net of taxes, by the amounts shown below. A change in the exchange rate would have no effect on equity. This analysis assumes that all other variables, especially interest rates, remain constant and do not take into account the impact of forecast sales and acquisitions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

In thousands of tenge	31 December 2023		31 December 2023		31 December 2023		31 December 2023	
	Tenge / US dollar 14.5%	Tenge / US dollar (14.5%)	Tenge / Russian ruble 28.5%	Tenge / Russian ruble (28.5%)	Tenge / Pound sterling 14.3%	Tenge / Pound sterling (14.3%)	Tenge / euro 13%	Tenge / euro (13%)
Impact on profit or loss and equity	50,047	(50,047)	14,672	(14,672)	322	(322)	5,697	(5,697)

In thousands of tenge	31 December 2022		31 December 2022		31 December 2022	
	Tenge / US dollar 21%	Tenge / US dollar (21%)	Tenge / Russian ruble 22%	Tenge / Russian ruble (22%)	Tenge / euro 18%	Tenge / euro (18%)
Impact on profit or loss and equity	396,589	(396,589)	191,703	191,703	6,129	(6,129)

Interest rate risk

As at 31 December 2023 the Company is not exposed to interest rate risk.

Master netting agreement or similar agreements

The Company may enter into purchase and sales agreements with the same counterparties in the ordinary course of business. The corresponding amounts of receivables and payables do not always meet the criteria for offsetting in the statement of financial position. This is because the Company may not currently have a legally enforceable right to set off the recognised amounts, as the right to set off may only be enforceable on the occurrence of certain events in the future. In particular, in accordance with the civil law norms in force in Kazakhstan, an obligation can be settled by offsetting a homogeneous claim, the term of which has come or is not specified or is determined by the moment of demand.

Income analysis

The Company analyzes the impact of risks on earnings before taxes, interest and depreciation and amortisation (hereinafter – EBITDA) calculated by the Company as follows:

In thousands of tenge	2023	2022
Revenue and other income	19,609,146	20,415,161
Cost of sales	(17,073,570)	(14,771,486)
Gross income	2,535,576	5,643,675
Administration expenses	(944,297)	(1,260,347)
Selling expenses	(338,308)	(511,841)
EBITDA	1,252,971	3,871,487

The amounts of (decrease)/increase in value and impairment of property and equipment included in operating expenses for 2023 and 2022 in the amounts of (1,758,011) thousand tenge and 1,720,455 thousand tenge, respectively, are not included in the calculation used by the Company according to the method of the Parent Company, EBITDA indicator. Other expenses and losses for 2023 and 2022 totaling 13,901 thousand tenge and 25,336 thousand tenge, respectively, are also not included in the EBITDA calculation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Capital management

The Company does not have its own approved policy for managing its own capital. However, the management follows the policy of maintaining a stable capital base in order to maintain the confidence of investors, creditors and the market, as well as to ensure the future development of the business.

The Company is not subject to external regulatory requirements for equity.

19. CONTINGENT ASSETS AND LIABILITIES

Insurance

The market of insurance services in the Republic of Kazakhstan is in its infancy and many forms of insurance common in other countries of the world are not yet available in Kazakhstan. The company has all compulsory insurance policies stipulated by the legislation of the Republic of Kazakhstan. Currently, the Company is not exposed to the risk of loss of large assets, as the Company has entered into voluntary aviation insurance contracts. The Company has policies of voluntary aviation insurance against “all risks” of property damage to aircraft and civil liability, as well as policies of voluntary aviation insurance of war risks and associated risks of property damage to aircraft.

Contingent tax liabilities in the Republic of Kazakhstan

The tax system in Kazakhstan, being relatively new, is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often vague and contradictory, which allows for their ambiguous interpretation by various tax authorities, including opinions regarding the treatment of income, expenses and other items of financial statements in accordance with IFRS. Checks and investigations regarding the correctness of the calculation of taxes are carried out by regulatory bodies at various levels, which have the right to impose large fines and charge interest. The correctness of the calculation of taxes in the reporting period can be verified over the next five calendar years, however, under certain circumstances, this period may be extended.

These circumstances may result in tax risks in Kazakhstan being much higher than in other countries. The management of the Company, based on its understanding of applicable tax laws, regulatory requirements and court decisions, believes that tax liabilities are fully reflected. However, taking into account the fact that interpretations of tax legislation by various regulatory authorities may differ from the opinion of the Company's management, if enforcement actions are taken against the Company by regulatory authorities, their impact on the Company's financial statements may be material.

20. RELATED PARTIES

The Parent and ultimate controlling party

The immediate Parent Company of the Company is Samruk-Kazyna National Wealth Fund JSC, which is owned by the Government of the Republic of Kazakhstan.

Operations with senior management personnel

Remuneration of key management personnel

Compensation received by the key management personnel in reporting year included in personnel costs (Note 6) were the following:

In thousands of tenge	2023	2022
Salary and bonuses	143,690	281,130
Social contributions	13,427	28,730
	157,117	309,860

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20. RELATED PARTIES (CONTINUED)

Other transactions with related parties

Expenses

In thousands of tenge	2023	2022
Purchase of goods and services:		
Entities controlled by the Parent	2,625,249	1,600,474
State enterprises	382,891	352,060
	3,008,140	1,952,534

Borrowings

In thousands of tenge	31 December 2023	31 December 2022
Loans received, net of repayments during the year		
JSC Samruk-Kazyna National Welfare Fund	35,300,549	30,766,230
Accrued interests	2,279,222	1,707,643
	37,579,771	32,473,873

Related parties include a shareholder of the Company and all other companies in which that shareholder has a controlling interest. These transactions are carried out in the ordinary course of the Company's business on terms comparable to those on which the Company enters into transactions with unrelated parties.

Transactions with entities related to the Government

The company works with a number of enterprises that are under the control of the Government of the Republic of Kazakhstan. The Company applies the exemption provided by IAS 24 "Related Parties" to provide simplified disclosures for transactions with entities associated with the Government of the Republic of Kazakhstan.

The Company carries out transactions with enterprises associated with the Government of the Republic of Kazakhstan. These transactions are part of the normal activities of the Company and are carried out on terms comparable to the terms of interaction with enterprises not associated with the Government of the Republic of Kazakhstan.

21. CONDITIONS FOR CARRYING OUT FINANCIAL AND ECONOMIC ACTIVITIES IN KAZAKHSTAN

The company operates mainly on the territory of Kazakhstan. Accordingly, the Company's business is influenced by the economy and financial markets of Kazakhstan, which are characterized by the peculiarities of the developing market. The legal, tax and administrative systems continue to evolve, however, they are associated with the risk of ambiguity in the interpretation of their requirements, which are also subject to frequent changes, which, together with other legal and fiscal barriers, creates additional problems for enterprises doing business in Kazakhstan.

These financial statements reflect management's view of the impact that the business environment in Kazakhstan has on the Company's operations and financial position. The actual impact of future business conditions may differ from management's estimates.

22. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

By decision of the Parent company dated 12 February 2024 loan agreements No-922 dated 25 February in 2019 and No-1025 dated 24 October 2019 were restructured.