7 YEARS OF STRIVING FOR SUCCESS



QAZAQ AIR

2022

ANNUAL REPORT

Annual Report of QAZAQ AIR JSC for 2022

The primary strategic goal of the Airlines is to establish domestic regional routes for the development of air services, especially to those destinations where there is active demand and there is no or insufficient supply in the market.

QAZAQ AIR Airlines (hereinafter – the Airlines) promotes economic development by linking regions with affordable domestic flights to cities that are engines of growth, providing connections to international and longer routes from those cities.

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ADDRESS OF THE CHAIRMAN OF BOARD OF DIRECTORS



Kazakhstan's civil aviation industry has demonstrated strong growth in the post-COVID period, which confirms the rapid development of Kazakhstan's integration processes into the global economy. In 2022, according to the Civil Aviation Committee of the Republic of Kazakhstan, the volume of the air transport market in Kazakhstan will exceed 11 million passengers for the first time, which is 17% more than in 2021, when 9.4 million people were carried.

Globalization of the Airlines' route network and the coordinated work of its team allowed the Airlines to demonstrate a record level of revenues in the history of QAZAQ AIR. Achievement of KZT 20.5 billion in revenues, showing a 60% growth in revenue for the second consecutive year, confirms the organizational maturity, economic success of the core business and high passenger acceptance.

The work carried out by Samruk-Kazyna JSC to launch an interregional Airlines, ensure its sustainable financial and economic activity and create a new independent subject of the transport and communication complex of the Republic of Kazakhstan has been successfully completed.
Further development of the Airlines will be aimed at increasing its hub route network with a base in Astana, including regional and international routes.

In accordance with the comprehensive plan for privatization of quasi-state assets, the Airlines is now ready for the process of transferring to a competitive environment.

The Airlines is an official member of the International Air Transport Association IATA, is certified according to the IOSA international standard of industrial safety, has a certified fleet maintenance organization and aviation training centre, as well as a fleet of 5 own aircraft.

The privatization is aimed at attracting a strategic partner for further development of the Airlines and bringing Kazakhstan's civil aviation industry to a new level.

Chairman
of the Board of Directors

N. Nurbayeva

ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD

In 2022, QAZAQ AIR carried 561 thousand passengers, which is comparable to the level of 2021 and is due to reaching the maximum capacity of the current fleet. In order to improve economic efficiency, the second stage of development of the Airlines' hub route network was implemented, in particular, a number of international flights were launched on a regular basis.

Direct flights from the hub:
Astana – Novosibirsk
Astana – Omsk
Astana – Tyumen
Astana – Ekaterinburg
Cross-border flights:
Astana – Aktobe – Kazan
Astana – Aktobe – Baku
Atyrau – Astrakhan



The build-up of international scheduled flights contributed to a 4.5-fold increase in passengers compared to 2021.

The regional business expansion has increased the Airlines' brand recognition, with QAZAQ AIR ranking among the top three best regional Airlines in Central Asia and the CIS according to the Skytrax international aviation rating in 2022.

The International Air Transport Association's (IATA) Operational Safety Audit was successfully passed in 2022, confirming the airlines' compliance with IOSA (IATA Operational Safety Audit) standards. The Airlines' certificate and IOSA operator status have been extended until November 2024.

The development of human resources is the key to the Company's sustainable growth and well-being. Last year, six Kazakhstani co-pilots became aircraft commanders.
One of the key projects for 2022 was the launch of its own aviation training centre. An accredited aviation training centre also provides mandatory training to external clients. Twenty-three of the Company's flight attendants have already been trained and started working at the centre.

Seven years is not a long time for the Airlines, but over the last three years QAZAQ AIR has reached a qualitatively new level with acceleration. Behind this is the painstaking and productive work of the team: rational allocation of routes, proper structuring of costs and revenues, improvement of service and optimal flight schedules. All this is thanks to the focused efforts of the entire team united by a common mission: to provide safe flights and quality service.
In 2023, the Airlines is setting its sights on finding new growth impulses by utilizing the airspace efficiently.

Best regards,
Chairman of the Management Board

E. Nauryzbayev

COMPANY PROFILE

Kazakhstan regional Airlines **QAZAQ AIR was established in 2015** to improve the availability of interregional and cross-border air services in accordance with international quality and safety standards.

The Airlines' main activity is to organize and provide sustainable air service between the country's regions to promote their social and economic development.

100% of QAZAQ AIR shares are owned by
Samruk-Kazyna National Welfare Fund JSC.



QAZAQ AIR WAS ESTABLISHED IN 2015

2015

100% of QAZAQ AIR shares are owned by **Samruk-Kazyna National Welfare Fund JSC.**

BRIEF HISTORY

April 1, 2015 – **QAZAQ AIR JSC** was registered as a legal entity.
July 6, 2015 – the first demonstration flight on the route Almaty – Astana – Almaty.
August 27, 2015 – commencement of commercial flights.
2016 – the first full year of operations with three aircraft carrying 163,000 people.
In 2017, the number of passengers exceeded 251,000 people, the active development of the route network continued – 6 new routes were opened.
In 2018, the Airlines passed the IOSA international safety standard certification audit for the first time; passenger traffic increased to 306,000 people.
In 2019, the Airlines became an official member of IATA and the process of relocating the base to Astana was launched; two new De Havilland Canada Dash-8 Q400 aircraft with an increased capacity of 86 seats were received directly from the factory; the number of the Airlines' passengers carried exceeded 378 thousand people.
In 2020, a hub route network with a base in Astana was launched in the post-pandemic period. The Airlines began servicing state-subsidized regional routes; passenger traffic totalled 432,000 people.
In 2021, international cross-border routes were launched in pilot mode; the Airlines achieved self-sufficiency in terms of EBITDA for the first time since its establishment; passenger traffic increased to 570,000 people.
In 2021, the Company commissioned its own aircraft line maintenance station and re-registered its fleet in the Republic of Kazakhstan.
In 2022, international routes were switched to a regular basis and the Airlines carried 561,000 people
In 2022, the Company's own aviation training centre was certified.



ROUTE NETWORK

In 2022, despite the geopolitical situations in the country and the world, the Airlines achieved strong results. The main focus was the recovery of passenger traffic performance on domestic routes, as well as on available international routes.

In 2022, QAZAQ AIR continued to develop its route network with a hub in the capital of Kazakhstan, providing convenient air services between the regions of the country, while significantly increasing the number of international flights.

QAZAQ AIR's route network in 2022 consisted of 12 domestic destinations in Kazakhstan and 8 international flights. **In addition to commercial flights, nine destinations were operated under the state subsidy program for socially important routes.**

International flights from Atyrau to Astrakhan and from Aktobe to Baku were launched. Air services with border cities with population exceeding one million – Omsk, Novosibirsk, Kazan and Ekaterinburg – **began to operate on a regular basis.**

The Airlines' regional route network includes **popular, socially important routes subsidized by the state:** from Turkestan to Kostanay, Uralsk, Aktobe, from Almaty to Zhezkazgan, from Astana to Taldykorgan and Pavlodar, and from Zhezkazgan to Karaganda.

QAZAQ AIR FLEET CONSISTS OF

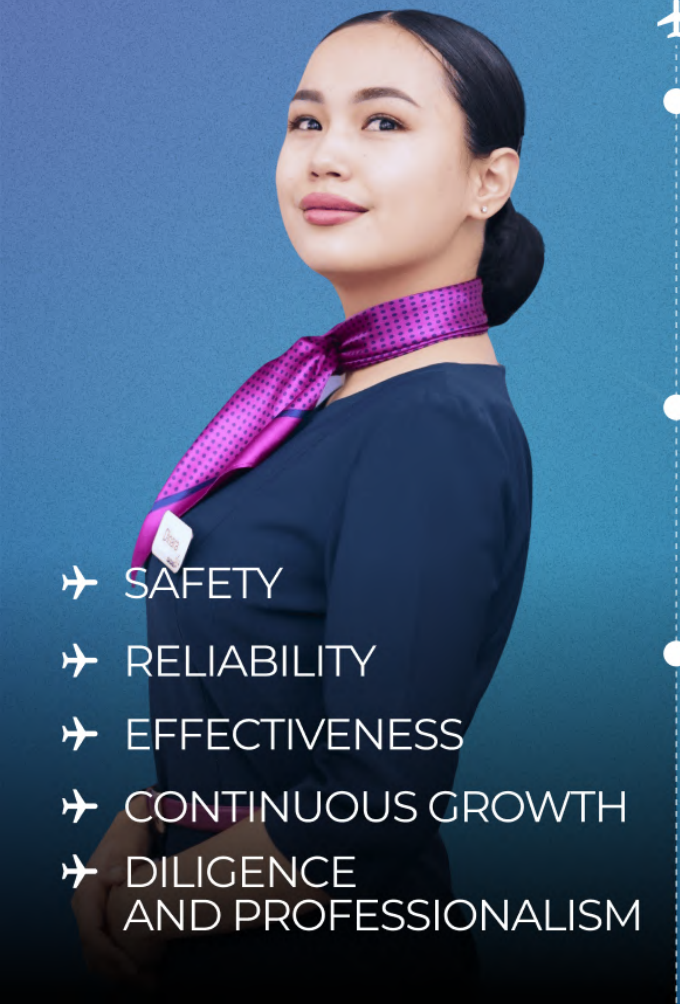
5 5 MODERN TURBOPROP AIRCRAFT DE HAVILLAND DASH-8-Q400NG, MANUFACTURED IN CANADA

MADE

8 564 TAKE-OFFS AND LANDINGS



OUR VALUES



- SAFETY
- RELIABILITY
- EFFECTIVENESS
- CONTINUOUS GROWTH
- DILIGENCE AND PROFESSIONALISM

THE 2022 ROUTE MAP

Domestic flights:

Astana – Almaty – Astana
Astana – Shymkent – Astana
Astana – Ust-Kamenogorsk – Astana
Astana – Aktobe – Astana
Astana – Zhezkazgan – Astana
Astana – Kostanay – Astana
Astana – Kyzylorda – Astana
Aktobe – Atyrau – Aktobe
Atyrau – Uralsk – Atyrau
Aktobe – Uralsk – Aktobe

Subsidized flights:

Astana – Taldykorgan – Astana
Astana – Pavlodar – Astana
Almaty – Zhezkazgan – Almaty
Karaganda – Zhezkazgan – Karaganda
Turkestan – Aktobe – Turkestan
Turkestan – Kostanay – Turkestan
Turkestan – Uralsk – Turkestan

International flights:

Astana – Omsk – Astana
Astana – Ekaterinburg – Astana
Astana – Novosibirsk – Astana
Astana – Tyumen – Astana
Aktobe – Baku – Aktobe
Aktobe – Kazan – Aktobe
Atyrau – Astrakhan – Atyrau
Ust-Kamenogorsk – Novosibirsk – Ust-Kamenogorsk



COMPLIANCE WITH THE IOSA INTERNATIONAL OCCUPATIONAL SAFETY STANDARD

In 2022, QAZAQ AIR JSC Airlines has once again successfully confirmed compliance with the IOSA international standard and continues to be an official member of IATA. Accredited independent auditors checked compliance with IOSA standards and recommended practices in all areas of the Airline's operational and production activities: organization and safety management system, flight operations, organizational flight support and flight dispatch, aircraft engineering and technical support, crew performance, ground handling, cargo transportation and aviation safety.

IOSA (IATA Operational Safety Audit) is an Airlines operational safety audit program developed under the International Air Transport Association, which is designed to assess the operational management and control systems of air carriers. The IOSA Standards Manual includes around 1,000 requirements that an Airlines must demonstrate compliance with during an audit.





GUARANTEE OF RELIABILITY

In 2022, the Airlines was ranked among the top three in the **“Best Regional Airlines in Central Asia and CIS 2022”** category according to the prestigious Skytrax international rating.

Although the pandemic years were very challenging for the aviation industry, QAZAQ AIR proved its hospitality and the high quality of service it continues to provide to its passengers. **Skytrax is a guarantee of reliability and excellence, as well as being recognized internationally.**

The survey results from Skytrax 2021-2022 mentioned **over 350 Airlines**.
The survey participants – passengers and aviation experts – evaluated the Airlines’ website, check-in and boarding, cleanliness of the aircraft cabin, entertainment on board, appearance of flight attendants and service, quality of catering, comfort of seats and others.

GLOBAL AIR PASSENGER MARKET

According to the International Air Transport Association **(IATA)**, global air passenger traffic in 2022 increased by 64.4 per cent to 2021, growing by **39.7 per cent** in December 2022 to December 2021.

The 2022 figure showed **an improvement over 2021** – at that time traffic was down 58.4 per cent by the pre-vision year 2019. According to IATA, the strongest growth to 2021 was in the Middle East at 144.4 per cent and Europe at 100.2 per cent Africa saw an increase of 84.9 per cent, Asia Pacific 34 per cent, Latin America 62.7 per cent and North America 45.5 per cent.

December traffic increased by 39.7 per cent by 2021 and decreased by 23.1 per cent by pre-COVID 2019. Regionally, the December figure showed the strongest growth in Africa, up 108 per cent. In the Middle East, the growth rate of December 2022 to December 2021 was 65.1 per cent, 63.3 per cent in APAC, 38.8 per cent in Europe, 18.4 per cent in North America and 16.2 per cent in Latin America.

The volume of international passenger air traffic in 2022 **increased by 152.7 per cent** against 2021, and domestic air traffic by 10.9 per cent. In December, international air traffic was up 82.2 per cent on 2021, while domestic traffic was up 2.6 per cent.



The International Civil Aviation Organization (ICAO) estimates the economic impact of the pandemic on the global aviation industry as follows:

The **COVID-19** pandemic has had an impact not only on public health, but has also become a challenge for the economic, social and humanitarian spheres. As part of global efforts to combat the spread of the virus and protect public health, governments around the world have imposed full or partial isolation regimes, closed borders and imposed strict travel restrictions, and advised against travelling unless absolutely necessary. These measures have led to a sharp decline in demand for air travel and have caused significant damage to the aviation industry, making it one of the hardest hit sectors.

KAZAKHSTAN AVIATION MARKET

In 2022, countries around the world continued to grapple with the economic crisis caused by the COVID-19 coronavirus pandemic and also faced the economic consequences of the world's geopolitical situation. Despite the possibility of a global recovery of the world economy in H1 2022, incoming economic data indicated a loss of momentum amid geopolitical and social tensions. At the end of 2022, the world economy showed a 3.4 per cent contraction. Gross Domestic Product (GDP) of developed economies according to the International Monetary Fund (IMF) showed a slower growth rate of 2.7 per cent, compared to 3.9 per cent for developing economies

Although international traffic has not yet fully recovered, the number of QAZAQ AIR passengers on international routes **increased 4.5 times year-on-year.**



CONTRIBUTION TO THE DEVELOPMENT OF THE DOMESTIC AIR TRANSPORT MARKET

In Kazakhstan, there are still destinations in the regional transport sector that are not sufficiently covered by convenient and affordable air services. At the same time, the development of regional connectivity helps to unlock the social and economic potential of Kazakhstan's regions. Today, most of our passengers enjoy unique routes that other Airlines do not have. **QAZAQ AIR JSC** continues intensive work on the development of domestic air transportations and will work towards cross-border routes in order to support the qualitative growth of Kazakhstan's economy and improve the living standards of the population.

20, 4 billion

Total income, KZT

revenue growth
61%



FACTORS AFFECTING THE RESULTS

The results of 2022 confirm the achievement by **QAZAQ AIR JSC** of the key results of the carrier's establishment and its contribution to the development of civil aviation in Kazakhstan.

In 2022, the Airlines demonstrated **revenue growth of 61%**, including due to an increase in its international flight program.

However, it is necessary to highlight a number of factors that contributed to the lower on-time performance in 2022:

- local airport infrastructure (limited maintenance equipment and weather conditions; lack of aircraft parking areas for engine inspections and difficulties in organizing them) and staff shortages;

- the uncertain geopolitical situation, which affected the number of traffic in 2022.

KEY PERFORMANCE RESULTS

Indicator	2022	2021
performance indicators:		
passenger traffic, thousand people	561	569,8
cargo carriage volume, tons	32,1	50,2
aircraft load factor, %	82	78
on-time performance of flights, %	75,7	73
financial indicators, KZT billion:		
Revenue	20,4	12,8
Dividends	0	0
net loss	-6,6	-6,5
operating costs	18,9	15,1
operating profit/loss	3,2	-2,8
amount of taxes paid	0,8	0,8

KEY EVENTS OF THE YEAR:

- The International Air Transport Association (IATA) Operational Safety Audit IV was successfully passed, confirming the Airlines' compliance with IOSA (IATA Operational Safety Audit) standards. The Airlines' certificate and IOSA operator status have been extended until November 2024;
- More than 561,000 passengers were transported and 8,564 flights were operated to 29 destinations;
- The aircraft load factor was 82% (a 4% increase on the 2021 level);
- The Airlines significantly increased the volume of international flights, with the number of passengers carried on international routes growing more than 4.5 times compared to 2021;
- New international flights Atyrau – Astrakhan and Astana – Tyumen, as well as Aktobe – Baku were launched;
- subsidized flights to Turkestan, Zhezkazgan, Karaganda, Pavlodar and Taldykorgan were performed with the support of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan;
- 12 new travel agencies joined the Airlines' agency sales network;
- Income from the sale of additional services (baggage, seat, meals, etc.) more than doubled.
- For the first time, an Aviation Training Centre for flight attendant and pilot training was established at the Airlines. Our own training base contributes to the qualitative development of aviation personnel, as well as to the creation of a talent pool that will enable the implementation of the most ambitious innovative programs;
- Launched an additional service – the SKYBAR onboard catering program;
- Successfully carried out basic maintenance of all aircraft at certified centres in Germany and the UAE;
- Five PW150A engines were repaired, including at the Pratt&Whitney Canada manufacturing plant;
- The technical block was transferred to a new hangar at Nursultan Nazarbayev Airport.



TOTAL REVENUE

20 415 IN 2022 (KZT MLN)



PASSENGERS CARRIED

561 000 IN 2022



MADE

8 564 TAKE-OFFS AND LANDINGS

DEVELOPMENT STRATEGY

Mission:

To increase the availability of safe interregional air transport within the Republic of Kazakhstan and to border regions.

Vision:

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

Strategic objectives:

· Safety and operating efficiency
· Development of interregional air services
· Stable development

Safety and operating efficiency

· IOSA International Safety Certification
· Development of the Astana base
· Development of in-house engineering service
· Training of local pilots and engineers
· Compliance with global standards of airworthiness and aircraft operation



DEVELOPMENT STRATEGY



Stable development

· Introducing corporate governance principles
· Applying the best practices in human resource management
· Responsibility for the environment

Strategic objectives

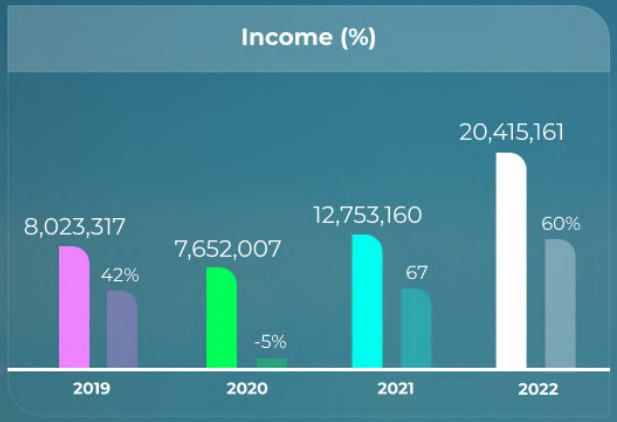
· Optimizing the cost structure and reducing the share of foreign exchange costs
· Optimal fleet ownership structure and acquisition financing scheme (purchase of aircraft on favourable terms)
· Development of additional services (paid baggage, insurance, catering, etc.)
· Increasing distribution

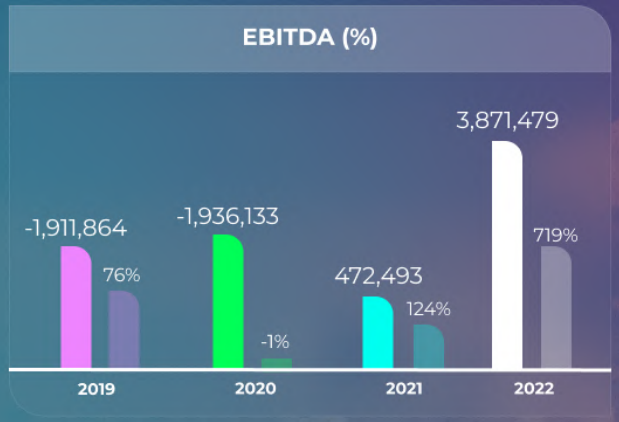
Development of interregional air services in the Republic of Kazakhstan

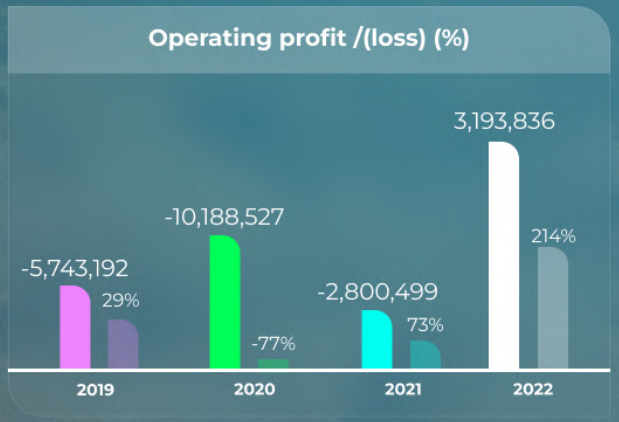
· Increasing the number of aircraft
· Optimizing the route network
· Launching international routes and expanding the network of regional routes
· Developing partnerships with long-haul Airlines

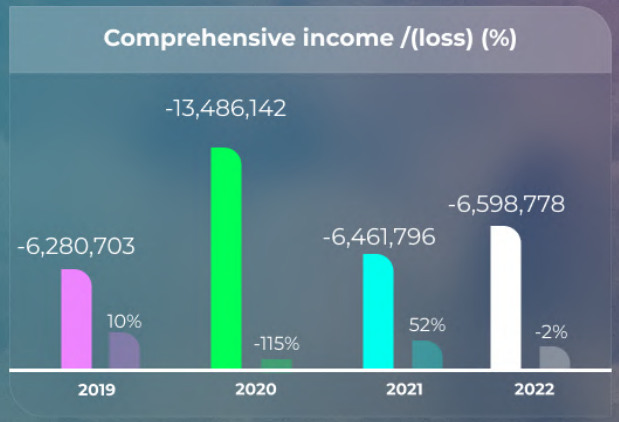
FINANCIAL REVIEW

Key financial indicators, KZT in thousands



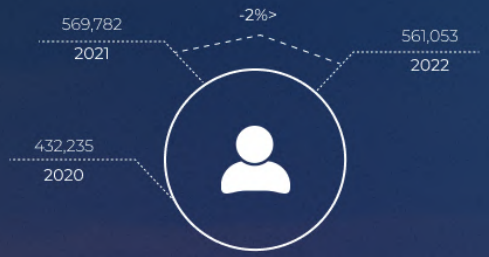






Sustained positive trend in the Airlines' performance, including growth in revenue rates and lower operating costs. The increase in performance continued in 2022 and provided improved profitability and financial result in the reporting period. The Airlines successfully levelled the unprecedented impact of the pandemic on aviation in 2021, continued its positive annual momentum and significantly improved 2022 financial performance.

OPERATING PERFORMANCE



Number of passengers transported



Number of completed flights



Passenger load factor

QAZAQ AIR's passenger traffic in 2022 totalled 561,000 people, down 2% on the previous year. The number of Airlines flights operated in 2022 **was 8,564**, down 7 per cent from 2021.

The target capacity of the Airlines' route network was achieved with the previously established interregional hub in Astana. Flight efficiency was increased: the number of aircraft departures and regular air routes, including international destinations, increased.

PROGRAM TO SERVE UNDERDEVELOPED REGIONS AND OPERATE SUBSIDIZED ROUTES

QAZAQ AIR continues to contribute to the development of regional mobility and accessibility by operating socially important subsidized routes.

The Airlines annually participates on a competitive basis in the state program for subsidizing regional and interregional routes.

With the acquisition of aircraft ownership, **QAZAQ AIR** has gained the right to participate in the service of subsidized routes **without negative financial consequences**. The national legislation provides for compensation for the use of only own aircraft or financially leased aircraft.



SUBSIDIZED ROUTES 2021-2022

- Astana – Taldykorgan – Astana
- Astana – Pavlodar – Astana
- Turkestan – Aktobe – Turkestan
- Turkestan – Kostanay – Turkestan
- Turkestan – Uralsk – Turkestan
- Turkestan – Pavlodar – Turkestan
- Turkestan – Ust-Kamenogorsk – Turkestan
- Almaty – Zhezkazgan – Almaty
- Karaganda – Zhezkazgan – Karaganda

CONTRIBUTION TO THE NATIONAL AND REGIONAL ECONOMIC DEVELOPMENT

QAZAQ AIR's interregional route network with a base in Astana facilitates:

- Development of the cluster of Kazakhstan's capital city: a sustainable year-round air service between the CAPITAL CITY and the REGION is created
- Interregional air transport connection – a combination of direct flights and convenient connections at the QAZAQ AIR base airport
- Serving the seasonal regional tourism clusters of Lake Alakol and **the new centre of Turkestan**

Affordable interregional air service in Kazakhstan, the ninth largest country in the world in terms of territory, is an indispensable infrastructure for expanding opportunities for small and medium-sized businesses in various spheres.

AVIATION SECURITY

QAZAQ AIR pays special attention to the implementation of the Airlines' aviation safety policy. In 2022, the Airlines, **together with the Astana DNSC**, carried out an internal audit of the level of aviation security for the smuggling of prohibited items, as well as access to the controlled area by unauthorized persons. The inspection revealed a good level of Aviation Safety.

Also, in order to maintain a high level of aviation safety, audits by an internal aviation safety auditor are conducted on an ongoing basis in accordance with ICAO standards and the requirements of the aviation authorities of the Republic of Kazakhstan.

In 2022, the Airlines' quality control auditor for aviation safety inspected engineering, flight services and accepted by the structural divisions that corrected the problems.

In 2022, as part of a routine audit, the Aviation Administration of Kazakhstan noted **the high level of Aviation Safety** during the audit, no observations were made and only 1 recommendation was made to the Airlines to improve the process, which were subsequently taken into account and implemented.

In addition, QAZAQ AIR's aviation safety policy ensures that a standardized level of aviation safety is achieved through measures that comply with IOSA standards and the laws of the Republic of Kazakhstan. Thus, in 2022, **the Airlines successfully passed the international IOSA Audit**. Aviation Security received one observation in the area of vetting external vendors to improve the quality of services provided by Aviation Security.

The Airlines has successfully updated all statutory requirements (adding mandatory requirements for external suppliers on conditions and frequency of inspection) from the National Legislation within the aviation safety.

THE FOLLOWING AIRPORTS WERE ALSO MANDATORY SERVICE PROVIDERS:

1. Turkestan International Airport JSC
2. Ust-Kamenogorsk Airport JSC
3. Zhetysu Airlines JSC in Taldykorgan
4. Shymkent Airport JSC
5. Nursultan Nazarbayev International Airport JSC
6. Aliya Moldagulova International Airport JSC in Aktobe
7. Koltsovo Airport PSC in Ekaterinburg
8. Novosibirsk International Airport (Tolmachevo)
9. Oral International Airport LLP
10. ATMA Atyrau Airport named after Khiuaz Dospanova JSC in Atyrau
11. Sary-Arka Airport JSC in Karaganda
12. Omsk Airport JSC
13. Kostanay International Airport named after Akhmet Baitursynuly JSC
14. Almaty International Airport JSC

FLIGHT SAFETY

The safety of our passengers and employees is the Airlines' top priority, aimed at achieving the highest level of flight safety and complying with national and international safety standards in the provision of our services. The entire Airlines team is involved in ensuring safety.

Work actively continued in 2022 to implement and improve programs within the Flight Safety Management System (FSMS), including processes to identify safety hazards and threats, manage safety risks, monitor safety performance and promote a corporate safety culture.

QAZAQ AIR has an advanced and fully integrated safety management system in Kazakhstan. In addition, the Flight Safety Management Department reviews and analyzes flight crew comments on a daily basis. Where necessary, work is organized to follow up and address identified deficiencies.





ENSURING A SAFETY CULTURE

The health and safety of employees determines the basis for implementing the Company's strategic goals. QAZAQ AIR follows operational safety performance indicators, reducing the risk of injuries and accidents by embedding a safety culture in all aspects of operations. **For 2022, the Lost Time Injury Frequency (LTIF) rate is 0, with no accidents or incidents recorded for the period.**

ESG PRINCIPLES

According to an IATA study, the entire global transport industry accounts for 15.9% of all CO_2 emissions, of which aviation accounts for only 1.9%. The DHC-8 series 400 aircraft used in the Airlines' fleet are among the most efficient airliners in terms of emissions at distances of up to 1,000 kilometers. The DHC-8 series 400's fuel consumption and CO_2 emissions per passenger seat are 35% lower than regional jets of similar size and comparable to large-capacity narrow-body jets. Despite the high efficiency of the fleet, the Airlines continues to work on reducing aviation fuel consumption on an ongoing basis; the Airlines' pilots often apply the practice of taking off an aircraft at a reduced engine torque of up to 10%.



ENVIRONMENTAL SAFETY

QAZAQ AIR strives to minimize the negative impact of its operations on the public and the environment, to prevent industrial accidents that damage the environment, and to support the rational use and reproduction of natural resources. We are advocates of improving energy efficiency, conserving resources and utilizing alternative energy sources. The Airlines' management undertakes to comply with legal and other requirements applicable to the environmental aspects of QAZAQ AIR's operations.

We adhere to the principles of doing no harm to people and protecting the environment when carrying out our work and achieving our objectives. **Our Company assesses the environmental impact of any new activity.**
QAZAQ AIR's environmental policy is aimed at improving the energy and environmental efficiency of transporting passengers, baggage, mail and cargo.

To achieve its environmental policy objectives, QAZAQ AIR:

- maintains an environmental management system;
- monitors and analyzes operations and processes to identify new opportunities to improve environmental performance;
- manages waste with a focus on recycling raw materials as the most effective method of waste disposal;
- optimizes the route network to reduce noise and emissions from aircraft engines into the atmosphere;
- selects suppliers based on environmental performance indicators;
- informs QAZAQ AIR's employees of the Airlines' environmental progress and fosters a culture of waste management.



MAINTENANCE AND REPAIR OF AVIATION EQUIPMENT

QAZAQ AIR's aircraft maintenance system is aimed at ensuring a high level of safety, technical serviceability of aircraft in service and on-time flight operations.

In 2022, QAZAQ AIR's Technical Department moved to a new hangar at Nursultan Nazarbayev Airport.

Five of the Airlines' aircraft underwent basic maintenance in certified organizations Contact Air Technik (in Germany) and ADA (in Abu Dhabi, UAE).

Five PW150A engines were repaired at the factory of Pratt&Whitney Canada (Canada) and Standard Aero (Singapore).

The number of employees in QAZAQ AIR's technical block responsible for Maintenance and Repair, which includes the following departments, has also been increased:

- **Airworthiness Department:** airworthiness maintenance, repairs, modifications, development and implementation of planned maintenance strategies for the fleet and aircraft components in accordance with maintenance programs and manufacturers' recommendations to support safe operations.
- **Logistics Department:** ensuring the supply of spare parts for aircraft repair, global logistics for the timely maintenance of aircraft and components.
- **Operational Maintenance Department:** 24/7 maintenance of QAZAQ AIR aircraft to ensure on-time departures and flight safety.



GROUND HANDLING

The Ground Handling Services is constantly working to improve the quality of passenger interactions at airports. Its main goal is to ensure flight safety, provide high quality service and create a comfortable atmosphere at all stages of passenger service at the airport. The Service also takes care of timely and quality maintenance of aircraft.

In 2022, the Airlines operated passenger flights to 21 airports, including 5 scheduled flights to the Russian Federation: Omsk, Novosibirsk, Kazan, Ekaterinburg, and Chelyabinsk. Regular flights to Baku, the capital of the Republic of Azerbaijan, were also opened. The Airlines has its own employees in major cities such as Astana, Aktobe, Atyrau, Shymkent, which serve the major flight routes and successfully organize transit passenger traffic. The Company's outsourcing is successfully used to optimize costs in the remaining 17 cities.

In 2022, the Company operated 8,564 flights, of which 1,638 were charter and international flights. The total number of passengers served was 561,053, including 94,228 passengers travelling on international flights.

To improve the quality of aircraft maintenance, a remote training and maintenance clearance program was introduced for employees of the airport's aviation engineering services. The program covered all 276 service employees and was implemented at 21 airports in the Republic of Kazakhstan and abroad.

Also, a project on servicing aircraft in the "turnaround flights" mode in 25 minutes in the cities of Aktobe and Turkestan was successfully developed and implemented. Expansion of this project continues at other airports.

The Service's core activities are aimed at handling passengers, baggage and mail, as well as meeting growing demands and needs. The Airlines provides passengers with a wide range of services. However, a significant part of the department's work is not only related to passenger services, but also to ensure and control of aircraft maintenance in preparation for departure. This includes the timely servicing of aircraft during parking, passenger embarkation/disembarkation, loading/unloading of baggage, cargo and mail, and compliance with aviation safety and security regulations both in the terminal and on the site.

The Airlines is constantly striving to develop and improve the quality of service provided to passengers.



SALES ORGANIZATION

1

In 2022, 12 new travel agencies were added to the Airlines' agency sales network.

2

ADM policy – a document regulating the work with the agency network, including a list of possible violations with corresponding penalties, as well as the procedure for their settlement – was implemented.

3

The Airlines continues to expand distribution – on the basis of the multilateral M2 TCP Agreement, passengers are now able to make convenient connections with other member Airlines outside the Republic of Kazakhstan.

4

In connection with the route network expansion, the fare policy on international routes was updated, with branded fares providing more opportunities to choose personalized terms and conditions for passengers.

5

Agreements with the Transport Clearing House (TCH) and meta-search service Aviasales were extended with the purpose of supporting sales.

6

The number of participants of the IQ BONUS loyalty program has doubled. 5 passengers have already made their first flights for bonus savings.

WORK WITH SUPPLIERS

In 2022, the Airlines purchased goods and services in accordance with the regulatory document of the Sole Shareholder – the Procurement Procedure of **Samruk-Kazyna National Welfare Fund Joint-Stock Company** and legal entities, fifty or more percent of the voting shares (ownership interests) of which directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management approved by the Board of Directors of the Fund **(Minutes #193 dated March 3, 2022)**.

The specifics of the Airlines' purchase of goods, works and services to maintain the technical condition of aircraft, including their repair at specialized enterprises, are regulated by the Rules of Procurement Management approved by **the Management Board of QAZAQ AIR JSC #04-2022 dated March 16, 2022**.

In procurement the Airlines is guided by the principles of publicity and transparency of procurement, avoidance of unreasonable restrictions, as well as maximum expansion of procurement participants in order to achieve a positive economic effect and minimize costs, timely provision of quality goods, works and services. In 2022, procurement processes were carried out in electronic format **on the basis of the e-procurement system on zakup.sk.kz**, through public tender, competitive negotiations, and request for quotations. In line with anti-corruption measures, procurement contracts contain an anti-corruption clause. Also, due to the destabilization of the global situation and the strengthening of sanctions measures, the contracts contain a sanctions clause.

In 2022, 841 contracts were concluded **with more than 360 suppliers for the amount of KZT 18,744 mln**, with savings of about KZT 59 mln.

MARKETING AND PUBLIC RELATIONS ACTIVITIES

External and internal communications are an important factor affecting the Company's business reputation. In 2022, information and communication work focused on strengthening and developing communication tools with target audiences.

In 2022, QAZAQ AIR JSC had 5 information communication channels, the purpose of which is to create a positive image of QAZAQ AIR JSC and achieve PR goals.

The Company's main communication channels include:

- official website **www. flyqazaq.com**;
- official accounts in social networks **Facebook, Instagram, YouTube**;
- **Telegram channel** of the Airlines;
- **QAZAQ AIR** corporate bulletin;
- unified newsletter **pr@flyqazaq.com**.

In order to create effective mechanisms of direct communications of the Company, as well as informing the public with the main results, news of QAZAQ AIR JSC activity, **more than 70 press releases** were placed on the official website of the Company during the reporting period. **In addition, in 2022, more than 400 materials related to** QAZAQ AIR activities were published in the media at international, national and regional levels. More than 500 posts were published on social media about the Company's activities, the launch of new air services and resumed flights. The PR and Advertising Department also took an active part in resolving conflict situations with passengers, worked on every media enquiry and together with journalists promptly provided information about flight delays, changes in flight schedules and basic rules to ensure passenger safety.

To strengthen its image, stimulate air ticket sales, and increase passenger loyalty, the Airlines implemented **a number of image and marketing activities:**

- Special discount air ticket promotions were organized **for the Airlines' 7th anniversary and for the International Civil Aviation Day**;
- For the whole winter period, the Airlines organized a promotion for passengers **on free carriage of sports equipment on all routes**. As part of the National Dombra Day celebrations, passengers were offered **free transport of musical instruments**;
- In 2022, airfare promotions were held in **conjunction with ticketing services to incentivize sales**;
- To build up a loyal audience, additional and welcome bonus promotions were held under the **IQ BONUS** program, which offers passengers to choose between an instant discount on tickets **(up to 3%)** or the opportunity to earn bonuses for QAZAQ AIR flights;
- The Airlines paid special attention to young passengers by organizing a children's drawing contest on its social media accounts. **At the end of the competition, an informative and career-oriented excursion on board the aircraft was organized for the children of employees.**

In 2022, the electronic corporate publication **QAZAQ AIR Bulletin** was launched, which contributes to the formation of not only corporate culture and a unified information space of the company, but also a cohesive corporate spirit, loyalty and commitment of employees. With the help of the monthly newsletter, employees learn about important company news, working days of colleagues, the work of structural divisions and new employees. Media resource is one of the most important means of internal communications, a tool and an integral part of the Company's image.

FINANCIAL PERFORMANCE

The priority financial objectives at the moment are to increase income levels and optimize expenditure.

Indicators, KZT in thousands	2022	2021	2020	2022 / 2021
Income	20,415,161	12,753,160	7,652,007	60%
Operating expenses	-18,941,781	-15,112,066	-12,026,953	25%
Profit/Loss from current operating activities	1,473,380	-2,358,906	-4,374,946	162%
Gain on reversal / loss on impairment of property, plant and equipment	1,720,455-	-441,593	-5,813,581	490%
Profit/Loss from operating activities	3,193,835	-2,800,499	-10,188,527	214%
Other income and expenses	-5,097,381	-4,961,335	-5,043,797	3%
Loss before income tax	-1,903,546	-7,761,834	-15,232,324	-75%
Income tax savings/ expense	-4,695,231	1,300,038	2,675,985	-461%
Loss for the period	-6,598,777	-6,461,796	-12,556,339	2%
Other comprehensive income for the year, net of income tax	-	-	-929,803	-
Total comprehensive loss for the reporting year	-6,598,777	-6,461,796	-13,486,142	2%

Revenue in 2022

A significant increase in operating income – 60% – was due to the construction of a proper flight schedule from the hub in Astana, the Airlines' reaching full production capacity with the current fleet, the growth of the average tariff in the market, the conclusion of charter contracts, and the performance of international flights.

ONGOING OPERATING EXPENSES

Stabilization of operating expenses was due to the expansion of the production program as a result of optimization measures taken in advance, such as the termination of operating lease agreements with their simultaneous acquisition, and optimization of onboard catering expenses **(opening of a paid catering service – Sky bar)**.

Indicators, KZT in thousands	2022	2021	2020	2022/2021
Assets	34,047,398	29,243,322	28,785,259	16%
Liabilities	36,263,509	40,225,956	38,557,737	-10%
Equity capital	-2,216,111	-10,982,634	-9,772,478	-80



The Airlines' assets at the end of 2022 totalled KZT 34 bln. The increase in 2022 compared to the previous year is due to the accumulation of the Company's own cash of KZT 5.2 bln (KZT 3.7 bln in 2021).

In 2022, an independent appraisal Company assessed the fair market value of five **DHC-8 400 model aircraft**. The fair market value is based on global indices of IBE and Ascend analytical agencies. In accordance with the independent appraiser's report, the Airlines recognized in 2022 an increase in the fair value of the aircraft in the amount of KZT 1.7 bln in the statement of profit or loss (2021: decrease of KZT 0.4 bln as a result of the valuation due to the Covid-19 coronavirus pandemic).

The financial performance is disclosed in detail in the Company's 2022 annual audited financial statements, which form an integral part of the Company's 2022 Annual Report.

Key events:

1) Revenue for 2022 increased by 60 per cent over 2021 to KZT 20.4 bln;

2) EBITDA reached a record level since the Airlines' inception at KZT 3.8 bln (2021: KZT 0.5 bln);

3) For the first time, a profit from operating activities of KZT 3.2 bln (2021: KZT -2.8 bln) was achieved;

4) Achieved a record level of cash on hand of KZT 5.2 bln as at December 31, 2022 (December 31, 2021: KZT 3.7 billion);

5) The Airlines launched regular international flights from Atyrau to Astrakhan and from Aktobe to Baku, as well as with border cities with population exceeding one million – Omsk, Novosibirsk, Kazan and Ekaterinburg;

6) The route network includes socially important subsidized routes: from Turkestan to Kostanay, Uralsk, Aktobe, from Almaty to Zhezkazgan, from Astana to Taldykorgan and Pavlodar, and from Zhezkazgan to Karaganda;

7) In 2022, the authorized body completed a thematic tax audit for 2018-2020;

8) SKY BAR, an onboard paid catering service, was launched, which reduced catering costs while improving the quality of onboard services;

9) In 2022, scheduled basic maintenance (c-check) was performed on 5 aircraft and component overhauls were performed on 4 engines;

10) The Airlines with the assistance of Samruk-Kazyna JSC (the "Fund") conducted a transaction to convert two loans for operating activities from 2015-2021 into charter capital.



Key indicators of the Airlines for 2022 in the audited financial statements showed the following dynamics:

Performance

Indicators	2022	2021	Δ%
passenger traffic, thousand people	561	569,8	-2%
take-off and landing	8 564	9 254	-7%
Number of aircraft, units	5	5	0%
completed passenger kilometers, thous pass/ thous km	441	445	-1%
aircraft load factor, %	82	78	4%

Balance

AFS indicator, in KZT mln	2022	2021	Δ
Assets	34,047	29,243	4,804
Capital	(2,216)	(10,983)	8,767
Liabilities	36,263	40,226	3,963

Financial (KZT mln)

Indicators	2022	2021	Δ%
Revenue	20,415	12,753	60%
Expenses	(18 942)	(15,554)	21%
Profit/Loss from current operating activities	1,473	(2,359)	162%
Income/loss from operating activities (subject to revaluation)	3,193	(2,801)	214%
Deposits income	344	84	75,6%
Loss from financing activities (loss on unwinding of discount)	(4,645)	-	-100%
Net income/(loss)	(6,599)	(6,462)	2,1%

Statement of Cash Flows

AFS indicator, in KZT mln	2022	2021	Δ%
Cash flows from operating activities	4,732	731	4,001
Cash flows from investing activities	(3,244)	(1,249)	(1,995)
Cash flows from financing activities	12*	2,545	(2,533)
Net increase/(decrease) in cash and cash equivalents	1,500	2,027	(527)
Cash and cash equivalents at 1 January 2022	3,675	1,675	2,000
Exchange rate effect	57	(27)	84
Cash and cash equivalents at 31 December 2022	5,232	3,675	1,557

*Financing activities for 2022 include issuance of shares amounting to KZT 33,947 million and repayment of loans amounting to (KZT 33,932) million, other finance lease payments of (3) million, totalling KZT 12 million.

In September 2022, the Fund decided on targeted replenishment of the Airlines' charter capital for repayment of previously issued loans for working capital maintenance in 2015-2021 (decision of the Fund's Management Board #51/22 dated 15.09.2022). The conversion was made by means of redemption by the Fund of 147,089 common shares of the Company at the placement price of KZT 230,794 per one ordinary share in accordance with the pre-emptive right.

At the end of 2022, the Airlines generated Profit from ongoing operating activities for the first time KZT 1,573 million (2021: – KZT 2,358 million).

Profit from operating activities for 2022 totalled KZT 3,193 million (2021: KZT -2,800 million). A positive factor was the reversal of previous impairment due to pandemic effect on aviation industry fixed assets (aircraft) in the amount of KZT 1,720 million.

For 2022, interest of KZT 560.4 million was accrued and capitalized on existing loans previously provided by the Fund for the purchase of aircraft.

Due to the following significant non-cash transactions, a net loss of KZT 6,599 million (2021: – KZT 6,462 million) was incurred for 2022, including:

- finance costs for 2022 amounted to KZT 5,417 million (for 2021: KZT 4,994 million) due to the amortization of the discount on the market rate of soft loans provided by the Fund for the acquisition of 5 aircraft in 2019 and maintenance of working capital in 2015-2021 until their conversion to charter capital in 2022;
- corporate income tax expense in 2022 amounted to KZT 4,695 million (2021: KZT 1,300 million), due to recognition of deferred income tax expense in the amount of 20% of the write-off of under-amortized discount on loans converted into share capital.

Due to the net loss, the Fund has decided not to pay dividends to the shareholder for 2022.

In 2022, there were no appeals of the Sole Shareholder to the actions of the Company and its officers in 2022.

CORPORATE GOVERNANCE

Corporate Governance System

The Airlines' key strategic objective is to grow long-term value and sustainable development. To fulfil this objective, an effective corporate governance system is being built to support the strategy implementation. Corporate governance is based on the principles of efficiency, responsiveness and transparency.

Key provisions of corporate governance:

- Sustainable development
  - The Company recognizes its impact on the economy, the environment and society and, in pursuit of long-term value growth, must ensure its sustainable development in the long term, while balancing the interests of stakeholders. Sustainable development is achieved through thoughtful and rational stakeholder engagement.

- Effectiveness of the Board of Directors and the Executive Body
  - The Board of Directors is a management body accountable to the Sole Shareholder, providing strategic management of the Organization and control over the activities of the Executive Body.

  - The Executive Body reports to the Board of Directors, manages the daily activities of the Organization and ensures its compliance 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 aimed at providing reasonable assurance that the Company will achieve its strategic and operational objectives and is a set of organizational policies, procedures, norms of conduct and actions, management methods and mechanisms established by the Board of Directors and the executive body.
- Transparency
  - In order to respect the interests of stakeholders, the Company discloses information on all important aspects of its operations, including its financial condition, performance, ownership and management structure, in a timely and reliable manner.



STRUCTURE OF THE CORPORATE GOVERNANCE SYSTEM



CORPORATE GOVERNANCE

Shareholder

QAZAQ AIR JSC is 100% owned by Samruk-Kazyna JSC.

The main objective of the Fund's activities is to manage its ownership stakes (ownership interests) in national development institutions, national companies and other legal entities to maximize their long-term value and increase their competitiveness in the global markets. Additional information about the Fund is available on the official website www.sk.kz.

The Sole Shareholder participates in management by exercising the functions of a shareholder, as well as through the Board of Directors, as defined in the Airlines' Charter and the QAZAQ AIR Corporate Governance Code.

The Board of Directors is a management body accountable to the Sole Shareholder, providing strategic management of the Company and control over the activities of the Management Board. The Board of Directors performs its functions under the laws of the Republic of Kazakhstan, the Charter of the Company, the Corporate Governance Code, and the Regulation on the Board of Directors 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, approves and monitors the effective implementation of key strategic projects.



COMPOSITION OF THE BOARD OF DIRECTORS:

As at 31 December 2022, the Board of Directors consisted of five directors:



Chairperson of the Boards of Directors,
a representative of the interests of Samruk-Kazyna JSC

Nazira Nurtuleuovna Nurbayeva

Elected Chairperson of the Board of Directors of QAZAQ AIR JSC, a representative of the interests of Samruk-Kazyna JSC with resolution of the Management Board of National Welfare Fund Samruk-Kazyna JSC dated February 18, 2022 #12/22

Date of birth	16.12.1975
Nationality	Republic of Kazakhstan
Education	**2000** – Kazakh State Academy of Management, Almaty, majored in Finance and Credit. **1996** – University of Wisconsin Richland, majored in Business Administration. **1994-1998** – Kazakh State University of International Relations and World Languages.
Professional experience	**2021 –** Managing Director for Economics and Finance – member of the Management Board of Samruk-Kazyna JSC. **2020 –** Partner at Deloitte TFC LLP, Tax and Legal Services**.**



Member of the Board of Directors,
a representative of the interests of Samruk-Kazyna JSC

Timur Sabrzhanovich Sharipov

Re-elected member of the Board of Directors of QAZAQ AIR JSC, a representative of the interests of Samruk-Kazyna JSC with resolution of the Management Board of National Welfare Fund Samruk-Kazyna JSC dated February 18, 2022 #12/22

Date of birth	29.09.1977
Nationality	Republic of Kazakhstan
Education	**2008-2011 –** Doctor of Philosophy (PhD) in Economics, L.N. Gumilev Eurasian National University (Kazakhstan) jointly with the University of Leeds (UK). **2006-2007 –** Master of Science in Transport and Business Management, Imperial College London and University College London (UK). **1994-1999 –** Railway Engineer, Omsk State University of Railway Transport (Russian Federation).
Professional experience	**October 2007** – present – Director of the Transport and Communications Department, Director of the Transport and Logistics Directorate, Senior Manager, Chief Expert of the Transport and Communications Assets Directorate of Samruk-Kazyna JSC and Samruk Holding JSC. **From 1999 to 2006** he held a number of different managerial positions in the Ministry of Transport and Communications of the Republic of Kazakhstan.

COMPOSITION OF THE BOARD OF DIRECTORS:

As at 31 December 2022, the Board of Directors consisted of five directors:



Independent Director

Bakhtiyor Nazaraliyevich Eshonkulov

Elected as an Independent Director of QAZAQ AIR JSC with resolution of the Management Board of National Welfare Fund Samruk-Kazyna JSC dated August 26, 2021 #36/21

Date of birth	02.04.1967
Nationality	Republic of Kazakhstan
Education	**2018 –** CIA (Certified Internal Auditor), Institute of Internal Auditors, Houston, USA. **1996-1998 –** FCCA, Association of Chartered Certified Accountants (ACCA) program, Glasgow, UK. **1984-1995 –** Economist, PhD in Economics, Lomonosov, Moscow State University
Professional experience	**2020-2023 –** Independent Director, member of the Board of Directors of Kazpost JSC. **2018 –** present: Chief Financial Officer, Astana Investments LLC, Houston, USA. **2019-2020:** Partner, IFRS Consultant, RSM Qazaqstan, Almaty, Kazakhstan.



Independent Director

Adylgazy Sadvokasovich Bergenev

Elected as an Independent Director of QAZAQ AIR JSC with resolution of the Management Board of National Welfare Fund Samruk-Kazyna JSC dated December 02, 2022 #66/22

Date of birth	15.05.1958
Nationality	Republic of Kazakhstan
Education	**University Degree**
Professional experience	**Member of the Accounts Committee for Control over Execution of the Republican Budget**

COMPOSITION OF THE BOARD OF DIRECTORS:

As at 31 December 2022, the Board of Directors consisted of five directors:



Chairman of the Management Board – Member of the Board of Directors

Erkin Anesovich Nauryzbayev

Elected as a member of the Board of Directors of QAZAQ AIR JSC with resolution of the Management Board of National Welfare Fund Samruk-Kazyna JSC dated December 02, 2022 #66/22

Date of birth	05.12.1981
Nationality	Republic of Kazakhstan
Education	**2005-2007** – U.S. Air Force Pilot School; **2004-2005** – Air Defence School of the Republic of Turkey; **1999-2004** – Turkish Air Force Academy.
Professional experience	**From September 09 to the present** – Chairman of the Management Board of QAZAQ AIR JSC; **From June 11, 2022 to September 09, 2022** – Acting Chairman of the Management Board of QAZAQ AIR JSC; **From 2020 to June 11, 2022** – Head of HR Training Service – member of the Management Board of QAZAQ AIR JSC.

The term of office of the Board of Directors is set until 26 April 2024.

Changes in the composition of the Board of Directors in 2022

E.D. Durmagambetov as Chairman of the Board of Directors, P.T. Atanasov as a member of the Board of Directors were dismissed with decision of the Management Board of Samruk-Kazyna JSC dated 18 February 2022 #12/22. N.N. Nurbayeva was elected Chairman of the Board of Directors, representative of interests of Samruk-Kazyna JSC, T.S. Sharipov – member of the Board of Directors, representative of interests of Samruk-Kazyna JSC with the same decision.

The Board of the Directors was elected in the following composition: E.A. Nauryzbayev, Chairman of the Management Board of the Company, as a member of the Board of Directors and A.S. Bergenev as an independent director with decision of the Management Board of Samruk-Kazyna JSC #6/22 dated 02 December 2022.

Progress of the Board of Directors in 2022

Meetings of the Board of Directors in 2022 were held on a regular basis under the Work Plan of the Company's Board of Directors. At the same time, the Board of Directors held extraordinary meetings as necessary. A total of 14 meetings of the Board of Directors were held in the reporting period, including 13 in-person meetings and 1 meeting in absentia. A total of 87 issues were considered.

Participation in meetings of the Board of Directors:

#	Full name	Participation in meetings of the Board of Directors (%)	Period of service on the Board of Directors
1	N.N. Nurbayeva	100%	18.02.2022 - 31.12.2022
2	T.S. Sharipov	100%	18.02.2022 - 31.12.2022
3	B.N. Eshonkulov	100%	01.01.2022 - 31.12.2022
4	A.S. Bergenev	100%	02.12.2022 - 31.12.2022
5	E.A. Nauryzbayev	100%	02.12.2022 - 31.12.2022

Duration of meetings of the Board of Directors

#	Meeting # and date	Meeting form	Duration
1	Meeting of BD #70 dated 11.03.2022	In-person	15 min.
2	Meeting of BD #71 dated 17.03.2022	In-person	1 h. 40 min.
3	Meeting of BD #72 dated 11.04.2022	In-person	25 min.
4	Meeting of BD #73 dated 29.04.2022	In-person	1 h. 30 min.
5	Meeting of BD #74 dated 19.05.2022	In-person	15 min.
6	Meeting of BD #75 dated 10.06.2022	In-person	1 h. 30 min.
7	Meeting of BD #76 dated 15.07.2022	In-person	1 h
8	Meeting of BD #77 dated 27.08.2022	In-person	30 min.
9	Meeting of BD #78 dated 31.08.2022	In-person	15 min.
10	Meeting of BD #79 dated 09.09.2022	In-person	4 h
11	Meeting of BD #80 dated 30.09.2022	In-person	1 h. 30 min.
12	Meeting of BD #81 dated 11.11.2022	In-person	3 h
13	Meeting of BD #82 dated 13.12.2022	In absentia	-
14	Meeting of BD #83 dated 15.12.2022	In-person	2 h

The most important issues considered by the Board of Directors:

- Samruk-Kazyna JSC provided a guarantee to QAZAQ AIR JSC to cover risks in case of insurance events during flights to the Russian Federation;
- As established by the laws of the Republic of Kazakhstan placed ordinary shares of the Company in the amount of 147 089 (one hundred forty seven thousand eighty nine) units within the number of authorized shares at the placement price of KZT 230,794 (two hundred thirty thousand seven hundred ninety four) per ordinary share for the total amount of KZT 33,947,258,666 (thirty three billion nine hundred forty seven million two hundred fifty eight thousand six hundred sixty six) by exercising the right of pre-emptive purchase of shares by the Sole Shareholder of QAZAQ AIR Joint-Stock Company. The Management Board of the Company has been instructed to effect early repayment of Loan Agreements #652-i dated 13 March 2017 and #656-i dated 29 March 2017 from the proceeds received from the sale of outstanding shares.
- Elected a new Management Board of the Company with a term of office until 9 September 2023;
- Approved the Corrective Action Plan following the unscheduled audit by Samruk-Kazyna JSC of the financial and economic activities of QAZAQ AIR JSC for the period from 01 July 2019 to 01 June 2022;
- Approved the new organizational structure and the overall headcount of 325 (three hundred and twenty-five) staff units of the Company.

In 2022, the Board of Directors regularly reviewed flight safety reports, quarterly reports on the implementation of the Company's Business Plan (Development Plan) for 2022-2026, quarterly risk reports, reports of the Company's Internal Audit Service and Compliance Service, and Hotline reports.

Issues submitted by the Board of Directors for consideration of the Sole Shareholder of the Company:

- on approval of the Company's annual financial statements for 2021;
- on approval of a new revision of the Company's Charter.

In 2022, there were no issues submitted for consideration of the Board of Directors and/or the Sole Shareholder on which the Board of Directors and/or the Sole Shareholder refused to make a decision due to non-compliance of the submitted materials with the legislative requirements, constituent and internal regulatory documents of **QAZAQ AIR JSC**.

Committees under the Board of Directors

The following Committees were established under the Board of Directors with resolution of the Board of Directors dated August 05, 2017 (minutes #25):

- Strategic Planning Committee;
- Nomination, Remuneration and Social Affairs Committee;
- Audit and Risk Committee.

The Strategic Planning Committee is an advisory body of the Board of Directors of the Company and was established to facilitate the efficient performance of the Board of Directors of the Company and to develop recommendations to the Board of Directors on strategic development issues.

The Nomination, Remuneration and Social Affairs Committee is an advisory body of the Board of Directors of the Company and was established to facilitate efficient performance of the Board of Directors of the Company in terms of appointment, setting motivational key performance indicators, performance evaluation, remuneration and succession planning of the head and members of the executive body, appointment and remuneration of the Corporate Secretary and other employees of the Company, whose remuneration is agreed upon by the Board of Directors of the Company.

The Audit and Risk Committee is an advisory body of the Board of Directors of the Company and was established for in-depth consideration of financial reporting; internal control and risk management, including strategic, financial, legal, operational, compliance, sustainability and flight safety risks; external audit; internal audit; and legal compliance.

In 2022, the Committees under the Board of Directors did not function due to the limited number of directors.

Evaluation of the Board of Directors

In accordance with the Policy on Performance Evaluation of the Board of Directors and its Committees, Chairman, Member of the Board of Directors and Corporate Secretary approved with resolution of the Management Board of the Company #31 dated April 24, 2018,
the members of the Board of Directors conducted a self-evaluation for 2022 to improve the quality and efficiency of the Company's Board of Directors, its Committees, Chairman, each member of the Board of Directors and Corporate Secretary and, as a result, increase the contribution of the Board of Directors to the growth of long-term value and sustainable development of the Company. The self-evaluation results were reviewed at the meeting of the Board of Directors of the Company dated February 27, 2023 #84 as part of the 2022 Performance Report of the Board of Directors of the Company.

Remuneration of members of the Board of Directors

In accordance with the Charter of QAZAQ AIR JSC, the Sole Shareholder determines the amount and terms of payment of remuneration and reimbursement of expenses to the members of the Board of Directors of the Company for the performance of their duties. Independent directors are remunerated and reimbursed for expenses related to the duties they perform as part of their functions under their contracts.

INTERNAL AUDIT SERVICE

The main objective of the Internal Audit Service is to provide the Board of Directors with independent and objective assurance and advice aimed at improving the Company's risk management, internal control and corporate governance systems.

The Service is a body ensuring the organization and implementation of internal audit, organizationally subordinate and functionally accountable to the Board of Directors

The Service conducts internal audit of the Company's business processes under the Annual Audit Plan drafted on the basis of the Company's risk analysis and approved by the Board of Directors. In its work, the Service is guided by the Regulations on the Service, the Guidelines for Organizing Internal Audit, as well as the International Professional Standards for Internal Auditing of the Institute of Internal Auditors and their practical guidelines.

Under the 2022 Annual Plan of the Internal Audit Service, audits of the financial and economic activities of the Company as part of the audit group of Samruk-Kazyna JSC, audit of the organization of work on the effective spending of the Company's funds, as well as audit of the organization of work of the commercial block of the Company were carried out.

Following the results of the performed audit engagements, the Company's management was provided with recommendations on improving the internal control system of business processes and eliminating violations negatively affecting the efficiency of the Company's operations.

The Service regularly monitored the implementation of the recommendations issued.

COMPLIANCE SERVICE

The objective of the Compliance Service is to implement a compliance program, define the anti-corruption policy, and monitor the implementation of anti-corruption measures, including the assessment of corruption risks, as well as the formation of an internal corporate culture based on the principles of transparency and trustworthiness under the laws and best international practices.

The existence of a dedicated structure facilitates the development of a systematic approach to the implementation of various elements of QAZAQ AIR JSC's Anti-Corruption Policy.
In the reporting period, systematic work was carried out to create and build a compliance system under the existing laws of the Republic of Kazakhstan and recommendations of international standards.

Measures were implemented to develop and approve documents in the field of compliance regulation, ethics, anti-corruption, settlement of conflicts of interest, identification and management of compliance risks, including those arising from relations with third parties.

The Company has approved amendments and additions to the Charter to include the issues on the procedure for functioning of the compliance function, Regulations on the Compliance Service, Code of Conduct, Anti-Corruption and Fraud Policy, Proactive Reporting Policy, Conflict of Interest Policy, Rules on Counterparty Due Diligence.

The basic documents regulating anti-corruption requirements within the Company are the Code of Conduct and the Anti-Corruption and Fraud Policy. In these documents, the Company publicly declares its rejection of corruption in any form or manifestation in its activities and considers it its duty to promote the level of anti-corruption culture in the Company.

Thus, in order to maintain a high level of corporate governance, compliance culture and zero tolerance to any violations among the Company's employees, a new version of the Code of Conduct was approved under the best international practices. It has new aspects related to anti-corruption and standards of business conduct.

The policies are available for review in languages that are easy for users to understand. The basic compliance documents are available on the Company's corporate website.

Special focus was put on strengthening corporate communication through the implementation of newsletters including the Company's anti-corruption requirements, changes in the regulatory environment on anti-corruption, acceptance/giving of gifts, operation of the Company's hotline, as well as recommendations aimed at eliminating identified deficiencies and eliminating the possibility of violations (as part of compliance risk management).

As part of the development of a corporate culture of ethical business conduct and rejection of corruption, a meeting was held with the participation of employees of the Anti-Corruption Agency of the Republic of Kazakhstan. The Anti-Corruption Service presented the key directions of the state's anti-corruption policy, tools to prevent corruption, as well as answers to employees' questions. As part of the meeting, the Compliance Service provided training on the functioning of the anti-corruption system in the Company, on the amendments to the laws of the Republic of Kazakhstan on anti-corruption. Detailed explanations on how to deal with conflict of interest situations with practical examples are provided.

Information stands with hotline contacts have been placed in the office premises. The Company's website has a separate section on the Compliance Service, basic compliance documents and direct contacts of the Head of the Compliance Service. The application of these approaches can contribute to the understanding of the Company's compliance system by various stakeholders.

Following the best international corporate governance practices, the Compliance Service constantly strives to improve existing compliance documents and procedures to ensure that they are up-to-date and fit for purpose.



COMPLIANCE WITH THE PRINCIPLES AND PROVISIONS OF THE 2022 CORPORATE GOVERNANCE CODE.

The Corporate Governance Code of QAZAQ AIR JSC (the "Code") **was approved with decision of the Management Board of Samruk-Kazyna JSC dated 27 May 2015 #22/15.**

The Code's objectives are to improve corporate governance in the Company, ensure management transparency, and confirm the Company's commitment to follow the standards of good corporate governance.

Following the 2022 analysis results, the corporate governance practice in the Company according to the Code sections "Government as a Shareholder of the Fund", "Interaction between the Fund and Organizations. The Fund's role as a national managing holding", "Rights of Shareholders (Members) and Fair Treatment of Shareholders (Members)" comply with the Code.

The Code's Sustainability section requires the Company to incorporate sustainability goals into its strategic initiatives. Despite the fact that the Company's organizational structure does not include an established structural division responsible for the implementation of sustainable development, the Company needs to develop a detailed action plan for the implementation of ESG goals. The Board of Directors needs to have discussions on specific aspects of ESG issues. ESG metrics need to be integrated into strategic business discussions.

Areas for further improvement have been identified under the Code's section on Board and Executive Effectiveness:

- The Board and its Committees should maintain a balance of skills, experience and expertise to ensure that independent, objective and effective decisions are made in the best interests of the Company and with due regard to the fair treatment of all shareholders and the principles of sustainable development. It should be noted that from 01 July 2021, the Committees under the Board of Directors have suspended their work due to the limited number of directors. However, in the opinion of consultants of PricewaterhouseCoopers LLP, who conducted an independent diagnostic of corporate governance in the Company in 2021, the Board of Directors can function without Committees, given the scale of the Company's operations.

- Diversity in terms of experience, personal characteristics and gender should be ensured in the composition of the Board of Directors.

- The Board of Directors should have a director with experience in the aviation industry who can contribute to setting strategy and strengthen the oversight of the Company's flight safety process.

- The term of office of Board of Directors members is on average less than a year, which is lower compared to international practices providing for an average term of office of six years.

- The Company should ensure that succession planning for the executive body is in place.

Under the Code's Risk Management, Internal Control and Audit section, the Company is required to comply with the following requirements:

- An effectively functioning risk management and internal control system aimed at providing reasonable assurance that the Company will achieve its strategic and operational objectives should be in place, and should be a set of organizational policies, procedures, norms of behaviour and actions, management methods and mechanisms established by the Board of Directors and the Company's executive body;

- Ensure that risk management is integrated into the strategic planning process. When defining the Company's strategic objectives, it is necessary to identify and assess the risks that may lead to failure to achieve the strategic KPIs. Risks should be assessed for each strategic KPI, and the cumulative impact of risks on the KPI should be assessed, for example through scenario analysis and simulation modelling.

- The risk management process should be fully integrated with planning processes (strategy and development plans, annual budget) and evaluation of results (management reporting).

- The Company's risk management and internal control system should be based on a high-risk management culture conducted by the executive body, providing for mandatory procedures for identifying, assessing and monitoring all material risks, as well as taking timely and adequate measures to reduce the level of risks that may adversely affect the achievement of strategic goals, the realization of operational objectives and the Company's reputation.

- The Company should introduce the practice of training employees and officials in the risk management system.

- The Head of Internal Audit Service shall develop and maintain a quality assurance and improvement program covering all internal audit activities and including mandatory internal and external evaluation of the Internal Audit Service.

- The Board of Directors should ensure regular interaction with the Company's external auditor.

Under the Code's Transparency section, the Company is required to disclose information on its activities in a timely manner under the laws of the Republic of Kazakhstan, as well as the Company's Charter and internal documents. The board needs to review the annual reporting process, disclosure and data protection controls, and appropriate cyber security measures.



CORPORATE CULTURE

QAZAQ AIR JSC has adopted a Code of Conduct which sets out the values, basic principles and standards of behaviour in the Company to ensure that the interests of all parties involved are protected. The Code of Conduct is aimed at developing the corporate culture and strengthening the Company's reputation as an open and honest market participant. The Code applies directly to all employees, officers and directors of **QAZAQ AIR.**

The standards and basic principles of behaviour set out in the Code are placed by every employee of the Company at the centre of their daily activities. For guidance or advice on the provisions of the Code, you may contact your line manager, the Company's Chief Compliance Officer.

Violations of any provisions of the Code or other compliance procedures or internal control systems can be reported through the hotline. Such reports can be made on an anonymous basis with guaranteed protection from prosecution. **Hotline numbers are available on the Company's corporate website.**

HR POLICY

As part of measures to ensure social stability, the Company has carried out significant work to improve the environment of the Company's employees.
In order to improve business efficiency in QAZAQ AIR JSC in December 2022, a project to introduce job grading was launched with the assistance of experts from Samruk Business Academy.

The project was aimed at analyzing the internal fairness and external competitiveness of the income level of the Company's employees and to update the salary scheme.
As a result of the grading project, more than 70% of employees' salaries were revised.
Also, in order to improve the social package of the Company's employees, the updated Rules of social support for employees of QAZAQ AIR JSC were approved with decision of the Company's Management Board dated 15 December 2022 (Minutes #28-2022).

Also, for promoting motivation of aviation personnel (aircraft commander and co-pilot) in the qualitative performance of labour duties and increasing professionalism, updating the level of payment for additional payments for flight hours to aviation personnel, the Management Board's decision #12-2023 dated 16 March 2023 approved a new procedure for payment for flight hours, establishing a coefficient of flight hours for employees, application of differentiated payment for flight hours to aircraft commanders and co-pilots based on the total length of service in the Company.

The Rules provide for the following types of social support to the Company's employees:

- financial assistance in connection with the death of an employee, the spouse, children, parents of the employee;
- payment of maternity leave and leave to employees who have adopted a newborn child (children);
- compensation payments;
- social benefits for temporary disability;
- social leave;
- health insurance (sickness insurance).

When providing social support to employees, the Company is guided by the following principles:

- the existence of grounds and objective necessity to provide social support to the employee;
- transparency and efficiency;
- budget availability;
- responsibility.



HR MANAGEMENT

QAZAQ AIR's employees are its main asset and the Airlines endeavours to create a human resource management system that is in line with the best international approaches. All of the Company's achievements, which we are proud of, have been made possible solely thanks to our employees.

Key tasks in the field of HR management:

- competitive basis of recruitment;
- equal working conditions;
- professional, career and personal growth of employees;
- providing training and professional development opportunities;
- accumulation and preservation of knowledge within the Company;
- improving the labour remuneration and motivation system;
- development of corporate culture, increasing the level of employee engagement;
- maintaining effective dialogue with staff.

QAZAQ AIR strives to create equal and fair working environment for all employees in order to maximize the realization of human potential regardless of nationality, gender, origin, age, education, social status, religious, political or other beliefs.

HR management is one of the most important aspects of achieving strategic goals and is designed to ensure motivation of employees, achievement of high labour efficiency and successful operation of the Company.

At the end of 2022, QAZAQ AIR's headcount reached 304. Of these:

- men – 152, women - 152
- administrative staff - 77
- production staff - 227
- Actual number of employees - 277

of these:

- men - 151, women - 126
- administrative staff - 70
- production staff - 207
- Staff turnover for 2022 - 37%

The Airlines employs 45 pilots, 45 flight attendants, 14 engineers and 4 mechanics. QAZAQ AIR continues to expand its team of professionals to ensure high international standards of safety, convenience and service.





ACTIVITIES OF THE AVIATION TRAINING CENTRE

One of the priority tasks of **QAZAQ AIR** is the continuous professional development of the flight crew members and training of new specialists..

For this purpose, the Aviation Training Centre was established at the Airlines in May 2022 to train flight attendants and pilots. In the reporting period, 23 trainees were trained on the course **“Initial Cabin Crew Training on DHC8-Q400”** and 5 trainees on the course **“Initial Training of Pilots and Flight Attendants on CRM Crew Optimization Course”**. At the end of 2022, 28 trainees have successfully completed their training and have commenced their duties with the Airlines.

Establishment and maintenance of the Aviation Training Centre at the Airlines is a new step in the Company’s development as an industry entity. ATC provides an opportunity to train instructor staff, which is a strong motivation for the Company’s employees for self-development and professional growth. Apart from this, **the Aviation Training Centre is definitely a good commercial start-up to develop the Company in a competitive market.**

RISK MANAGEMENT AND INTERNAL CONTROL

The Corporate Risk Management System (CRMS) is a key element of QAZAQ AIR's corporate governance, aimed at timely identification and assessment of risks that may adversely affect the Company's operations and taking measures to minimize them.
The Company's CRMS is designed to provide reasonable assurance that the Company's objectives (strategic, operational, fair reporting and compliance with applicable laws and internal requirements) will be achieved.

The main objectives of the CRMS and internal control are:

- improving risk culture and integrating risk management and internal control into all aspects of the Company's operations;
- reducing volatility in performance;
- ensuring that opportunities to increase the value of the Company's assets and profitability in the long term are utilized.

The Company's internal control and risk management systems are built with the participation of the Board of Directors of the Management Board, Internal Audit Service, Compliance Service, Risk Manager and structural divisions – risk owners.

The Board of Directors is responsible for the effective functioning and development of the CRMS and internal control in general.



The Company's Board of Directors and Management Board rely on a "three lines of defence" model in carrying out their functions, whereby:

- first line (business functions) – includes all structural divisions of the Company;
- second line (risk monitoring and control functions) – represented by the Risk Manager and Compliance Service;
- third line (functions of independent assessment of risk management and internal control efficiency) is the Company's Internal Audit Service.

The Company's CRMS and internal controls are governed by QAZAQ AIR's Risk Management and Internal Control Policy. In accordance with the Policy, risks are grouped and categorized as follows:

- strategic;
- operational;
- financial;
- legal.

The following is a list of the most relevant risks that are important to QAZAQ AIR's operations that have been identified by management. This list is by no means exhaustive, as any unforeseen future events and/or possible factors may adversely affect the Company's business.

STRATEGIC RISKS

	Description of possible consequences of the risk realization	Activity
Flight safety risk	Flight safety is one of the Company's top priorities. Failure to effectively prevent or respond to serious incidents could adversely affect the Company's reputation, operations and financial performance. The probability of risk realization is minimal.	1. To develop, maintain and continuously improve all elements of the Safety Management System. 2. To support operational staff awareness of human factors risk. 3. To monitor all incidents caused by human, organizational, technical, external and other factors and track the effectiveness of the measures taken. 4. To support an effective Compliance Monitoring Program to ensure continuous and effective monitoring of compliance of operations with international and national standards.
Aviation security risk	Failure to prevent or respond to a serious aviation safety incident could adversely affect the Company's reputation, operations and financial performance.	1. Employees training under the aviation safety training program. 2. Quality control of aviation safety status (internal audits, reviews, reliability checks/tests, airport audits). 3. Analyzing and assessing trends based on information obtained through data collection.
Commercial risk	The local market is highly competitive and it is more difficult for the Company to compete properly due to its size. Additional capacity in the market and/or reduced travel demand could have an adverse impact on the Company. It is also worth bearing in mind that the Company's reputation is affected by various factors. Failure to respond or delay in responding to these factors could materially adversely affect the Company's operating and financial performance.	1. Schedule optimization to maximize the utilization of crews and aircraft. 2. Monitoring of prices, new frequencies, new destinations, changes in competitors' flight times. 3. Tracking flight load indicators on a daily, weekly, monthly basis. 4. Finding alternative routes. 5. Timely response and feedback to negative comments in the media and social networks to mitigate reputational risks.
HR risk	Development of advanced methods of human resource management is one of the Company's strategic goals. Failure to create, develop and retain qualified personnel could adversely affect the Company's performance.	1. Measure the turnover rate and analyze the reasons thereof. 2. Following the "exit" interviews results, conduct employees retention activities. 3. Active recruitment of staff.

FINANCIAL RISKS

	Description of possible consequences of the risk realization	Activity
FX risk	Significant fluctuations in exchange rates could adversely affect the Company's financial results.	1. Making payments based on the actual exchange rate of purchased reserves compared to the current market rate.
Credit risk	Cash and other losses due to default of counterparty banks.	Compliance with the established limits on counterparty banks and requirements approved by the internal regulatory documents of the Company and the Shareholder.
Liquidity risk	Inability to meet financial obligations or inability to finance the business.	Continuous monitoring of liquidity by maintaining a liquidity cushion and controlling all outflows.
Tax risk	Risk of potential financial losses as a result of incorrect interpretation (misinterpretation) of legal norms of tax law and regulations due to ambiguity of their wording (imperfection of laws).	1. Regular monitoring of changes in tax laws. 2. Appealing acts of tax audits to higher tax authorities

OPERATIONAL RISKS

Cyber risk and information security risk	Risk of loss from external or internal threats to the Company's computers, information, IT network, infrastructure, commercial and IT-supported operations.	1. Implementation of processes that comply with the world's best principles in the field of information security. 2. Familiarization of employees with the Company's Information Security Policy.
Fuel risk	The Company is exposed to the risk of unavailability / shortage of aviation paraffin at refineries, which forces the Company to purchase paraffin at significantly higher prices from airports or third parties.	1. Weekly reconciliation of aviation fuel balances. 2 Ensuring that aviation fuel is purchased exclusively from the resource holder.
Occupational safety risk	Potential illnesses or injuries to employees could adversely affect the Company's operational and financial performance.	1. Implementing all necessary procedures to ensure a high level of operational safety, including providing crew members with rest periods in accordance with legal requirements. 2. Provision of masks and gloves to pilots, flight attendants and maintenance personnel on an ongoing basis.

LEGAL RISKS

	Description of possible consequences of the risk realization	Activity
Compliance risk	The Company is strictly regulated by local and international authorities. Any violation of the law and standards may adversely affect the Company's operational and financial performance.	1. Building an anti-corruption culture through training and other tools. 2. External analyses of corruption risks.
Litigation risk	Judgment not in favour of the Company (payment of certain amounts, performance of actions causing losses to the Airlines).	1. Updating of interim measures in contracts. 2. Development of regulations on the claim work. 3. Advanced training of employees of the Legal Support Department for international transactions and disputes. 4. Analyzing civil law disputes their outcomes and adjusting actions accordingly.

The identified risks are reflected on the risk map in relation to significance:

- Red zone – critical risks for the Company;
- Orange zone – major risks for the Company;
- Yellow zone – average risks for the Company.

Contacts

Phone: +7 727 356 1414

Email: info@flyqazaq.com

External Auditor

In accordance with resolution of the Management Board of Samruk-Kazyna JSC, Grant Thornton LLP was determined as the audit organization to audit the Company in 2021-2023.

Hotline of Samruk-Kazyna NWF JSC

- There is a Proactive Reporting Line (Hotline) administered by an independent Company, which ensures transparency of the process and confidentiality of data, thus increasing the level of trust in this instrument, and is in line with international best practice. Contact information for the Hotline is available on the corporate website.

- The Hotline deals with enquiries related to bribery and corruption, accounting irregularities, disclosure of protected information, unequal employment and working conditions, unethical behaviour, threats to health, safety and the environment.

Appeals may be submitted by all persons in Russian, Kazakh and English languages through the following communication channels:

by phone number 8 800 080 4747

by email mail@sk-hotline.kz

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

via WhatsApp Messenger with phone number +7 771 191 8816

QAZAQ AIR JSC

Financial Statements for the year ended 31 December 2022

QAZAQ AIR JSC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management of QAZAQ AIR JSC (the "Company") is responsible for the preparation of the financial statements as at 31 December 2022 of the Company, that fairly present the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (the "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 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 in the foreseeable future. Management is also responsible for:**

- **designing, implementing and maintaining an effective and reliable system of internal controls of the Company;**
- **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; and detecting and preventing fraud and other abuses.**

The financial statements of the Company for the year ended 31 December 2021 were approved by management on 27 February 2023.

Chairman of the Management Board _____ Erkin Anessovich Nauryzbayev

Financial Director _____ Adilbek Umraliyev

Chief Accountant _____ Gulmira Kazbekovna Kissekova

27 February 2023, the Republic of Kazakhstan, Astana

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INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS

To the Shareholders and management of QAZAQ AIR JSC

Opinion

We have audited the financial statements of QAZAQ AIR JSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (the "IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit ofthe 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 2022, the Company's net loss amounted to 6,598,777 thousand tenge. As at 31 December 2021, the Company's total liabilities exceed its total assets by 2,216,111 thousand tenge, and accumulated deficit amounted to 36,283,369 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.

Responsibility of management and those charged with governance for the financial statements

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

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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 the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether 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 the 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 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements of QAZAQ AIR JSC, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Evgeny Zhemaletdinov

Engagement Partner

Certified Auditor of the Republic of Kazakhstan Qualification certificate №MF-00000553 dated 20 December 2003

Erzhan Dossymbekov

General Director ----------
Grant Thornton LLP

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

27 February 2023, the Republic of Kazakhstan, Almaty

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR

KZT thous	Note	2022	2021
Revenue and other income			
Revenue from sales and other operating income	5	20,415,161	12,753,160
Total revenue and other income		20,415,161	12,753,160
Operating expenses			
Fuel		(4,256,259)	(2,946,023)
Employee costs	6(a)	(4,025,950)	(3,115,688)
Depreciation and amortization		(2,399,690)	(2,831,399)
Handling, landing fees and route charges	6(b)	(2,167,880)	(1,500,760)
Engineering and technical services	6(c)	(1.692.041)	(1,897,388)
Passenger service	6(d)	(1,593,626)	(1,009,699)
Transport, accommodation and subsistence costs		(596,469)	(336,620)
Insurance		(474,832)	(375,611)
Training costs		(419,219)	(215,604)
Information technology		(414,234)	(333,940)
Sales expenses	6(e)	(303,205)	(57,352)
Property lease cost		(156,855)	(157,800)
Consultancy, legal and professional fees		(72,505)	(61,029)
Aircraft licenses		(18,383)	(36,924)
Provided staff costs		(14,257)	
Other		(336,376)	(236,229)
Total operating expenses		(18,941,781)	(15,112,066)
Profit from current operating activities		1,473,380	(2,358,906)
Gain on reversal / loss on impairment of property, plant and equipment	9	1,720,455	(441,593)
Profit from operating activities		3,193,835	(2,800,499)
Finance income	7	344,976	84,849
Finance costs	7	(5,417,813)	(4,994,920)
Other expense, net		(135,911)	(14,475)
Net foreign exchange loss		111,367	(36,789)
Loss before income tax		(1,903,546)	(7,761,834)
(Expenses) / savings on corporate income tax	8	(4,695,231)	1,300,038
Loss for the period		(6,598,777)	(6,461,796)

The notes on pages 5 - 37 are an integral part of these financial statements.

THE YEAR ENDED 31 DECEMBER 2022

Chairman of the Management Board _____
Erkin Anessovich Nauryzbayev

Financial Director _____
Adilbek Umraliyev

Chief Accountant _____
Gulmira Kazbekovna Kissekova

27 February 2023, the Republic of
Kazakhstan, Astana

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

KZT thous	Note	31 December 2022	31 December 2021
Assets			
Property, plant and equipment	9	25,593,214	23,280,749
Intangible assets		19,889	23,875
Prepayments and deferred expenses	10	–	276,453
Non-current assets		25,613,103	23,581,077
Inventories	11	1,812,434	1,064,224
Trade and other receivables			
Prepayments and deferred expenses	10	1,170,161	772,504
Cash and cash equivalents	13	5,231,857	3,674,715
Current assets		8,434,295	5,662,245
Total assets		34,047,398	29,243,322
Equity capital			
Charter capital	14	34,067,259	120,000
Accumulated loss		(36,283,370)	(11,102,634)
Total equity deficit		(2,216,111)	(10,982,634)
Liabilities			
Loan from the Parent Company	15	32,473,873	37,776,355
Lease liabilities		–	–
Non-current liabilities		32,473,873	37,776,355
Lease liabilities			2,386
Trade and other payables	16	2,046,144	1,332,100
Other taxes payable except CIT		100,131	91,537
Deferred income	17	1,373,403	787,383
Advances received		269,958	236,195
Current liabilities		3,789,636	2,449,601
Total liabilities		36,263,509	40,225,956
Total equity and liabilities		34,047,398	29,243,322

The notes on pages 5 - 37 are an integral part of these financial statements.

Chairman of the Management Board _____ Erkin Anessovich Nauryzbayev

Financial Director _____ Adilbek Umraliyev

Chief Accountant _____ Gulmira Kazbekovna Kissekova

27 February 2023, the Republic of
Kazakhstan, Astana

KZT thous	Charter capital	Accumulated loss	Equity deficit
As of 1 January 2021	**120,000**	**(9,892,478)**	**(9,772,478)**
Total comprehensive income			
Loss for the year	–	(6,461,796)	(6,461,796)
Other comprehensive income	–		–
Total comprehensive loss for the reporting year		**(6,461,796)**	**(6,461,796)**
Transactions with the owner of the Company			
Recognition of discount on the loan provided by the Parent Company, net of tax (Note 15)		5,251,640	5,251,640
Total transactions with the owners of the Company		**5,251,640**	**5,251,640**
Balance at 31 December 2021	**120,000**	**(11,102,634)**	**(10,982,634)**
As of 1 January 2022	**120,000**	**(11,102,634)**	**(10,982,634)**
Total comprehensive income/(loss)			
Loss for the year	–	(6,598,777)	(6,598,777)
Equity contribution from the Parent Company	33,947,259	–	33,947,259
Other comprehensive income			–
Total comprehensive loss for the reporting year	**33,947,259**	**(6,598,777)**	**27,348,483**
Transactions with the owner of the Company			
Release of discount on loan from Parent Company		(18,581,959)	(18,581,959)
Total transactions with the owners of the Company		**(1,831,959)**	**(18,581,959)**

The notes on pages 5 - 37 are an integral part of these financial statements.

Gulmira Kazbekovna Kissekova

27 February 2023, the Republic of Kazakhstan, Astana /Ekin Anessovich Nauryzbayev

STATEMENT OF CHANGES IN EQUITY CAPITAL FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS

KZT thous	2022	2021
Cash flows from operating activities	22,034,688	13,982,233
Cash receipts from customers	(12,987,773)	(9,327,357)
Cash paid to suppliers	(3,876,947)	(3,444,229)
Cash paid to employees	(717,135) (15,498)	(552,904)
Cash paid for taxes other than corporate income tax Payment of interest received		
Cash flows from operating activities	**4,437,35**	**657,743**
before interest and corporate income tax paid Interest received	344,976	85,781
Corporate income tax paid	(49,741)	(12,872)
Net cash flows from operating activities	**4,732,570**	**730,652**
Cash flows from investing activities	(3,244,677) (211)	(1,249,259)
Acquisition of property, plant and equipment Acquisition of intangible assets		
Cash flow used in investing activities	**(3,244,888)**	**(1,249,259)**
Cash flows from financing activities	33,947,259	2,544,971
Proceeds from loan from the Parent Company (Note 15) Contributions to charter capital (Note 14) Loan repayments from the Parent Company Payments for lease liabilities, including interest paid	(33,932,150) (2,653)	
Net cash flows from financing activities	**12,456**	**2,544,971**
Net increase in cash and cash equivalents	**1,500,138**	**2,026,364**
Cash and cash equivalents at 1 January Effect of foreign exchange differences	3,674,756 57,591	1,674,646 (26,295)
Change in allowance for expected credit losses	(628)	
Cash and cash equivalents at 31 December (Note 13)	**5,231,857**	**3,674,715**

The notes on pages 5 - 37 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2022

Chairman of the Management Board _____ Erkin Anessovich Nauryzbayev

Financial Director _____ Adilbek Umraliyev

Chief Accountant _____ Gulmira Kazbekovna Kissekova

27 February 2023, the Republic of Kazakhstan, Astana

1. GENERAL INFORMATION

QAZAQ AIR Joint Stock Company (the "Company") was established on 1 April 2015 in accordance with the legislation of the Republic of Kazakhstan on the basis of the decision of the Board of Directors of Samruk-Kazyna National Welfare Fund JSC No. 117 dated 30 January 2015.

The Sole Shareholder of the Company is Samruk-Kazyna National Welfare Fund JSC (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 an interregional hub route network, which includes domestic and international routes, as well as state-subsidized socially important destinations.

As at 31 December 2022, the Company operated five of its own De Havilland Dash 8 Q400 NextGen turboprop aircrafts. The Company's fleet is included in the Kazakh register of aircrafts. The company has a licensed line maintenance station and a Certified Aviation Training Centre. The company is an official member of the International Air Transport Association IATA and is certified according to the IOSA international standard of industrial safety

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

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 amended standards during the year under review, effective from 1 January 2022:

- Amendments to IFRS 3 - Conceptual Framework References;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds Before Intended Use;
- Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract;
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - a subsidiary that applies International Financial Reporting Standards for the first time;
- Amendment to IFRS 9 Financial Instruments - fee on the '10% test' when financial liabilities are derecognized;
- Amendment to IAS 41 Agriculture - taxation on fair value measurements.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds Before Intended Use

In May 2021, the IASB issued 'Property, Plant and Equipment: Proceeds Before Intended Use', which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced in bringing that item to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity recognizes the proceeds from the sale of those items, as well as the cost of producing those items, in profit or loss.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING (CONTINUED)

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

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds Before Intended Use (continued)

These amendments are effective from 2022 and shall be applied retrospectively to those items of property, plant and equipment that became available for use on (or after) the commencement date of the earliest period presented in the financial statements in which the entity first applies the amendments. This amendment had no impact on the financial statements of the Company.

Amendment to IFRS 9 Financial Instruments - fee on the '10% test' when financial liabilities are derecognized

As part of the 2018-2020 annual improvements to IFRS, the IASB has issued an amendment to IFRS 9 Financial Instruments. The amendment clarifies the amount of fees an entity considers when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Such amounts include only those fees paid or received between a particular lender and borrower, including fees paid or received by the lender or borrower on behalf of the other party. An entity shall apply this amendment to financial liabilities that are modified or replaced at the beginning of (or after) the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual periods beginning on or after 1 January 2022. This amendment had no impact on the financial statements of the Company.

Management believes that the Amendments to IFRS 3, IAS 37, IFRS 1 and IAS 41 are not relevant to the Company.

Standards issued but not effective yet

The following are new standards, amendments and interpretations that have been issued but are not yet effective as of the date the Company's financial statements are issued. The Company intends to apply these standards, amendments and interpretations, if applicable, from the effective date.

- Amendments to IFRS 17 Insurance Contracts;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IAS 1 and Practice Statement #2 on Application of IFRS - Accounting Policy Disclosures;
- Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

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

In January 2021, the IASB issued amendments to paragraphs 69-76 of IAS 1 that clarify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement of a liability;
- the right to defer settlement must exist at the end of the reporting period;
- the classification of a liability is not affected by the likelihood that an entity will exercise its right to defer settlement of the liability;
- the terms of the liability will not affect its classification only if the derivative embedded in the convertible liability is itself an equity instrument.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING

(CONTINUED) Standards issued but not effective yet (continued)

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (continued)

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively. The Company is currently analyzing the possible impact of these amendments on the current classification of liabilities.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 that introduce a definition of "accounting estimates". The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and error correction. The paper also explains how organizations use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual 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 beginning of that period. Early application is permitted, subject to disclosure of this fact. These amendments are not expected to have a material impact on the Company.

Amendments to IAS 1 and Practice Statement #2 on Application of IFRS - Accounting Policy Disclosures

In February 2021, the IASB issued amendments to IAS 1 and Practice Statement No. 2 on the application of IFRSs, 'Making Materiality Judgements', which provide guidance and examples to help entities apply materiality judgements in their accounting policy disclosures. The amendments should help entities disclose more useful accounting policies by replacing the requirement for entities to disclose 'significant accounting policies' with a requirement to disclose 'material accounting policies' and by adding guidance on how entities should apply materiality when making accounting policy disclosure decisions.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. As the amendments to IFRS 2 provide optional guidance on applying the definition of materiality to accounting policy information, the effective date of the amendments need not be specified.

Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12 that narrow the scope of the initial recognition exemption under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments shall 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 there is sufficient taxable profit) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences relating to leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently analyzing the potential impact of these amendments.

Management believes that IFRS 17 Insurance Contracts is not applicable to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

Going concern

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 2022, the Company's revenue increased by 60% to KZT 20,415,161 thousand compared to KZT 12,753,160 thousand last year. Growth factors are the full recovery of the domestic air transport market and the Company's launch of regular international routes to nearby cities in neighbouring countries.

As a result, in 2022 the Company achieved an increase in positive cash flows from operating activities in the amount of KZT 4,732,570 thousand (31 December 2021 KZT 730,652 thousand). As at 31 December 2022, the balance of cash and cash equivalents with the Company was KZT 5,231,857 thousand (31 December 2021: KZT 3,674,715 thousand).

For the year ended 31 December 2022, the Company incurred a net loss of KZT 6,598,777 thousand (2021: KZT 6,461,796 thousand) and the Company's total liabilities as at 31 December 2022 exceed its total assets by KZT 2,216,111 thousand (31 December 2021: KZT 10,982,634 thousand). Net loss for 2022 includes amortization of discount on borrowings from the Parent Company in the amount of KZT 4,857,406 thousand (2021: KZT 4,456,432 thousand). The major share of the Company's liabilities of 95% of all liabilities is represented by loans from the Parent Company for the purchase of aircraft and provision of their scheduled maintenance.

The circumstances described above indicate that the continuity of the Company's operations for the foreseeable future is dependent primarily on the decisions of the Parent Company. To support current operating activities, the Parent Company increased its share capital by KZT 33,947,259 thousand in 2022.

There is no intention or need for the Company's management to liquidate or curtail operations. These financial statements of the Company have been prepared on a going concern basis, which assumes the continuation of significant support from the Parent Company, including the possible execution of financing and conversion of loans into equity of the Company, if necessary. As at 31 December 2022 and 2021, these financial statements have been prepared on a going concern basis.

Functional and presentation currency

The national currency of the Republic of Kazakhstan is Tenge ("KZT"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand, unless otherwise stated.

Assessment base

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.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 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 recognized 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. Certain portion of revenue from unused tickets is recognized at the actual flight date in the amount presuming that the probability that a customer will claim the Company to perform its obligations for the service is remote.

Financial income and expenses

For all financial instruments measured at amortized cost, interest income or expense is recognized 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 m a currency other than the functional currency (foreign currency) are reflected at the exchange rate at the date of 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 m 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 m a foreign currency are not restated. Exchange differences on monetary items arising from changes in exchange rates are recognized in profit or loss in the period in which they occur.

The weighted average exchange rates prevailing on the Kazakhstan Stock Exchange (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 recognized 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 recognized 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate income tax

Corporate income tax expense includes current income tax and deferred tax. Current and deferred tax are recognized m profit or loss, except to the extent that it relates to items recognized 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 m effect or in substance m effect at the reporting date, and income tax adjustments of previous years.

Deferred tax

Deferred tax is recognized 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 recognized for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized 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 utilized. 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 realized.

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

Property, plant and equipment

Recognition and valuation

Items of property, plant 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.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) Property,

plant and equipment (continued) ***Recognition and valuation (continued)***

If significant components that make up an item of property, plant and equipment have different useful lives, they are accounted for as separate items (significant components) of property, plant 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 recognized 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 recognized 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 recognized directly under the revaluation surplus heading in other comprehensive income. However, such an increase in value shall be recognized in profit or loss to the extent that it reverses a decrease in the same asset previously recognized in profit or loss.

Decrease in value resulting from the revaluation of an aircraft is recognized in profit or loss for the period. However, such a decrease is recognized 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 cost 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 recognized in profit or loss for the period at the time they are incurred.

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:

Group of property, plant and equipment	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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED Property,

plant and equipment (continued) Depreciation (continued)

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.

Intangible assets

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

Subsequent costs

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

Amortization

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

Typically, each component of an intangible asset is amortized 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:

Group of intangible assets	Useful life
Software	3 - 10 years

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

Deferred expenses

Deferred expenses represent prepayments for insurance, licence and software services to be amortized on a straight-line basis over the periods when the services are provided.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

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 recognized in profit or loss for the year.

Recognition and initial measurement

Trade receivables are initially recognized when they are incurred. All other financial assets and liabilities are initially recognized 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 amortized 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 amortized 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; and
- 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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets - business model evaluation (continued)

- 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.

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; and
- 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.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) Financial

instruments (continued)

Financial assets - subsequent measurement and gains and losses **Financial assets**

measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by the amount of the impairment loss. Interest income, exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized 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 derecognized and the new financial asset is recognized 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.

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;
- 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 amortized 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 amortized over the remaining life of the modified financial asset.

Financial liabilities

The Company derecognizes a 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 recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(continued)

The difference between the carrying amount of the former financial liability and the amount of the new financial liability with modified terms is recognized in profit or loss. The difference arising on modification of terms and conditions of transactions with shareholders are recognized in equity as part of the transaction with the entity owner.

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 amortized 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 a financial liability;
- change in the type of collateral or other means of improving the quality of the liability;
- adding a conversion condition;
- change in the subordination of a financial liability.

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 recognized 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 amortized over the remaining life of the modified liability.

Derecognition **Financial assets**

The Company derecognizes 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 recognized 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 derecognized.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition (continued) **Financial assets**

The Company derecognizes a financial liability when the contractual obligations under it are discharged, canceled or terminated. The Company also derecognizes 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 recognized 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 recognized 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 recognized amounts and intends to either settle them on a net basis or realize the asset and fulfill the obligation at the same time.

Charter 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.

Impairment

Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized 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 recognized 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.

Loss allowances for margin, trade and other receivables will always be measured at an amount equal to lifetime expected credit losses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) Impairment

(continued)

Non-derivative financial assets (continued)

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

Financial instruments

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.

ECL score

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 amortized 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.

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 amortized cost are deducted from the gross carrying amount of those assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Lease

At the time of conclusion of the contract, an 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease (continued)

The Company as a lessee (continued)

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

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.

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 recognized 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 recognized 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 2022. 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 a number of disclosures require an assessment of the fair value of both 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).

4. USE OF PROFESSIONAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED) Revaluation of property and equipment (continued)

In 2022 and 2021, the Company used data from global indicative analytical agencies IBE and Ascend to independently assess the market value of aircrafts. In 2022, as a result of the valuation exercise, the Company recognized a revaluation surplus of KZT 1,720,455 thousand (Note 9).

5. REVENUE AND OTHER OPERATING INCOME

KZT thous	2022	2021
Revenue from passenger transportation		
Regular passenger transportation	20,119,850	12,369,245
including:		
- *fuel surcharges*	*1,736,548*	*1,024,007*
- *airport fees*	*1,008,228*	*577,061*
- *excess baggage*	*107,584*	*123,819*
Charter flights	171,011	282,840
Total revenue from contracts with customers	**20,290,861**	**12,652,085**
Other income		
Other income	124,300	101,075
	124,300	**101,075**
	20,415,161	**12,753,160**

For the year ended 31 December 2022, domestic passenger revenue accounted for 62% (2021: 94%) of total passenger revenue.

During 2022 and 2021, the Company did not have revenue from transactions with a single customer in excess of 10% of total revenue.

6. OPERATING EXPENSES

(a) Employee costs

KZT thous	2022	2021
Operating personnel salary	2,941,231	2,291,982
Salary of administrative staff	631,820	498,094
Sales staff salaries	88,495	66,896
Social tax and social contributions	364,404	258,716
	4,025,950	**3,115,688**

The number of employees in the Company was 309 as at 31 December 2022 (31 December 2021: 276).

(b) Handling, landing fees and route charges

KZT thous	2022	2021
Landing fees	504,548	479,770
Ground handling	515,371	409,639
Air navigation	715,892	300,787
Security	361,565	215,852
De-icing fluid	70,504	94,712
	2,167,880	**1,500,760**

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022 (CONTINUED)

6. OPERATING EXPENSES (CONTINUED)

(c) Engineering and technical maintenance

KZT thous	2022	2021
Spare parts and maintenance	1,353,384	1,588,217
Parking lot maintenance	247,810	169,589
Other	90,847	139,582
	1,692,041	**1,897,388**

Parking maintenance costs are costs for services provided by the supplier, which include regular checks of aircrafts and current repairs.

(d) Passenger service

KZT thous	2022	2021
Airport fees	1,384,286	830,126
Catering	157,756	149,292
Other	51,584	30,281
	1,593,626	**1,009,699**

(e) Sales expenses

KZT thous	2022	2021
Commissions paid to air ticket sales agencies	266,128	52,447
Credit card service fee	32,917	2,117
Other	4,160	2,788
	303,205	**57,352**

During 2022, the Company operated 745 international flights (2021: 118), resulting in an increase in the cost of commissions paid to ticket sales agencies.

7. FINANCIAL INCOME AND EXPENSES

KZT thous	2022	2021
Finance income		
Interest income on bank deposits	344,976	84,849
	344,976	**84,849**
Finance costs		
Amortization of the discount on the loan from the Parent Company and interest expenses (Note 15)	5,417,718	4,994,358
Interest expense on lease liabilities	95	562
	5,417,813	**4,994,920**

8. Corporate income tax expenses

The applicable tax rate for the Company is 20% and represents the income tax rate for Kazakhstan companies.

KZT thous	2022	2021
Current income tax expense	49,741	12,872
Deferred income tax expense/ (savings)	4,645,490	(1,312,910)
(Expenses) / savings on corporate income tax	**4,695,231**	**(1,300,038)**

8. CORPORATE INCOME TAX EXPENSE (CONTINUED)

Reconciliation of the effective tax rate:

	2022		2021	
	KZT thous	%	KZT thous	%
Loss before income tax	**(1,903,532)**	**100**	**(7,761,834)**	**100**
Income tax calculated at the established rate applicable to the Company	(380,706)	20.0	(1,552,367)	20.0
Tax effect of non-deductible expenses	588,920	(23,8)	180,403	(0.9)
Unrecognized tax loss	4,487,017	(235.7)	71,926	(0.4)
	4,695,231		**(1,300,038)**	

Change in temporary differences during the year:

KZT thous	1 January 2022	Recognized in profit or loss	Recognized in equity	31 December 2022
Tax losses carry-forward	8,549,461	(291,186)	(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)	-	0
Deferred tax assets	**8,573,909**	**(226,733)**	**-**	**8,347,176**
Loan from the Parent Company	(6,673,572)	971,481	4,645,490	(1,056,601)
Property, plant 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**
Unrecognized tax asset	(223,340)	(4,487,017)	-	(4,710,357)
Total deferred tax asset	**-**	**(4,645,490)**	**4,645,490**	**-**

KZT thous	1 January 2021	Recognized in profit or loss	Recognized in equity	31 December 2021
Tax losses carry-forward	7,558,279	991,182	-	8,549,461
Trade and other payables	23,723	(7,578)	-	16,145
Other taxes payable	6,282	136	-	6,418
Intangible assets	1,744	(336)	-	1,408
Lease liabilities	1,217	(740)	—	477
Deferred tax assets	**7,591,245**	**982,664**	**—**	**8,573,909**
Loan from the Parent Company	(6,251,948)	891,286	(1,312,910)	(6,673,572)
Property, plant and equipment	(1,186,766)	(489,819)	-	(1,676,585)
Right-of-use assets	(1,117)	705	—	(412)
Deferred tax liabilities	**(7,439,831)**	**402,172**	**(1,312,910)**	**(8,350,569)**
Deferred tax asset/(liability)	**151,414**	**1,384,836**	**(1,312,910)**	**223,340**
Unrecognized tax asset	(151,414)	(71,926)	-	(223,340)
Total deferred tax asset/(liability)	**-**	**1,312,910**	**(1,312,910)**	**—**

The cumulative tax losses of 41,291,376 thousand tenge as at 31 December 2022 (31 December 2021: 41,630,605 thousand tenge) expire ten years from the date of origination. The nearest expiration period for accumulated tax losses in the amount of 487,618 thousand tenge is in 2025.

9. PROPERTY, PLANT AND EQUIPMENT

KZT thous	Aircrafts	Vehicles	Machinery and equipment	Computers and office equipment	Right-of-use assets	Construction in progress	Total
Initial/revalued cost							
As of 1 January 2021	**37,205,043**	**31,869**	**17,652**	**117,896**	**10,586**	**-**	**37,383,046**
Receipts and lease modifications	144,573	-	2,254	3,898	-	1,098,534	**1,249,259**
Outflows	(110,655)	-	-	(5,314)	-	-	**(115,969)**
Internal transfers	937,526	-	-	588	-	(938,114)	
As at 31 December 2021	**38,176,487**	**31,869**	**19,906**	**117,068**	**10,586**	**160,420**	**38,516,336**
Inflows	-	-	5,131	15,755	-	2,845,598	**2,866,484**
Outflows	-	-	-	(2,385)	(10,585)	(1,361)	**(14,331)**
Internal transfers	3,126,688	-	805	-	-	(3,044,643)	**122,850**
As at December 31, 2022	**41,303,175**	**31,869**	**25,842**	**130,438**	**1**	**14**	**41,491,339**
Accumulated depreciation							
As of 1 January 2021	**(11,958,235)**	**(25,921)**	**(8,964)**	**(83,432)**	**(4,999)**	**-**	**(12,081,551)**
Accrued for the year	(2,802,402)	(4,780)	(1,844)	(15,067)	(3,528)	**-**	**(2,827,621)**
Outflows	110,655	-	-	4,523	-	**-**	**115,178**
Revaluation	(441,593)	-	-	-	-	**-**	**(441,593)**
As at 31 December 2021	**(15,091,575)**	**(30,701)**	**(10,808)**	**(93,976)**	**(8,527)**	**-**	**(15,235,587)**
Accrued for the year	(2,378,688)	(1,167)	(4,033)	(10,016)	(1,591)	**-**	**(2,395,495)**
Outflows	-	-	-	2,385	10,117	**-**	**12,502**
Revaluation	1,720,455	-	-	-	-	**-**	**1,720,455**
As at December 31, 2022	**(15,749,808)**	**(31,868)**	**(14,841)**	**(101,607)**	**(1)**	**-**	**(15,898,125)**
Book value							
As at 31 December 2021	**23,084,912**	**1,168**	**9,098**	**23,092**	**2,059**	**160,420**	**23,280,749**
As at December 31, 2022	**25,553,367**	**1**	**11,001**	**28,831**	**-**	**14**	**25,593,214**

From October 2021 to September 2022, the Company completed scheduled basic maintenance on five aircraft in Germany and AOE at authorized aircraft maintenance organisations.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

KZT thous	31 December 2022	31 December 2021
Initial cost	41,303,175	38,176,487
Accumulated depreciation	(11,215,089)	(8,836,401)
Accumulated impairment balance	(4,534,719)	(6,255,174)
Residual value	**25,553,367**	**23,084,912**

In 2022, an independent appraisal firm, Independent Expert Valuation LLP, appraised the fair market value of five DHC-8 400 model aircraft. In accordance with the independent appraiser's report, the Company recognised an increase in the fair value of aircraft in the amount of 1,720,455 thousand tenge in the profit or loss statement in 2022 (2021: decrease of 441,593 thousand tenge). As at 31 December 2022, the total revaluation loss on these assets amounted to 4,534,719 thousand tenge (31 December 2021: 6,255,174 thousand tenge).

As at 31 December 2022, all of the Company's aircraft with a carrying value of 25,553,367 thousand tenge were pledged as collateral for loans received from the Parent Company (31 December 2021: 3,084,912 thousand tenge).

10. PREPAYMENTS AND DEFERRED EXPENSES

KZT thous	31 December 2022	31 December 2021
Long-term		
Deferred expenses for employee training	-	276,453
	-	**276,453**
Short-term		
Deferred expenses	291,070	191,363
Prepayment for goods	500,686	464,234
Prepayment for services	362,892	99,171
Prepayment for other taxes	15,513	17,736
	1,170,161	**772,504**

11. INVENTORIES

KZT thous	31 December 2022	31 December 2021
Spare parts	1,248,407	751,502
Aviation fuel	441,044	259,025
Uniform	36,312	35,560
Other materials	110,737	77,806
	1,836,500	**1,123,893**
Write-down of inventories to net realizable value	(24,066)	(59,669)
	1,812,434	**1,064,224**

12. TRADE AND OTHER RECEIVABLES

KZT thous	31 December 2022	31 December 2021
Trade receivables	229,816	51,505
Accounts receivable of employees	31,278	34,436
Value added tax receivable	117,655	83,106
Provision for doubtful accounts receivable	(158,906)	(18,245)
	219,843	**150,802**

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

13. CASH AND CASH EQUIVALENTS

KZT thous	31 December 2022	31 December 2021
Current accounts in Kazakhstan banks	2,429,403	2,663,021
Short-term deposits with original maturities less than 90 days in Kazakhstan banks	2 803 474	1011 905
Cash on hand	84	265
	5,232,961	**3,675,191**
Allowance for expected credit losses	(1,104)	(476)
	5,231,857	**3,674,715**

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

14. CHARTER CAPITAL Charter capital

thous tenge	31 December 2022	%	31 December 2021	%
Samruk-Kazyna National Welfare Fund JSC	34,067,259	100	120,000	100

In September 2022, the Sole Shareholder decided to replenish the charter capital of the Company to repay previously issued loans by repurchasing 147,089 ordinary shares of QAZAQ AIR JSC at an issue price of 230,794 thous tenge per ordinary share for a total amount of 33,947,259 thous tenge. Therefore, as at 31 December 2022, the Company's charter capital was 34,067,259 tenge (31 December 2021 120,000).

Dividends

Under the laws of the Republic of Kazakhstan, a shareholder of the Company is entitled to include in dividends the amount of retained earnings of previous years. No profit distribution is allowed if equity becomes negative or if the distribution of net income would cause the insolvency or insolvency of the Company.

The Company did not declare or pay dividends during 2022 and 2021.

15. LOAN FROM THE PARENT COMPANY (CONTINUED)

Reconciliation of changes in liabilities and cash flows from financing activities

KZT thous	Loan from the Parent Company
Balance as at 1 January 2022 37,776,355 Changes due to cash flows from financing activities	
Raising borrowed funds -	
Repayment of loan from the Parent Company	(33,947,648)
Total changes in cash flows from financing activities	**3,828,707**
Other changes	
Accrued interest expense 560,311 Release of discount on loan from the Parent Company 23,227,449	
Amortization of the discount on the loan from the Parent Company	4,857,406
Total other changes	**28,645,166**
Balance as of December 31, 2022	**32,473,873**

KZT thous	Loan from the Parent Company
Balance as at 01 January 2021	**36,801,576**
Changes in cash flows from financing activities	
Raising borrowed funds	2,544,971
Total changes in cash flows from financing activities	**2,544,971**
Other changes	
Interest expense	537,926
Amortization of the discount on the loan from the Parent Company	4,456,432
Recognition of the discount on the loan from the Parent Company	(6,564,550)
Total other changes	**(1,570,192)**
Balance at 31 December 2021	**37,776,355**

16. TRADE AND OTHER PAYABLES

KZT thous	31 December 2022	31 December 2021
Trade payables	1,526,999	1,189,988
Wage arrears to employees	501,037	138,759
Other	18,108	3,353
	2,046,144	**1,332,100**

The Company's exposure to FX and liquidity risk related to trade and other payables is disclosed in Note 18.

17. DEFERRED INCOME

KZT thous	31 December 2022	31 December 2021
Deferred income	1,373,403	787,383
	1,373,403	**787,383**

Deferred income on transportation represents the value of sold but unused passenger tickets that have not yet expired.

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 approximates their carrying amounts. The basis for determining fair value is disclosed below.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

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 risks 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 has overall responsibility for organizing the Company's risk management system and overseeing the functioning of this system. The Management Board of the Company is responsible for developing the Company's risk management policy and supervising its implementation. The Management Board regularly reports on its work to the Board of Directors.

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, margin deposits and bank balances.

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

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:

KZT thous	Book value	
	31 December 2022	31 December 2021
Trade receivables	229,816	51,505
Cash and cash equivalents other than cash on hand and equipment	5,231,813	3,674,450
	5,461,629	**3,725,955**

Trade and other receivables

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer/client. As at 31 December 2021, there is no significant concentration of credit risk on trade account receivables (31 December 2020: none).

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (continued)

Trade and other receivables (continued)

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

KZT thous	31 December 2022	31 December 2021
	Not credit-impaired	Not credit-impaired
Other clients:		
- The duration of trading relations with the Company is less than 5 years	229,816	51,505
Total gross book value	**229,816**	**51,505**

Estimated expected credit losses for credit institutions as at 31 December 2022 and 2021

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 2022, the Company had cash and cash equivalents excluding cash on hand totaling 5,231,857 thousand tenge (31 December 2021: 3,674,450 thousand tenge) (Note 13). Cash and cash equivalents are placed with banks rated BB to BB + by Standard & Poor'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.

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 2022

KZT thous	Book value	Cash flows under the contract	Less than 2 mon.	Less than 12 mon.	Less than 5 years	Over 5 years
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	**37,756,879**	**39,193,865**	**1,434,038**	**2,948**	**-**

31 December 2021

thousand tenge	Book value	Cash flows under the contract	Less than 2 mon	Less than 12 mon	Less than 5 years	Over 5 years
Non-derivative financial liabilities						
Trade payables	1,189,988	1,189,988	1,189,988	-	-	-
Loan from the Parent Company	37,776,355	71,144,215	-	-	-	-
Lease liabilities	2,386	2,948	-	2,948	-	-
	38,968,729	**72,337,151**	**1,189,988**	**2,948**	**-**	**71,144,215**

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.

FX 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.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to currency risk

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

KZT thous	Tenge	US Dollar	Russian Ruble	Euro	British Pound	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**

KZT thous	Tenge	Dollar	Russian Ruble	Euro	Br. Pound	Total as at 31 December 2022
Financial liabilities:						
Accounts payable	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 Company's exposure to currency risk as at 31 December 2021 was as follows:

KZT thous	Tenge	US Dollar	Russian Ruble	Euro	British Pound	Total as at 31 December 2021
Financial assets:						
Cash and cash equivalents	2,133,633	1,298,851	242,398	44	-	3,674,926
Total financial assets	**2,133,633**	**1,298,851**	**242,398**	**44**	**-**	**3,674,926**

KZT thous	Tenge	US Dollar	Russian Ruble	Euro	British Pound	Total as at 31 December 2021
Financial liabilities:						
Accounts payable	469,452	698,007	10,178	12,275	76	1,189,988
Total financial liabilities	**469,452**	**698,007**	**10,178**	**12,275**	**76**	**1,189,988**
Open position	**1,664,181**	**600,844**	**232,220**	**(12,231)**	**(76)**	**2,484,938**

The following foreign exchange rates were applied during the year:

tenge	Spot exchange rate at the reporting date 31 December 2022	Spot exchange rate at the reporting date 31 December 2021
1 US dollar	462.65	431.80
1 euro	492.86	489.10

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

KZT thous	31 december 2022 KZT/ US dollar 21%	KZT/ US dollar (21%)	31 december 2022 KZT/ Russian ruble 22%	KZT/ Russian ruble 22%	KZT/ Euro 18%	KZT/ Euro (18%)
Impact on profit or loss and equity	396,589	(396,589)	191,703	191,703	6,129	(6,129)

KZT thous	31 December 2021 KZT/ US Dollar 13%	KZT/ US Dollar (10%)	31 December 2021 KZT/ KZT Russian Ruble 13%	Russian Ruble (13%)	31 December 2021 Euro	Euro
Impact on profit or loss and equity	81,386	(62,604)	23,654	(23,654)	(1,573)	1,210

Risk of interest rate change

As at 31 December 2022, 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 recognized 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 amortization (EBITDA) calculated by the Company as follows:

KZT thous	2022	2021
Revenue and other income	20,415,161	12,753,160
Cost of sales	(14,771,486)	(11,318,810)
Gross income	**5,643,675**	**1,434,350**
Administrative expenses	(1,260,347)	(781,262)
Sales expenses	(511,849)	(180,595)
EBITDA	**3,871,479**	**472,493**

The amount of impairment charge of property and equipment, which is part of operating expenses in 2022 and 2021 in the amount of 1,720,455 thousand tenge and 441,593 thousand tenge, respectively, was not included as cost in EBITDA calculation the Company according to the methodology provided the Parent Company. Other expenses and losses for 2022 and 2021 totaling 24,537 thousand tenge and 51,264 thousand tenge, respectively, are also not included in the EBITDA calculation.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED) Equity management

The Company does not have a formal equity management policy. However, management has a policy of maintaining a strong capital base in order to maintain the confidence of investors, creditors and the market, and to ensure the future development of the business.

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

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

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.

QAZAQ AIR JSC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
(CONTINUED)

20. RELATED PARTIES (CONTINUED) 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:

KZT thous	2022	2021
Salaries and bonuses	281,130	249,664
Social contributions	28,730	23,322
	309,860	**272,986**

As at 31 December 2022 and 2021, the key management personnel consists of the Chairman of the Management Board and members of the Management Board of the Company with a total of 3 people.

Other related-party transactions *Expenses*

KZT thous		2022	2021
Purchase of goods and services:			
Entities controlled by the Parent Company	1,600,474		296,196
Public enterprises		352,060	257,506
		1,952,534	**553,702**

Loans

KZT thous		31 December 2022	31 December 2021
Loans received net of repayments during the year			
Samruk- Kazyna National Welfare Fund JSC	30,766,230		36,724,437
Accrued interest		1,707,643	1,051,918
		32,473,873	**37,776,355**

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 primarily in Kazakhstan. Accordingly, the Company's business is influenced by the economy and financial markets of Kazakhstan, which are characterized by characteristics of an emerging market. The legal, tax and administrative systems continue to evolve, but are subject to the risk of ambiguous 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. EVENTS AFTER THE REPORTING DATE

There were no subsequent events required to be disclosed in these financial statements.

15. LOAN FROM THE PARENT COMPANY

KZT thous		31 December 2022	31 December 2021
Long-term			
Samruk- Kazyna National Welfare Fund JSC	30,766,230		36,724,437
Accrued interest expense payable		1,707,643	1,051,918
		32,473,873	**37,776,355**

In February 2019, the Company signed a 12-year loan agreement with the Parent Company for the purchase of two new DHC-8 Q400NG model DHC-8 Q400NG aircraft from Bombardier Inc. in the amount of 16,000,000,000 thous tenge with principal repayment in one sum at the end of the term and interest in semi-annual instalments with the first instalment payable after 60 months from the date of disbursement of the first tranche at a rate of 0.1% per annum. The Company pledged the acquired aircraft as collateral for this loan. The Company recognized a discount of 8,169,673 thousand tenge at the dates of receipt of tranches under this loan for the difference between the market rates at the dates of receipt and the nominal rate of 0.1% per annum. On 31 December the outstanding balance and unamortized discount on this loan amounted to 15,726,217 thousand tenge 2,221,574 thousand tenge, respectively.

In October 2019, the Company obtained a 15-year loan from the Parent Company for the acquisition of three DHC-8 Q400NG model aircraft in the amount of 21,000,000 thousand tenge with principal repayment due at the end of the term and interest in semi-annual instalments with the first instalment payable after 24 months from the date of disbursement of the first tranche at an interest rate of 2.5% per annum. On 2 November 2021, the interest maturity was increased to 60 months from the date of the first tranche. The Company pledged the acquired aircraft as collateral for this loan. The Company recognized a discount of 8,909,680 thousand tenge at the dates of receipt of tranches under this loan for the difference between the market rates at the dates of receipt and the nominal rate of 2.5% per annum. As at 31 December 2022, the amount available under this facility is 676,982 thousand tenge. As at 31 December, the outstanding balance and unamortized discount on this loan amounted to 20,323,018 thousand tenge 3,883,459 thousand tenge, respectively.

In September 2022, credit facilities under agreements #656-i and #652-i, with maturity date till 31 December 2030 and interest rate of 0.01% p.a. to finance the Company's operating activities, were repaid ahead of schedule in the amount of 20,636,329 thousand tenge and 13,311,319 thousand tenge, respectively, by using cash contributed by the Parent Company to the capital on the basis of the Parent Company's resolution. At the date of early repayment, the discount on initial recognition of the amounts on these loans in the amount of 23,227,449 was released.

Finance costs during the period ended 31 December 2022 amounted to 5,417,718 thousand tenge (2021: 4,994,358 thousand tenge).(Note 7).

All loans were initially recognized at fair value using the market rate of interest.