ELBRUS AIRWAYS

Finance and Ownership Structure

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PREPARED BY

APPROVED BY, MAHER ABAZA, CHAIRMAN OF THE BOARD

Amendment Record

Issue	Date	Summary of amendment
1.1	2 September 2026	Initial issue.

Contents

1 Scope

This document governs the ownership of the Airline, its capital structure, the composition and appointment of its Board, the financial authority delegated to its executive, and the financial control framework under which it operates. It sets the monetary thresholds referred to in Human Resources and Organization, GOV-08, and it is the sole record of who owns the Airline and on what terms.

Fare construction, ancillary revenue, distribution policy and the loyalty programme are matters of Commercial and Customer Experience, GOV-05, and are not set here. This document establishes how the Airline is owned, how it measures cost and how it holds money. It does not establish what the Airline charges.

2 Legal Form

The Airline is a joint stock company with its registered office at Sochi. Its financial year begins on 1 January and ends on 31 December.

The Airline has one class of ordinary shares, each carrying one vote. No share carries a preferential, weighted or veto right, and no shareholder holds a veto otherwise than through the supermajority requirements set out in this document.

3 Share Capital and Ownership

The issued share capital is held as follows.

Holder	Holding
Government of Circassia	40 per cent
Government of Abkhazia	20 per cent
Diaspora subscription	25 per cent
Domestic private and institutional subscription	15 per cent

The combined holding of the two Governments is 60 per cent at issue and is not reduced below 51 per cent by any allotment, transfer or reorganization.

The diaspora subscription is reserved to natural persons of Circassian or Abkhazian descent resident outside the home markets and to associations constituted to represent them. It is offered in a single subscription round and is reopened only by resolution of the general meeting.

The domestic private and institutional subscription is open to nationals of Circassia and Abkhazia resident in the home markets and to entities incorporated in them and controlled by nationals.

4 Ownership and Control

The Airline is designated by its home states under bilateral air service agreements, and every such agreement tests substantial ownership and effective control by nationals of the designating state. The following limits exist to hold that test and are not waivable by the Board.

1. The combined holding of the two Governments is never less than 51 per cent of the issued share capital.

2. The aggregate holding of persons who are not nationals of Circassia or Abkhazia never exceeds 25 per cent of the issued share capital.
3. No single holder other than the two Governments holds more than 5 per cent of the issued share capital, and no single holder who is not a national holds more than 3 per cent.
4. Every transfer of shares requires the prior approval of the Board, which refuses any transfer that would breach a limit above.
5. Shares held in breach of a limit above carry no vote and no entitlement to dividend until the breach is cured, and the Board may require their disposal.
6. The Chair of the Board, the Chief Executive Officer and a majority of the Board are nationals of Circassia or Abkhazia. The Airline maintains a register of shareholders recording nationality and beneficial ownership. A holder who does not evidence beneficial ownership on request is treated as holding in breach.

5 Board of Directors

The Board comprises nine members, appointed as follows.

Seats	Appointed or elected by
3	Government of Circassia
2	Government of Abkhazia
2	The private and diaspora shareholders in general meeting, one seat reserved to the diaspora subscription
2	The general meeting, as independent directors holding no shareholding and no contract with the Airline

No member of the Board holds an executive post in the Airline. The Chief Executive Officer attends every meeting of the Board and does not vote. An independent director chairs the Audit and Risk Committee, which satisfies the requirement in Human Resources and Organization, GOV-08, that the chair of that committee hold no executive post.

The term of a Board member is three years and is renewable. A member is removed by the Government or the meeting that appointed or elected that member.

The Chair is elected by the Board from among its members. The quorum is five members present, including at least one appointee of each Government. Decisions are taken by a majority of those present and voting, and the Chair holds a casting vote.

The following require a majority of 75 per cent of the issued share capital in general meeting, in addition to any approval reserved to the Board by GOV-08.

1. Any alteration of the share capital, of the holdings recorded above, or of the ownership and control limits.
2. The disposal of all or substantially all of the Airline's undertaking.
3. The relocation of the Airline's base out of Circassia.
4. The winding up of the Airline.

6 Capitalisation and Funding

The Airline is capitalised by subscription for its share capital. Launch funding covers the acquisition of the DHC-6 fleet, lease deposits and pre-delivery payments on the E175 and E195 fleets, certification and establishment costs, and working capital to the level set out below.

The E175 and E195 fleets are held on operating lease and carry no acquisition debt. The DHC-6 fleet is purchased and is funded from share capital, with export credit support sought where it is available on terms no less favourable.

Funding provided by a Government shareholder is provided on market terms and is documented as such, whether it is subscribed as equity or advanced as a loan. The Airline does not accept support that a competitor or a counterparty state could characterise as a subsidy, because the standing of the Airline's designation in bilateral negotiation is worth more than the concession.

The Airline holds cash and committed facilities covering not less than three months of fixed operating cost at all times. A forecast breach of that floor is reported to the Board immediately and is not managed within the executive.

Borrowing and capital raising are reserved to the Board by GOV-08 at any amount.

7 Currency, Accounting and Audit

The functional and reporting currency of the Airline is the United States dollar. Lease rentals, maintenance reserves, fuel, insurance, spares and contracted training abroad are denominated in that currency, and the Airline's revenue arrives in several others. Reporting in the currency of the cost base is the arrangement under which the Airline's results can be read.

The Airline prepares its accounts under International Financial Reporting Standards and is audited annually by an internationally recognized firm appointed by the general meeting on the recommendation of the Audit and Risk Committee. Where a home state requires accounts in a national currency, those accounts are prepared as a translation and the dollar accounts prevail.

Revenue from the sale of transportation is held as a liability until the transportation is flown or the right to it expires.

8 Treasury and Financial Risk

The Airline takes no position in any financial instrument for gain. Every treasury position exists to reduce an exposure the Airline already carries.

1. **Currency.** Balances in a currency other than the reporting currency are converted not less than weekly, and local balances are held only to the level of local obligations. The Airline's principal financial exposure is a revenue base concentrated in the currencies of the markets served against a dollar cost base, and it is not fully hedgeable.
2. **Fuel.** Not more than 60 per cent of forecast consumption for the following twelve months is hedged, and no position extends beyond eighteen months. Each programme is approved by the Audit and Risk Committee.

3. **Counterparties.** Deposits and treasury dealings are placed only with institutions holding an investment grade rating, and no single institution holds more than 40 per cent of the Airline's cash.
4. **Credit.** Sales on credit to agents and corporate accounts are made only against approved terms and, where the exposure warrants it, security.

9 Delegated Financial Authority

The following limits apply to every commitment of the Airline's money, in United States dollars, per transaction. A series of related transactions is treated as one transaction for this purpose.

Authority	Within the approved budget	Outside the approved budget
Director	25,000	Nil
Chief officer	100,000	Nil
Chief Executive Officer	500,000	100,000
Board	Above 500,000	Above 100,000

A commitment extending beyond three years, or exceeding 1,000,000 in aggregate over its term, requires Board approval whatever its annual value and whether or not it sits within the approved budget.

The matters reserved to the Board by GOV-08, being fleet, bases, network countries, borrowing, capital raising, senior appointments, the governing documents, and arrangements placing the Airline's aircraft or crews under another carrier's commercial control, require Board approval at any amount, including nil.

Sub-delegation is in writing, is recorded, and never exceeds the authority of the officer granting it.

10 Related Party Transactions and Conflicts of Interest

A shareholder may hold an executive post in the Airline. A Board member may not. Where a shareholder holds an executive post, the holding and the post are recorded in the register of interests and are disclosed in the annual accounts.

The Airline maintains a register of interests. Every Board member, chief officer and director declares their interests on appointment and on any change, and a person interested in a matter takes no part in the consideration or decision of it, including any decision on their own appointment or contract.

Every transaction between the Airline and a related party is made on arm's length terms, is reviewed by the Audit and Risk Committee whatever its value, and requires Board approval where it exceeds 100,000 United States dollars, the interested party being recused. All related party transactions are disclosed in the annual accounts.

11 Budget, Reporting and the Cost Model

The Board approves the annual business plan and budget before the start of the financial year to which they relate. Until a budget is approved, expenditure continues at the level of the preceding approved budget and no new commitment is made outside it below Board level.

The Executive Committee receives management accounts monthly. The Board receives them quarterly, together with the schedule integrity, safety and commercial reporting that accompanies them. Audited annual accounts are laid before the general meeting within four months of the financial year end.

The Chief Financial Officer maintains a unit cost model covering aircraft ownership, being lease rental, maintenance reserve and insurance, together with fuel, crew, maintenance, airport and en route charges, ground handling, distribution and sales, and fixed overhead. The model is expressed per block hour and per sector by aircraft type, is built on the block times published in the Network Schedule, GOV-03A, and is reviewed quarterly against actual cost.

No fare position and no break even claim is stated by the Airline until it rests on that model built from contracted and operated cost. The model is a control instrument and not a forecast.

12 Insurance

The Airline holds hull, hull war and allied perils, passenger and third party legal liability, and crew personal accident cover, at limits not less than those required by the law of any state served, by the terms of any lease, and by the international instruments to which the Airline's operations are subject. Cover is placed with internationally rated insurers and is reviewed annually by the Audit and Risk Committee.

13 Settlement and Banking

The Airline sells through its own direct channel and through agency channels in each market, settling in the currency of sale and converting under the treasury policy above.

Admission to industry settlement systems and access to international card acquiring are conditions of any wider distribution, and neither is held today. Until both are held, sale is by the Airline's direct channel with settlement through its own banking arrangements, and no commitment is made that depends on a settlement system to which the Airline has not been admitted.

14 Distribution of Profit

No dividend is declared before the Airline has recorded a profit in two consecutive financial years, and no dividend is declared that would take the Airline below the liquidity floor set out under Capitalisation and Funding. The Board recommends and the general meeting approves.