

ANNUAL 2008 REPORT



Flying higher than mountain peaks,
Seeing the world from unattainable heights,
Being where you want to be.

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STATISTICAL HIGHLIGHTS

Financial Statistics

USD'000

UNIT	2008	2007
Revenue	659,190	552,492
Operating expenses	634,481	502,176
Operating profit	24,709	50,316
Income before income tax	26,983	53,391
Net income	17,075	35,350
Non-current assets	59,205	48,008
Current assets, including:	145,171	152,940
Cash and cash equivalents	53,285	80,692
Stockholders' equity	120,970	113,370
Non-current liabilities	9,889	10,266
Current liabilities	73,517	77,312

Operating Statistics

INDICATORS	2008	2007	%
Flight hours	70,307	64,742	+ 9
Landings	27,755	25,632	+ 8
Passengers carried 000' pax	2,300	2,132	+ 8
Domestic routes 000' pax	1,507	1,396	+ 8
International routes 000' pax	794	736	+ 8
Cargo, baggage, mail Ton	16,343	13,262	+ 23
Passenger turnover 000' RPK	4,795	4,452	+ 8
Available seat kilometres 000'ASK	7,423	6,468	+ 15
Passenger seat factor %	65	69	

PRESIDENT'S LETTER



Of all of the seven years since the incorporation of the Company, 2008 has without question been the most difficult. Massive fuel increases earlier in the year followed by the global economic crisis and consequent dramatic drop in passenger and cargo demand, have hit the airline industry very hard and resulted in a wave of bankruptcies, cut-backs, mergers, restructuring and staff redundancies. Against this gloomy backdrop I am pleased to say that Air Astana has still managed to remain profitable (though considerably less so than in previous years), and we have made progress in many areas. The fleet has grown to 21 aircraft, the

network has grown by approximately 15%, we have entered the IOSA register, and we have successfully introduced a fully e-ticket IATA BSP into Kazakhstan, enabling us for the first time to operate our own sales and distribution in our home territory. Our on time performance has improved to 82,3% from 74,3% last year, and we have as far as possible controlled our costs effectively.

Looking to 2009 it is evident that there will be no early recovery. The banking crisis has now spread to commodity prices and the general economy, and although Kazakhstan is unlikely to be affected as seriously as many countries due to steps recently taken by the Government, the Central Bank and the banking regulator, the recession may well last well into 2010. For this reason we have very little growth planned for 2009 and have a very conservative expenditure budget.

We will take the opportunity of lower growth in 2009 to concentrate on strengthening internal procedures and communication, to introduce non-operational training and development of supervisory and management skills, and to further improve customer service standards. A specific project for cabin crew, the Inflight Performance Enhancement Programme, will be launched in February. The Ab Initio pilot training program at CAPT in Florida has already started and will be further extended next year. In summary, our 2009 strategy has two aims – firstly, to navigate our way through the recession and secondly, to take the right measures to ensure that we are well placed and prepared on all fronts to take full advantage of the recovery when it comes. I have absolutely no doubt whatsoever that the people of Air Astana will, as usual, rise to these challenges.

Peter Foster
President
Air Astana JSC

CORPORATE DATA

BOARD OF DIRECTORS

Chairman

Kanat Bozumbayev (until 26 December 2008)
Nurzhan Baidauletov (since 26 December 2008)

Members

Azat Bekturov
Nigel Bradley
Peter Earl (until 30 April 2008)
Michael O'Callaghan (since 30 April 2008)
Gulmira Sisenbina (until 30 April 2008)
Dmitriy Larionov (since 30 April 2008)
Lord Alexander Hesketh

BOARD COMMITTEES

Board Audit Committee

Chairman

Dmitriy Larionov

Member

Lord Alexander Hesketh

Board Remuneration Committee

Chairman

Lord Alexander Hesketh

Member

Dmitriy Larionov

Board Nominations Committee

Chairman

Dmitriy Larionov

Members

Azat Bekturov
Nigel Bradley

CORPORATE SECRETARY

Yelena Kondachkova

HEAD OF INTERNAL AUDIT SERVICE

Valentina Kheday

SHARE REGISTRAR

"Fondovy Center" JSC

Registered address: 92 Maulenov Str., 050012,
Almaty, Kazakhstan

Location: 79a, Zheltoksan Str., 050091,
Almaty, Kazakhstan

Tel.: (727) 250 89 61
Fax: (727) 250 16 96

AUDITOR

Deloitte, LLP

36, Al-Farabi Ave.,
Almaty Financial District,
Building "B",
Almaty, 050059,
Kazakhstan

CORPORATE DATA

EXECUTIVE MANAGEMENT

Peter Foster
President

Alma Aliguzhinova
Vice President Planning

Askhat Beisenbayev
Vice President Finance

Yerbol Ospanov
Vice President Government,
Corporate Affairs and Security

Galina Umarova
Vice President Procurement

Robert Bryant
Vice President Engineering
and Maintenance
(until 24 July 2008)

John Wainwright
Vice President Engineering and Maintenance
(since 24 July 2008)

Patrick Rotsaert
Vice President Flight Operations
(until 24 July 2008)

Tom Nichols
Vice President Flight Operations
(since 24 July 2008)

Ashendra Liyanage
Vice President Sales and Marketing

Gerhard Coetzee
Vice President Corporate Safety

Fred Gorman
Director In-flight

Oliver Mathwich
Director Ground Services

Ibrahim Canliel
Director Commercial Planning

Bella Tormysheva
Director Public Relations

Aidar Kashkarbayev
Director Legal

Yevgeniya Nee
Director Human Resources

Gerry Mitchell
Director IT & e-Commerce

Valentina Kheday
Director Internal Audit

Alima Zamanbekova
Chief Accountant

Berdykhan Agmurov
Control Centre Manager

Elena Obukhova
Manager Ground Services

FINANCIAL CALENDAR 2008

Issue of independent auditor's report on financial statements for 2007	25 April 2008
Preliminary approval of financial statements for 2007 by the Board of directors	19 June 2008
Approval of financial statements for 2007 by the General Stockholders' Meeting	24 July 2008
Announcement of dividends for 2007	1 August 2008
Publication of financial statements for 2007	7 August 2008

FINANCIAL CALENDAR 2009

Issue of independent auditor's report on financial statements for 2008	31 March 2009
Preliminary approval of financial statements for 2008 by the Board of directors	6 June 2009
Approval of financial statements for 2008 by the General Stockholders' Meeting	27 August 2009
Announcement of dividends for 2008	2 September 2009
Publication of financial statements for 2008	2 September 2009

Khan-Tengri Peak



SIGNIFICANT EVENTS IN 2008

February

- Air Astana commissions six new modern de-icing trucks which will be stationed at various airports around Kazakhstan: two trucks at Astana, and one each at Oskemen, Pavlodar, Kostanay and Shymkent airports. The purchasing of de-icing trucks is carried out in the frame of the investment project aimed at aircraft de-icing services improvements at Kazakhstan airports.



May

- Air Astana receives additional aircraft, an Airbus A320.

June

- Air Astana achieves the goal of making all of its routes E-Ticketable, thus meeting the goal of 100% E-Tickets set by IATA.



- Air Astana receives additional aircraft, an Airbus A320

July

- International rating agency Standard & Poor's assigns "5+" score to Air Astana in the sphere of corporate governance. At the present time this index corresponds to the highest level in the Republic of Kazakhstan for non-public companies. This appraisal of the Society's and its stockholders' activity, JSC Samruk (Kazakhstan) and BAE Systems (Great Britain), shows the result of effective work on implementation of the international standards in the sphere of corporate governance.

SIGNIFICANT EVENTS IN 2008

August

- Air Astana starts the program of initial pilot training or ab-initio. The CAPT Program (Commercial Airline Pilot Training Program) of Flight Training Services International is selected. Facility in Palm Coast Florida, USA.
- Air Astana receives its 21st aircraft, an Airbus A319.



November

- Air Astana opens new City Ticketing Office in Almaty. The new sales office is a big advantage for the airline's passengers, who will be able to obtain professional advice on booking, ticketing, changing flight details etc., and most importantly they can buy tickets directly from the airline.
- Air Astana opens new route to the capital of Kyrgyzstan Bishkek. The route Almaty–Bishkek–Almaty will be operated 4 times a week on Monday, Wednesday, Thursday and Sunday by turbo-propeller aircraft Fokker 50.
- Air Astana wins the award for Best e-Commerce Website in Kazakhstan at the annual National Internet Awards "AWARD.kz".



December

- Air Astana has been officially registered by IATA as an IOSA (IATA Operation Safety Audit) compliant carrier. IOSA is a complex safety and quality audit designed to assess the operational management and control systems of an airline based upon more than 900 internationally recognised standards. Air Astana became the first Central Asian airline to pass IOSA and one of six CIS airlines with an unrestricted IOSA certification.
- Air Astana opens its own ticket office in Astana. The sales office in Astana ranks second after Almaty.

MAIN DIRECTIONS FOR DEVELOPMENT IN 2008

Expansion of aircraft fleet

Expansion of aircraft fleet is an important strategic project of the Airline providing for acquisition of modern fuel-efficient aircraft which are able to compete with foreign carriers' fleets. In 2008, 3 additional aircraft were delivered:

- ▶ A320, 16 May 2008, 2008 YOM
- ▶ A320, 16 June 2008, 2008 YOM
- ▶ A319, 12 August 2008, 2008 YOM

In May 2008 the contract with Airbus company was signed for acquisition of 6 x A320 and 3 options. The delivery of these AC is planned for the period of 2012 – 2013.

During the reporting year the Company conducted negotiations with Boeing/Airbus companies on the issues of wide-body aircraft acquisition. The negotiations were also held with manufacturers of regional jet aircraft.

On the whole, the fleet of Air Astana in 2008 consisted of 21 aircraft.

Developing passenger network

The achieved industrial and financial results of the previous years allowed the Company to increase flow of air traffic and expand passenger network.

In 2008 the share of the airline in the domestic market was about 83%, without taking into account Astana-Almaty route this figure is estimated at about 77% of the market. The current share of the Airline in the international market in the reporting year was about 36%.

To secure the existing share in the domestic and international markets the Company introduced a number of additional services (electronic booking system, request flyer programme, etc.).

The expansion of aircraft fleet and existing market demand in 2008 allowed introducing new routes and increasing frequencies on the existing network.

Product competitiveness

The Airline carries out programme on increasing quality of the product.

As in the previous years in 2008 the Company focused on service improvements on board. Among these: introduction of the new in-flight entertainment programme, general upgrade of Business and Economy class menus, introduction of hot meal service on Fokker 50 aircraft for longer sector flights.

In June 2008 100% E-ticketing was introduced meeting the IATA target for a global removal of paper tickets.

City ticketing offices in Astana, Almaty and Atyrau were opened and Call-centre was launched, which became possible due to implementation of EBSP in Kazakhstan.

Corporate governance

The following activities took place in the sphere of corporate governance in 2008:

- Corporate Governance Code approved
- Board Committees created
- Regulations of the Internal Audit Service approved
- Action Plan for implementation of the Corporate Governance Code approved
- Regulations of the Board Committees approved
- Business Ethics Code approved
- Programme of Induction of newly elected members of the Board of Directors approved

On 11 July 2008 the International rating agency Standard & Poor's assigned "5+" score to Air Astana in the sphere of corporate governance which currently corresponds to the highest level in the Republic of Kazakhstan for non-public companies.

Anti-crisis measures

In the light of significantly increased fuel prices and deteriorating global and national economic conditions, especially since 4th Quarter 2008, a range of initiatives was undertaken by the management in order to protect the Company's financial stability:

- ASKs reduced by 8% resulting in reduced utilization of Boeing 767 fleet
- No additional Boeing 757 taken which was planned for 2008
- Recruitment stopped
- International cargo and passenger fuel surcharges increased
- Investment programme for 2008 reduced by 54% compared to the budgeted

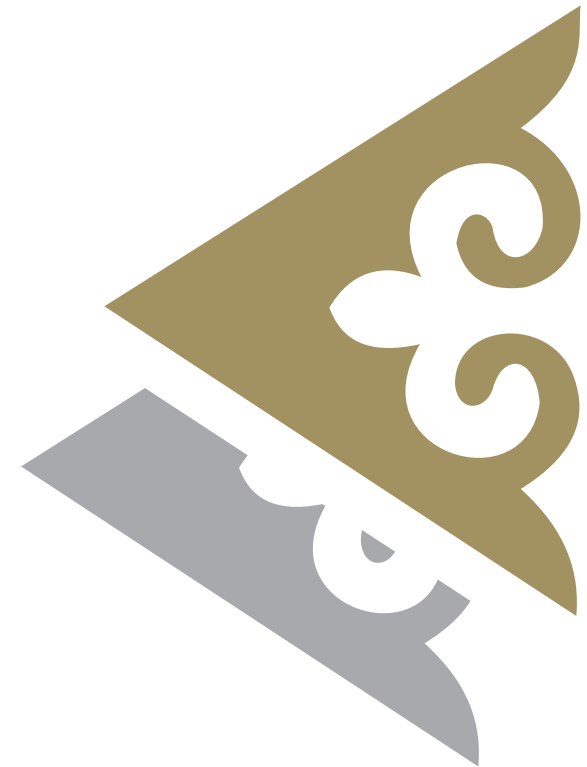


Khan Tengri Peak from Pass of the Eleven

PRIORITY OBJECTIVES FOR 2009

Priority objectives for the Company in 2009 are as follows:

- ▶ Maintaining the compliance with the best international standards in operations and maintenance of the fleet
- ▶ Maintaining the financial stability of the Airline and profitable operations
- ▶ Stabilizing quality of main elements of airline product such as punctuality and service levels
- ▶ Enhancing Revenue Management and developing direct channels of sales
- ▶ Optimizing costs in all areas
- ▶ Improving personnel training and development



NETWORK IN 2008



In 2008 Air Astana operated 22 domestic routes, including:

- Almaty – Aktau
- Almaty – Aktobe
- Almaty – Astana
- Almaty – Atyrau
- Almaty – Karaganda
- Almaty – Kyzylorda
- Almaty – Oral
- Almaty – Oskemen
- Almaty – Pavlodar
- Almaty – Shymkent
- Astana – Aktobe
- Astana – Atyrau
- Astana – Kostanay
- Astana – Kyzylorda
- Astana – Oral
- Astana – Oskemen
- Astana – Pavlodar
- Astana – Petropavlovsk
- Astana – Semey
- Astana – Zhezkazgan
- Atyrau – Aktau
- Kyzylorda - Atyrau

NETWORK IN 2008

In 2008 Air Astana operated 21 international routes, including:

Almaty – Bangkok
 Almaty – Beijing
 Almaty – Delhi
 Almaty – Dubai
 Almaty – Frankfurt
 Almaty – Istanbul
 Almaty – London
 Almaty – Moscow
 Almaty – Seoul
 Astana – Dubai
 Astana – Frankfurt
 Astana – Hannover
 Astana – Istanbul
 Astana – Moscow
 Astana – Urumqi
 Atyrau – Amsterdam
 Atyrau – Istanbul
 Karaganda – Hannover
 Kostanai – Frankfurt
 Kostanai – Hannover
 Almaty – Antalya (seasonal)
 Astana – Antalya (seasonal)



AIRCRAFT FLEET IN 2008

As of December 31, 2008, the aircraft fleet totaled 21 airplanes, including:

■ 2 x Boeing 767-300ER ■ 4 x Boeing 757-200 ■ 2 x Airbus A321 ■ 7 x Airbus A320 ■ 1 x Airbus A319 ■ 5 x Fokker 50



Boeing 767-300ER

The Boeing 767-300ER is a wide-body extended range aircraft. It has two GE CF6-80C2 engines each producing over 27 tonnes of thrust. The aircraft has a range of 10550 km and cruises at approximately 900 km/h. It has a cargo payload of 15 tonnes and weights up to 181 tonnes on takeoff. The cabin is configured with 30 business class seats with individual in-flight entertainment units (LCD screens), and 190 economy seats.

The Boeing 767 services the long range international routes.



Boeing 757-200

The Boeing 757-200 incorporates advanced technology for exceptional fuel efficiency, low noise levels, increased passenger comfort, and top operating performance. It can fly both long and short range routes and is powered by two very powerful and reliable Rolls-Royce RB211 jet engines.

These aircraft operate on both long and medium range international routes and domestic trunk routes.



Airbus A319/A320/A321 series

Air Astana is the first and only airline in Kazakhstan to use the Airbus A319/A320/A321. The A319/A320/A321 aircraft are very environmentally friendly and have the lowest fuel burn, levels of emissions and noise footprint of their class. The A320 employs the latest cockpit and avionics technology and is the fastest selling aircraft in the world today.

With the addition of the A319, A320 and the larger version A321 to its fleet, Air Astana is increasing the frequency of its international and jet operated domestic routes.

AIRCRAFT FLEET IN 2008



Fokker 50

The Fokker 50 is a twin turbo-propeller powered aircraft offering a quiet comfortable passenger cabin. The Air Astana Fokker 50 operates on domestic routes within Kazakhstan, connecting regional centres with the cities of Astana and Almaty, as well as providing feeder services to Air Astana's international and domestic trunk routes.

Regional Jet Aircraft

Regional Jet Aircraft selection process started in 2008 and recommendation for the selection of Embraer 190 were submitted to the Board of Directors.





Tuzkol Lake

ABOUT THE COMPANY

Air Astana JSC is a joint venture between the Kazakhstan State Holding “Samruk” (51%) and British company “BAE Systems” (49%).

Air Astana serves 22 domestic and 21 international destinations and operates one of the youngest aircraft fleets in the CIS region. In 2008 the Company fleet consisted of 21 modern western airliners with an average age of 6 years for its jet aircraft.

Air Astana is a full member of the IATA (International Association of Air Transport) and is the only airline in Kazakhstan which is EASA (European Aviation Safety Agency) EASA-145 certified to perform aircraft maintenance.

In 2007 the Company successfully underwent IATA Operational Safety Audit (IOSA). Air Astana became the first Central Asian airline to pass IOSA and one of six CIS airlines with an unrestricted IOSA certification. IOSA certification is a generally recognized mechanism for raising safety levels in the air transport business, and companies that have the certification are full-fledged members of the international community of air carriers.

International rating agency Standard & Poor’s assigned the corporate governance score to Air Astana JSC at the level of “5+”. At present this index corresponds to the highest level in the Republic of Kazakhstan for non-public companies.

Mission of Air Astana JSC is to provide profitable domestic and international air services to the highest standards of air safety and customer service, in order to serve and compliment the needs of the Republic of Kazakhstan

Air Astana JSC



IATA code KC	ICAO code KZR
Founded	14 September 2001
Commenced operations	15 May 2002
Frequent flyer programme	Nomad Club
Fleet size	21

Website: <http://www.airastana.com>

ABOUT THE COMPANY

The main strategic goals of the Airline have 7 directions:

- Flight and aviation safety
- High quality of the provided services
- Traffic route
- Aircraft fleet
- Principles for business running
- Air transport infrastructure
- Social responsibility

Flight and aviation safety

Providing safety for passengers and employees of the Airline, customers' property and company's assets is the main priority of Air Astana.

High quality of the provided services

The second priority of Air Astana is the high quality of the provided services in all activities of the running business.



Priorities of the Company on the level of service are as follows:

- to offer a high level of on-board and ground services to all passengers in accordance with the booking class at the competitive level comparable to the best international practice;
- to provide high standards of reliability and on-time performance of flights;
- to inform passengers in due course during the flight;
- to offer services commensurable to its price to passengers;
- to be competitive at the international aviation market;
- to implement an active programme of the continuous improvement.

Route Network

Air Astana implements an active strategy for the development of a large network of domestic and international routes to meet demands of the long-term economical and social development of the Republic of Kazakhstan.

New routes will be launched in line with the rational approach towards efficient run of business with due account of technical restrictions of the available equipment and infrastructure.

Network of the domestic routes has been expanded by way of launching commercially viable new routes and/or increasing of in line with demand and required for social and economic development of the Republic.

Aircraft Fleet

Aircraft fleet is the main means for providing services on passenger and cargo transportations of Air Astana. The Airline is aimed at the selection of the most appropriate and modern types of aircraft that satisfy the demands of customers and route network.

The selection of the aircraft has been made and will continue to be made based on the following factors:

- Compliance with standards of aviation safety, engineering and performance requirements. The technical capabilities of aircraft should also be taken into account in order to fulfill the tasks (such as reliability, engines' performance, capacity, range) with due account of cost-efficient utilization of aircraft and cabin attractiveness for passengers.
- Conclusion of agreements for aircraft lease and purchase in line with the abovementioned requirements of the Company in accordance with the Procurement Regulations of the Company in line with the law of the Republic of Kazakhstan.

ABOUT THE COMPANY

Principles of Business Conduct

Air Astana has a task to operate in accordance with the generally accepted business principles of a commercial enterprise. These principles include:

- Ethical and efficient business, which includes conscientious and proper use of Company's assets and efficient management of revenues and costs.
- Profitability – aiming at a high level of economic return and investment yield.
- Growth – profitable expansion of the Airline's operations in accordance with the rational principles of business running and business management.
- Return to Shareholders – to provide for a due repay to the shareholders for the risks related to the investments into the Company's capital and the support of its business.
- To operate in compliance with the legislation of the Republic of Kazakhstan and all other applicable laws.

Social responsibility

Air Astana considers social responsibility to be a highly important and inseparable part of Company's strategy and aims at maintaining the highest standards in its work with Company staff, environmental protection and charitable activities.



STOCKHOLDERS

JSC «KAZAKHSTAN HOLDING FOR MANAGEMENT
OF STATE ASSETS “SAMRUK”

51% stocks;

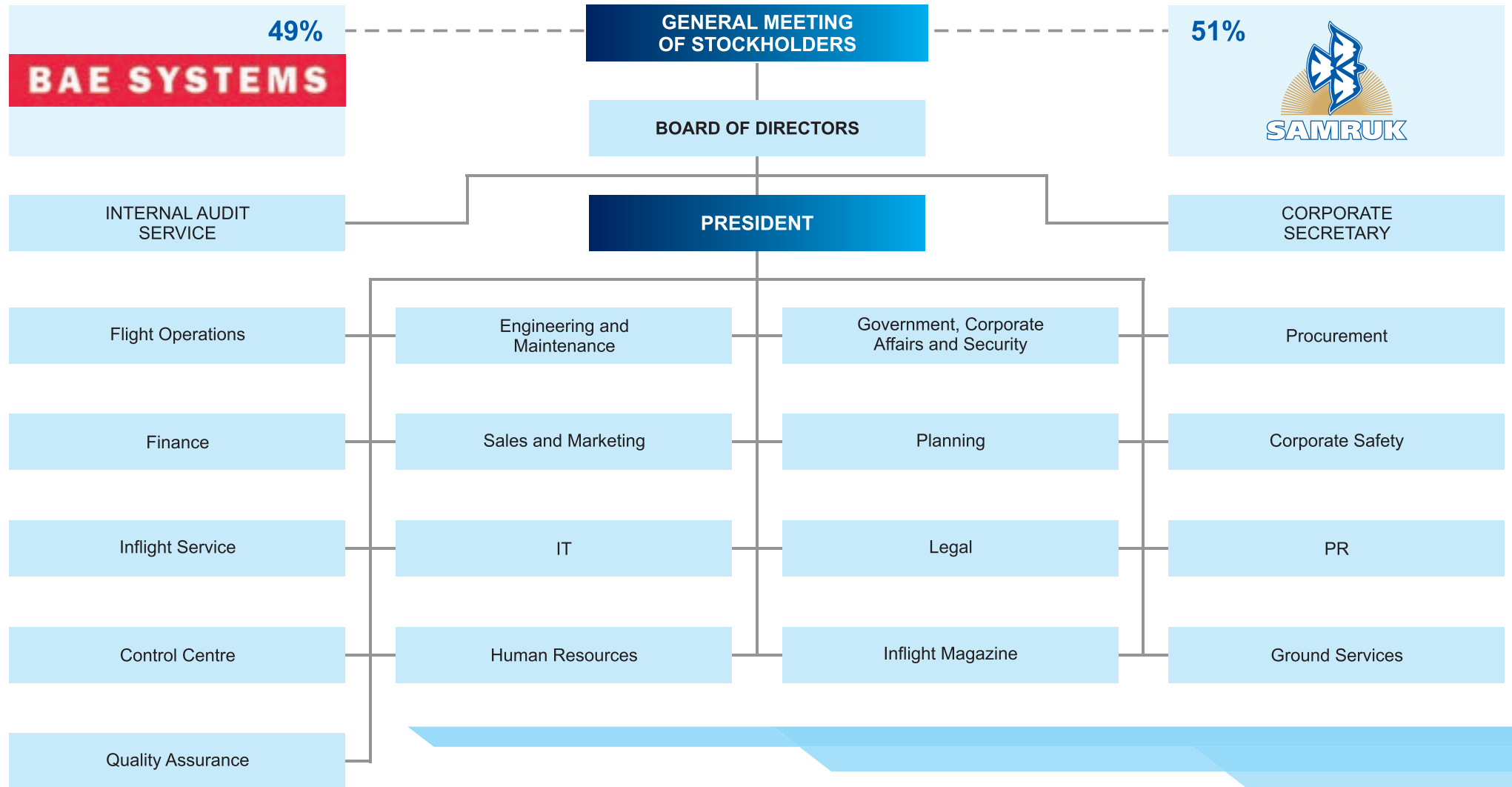
location: 20/1 Kabanbay Batyr Avenue, Almaty District, Astana, Kazakhstan.

BAE SYSTEMS KAZAKHSTAN LTD

49% stocks;

location: Warwick House, P.O. Box 87, Farnborough Aerospace Centre,
Farnborough, Hampshire, GU14 6 YU, United Kingdom.

ORGANIZATIONAL STRUCTURE

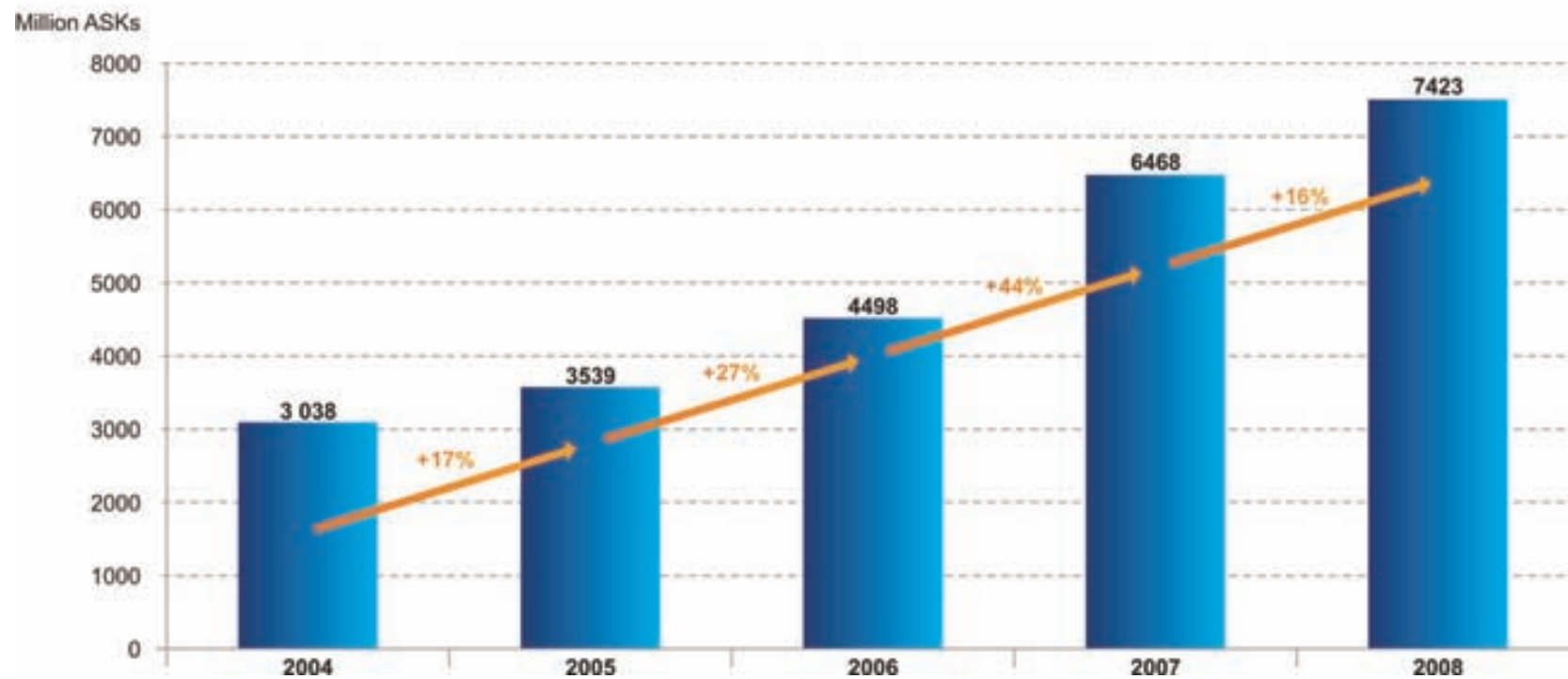




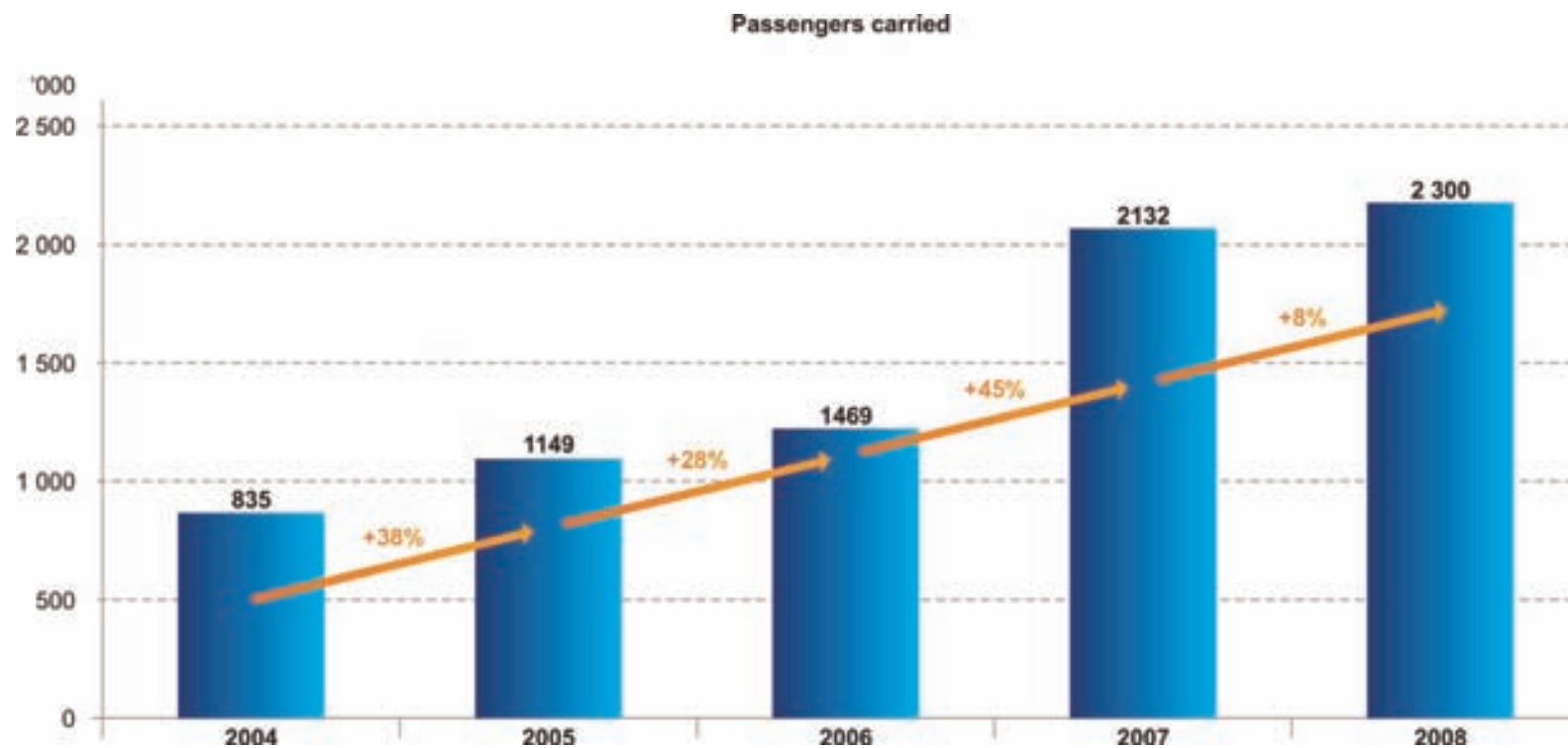
Top of the North Inylchek glacier

THE BUSINESS YEAR 2008

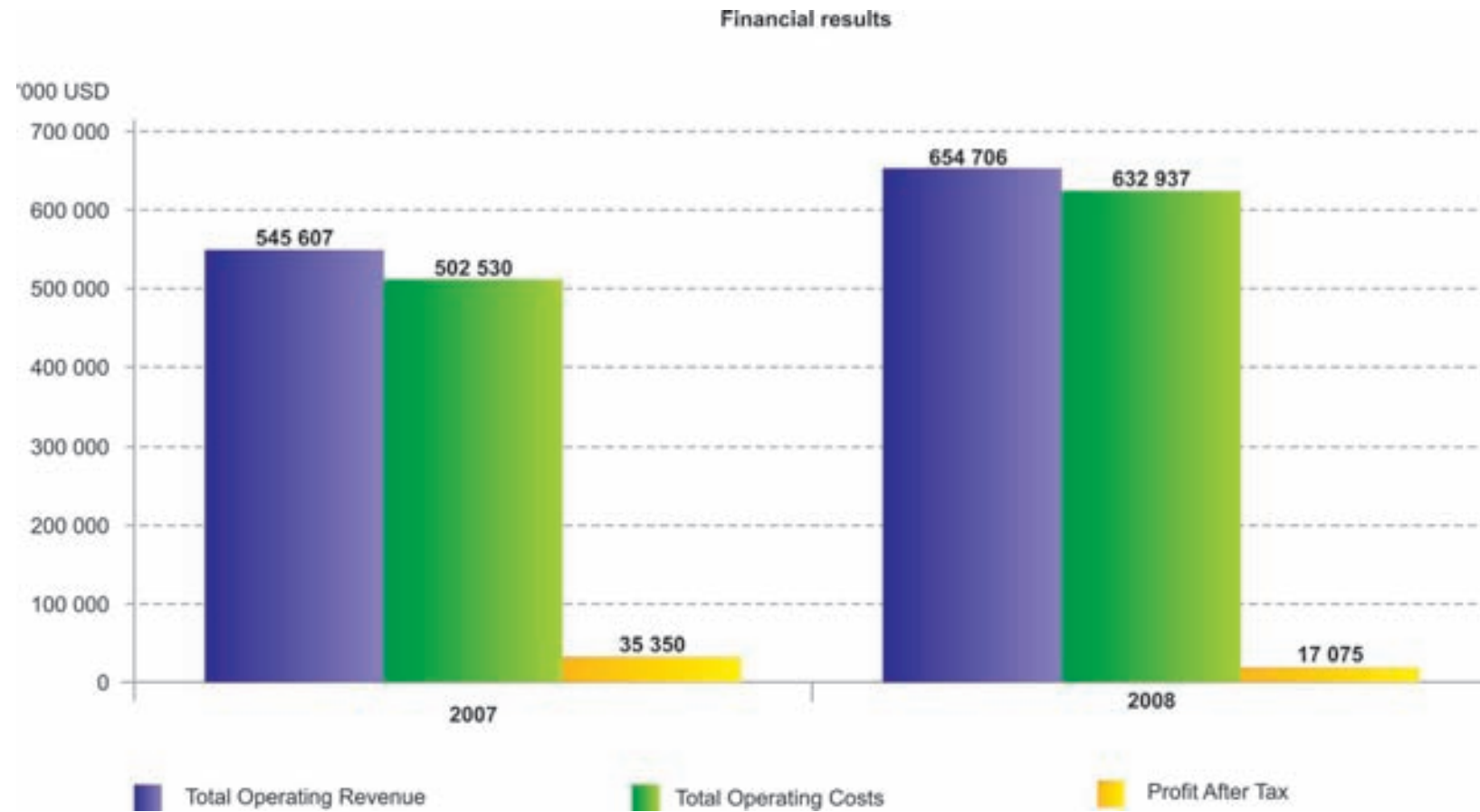
Available Seat Kilometers



THE BUSINESS YEAR 2008

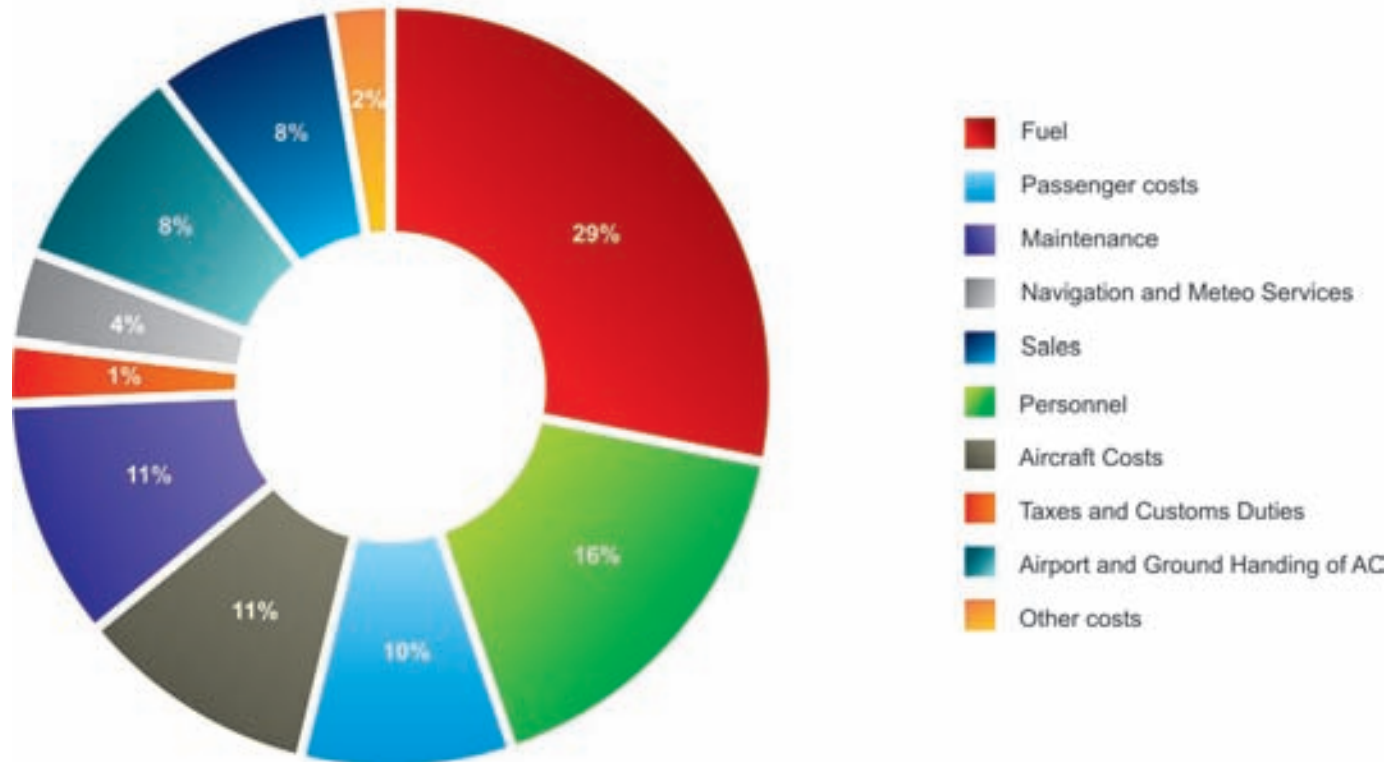


THE BUSINESS YEAR 2008



THE BUSINESS YEAR 2008

Breakdown on Costs January - December 2008



THE BUSINESS YEAR 2008

Presentation of one of the 3 brand new A320 family aircraft delivered in 2008



OPERATIONS SAFETY

IOSA

Air Astana underwent IATA Operational Safety Audit in late 2007 and successful completion of the audit was confirmed in 2008. The IOSA assesses the operational management and control systems of airlines. The Safety Audit uses internationally recognised quality audit principles and is designed to conduct audits in a standardised and consistent manner. Airlines involved in the programme must demonstrate compliance with strict international operational safety and quality standards.

Flight Data Monitoring program

The Flight Data Monitoring programme put into operation in 2007 for the purpose of preventing accidents was expanded and refined through hardware upgrades. Air Astana, on average, captures close to 98% of all flights and the process contributes to the improvement of flight crew performance and training as is visible from improving trends.

Corporate Quality Assurance

Safety oversight has been strengthened by establishing a Corporate Quality Assurance Department. The department's task is to monitor compliance to established standards to ensure safe operations and airworthy aircraft. The evaluations are done by a team of experienced professionals who conduct regular audits (over 200 in 2008) of all Air Astana operations departments and service providers including e.g. Maintenance Repair Organisations and Training providers as well as all airports where the Airline conducts operations. These functions were traditionally performed in departmental context and the establishing of one department together with the Corporate Safety Department will synergize efforts to establish improved safety and quality.

Software

Corporate Safety and Quality improved efficiency through new software and expanded the use of existing software QPulse and iSentinel.

De-icing

Air Astana introduced 6 de-icing vehicles and associated staff at four airports to ensure safety in icing conditions. The Airline joined the IATA de-icing pool and qualified internal accredited auditors who also conduct audits of external service providers. The processes applied by Air Astana, including training of staff and storage of fluids, are regularly audited by IATA.



OPERATIONS SAFETY

Equipment

Air Astana equipped all aircraft with EGPWS – Enhanced ground proximity warning system. No aircraft in the world with functioning EGPWS has yet suffered a Controlled Flight Into Terrain (CFIT) accident to date.

Training

Intensive English language training to comply with ICAO requirements has been initiated. Training specific to safety programme management, investigations, auditing, security and European Regulations was successfully completed at leading International Safety Institutes ranging from IATA to Cranfield University. CRM training was revised for pilot and cabin attendants groups. Cabin CRM was expanded to cover the managing of conflict situations onboard. Air Astana hosted IATA Human Factors as well as Quality management courses in Almaty.



Mount Belukha, Altai



FLIGHT OPERATIONS

2008 Overview and Plans for 2009

2008 was a pivotal year for change in organizational makeup, managerial policy, standardization, and professional development. Most initiatives will be actualized over a multi-year period, however their inception has been key to shaping the direction of Flight Operations for years to come.



FLIGHT OPERATIONS

Flight Standards

Since appointing a single Manager of Flight Standards, Flight Operations has grown the organization to 4 full time staff and 12 Line Check Captains. In addition, the Manager Flight Standards has developed Air Astana's CRM (Crew Resource Management) and Threat and Error Management policy. This is a proactive approach to the enhancement of Flight Safety.

Line Check Captains were trained in Amsterdam at the FSC facility emphasizing principles of Safety, Standardization, Leadership and Crew Resource Management (CRM) in addition to receiving qualification training in a Full Flight Simulator. Team building concepts involving Local and Foreign pilots was a highly effective aspect of the training.

The Pilot Operating Manual (POM) was conceived as an essential tool for standardization of Air Astana Fleet common policies. This year-long development project resulted in the publication and distribution of the POM to all pilots in November. The Operating Experience Guide (OEG), defining fleet-specific Standard Operating Procedures, began in late 2008 and will be completed in early 2009. The development of these manuals has been a substantial undertaking and achievement involving a joint cooperative of local Flight Managers and experienced foreign pilots.

Flight Training

Flight Operations ordered two State-of-the-Art Enhanced Virtual Procedural Trainers (EVPT) for Flight Training instruction at Air Astana Centre 1. They are scheduled for delivery in April through August 2009.

This will be the first "in-house training" of its kind at Air Astana and will be the cornerstone of flight safety and standardization at the airline. A significant benefit will be the cost savings in leased Full Flight Simulator time and reduced failure rates. Custom training modules will also be developed which are dedicated to fuel conservation training.

Senior Instructors have been added to the Fleet Manager Office to facilitate increase Flight Training demands. Additionally, local Instructor Pilots for both the simulator and line training environments are being trained to reduce wet leasing training operations, begin to bring flight training in-house, thereby reducing costs and increasing emphasis on training an Air Astana standard. Instructors will provide EVPT training in addition to Full Flight Simulator Training.

Ab-initio

Pilot ab-initio training was begun in 2008 with the selection of Career Airline Pilot Training (CAPT) in the US. This programme is designed to secure a steady and growing supply of highly trained young Kazakhstan pilots who exceed the international standard for Aviation English set by the International Civil Aviation Organization (ICAO) for all pilots worldwide.

Eight ab-initio cadets have been sent to the CAPT in Palm Coast Florida. This follows an extensive search and selection process for both facility and candidates. They will complete their Commercial / Multi-Engine / Instrument License in early 2010. Air Astana expects to send 16 more pilot-cadets to ab-initio training in 2009. The programme is planned as multi-year.

Pilot English Language Training

Air Astana local pilots continued English study to meet the demanding standards for Aviation English set by ICAO. By the beginning of 2009, over 60 local pilots would have achieved ICAO Operational Level 4 English, with a further 78 pilots at Level 3. All pilots must, by the end of 2009, be at ICAO Operational Level 4 English in order to continue their flight duties in the international theatre. Air Astana is on track to meet this goal.

ENGINEERING AND MAINTENANCE

It has been another year of intense activity in the Engineering and Maintenance Department. Apart from carrying out all required scheduled maintenance for the increased fleet requirements, the department has also been involved in a large number of various technical projects. Some noteworthy projects of the year include:

- First A320 engine change accomplished in Almaty by Air Astana staff.
- Maintenance contract for V2500 engine, signed with Rolls Royce, in Scotland.
- Contracts for maintenance in Almaty and Astana signed with 3rd party operators including, Turkish, KLM, UPS, Austrian, Air Arabia, Aerosvit and Etihad.
- Additional ground handling equipment received, motorised steps, motorised auto lift for cleaning department, new cabin heaters and small equipment tow tractor.

Aiming at providing better and satisfactory work conditions for the staff, a number of steps were taken by the Department. Thus, Maintenance Department in Almaty moved to a new purpose built Air Astana hangar facility.

Among other significant events of the year were: good results of EASA Part 145 maintenance audit accomplished by UK CAA; issue by UK CAA of EASA second site Part 147 maintenance training certificate and establishment of training department for third party operators. 20 engineers of the Company underwent Airbus and Boeing training in the reporting year.



Tuyuk Su glacier





INFLIGHT SERVICES

Air Astana gives special importance to inflight services aiming to constantly improve their quality and cost-effectiveness.

Business Class

Air Astana's business class is designed to make journey a world class experience. All business class seats on its Boeing 767, Boeing 757 and Airbus A320/A321 series are leather covered with generous seat pitches, configured in a two-by-two seating arrangement. Appropriate light snacks to full course hot meals are served on all flights, together with a wide selection of fine wines and alcoholic beverages.

Economy class

Air Astana offers comfortable leather covered economy class seats with In Flight Entertainment on its Boeing 767, Boeing 757, Airbus A320/A321 series. Appropriate light snacks to full course hot meals are served on international flights, together with a wide selection of fine wines and alcoholic beverages.

Meals/Catering

Air Astana menus are developed by the resident catering staff in conjunction with their catering contractors in Kazakhstan and through-out the world. Air Astana optimizes the resources of its catering contractors and their suppliers to produce the best quality food at its freshest, paying particular attentions to preparing and cooking whilst taking into account seasonal changes.

Entertainment

Along with the comfort and quality of services, the passengers are also provided with wide options of entertainment. They are provided with music channels and with a variety of programmes ranging from movies, reality television shows etc. Air Astana's board magazine Tengri is a kind of visiting card of the Republic of Kazakhstan.



INFLIGHT SERVICES

The following initiatives took place in the sphere of inflight services in 2008:

- Latest Movie releases in Russian and English
- Introduction of featured artists on Centre Stage
- Introduction of music from destinations of Air Astana
- Introduction of reviewed cabin crew recruitment
- Education of safety trainers (annual recurrent training in-house, partly initial training in-house)
- Education of CRM trainers (initial and recurrent training in-house)
- Conducting of dangerous goods training in-house
- Conducting of all service training in-house
- Completion of service mock-up
- General upgrade of Business and Economy class menus
- Introduction of Hot Meal service on Fokker-50 aircraft for longer sector flights
- Introduction of new tray equipment for Business and Economy class
- Food Safety Management course in Almaty with internationally recognised certification for Kazakhstan catering contractors
- Initiation of direct negotiations with appropriate suppliers in order to reduce costs of beverages and dry store provisions
- Introduction of English Training
- Introduction of Leave Bidding System



Top of Talgar Peak



SALES AND MARKETING

2008 Overview

There have been structural changes in distribution in 2008. The introduction of the Billing and Settlement Plan (BSP) and electronic ticketing in Kazakhstan has enabled Air Astana to have a direct distribution to IATA agents and in addition open its own sales outlets to serve its customers directly. Following the opening of the Call Centre that serves customers 24 hours per day, 7 days a week, City Ticketing Offices (CTO) were opened in Almaty, Astana and latest in Atyrau. The distribution has been further strengthened by the Airport Ticketing Offices (ATO) opened at the domestic airports.

In addition to the distribution improvement in Kazakhstan, Air Astana has also extended its BSP/IBCS distribution in online as well as offline stations whereby Air Astana validated tickets are now available in 37 markets. The number of bilateral interline partners increased to 82 and with the strong drive by IATA to have 100% e-ticketing as of June 2008, the Airline has established electronic interlines with 43 of its interline partners.

The key of development of offline markets besides the expansion of direct distribution has been the expansion in Special Prorate Agreements (SPA) with 43 airlines whereby Air Astana has been able to increase the number of destinations it can offer to its passengers to over 300 destinations around the globe with competitive through fares.

In addition to the codeshare agreements already in place, Air Astana added Austrian Airlines and Air Baltic to its codeshare partners.

As key to increase its market share, Air Astana has introduced incentive agreements on incremental agents' revenue in Germany and Turkey, which will now be expanded to the home market and other stations. The corporate agreement base in outstations has further grown to secure year around stable business. Corporate sales have been identified as a focus area for 2009 especially in combination with the Call Centre/CTO ability whereby the Company could not only secure stable traffic but commission and reservation cost savings as well.

The airline's Frequent Flyer Programme, Nomad Club reached 39,000 members in 2008 with 1,200 elite members. With the membership database developed, the operating system has been enhanced to enable future segmentation of the database and targeted marketing activities.

In order to build its brand awareness as an airline and simultaneously promote Kazakhstan as a destination, major exhibitions have been attended in USA, Europe, Middle East, and

South East Asia. Familiarization trips to Kazakhstan attended by agents and journalists from the United Kingdom, Germany, Turkey, India and Thailand were organized. The completion of the brandbook allows for a uniform branding across the network of Air Astana.

2009 Outlook

One of the key priorities of sales and marketing will be development of direct office sales in order to reduce commission and reservation system costs. This will be further supported by development of corporate travel agreements outside as well as inside Kazakhstan that are supported by the corporate portal on www.airastana.com. The website is further strengthened with translation into local languages starting with German and Turkish as key markets where existing languages of the website are not convenient to the high number of users.

In addition to MIDT (Marketing Information Data Transfer - tool based on information of agent and airline activities from reservations systems), from end February 2009, Air Astana will have access to e-SMASH in Kazakhstan (based on information of agencies through BSP).



SALES AND MARKETING

Key achievements in 2008 and beginning of 2009

- Set up of 24/7 Air Astana Call Centre
- City Ticketing Offices (CTO) opened in Almaty, Astana, Atyrau and Moscow
- Airport Ticketing Offices at domestic airports
- New destinations: Urumchi, Bishkek (connected with Seoul and further to Moscow, Istanbul, Dubai from March 2009)
- New Offline Market Expansion: USA, Canada, Italy, France, Belgium, Ireland, Czech Republic, Poland, Hungary, Mongolia, Australia, New Zealand, Philippines, Hong Kong, Vietnam, Indonesia, Singapore, Taiwan, Japan, Bahrain, Kuwait, Doha, Oman, Saudi Arabia, Jordan, Pakistan, Israel, Cambodia
- Expansion of Special Pro Rates with partners: Cathay Pacific, Vietnam Airlines, Eva Air, Malaysian Airlines, Singapore Airlines, Japan Airlines, Thai Airways, Philippine Airlines, British Airways, Garuda Indonesia, Emirates, Kingfisher Airlines, Jet Airways, Sri Lankan Airlines, Hong Kong Express Airways, TAROM, Malev, Austrian Airlines, Korean Airways, Olympic Airlines
- Expanded corporate travel contracts to secure year around and long term business
- Introduction of target based incentive agreements in EU Markets
- Nomad Club reached 39,000 members with 1200 Elite Members
- New, improved KC premises in Moscow and Istanbul
- New Codeshare partners: Austrian Airlines and Air Baltic
- BSP Participation in online destinations: India, and Russia
- Implemented 0% agency commission in Germany and Turkey, 1% in the UK
- Introduced 100% electronic ticketing
- Launch of PROS revenue management system
- Participated in key travel exhibitions in USA, Europe, Middle East, and South East Asia
- Appointed Air Astana Regional Managers in Turkey, Korea and Germany
- Air Astana Brandbook completed
- Aircraft liveries have been changed to new branding during C-checks
- Familiarization trips to promote Kazakhstan with key travel agencies and media from India, Thailand, Turkey, Germany, UK



IT INITIATIVES

During the year in review, the Company kept on actively developing information technologies, carrying out important projects which were aimed at enhancement of efficiency of running business and cost saving:

- Completed the upgrading of IT infrastructure at all International and Domestic airports in readiness for introduction of E-Tickets
- Cutover to 100% E-Tickets in June 2008, meeting the IATA target for a global removal of paper tickets
- Established a revamped eCommerce unit, combining both commercial and technical functionality, promoting Online sales and Air Astana. The website www.airastana.com was awarded the best 2008 eCommerce website in Kazakhstan by the annual national Award.KZ Internet Association
- Introduced a dual Payment Gateway for Internet Booking Engine – Kazkommertsbank (Almaty) for local bookings and MIGS (Sydney) for International bookings
- Replaced the old Russell Adams Engineering and Inventory system with TRAX, a proven state-of-the-art system from the USA, for managing aircraft engineering activity and inventory
- Implemented Sentinel, a corporate safety system from Mercator, UAE which provides various reporting capabilities including Air Safety, Cabin Safety, Ground Occurrence, Ground Handling, Flight Crew and Occupational Safety Reports
- Implemented iSaturn, an Emergency Response system from Mercator, UAE, which assists in the event of an incident, tracking and managing all information and volunteers
- Implemented iFly, a Staff Travel System for staff to manage, book and pay for their own flights
- Implemented iCargo (including Cargo Revenue Accounting), a system for global cargo bookings and operations and replacing the out of date Mercury Cargo Revenue Accounting system
- Completed an in-housed developed Catering system, to facilitate invoice re-conciliation from Caterers
- Implemented PROS Revenue Management system, a modern and sophisticated system which matches seat demand with aircraft seating capacity, so that maximum revenue is generated for each and every seat sold



Under Pesni Abaya (Songs of Abay) glacier



MAIN RISKS AND RISK MANAGEMENT

In 2008 due to the world financial crisis world airlines faced serious challenges such as an unprecedented rise of the fuel price in the first half of the year and the general business slowdown, and as a consequence a drop in passenger traffic in the second one. Air Astana was not an exception and felt these negative events in full. Nevertheless, due to the balanced policy in the field of risk management, the Airline finished the year with positive results. The key success factor was the reasonable balanced policy in the area of financial risk management of the company. Thus, owing to debt free status the company did not have any problems with refinancing of loans while the majority of companies in the world faced challenges in this area due to crisis. During the year Air Astana was subject to the risk of fuel price volatility, at the same time the company was working on the documents which would allow the management of the company to enter into hedging transactions. The absence of fuel hedging negatively affected the company's results in the first eight months of 2008, however the situation changed in September when the oil price began to decrease significantly and the company felt a positive effect from it.

In 2008 the company advanced essentially in the field of formalization of risk management processes. Thus, the committee on risk management was created, the risk map was developed, and also the hedging policy on the fuel price was developed and approved.

Principal risks and uncertainties

The main risks of the company which influenced the company's activity in 2008 had an external nature. They can be presented as follows:

- Growth of aviation fuel price
- Global economic slowdown
- Antimonopoly regulations
- Currency risk

Fuel price

The Airline consumes approximately two hundred thousand tons of aviation fuel a year. The cost for fuel in 2008 was almost 28% of operating expenditures of the Company (for comparison, in 2007 - 23%). Volatility in the price of oil and aviation fuel has negative impact on operating results, as it was in 2008. Partially this risk is compensated by the fuel surcharge. The Company introduced fuel surcharge on international routes. Besides, in the future the airline is planning to cover that risk through the programme of aviation fuel prices hedging. At the end of 2008 the Board of Directors approved the hedging policy which enables to make the hedging transactions within the limits established by the policy.

Global economic slowdown

The world financial crisis had a significant impact on business activities which, as a consequence, led to reduction of passenger traffic and failure to perform revenue plan starting from the 4th Quarter 2008.

Antimonopoly regulations

The Airline as a dominant operator on domestic network is subject to Kazakhstan antimonopoly regulations. Despite the essential rise in aviation fuel price in the first half of 2008, the Agency for regulation of natural monopolies did not satisfy the request of the Airline to introduce fuel surcharge on domestic routes.

Currency risk

The Company receives a significant part of income (more than 70%) in tenge, meanwhile more than 35% of expenditures are expressed in US dollars. This leads to the possibility that there can be a currency risk which consists of risk of tenge devaluation. In spite of the negative expectations among business circles there was no essential devaluation of tenge in 2008.

Risk management

In 2008 the work on formalization of risk management processes continued. Thus, the Committee on risk management was created. According to the Regulations of the Committee, it consists of key managers of the top level. The Committee meets on a quarterly basis to discuss risk management issues. As a result of the Committee's activities the Risk Map of the Company was issued with breakdown of critical risks for 2009 allocated by likelihood of occurrence and their impact on profit of the Company.

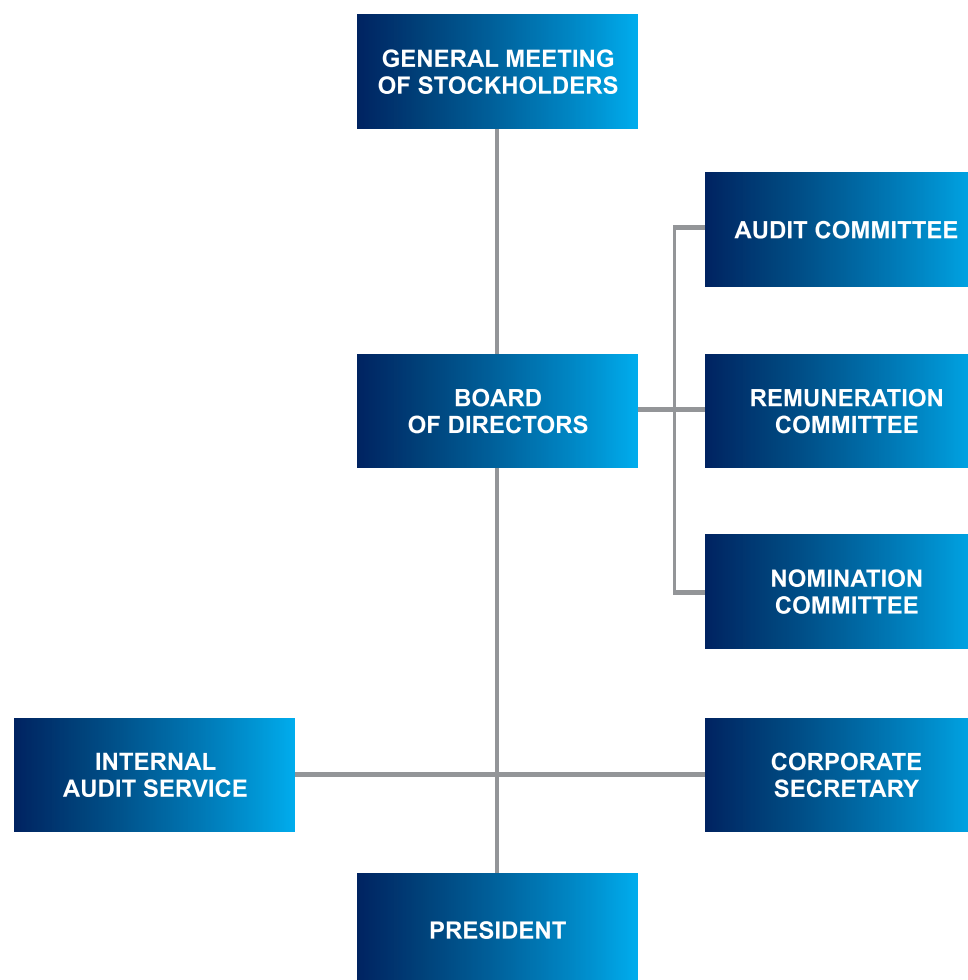
CORPORATE GOVERNANCE

Air Astana JSC considers corporate governance as a means of increasing the effectiveness of the activities of the Company and strengthening its reputation. The Company's corporate governance is built on the principles of fairness, integrity, responsibility, transparency, professionalism and competency. An effective corporate governance structure implies the respect for the rights and interests of all parties interested in the Company activities and facilitates the successful operations of the Company, including a growth in its value and maintaining its financial stability and profitability.

The airline strives for applying the best practices of corporate governance providing balance of interests of stockholders, employees and other stakeholders.



Corporate Governance Bodies



CORPORATE GOVERNANCE

General Meeting of Stockholders is the highest body of the Company, which has the authority to make decisions on all questions concerning the activities of the Company. Its functions and activities are defined by the Legislation of the Republic of Kazakhstan as well as the Charter and the Company's internal documents.

The general leadership of Company activities as well as control of Executive Body activities is carried out by the Board of Directors (except for issues which fall within the competence of the General Meeting of Stockholders). The Board of Directors has large powers defined by the Legislation, and is responsible for carrying out its obligations to stockholders.

The Board of Directors consists of 2 members of the Board of Directors who are nominated by the "National Welfare Fund "Samruk-Kazyna" Joint Stock Company, 2 members of the Board of Directors who are nominated by BAE SYSTEMS (Kazakhstan) Limited and 2 independent directors. The quantity composition of the Board of Directors is determined by the decisions of the General Meeting of Stockholders. Nominees and members of the Board of Directors may be of any citizenship and (or) nationality.

Meetings of the Board of Directors are held according to the schedule prepared annually from the beginning of its term of office based on the principle of rationality, effectiveness and regularity.

For preliminary consideration of most important issues which fall within the competence of the Board of Directors, in March of 2008 in the Company there were created three committees of the Board of Directors – Audit Committee, Remuneration Committee, Nomination Committee.

The Committees' members are the Board members, one of which is appointed as the Chairman of the Committee from Independent Directors. The terms of office of the Committees' members coincide with their terms of office as Directors.

Responsibility for managing current activities, implementing goals, strategy and policy of the Company is carried out by the sole Executive Body – President. The Executive Body is accountable to the Board of Directors and the General Meeting of Stockholders.

All governance bodies carry out regular meetings, where the issues which fall within the competence of each of them are considered.

In July 2008 international rating agency Standard & Poor's assigned to Air Astana JSC a corporate governance score at the level of "5+" which corresponded to the highest level in the Republic of Kazakhstan for non-public companies. The general corporate governance score of the Airline is a result of evaluation on four components of the analysis on an international scale:

- Ownership Structure and Influence
- Financial Stakeholder Relations
- Financial Transparency and Information Disclosure
- Board and Management Structure and Process



CORPORATE GOVERNANCE

General Meeting of Stockholders

During 2008 six General Meetings of Stockholders of Air Astana were held, including four meetings in presentia.

Date of the Meeting	Issues considered at General Meetings of Stockholders
07 March	<ul style="list-style-type: none"> ▪ Approval of the Corporate Governance Code of the Company ▪ Taking decisions on the creation and determination of composition of the Audit Remuneration and Nomination Committees of the Board of Directors of the Company ▪ Approval of the Regulations of the Internal Audit Service of the Company
30 April	<ul style="list-style-type: none"> ▪ Dismissing the members of the Board of Directors of the Company prior to expiration of their terms. Election of the members of the Board of Directors of the Company to fill in vacancies. Approval of the amount and terms of remuneration and/or compensation to Independent Director of the Company
24 May	<ul style="list-style-type: none"> ▪ Approval of the decision on electing the Chairmen and Members of the Audit, Remuneration and Nomination Committees of the Board of Directors of the Company; ▪ Approval of the Regulations of the Audit Committee of the Board of Directors of the Company ▪ Approval of the Regulations of the Remuneration Committee of the Board of Directors of the Company ▪ Approval of the Regulations of the Nomination Committee of the Board of Directors of the Company ▪ Approval of the decision of the Board of Directors of the Company of 23 May 2007 on entering into major transaction with Airbus S.A.S. company on purchase of six (6) new jet narrow-body A320 family aircraft type A319-100 with installed engines and three (3) options ▪ Deciding on the increase of the liabilities of the Company by an amount constituting ten per cent (10%) or more of the equity capital of the Company or an amount of more than five million (5,000,000) US Dollars in connection with entering by the Company into major transaction on aircraft purchase

CORPORATE GOVERNANCE

Date of the Meeting	Issues considered at General Meetings of Stockholders
24 July	<ul style="list-style-type: none"> ▪ Annual Report of the Company for 2007 ▪ Approval of the annual financial statements of the Company for 2007 ▪ Approval of the procedure for distribution of net profit of the Company for the year 2007, deciding on payment of dividends on common stocks and approval of the amount of the dividend per one common stock of the Company
15 October	<ul style="list-style-type: none"> ▪ Termination of authorities and appointment of the Vice-President Flight Operations and the Vice-President Engineering and Maintenance of the Company ▪ Determining the audit organization to perform an audit of the Company for 2008-2010; ▪ Approval of the amount of the bonus payment to the President of the Company following the results of work for the years 2006-2007 ▪ Approval of the decisions of the Board of Directors of the Company of 29 August 2008 on entering by the Company into major transactions with: <ul style="list-style-type: none"> - Gelios LLP for supply of aviation fuel - Turgay Petroleum JSC for supply of aviation fuel - Petro Kazakhstan Trading House LLP for supply of aviation fuel - A.J. Walter (Aviation) Limited for provision of components and spare parts for Boeing 757-200/767-300 aircraft - Rolls Royce LLP for IAE V2500 type engine overhaul - Pegasus Aviation on the extension of lease of three Boeing 757-200 type aircraft ▪ Deciding on the increase of the liabilities of the Company by an amount constituting ten per cent (10%) or more of the equity capital of the Company or an amount of more than five million (5,000,000) US Dollars in connection with entering by the Company into major transactions
26 December	<ul style="list-style-type: none"> ▪ Election of the members of the Board of Directors of the Company. Approval of the amount and terms of remuneration and/or compensation to Independent Directors of the Company

CORPORATE GOVERNANCE

Meetings of the Board of Directors

During 2008 seven meetings of the Board of Directors were held, including three meetings in presentia.

Date of the Meeting	Issues considered by the Board of Directors
06 March	<ul style="list-style-type: none"> ▪ Report of the President of the Company on preliminary results of the financial and operational activity of the Company for 2007 ▪ Update on the issue of the Company's aircraft purchase ▪ Preliminary approval of the Corporate Governance Code of the Company; ▪ Preliminary taking decisions on the creation and determination of composition of the Audit, Remuneration and Nomination Committees of the Board of Directors of the Company ▪ Preliminary approval of the Regulations of the Internal Audit Service of the Company; ▪ Approval of the Business Trips Rules of the Company's employees
31 March 23 May	<ul style="list-style-type: none"> ▪ Approval of the Plan of work and the schedule of the meetings of the Board of Directors of the Company for 2008 ▪ Approval of the Action Plan for implementation of the Management Reporting System of the Company ▪ Approval of the Action Plan for implementation of the Corporate Governance Code of the Company ▪ Election of the Chairmen and Members of the Audit, Remuneration and Nomination Committees of the Board of Directors of the Company ▪ Approval of the Business Ethics Code of the Company ▪ Preliminary approval of the Regulations of the Audit Committee of the Board of Directors of the Company ▪ Preliminary approval of the Regulations of the Remuneration Committee of the Board of Directors of the Company ▪ Preliminary approval of the Regulations of the Nomination Committee of the Board of Directors of the Company ▪ Deciding on entering by the Company into major transaction with Airbus S.A.S. on purchase of six (6) new jet narrow-body A319-100 of A320 family aircraft with engines installed (firm orders) and three (3) options; preliminary approval of the increase of the liabilities of the Company by an amount constituting ten per cent (10%) or more of the equity capital of the Company or an amount of more than five million (5,000,000) US Dollars in connection with entering by the Company into major transaction on aircraft purchase
19 June	<ul style="list-style-type: none"> ▪ Approval of the decision of the President of the Company on opening bank accounts in HSBC Turkey ▪ Annual report of the President of the Company on the results of financial and operational activities of the Company for 2007 ▪ Air Safety Review and Accident Prevention Programme of the Company ▪ Preliminary approval of the annual financial statements of the Company for 2007 ▪ Report of the President of the Company on the preliminary results of financial and operational activities of the Company for five months of 2008 ▪ Proposals of the Board of Directors of the Company concerning the procedure for distribution of the net profit of the Company for 2007 and the amount of the dividend for 2007 per one common stock of the Company ▪ Update on Boeing 787 contract negotiations ▪ Approval of the annual audit plan of the Internal Audit Service of the Company

CORPORATE GOVERNANCE

Date of the Meeting	Issues considered by the Board of Directors
29 August	<ul style="list-style-type: none"> ▪ Determination of the procedure for work of the Internal Audit Service of the Company ▪ Recommendations to the General Meeting of Stockholders of the Company regarding termination of authorities and appointment of the Vice-President Flight Operations and the Vice-President Engineering and Maintenance of the Company ▪ Recommendations to the General Meeting of Stockholders of the Company regarding the bonus payment to the President of the Company following the results of work for the years 2006-2007 ▪ Determination of the amount of the bonus payment to the employees of the Internal Audit Service of the Company following the results of work for the year 2007 ▪ Determination of the fee to be paid for the services of an auditing organization on performing audit of the financial statements of the Company for 2008-2010 ▪ Deciding on entering by the Company into major transactions with: <ul style="list-style-type: none"> - Gelios LLP for supply of aviation fuel - Turgay Petroleum JSC for supply of aviation fuel - Petro Kazakhstan Trading House LLP for supply of aviation fuel; - A.J. Walter (Aviation) Limited for provision of components and spare parts for Boeing 757-200/767-300 aircraft - Rolls Royce LLP for IAE V2500 type engine overhaul - Pegasus Aviation on the extension of lease of three Boeing 757-200 type aircraft ▪ Preliminary approval of the increase of the liabilities of the Company by an amount constituting ten per cent (10%) or more of the equity capital of the Company or an amount of more than five million (5,000,000) US Dollars in connection with entering by the Company into major transactions ▪ Recommendations to the General Meeting of Stockholders regarding the bonus payment to the President of the Company following the results of work for the years 2006-2007
13 October	<ul style="list-style-type: none"> ▪ Report of the President of the Company on the results of financial and operational activities of the Company for eight months of 2008 and forecast for 2008 ▪ Proposals of the President of the Company for selecting wide-body aircraft type ▪ Proposals of the President of the Company for selecting regional jet aircraft type ▪ Report on the use of the funds retained with the Company after the payment of dividends for 2007 ▪ The Company's Air Safety Review
17 November	<ul style="list-style-type: none"> ▪ Report of the President of the Company on the implementation status of the decisions of the Board of Directors of the Company for nine months of 2008 ▪ Approval of the decision of the President of the Company on opening bank accounts: HSBC United Kingdom, HSBC Germany, HSBC Thailand, Citibank Kazakhstan and HSBC Kazakhstan ▪ Approval of the programme of induction of newly elected members of the Board of Directors of the Company ▪ Approval of amendments to the Statutes on Representative Offices of the Company

CORPORATE GOVERNANCE



Audit Committee

Created on 7 March 2008 by the decision of the General Meeting of Stockholders of the Company upon preliminary approval of the Board of Directors. The objective of the Audit Committee is to assist the Board of Directors in the matters related to external and internal audit, financial reporting, internal control and risk management, observance of the Legislation and other matters upon the instructions by the Board of Directors.

Audit Committee consists of two persons who are Independent Directors. During 2008 three meetings of the Audit Committee were held.

Remuneration Committee

Created on 7 March 2008 by the decision of the General Meeting of Stockholders of the Company upon preliminary approval of the Board of Directors. The objective of the Remuneration Committee is to develop recommendations to the Board of Directors on remuneration of Directors, Executive Body and other employees of the Company whose remuneration is agreed by the Board of Directors/Stockholders.

The Remuneration Committee consists of two persons who are Independent Directors. During 2008 two meetings of the Remuneration Committee were held.

Nomination Committee

Created on 7 March 2008 by the decision of the General Meeting of Stockholders of the Company upon preliminary approval of the Board of Directors. The Nomination Committee develops recommendations to the Board of Directors for attracting qualified specialists to the Board of Directors, Executive Body and other employees of the Company whose appointment or coordination of appointment is agreed by the Board of Directors/Stockholders.

The Nomination Committee consists of three Directors, at least one of which is an Independent Director. During 2008 two meetings of the Nomination Committee were held.

CORPORATE GOVERNANCE

Selection Criteria of Independent Directors

1. Qualification requirements for the candidates for the Independent Directors of Air Astana JSC include:

- Compliance with the status of Independent Director in accordance with the Law of the Republic of Kazakhstan “On joint-stock companies”: Independent Director is a member of the Board of Directors who is not affiliated with the joint-stock company and was not affiliated with it during three years preceding his/her election to the Board of Directors, and is not affiliated with any affiliates of the joint-stock company; and has no relations of subordination with any officials of the joint-stock company or affiliates of such joint-stock company; is not a civil servant; is not an auditor of the joint-stock company and was not its auditor during three years preceding his/her election to the Board of Directors; does not participate in the audit of the joint-stock company as the auditor employed by the audit company, and did not participate in such audit during three years preceding his/her election to the Board of Directors;
- high education, preferably in the field of the joint-stock company’s main activity;
- leadership experience (legal entity chief executive or his/her deputy, member of the Board of Directors of a joint-stock company) shall be at least five years, preferably in the field of the joint-stock company’s main activity.

2. A person shall not be nominated as an Independent Director in case if he/she:

- has have held leading positions in a legal entity which has been declared as bankrupt or has had its activities suspended, undergone rehabilitation, or forced liquidation while under the management of such person within five years of the date a decision was made about such bankruptcy, suspension of activities, rehabilitation or forced liquidation;
- has any current convictions under the Law.

Internal Audit

Air Astana’s internal audit is the responsibility of the Internal Audit Service, which was established on 6 December 2007 upon the decision of the Board of Directors of the Company.

The main task of the Service is to ensure that the Airline’s system of internal control is efficient and adequate for the scale and character of Company business. This task is carried out through audit of operating and financial processes, and through inspections of the Company’s structural subdivisions and representative offices, accounting and operational documentation.

The Internal Audit Service is accountable directly to the Board of Directors and is supervised by the Audit Committee.

The Internal Audit Service’s tasks and functions, rights and responsibilities are set out in the Regulations of the Internal Audit Service approved by the General Meeting of Stockholders on 7 March 2008.

Komsomol Peak



TO STOCKHOLDERS AND INVESTORS

Dividends

- ▶ The amount allocated for paying dividends is 25% of the net income as per the financial statements prepared in accordance with International Financial Reporting Standards.
- ▶ The amount of dividend for 2007 payable for one common stock of the Company was 63 707 (sixty three thousand seven hundred seven) tenge 50 tiyn.
- ▶ The amount of dividend for 2008 payable for one common stock of the Company was 30 208 (thirty thousand two hundred eight) tenge.



SOCIAL RESPONSIBILITY

PERSONNEL

The conception of personnel policies of Air Astana JSC consists of the following main directions:

- To continuously enhance the abilities of staff to achieve the Company's mission through a sustained programme of training and development for each staff member
- To recruit, appraise, reward and promote staff based on merit, professional qualification, individual achievement and collective contribution to the Air Astana team

Number of Air Astana JSC personnel as of 31 December 2008:	
Pilots (KZ)	220
Cabin Crew	920
Engineers	167
Others	1567
Total employees	2874

More than a half of Airline employees have higher education.
Average age of employees is 31.

Recruitment

Air Astana carries out the selection and recruitment of the best available personnel suitable for job vacancies and opportunities. For this purpose the Company developed and implemented interview guides for 25 main positions. In addition, professional tests were developed and introduced.

Air Astana carries out constant work on engagement of strong candidates. In this respect the Company concluded contracts with Civil Aviation Academy and Kazakh University of International Relations and World Languages after Abylai Khan. As a result of students' practice 12 graduates were recruited.

Training and Development

Training and development of employees are one of the main priorities of Air Astana JSC.

Within the frame of training and development of personnel in 2008 the following activities were carried out:

- Managing People Performance Training with IATA trainer for managers to improve managerial and appraisal skills – 43 participants
- Budgeting Training Programme: external and internal training to prepare specialists for annual budgeting training – 100 participants responsible for budget
- Appraisal Interview Training Programme: external and internal training to equip with skills for conducting performance appraisal - 153 participants from all Company's departments
- Induction Training for new employees for quicker adaptation for Company specifics – 623 participants
- Business Writing Skills Training– 80 participants
- Business English Course - 143 participants
- Telephone Behavior Training for newly opened Call Centre and Ticketing Office in Almaty, Astana, Atyrau – 54 participants

In total 999 employees were trained in 2008.

SOCIAL RESPONSIBILITY

Projects in 2008

In November 2008 the annual anonymous opinion survey of employees was conducted. It allowed to appraise employees' satisfaction with the work of the Company as a whole, and understand corporate objectives, mission and directions of the Company development, as well as define the level of confidence in Management, attraction of the Company as an Employer.

In terms of performance appraisal the Human Resources and Administration Department jointly with managers of other departments developed indicators to current criteria of annual performance appraisal system in the course of focus-group on a topic "Personnel performance appraisal system in Air Astana JSC". Performance appraisal in the reporting year was carried out in October.

One of the initiatives of the Department was development and distribution of informational booklets among employees with explanations to FAQs.

Trade Union

During the year Air Astana's employees participated in the activity of "Trade union of workers of aviation" and trade union conferences. Employees' awareness work was carried out and trade union booklets with answers to questions were distributed.

Health and Safety

Air Astana ensures rigorous observance of legal requirements and internal corporate rules in the field of health and safety. The Airline makes sure that work places are maintained to relevant standards, as well as carrying out necessary tests and technical examinations of equipment machines and mechanisms.

In 2008 among various health and safety activities the Company conducted assessment of individual work places. Also the preparation for OHSAS 18001-2007 international health and safety certification started.

Social package

Employment benefits of the Company are Medical Insurance, travel discounts of the Company and its partners, sport activities and fitness club discounts.



SOCIAL RESPONSIBILITY



Air Astana held an art exhibition by under privileged children of #1 Regional Orphan's House and Specialized Complex Zhanuya. The children's drawings were based on the "My dream is to work for Air Astana", "I want to be a Pilot", "I want to be a Stewardess", "Aircraft in the sky", "Aircraft and I" concepts. All pictures were bright, creative and colorful. There had been presented 130 art works in total, 12 of them were selected as images for 2009 corporate calendar.

SOCIAL RESPONSIBILITY

SOCIAL PROGRAMMES

The system of charitable social programmes of Air Astana JSC is built on the following principles:

Consistency

Air Astana is very sensitive to public expectations and needs of various social groups.

Effectiveness

In selecting the social programs the Company focuses on results and ability to change to situation for the better in those areas identified as priorities (sport, culture, science, education).

Programmes of Air Astana can be divided into three groups:

- social services programme
- affiliate programmes
- one-time support of legal entities and individuals

Logical component of most of these programmes are special services (the provision of discount and free tickets, discount and free transfer of goods).



Programme “Support for socially vulnerable segments of the population”

At the places of fame

Every spring, on the eve of the Victory Day, Air Astana congratulates participants of the Great Patriotic War and provides them with free tickets for Kazakhstan and CIS flights (Moscow, Baku, Bishkek). The members of the war and people with disabilities who participated in the war can get free tickets for scheduled flights.

In the reporting year 241 participant of the Great Patriotic War and 89 accompanying persons enjoyed benefits of the action during month of May.

The action is carried out since 2002 in commemoration of participants of the Great Patriotic War.

Helping children and people in need

In 2008 Air Astana participated in “Wings of Hope” programme that was aimed to help seriously ill children. Air Astana carried children from all over Kazakhstan to Moscow, Beijing, Istanbul, Frankfurt and other cities for treatment. The Voluntary Charity Society also took participation in the project. Only in 2008 Air Astana provided 80 tickets to seriously ill children and their parents, who accompanied them.

The Airline arranged trips for cardiologists from the Russian Federation to Kazakhstan. As a result, over one thousand children were examined by these doctors: more accurate diagnoses were made, treatments were adjusted, and those who needed an urgent surgical treatment were identified.

Air Astana also organized a flight of German doctors, who brought essential medicines for children suffering from cancer.

In the reporting year the Company assisted Boeing in search for the sponsor support of children organizations (Kenes foundation/ school for children with ICP syndrome).

In April and May charity concerts aimed at the help to families with HIV positive children from South Kazakhstan were held in Shymkent, Astana and Almaty. Proceeds were sent to HIV centers and to scientific research centers of HIV prevention and treatment.

To increase the number of help beneficiaries Air Astana continued its participation in the projects of Red Cross and Red Crescent.

SOCIAL RESPONSIBILITY

Air Astana for Children!

On the occasion of summer holidays Air Astana held an event called “Air Astana for Children!” on board the aircraft type Airbus A320. 78 children of the Almaty oblast Orphan Home No.1 had the first flight in their life on the route Almaty-Balkhash-Almaty, which was interesting, fascinating and informative. Air Astana perceived this action not as a part of the charity programme, but as an opportunity to open the doors to children to the world of aviation and its parts.

Air Astana held drawing competition among foster children of the Almaty oblast Orphan Home no.1 and Zhanuya specialized complex of Almaty city. Children draw pictures on such topics as “I want to become a pilot”, “The Aircraft in the Air”, “Aircraft and Me”. All pictures were bright, colourful and interesting. All in all, there were 130 pictures, 12 of them were used for the illustration of the corporate 2009 calendar. As an expression of gratitude the children were presented souvenirs and tickets to the Christmas circus performance, and the winners were taken into fascinating journey, an excursion to the capital city on Air Astana aircraft.

On a 10-year anniversary of Astana the Airline presented FAW bus for 26 seats to the Orphan Home No.1 of Astana city.

Together with Altyn-Kol Public Charity Foundation for the protection of maternity, guardianship and childhood Air Astana financed and organized trip to Issyk-Kul for the recreation activities of children of incomplete and economically disadvantaged families. The Airline also sponsored purchase of the stationary for children from large families (65 children).

Sport sponsorship

One of the priorities of Air Astana sponsorship activities is Kazakhstan sports.

A wide range of activities were performed in 2008 such as sponsorships of the Kazakhstan Open Golf Tournament with worldwide press coverage, Cycling Federation, Football Federation and Rugby Union of the Republic of Kazakhstan.

In collaboration with Visa International the campaign “Visa Olympics Movement. Your Way to Beijing” was carried out. The main prize was a ticket voucher for two to Olympic Games in Beijing.



SOCIAL RESPONSIBILITY

Support of the Art and Culture

Robert Burns's poetry evening, staging of Bulat Ayuhanov, New Year's ice show in Almaty with participation of such Olympic champions as Nataliya Bestemyanova, Andrey Bukin and Igor Bobrin were sponsored by Air Astana.

For several years already Air Astana supports Bostorgai, an international art competition for children. Young dancers, singers and folk performers from all over Kazakhstan as well as from the CIS and far abroad countries come to Almaty. In total over 900 talents participated in the event.

Socio-political events

In April 2008, Air Astana became an official partner of the Eurasian Media Forum, the traditional and important socio-political event in the life of the country.

Air Astana also sponsored such socio-political events as Astana Economy Forum, Eurasian Women Summit, and Europe Days.



Central Tyan-Shan and Tuzkol Lake



SOCIAL RESPONSIBILITY

As a responsible limited liability corporation operating under legislation on environmental protection of the Republic of Kazakhstan and of the countries to which the Company operates flights, Air Astana has a duty of care to exercise all due responsibility of its employees, contractors and subcontractors to minimize damage to the environment

ENVIRONMENTAL PROTECTION

Air Astana exercises particular care in the following areas:

- Ensuring observation of rules on air pollution
- Ensuring observation of limits on waste disposal
- Ensuring observation of requirements on operation of equipment
- Due maintenance of areas, buildings, facilities of Company divisions
- Making sure that plans and measures for environmental protection are implemented by Company divisions

Environmental programmes

An important initiative of Air Astana airline in 2008 was support of environmental programmes. In April, Air Astana appropriated 100 thousand US dollars to the Fund for saving biodiversity in Kazakhstan. Biodiversity Conservation Fund is the first specialized non-governmental environmentally focused fund, not only in Kazakhstan but in other CIS countries as well. The fund was established in 2007 under the project of UN Development Programme (UNDP), Global Environment Facility (GEF) and the Government of the Republic of Kazakhstan. A statement on funding was made by Peter Foster, the President of Air Astana, at the international conference «Partnership of the state, business and non-governmental organizations in the sustainable development of Kazakhstan: new approaches - new challenges» on 16th of November 2007 in Astana.

In addition to funding environmental programmes, Air Astana was broadcasting environmental videos on board the airline.

Zailiyskiy Alatau





FINANCIAL STATEMENTS

Income Statement for the year ended 31 December 2008*

	USD'000	
Revenue	2008	2007
Passenger	628,639	522,310
Cargo and mail	18,189	16,681
Other	12,362	13,501
Total revenue	659,190	552,492
Operating expenses		
Fuel	(180,677)	(118,544)
Handling, landing fees and route charges	(76,281)	(66,065)
Engineering and maintenance	(67,499)	(60,570)
Aircraft operating lease cost	(65,010)	(54,872)
Passenger service	(58,751)	(50,343)
Selling costs	(58,364)	(51,237)
Employee costs	(58,108)	(44,438)
Aircraft crew costs	(37,947)	(23,746)
Consultancy, legal and professional services	(8,870)	(16,032)
Insurance	(4,883)	(5,231)
Depreciation and amortization	(4,014)	(3,192)
Property lease cost	(3,670)	(1,437)
Information technology	(2,597)	(1,925)
Other	(7,810)	(4,544)
Total operating expenses	634,481	502,176

	USD'000	
Revenue	2008	2007
Operating profit	24,709	50,316
Finance income	4,505	5,326
Finance costs	(936)	(604)
Foreign exchange loss, net	(1,295)	(1,647)
	2,274	3,075
Profit before income tax	26,983	53,391
Income tax expense	(9,908)	(18,041)
Net profit for the year	17,075	35,350
Basic and diluted earnings per share (in USD)	1,004	2,079

* In 2008 the Company changed presentation of income statement. Revenues and expenses were reclassified by their nature. This presentation is more consistent with industry practice. Comparatives were reclassified for consistency.

Independent Auditor – Deloitte, LLP

FINANCIAL STATEMENTS

Balance Sheet as of 31 December 2008

USD'000

Assets	2008	2007
Non-currents assets		
Property, plant and equipment	33,018	29,130
Intangible assets	2,488	1,675
Prepayment for long-term assets	6,706	-
Guarantee deposits	15,557	15,217
Deferred tax assets	1,436	1,986
	59,205	48,008
Current assets		
Inventories	21,381	13,258
Prepayments	18,129	17,352
Income tax prepaid	4,583	12,574
Other taxes prepaid	12,484	8,427
Trade and other receivables	34,331	20,637
Guarantee deposits	978	-
Bank deposits	18,583	65,750
Cash and cash equivalents	34,702	14,942
	145,171	152,940
Total assets	204,376	200,948

USD'000

Equity and liabilities	2008	2007
Equity		
Share capital	17,000	17,000
Foreign currency translation reserve	8,332	8,756
Retained earnings	95,638	87,614
Total equity	120,970	113,370
Non-current liabilities		
Finance lease liabilities	308	1,507
Provision for aircraft maintenance	9,581	8,759
	9,889	10,266
Current liabilities		
Finance lease liabilities	904	1,164
Deferred revenue	37,719	38,663
Provision for aircraft maintenance	7,354	4,434
Trade and other payables	27,540	33,051
Total current liabilities	73,517	77,312
Total liabilities	83,406	87,578
Total equity and liabilities	204,376	200,948

FINANCIAL STATEMENTS

Statement of Cash Flows for the year ended 31 December 2008

	USD'000	
	2008	2007
OPERATING ACTIVITIES		
Profit before income tax	26,983	53,391
Adjustments for:		
Depreciation and amortisation	4,014	3,191
Loss/gain on disposal of property, plant and equipment and intangible assets	1,801	(2,247)
Interest expenses on finance leases	96	159
Interest income	(4,505)	(5,326)
Change in allowance for obsolete and slow-moving inventories	-	10
Change in allowance for doubtful debts	924	(57)
Unrealised foreign exchange loss	1,295	1,647
Operating profit before change in working capital and provisions	30,608	50,768
(Increase)/decrease in:		
Guarantee deposits	(368)	(2,295)
Inventories	(8,202)	(3,931)
Prepayments	(1,555)	(5,575)
Trade and other receivables	(15,171)	3,331
Deferred revenue	(797)	16,318
Trade and other payables, accrued expenses and other current liabilities	(4,051)	4,328
Cash flows from operations before income taxes and interest paid	464	62,944
Income taxes paid	(2,251)	(24,128)
Interest paid	(117)	(169)
Cash flows from operating activities	(1,904)	38,647

	USD'000	
	2008	2007
INVESTING ACTIVITIES		
Interest received	6,658	4,582
Purchase of property and equipment	(16,969)	(13,233)
Proceeds on the disposal of property, plant and equipment	-	3,845
Purchase of intangible assets	(421)	(120)
Bank term deposits made	(256,532)	(61,366)
Maturities of bank term deposits	300,298	52,326
Cash flows generated from/(used in) investing activities	33,034	(13,966)
FINANCING ACTIVITIES		
Proceeds from bank overdraft	995	-
Repayment of bank overdraft	(995)	-
Principal payments on long-term borrowings	(1,440)	(3,959)
Dividends paid	(9,003)	(8,235)
Cash flows used in financing activities	(10,443)	(12,194)
Net increase in cash and cash equivalents	20,687	12,487
Cash and cash equivalents at 1 January 2008	14,942	2,312
Effect of foreign exchange rates on cash and cash equivalents	(927)	143
Cash and cash equivalents at 31 December 2008	34,702	14,942

Independent Auditor – Deloitte, LLP

FINANCIAL STATEMENTS

Statement of Changes in Equity for the year ended 31 December 2008

USD'000

	Share capital	Foreign currency translation reserve	Retained earnings	Total
Balance at 1 January 2007	17,000	3,687	60,537	81,224
Profit for the year	-	-	35,350	35,350
Dividends paid	-	-	(8,273)	(8,273)
Foreign currency translation differences	-	5,069	-	5,069
Balance at 1 January 2008	17,000	8,756	87,614	113,370
Profit for the year	-	-	17,075	17,075
Dividends declared and paid	-	-	(9,051)	(9,051)
Foreign currency translation differences	-	(424)	-	(424)
Balance at 31 December 2008	17,000	8,332	95,638	120,970

Independent Auditor – Deloitte, LLP

GLOSSARY

AC	aircraft
ASK	Available Seat Kilometres
ATO	Airport Ticketing Office
BSP	Billing and Settlement Plan
CAA	Civil Aviation Authority
CAPT Programme	Commercial Airline Pilot Training Program
CBT	Computer based training
CFIT	Controlled Flight Into Terrain
CRM	Crew Resource Management
CTO	City Ticketing Office
EASA	European Aviation Safety Agency
EGPWS	Enhanced ground proximity warning system
E&M	Engineering and Maintenance
ER	Extended Range
ET	Electronic Ticketing
EVPT	Enhanced Virtual Procedural Trainers
FFP	Frequent Flyer Programme

IATA	International Association of Air Transport
IBCS	IATA BSP Consolidator System
ICAO	International Civil Aviation Organization
IOSA	IATA Operational Safety Audit
IPIS	Instructor Pilot Initial School
ISD	Integrated System Design
ITCA	International Travel Catering Association
JAR	Joint Aviation Requirements
KC	IATA code of Air Astana JSC
LPC	License Proficiency Check
MIDT	Marketing Information Data Transfer
OEG	Operating Experience Guide
POM	Pilot Operating Manual
RPK	Revenue Passenger Kilometres
SPA	Special Prorate Agreement
TRTO	Type Rating Training Organization
YOM	Year of manufacture

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Newspapers "Egemen Kazakhstan"
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www.airastana.com