



One sky – a thousand shores



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## President's Letter

2007 was a very successful and profitable year for Air Astana, with record growth in capacity, passengers carried and fleet.

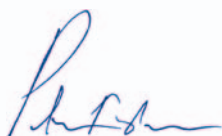
A new stage of the Company's five-year operating activity was marked by the acquisition of the first wide-body aircraft, Boeing 767-300ER. Following the delivery of two Boeing 767-300ERs, two Airbus A320s and two A321s, and having 18 aircraft in its fleet overall, Air Astana enjoyed a 44 percent capacity rise to 6.5 billion available seat kilometers. The Airline achieved a whopping 45 percent growth in passenger traffic and 49 percent in revenue. Other numbers of the year were also impressive: route network increased to 25 domestic and 22 international directions, staff exceeded 2000 employees.

The highlight of the year was successful completion of IATA Operational Safety Audit (IOSA). This not only confirms the high level of reliability and quality of our services, but also proves that we regularly observe the strict international requirements for operational safety.

Another landmark event this year was the launch of Air Astana's Nomad Club Frequent Flyer Programme and e-ticketing initiation.

2007 was an extraordinarily busy year, probably the busiest ever in the airline's short history. When one looks back at all that was achieved in just twelve months, it seems scarcely possible. However, we should not stop at the achieved. We will continue to rely upon the support and patronage of our customers, the professionalism and exceptional work of the people in the company, as well as the support of shareholders. I have every confidence that we have all necessary to continue our success in the future.

**Peter Foster**  
President Air Astana JSC





## STRATEGY IMPLEMENTATION: results for 2007 and tasks for 2008

### Expanding the fleet

In 2007 Air Astana's fleet consisted of 18 aircraft, including the following additional aircraft acquired under operating lease in 2007:

- 2 wide-body Boeing 767-300;
- 2 narrow-body Airbus A321;
- 2 narrow-body Airbus A320.

### Developing passenger network

The expansion of aircraft fleet and the existing market demand in 2007 allowed introducing new routes and increasing frequencies on the existing network:

<b>Domestic routes</b>	<b>Frequencies quantity</b>
Almaty – Aktau – Almaty	+5
Almaty – Aktobe – Almaty	+3
Almaty – Atyrau – Almaty	+2
Almaty – Oral – Almaty	+1

<b>International routes</b>	<b>Frequencies quantity</b>
Aktau – Moscow – Aktau	2
Astana – Istanbul – Astana	2
Almaty – Bangkok – Almaty	+2
Almaty – Seoul – Almaty	+1
Almaty – Beijing – Almaty	+1
Almaty – Moscow – Almaty	+2

### Introducing IOSA standards

In 2007 Air Astana successfully underwent IATA Operational Safety Audit (IOSA). 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.

### Increasing the competitiveness of the airline

To increase the competitiveness of Air Astana's product the following tasks were accomplished in 2007:

- Introduction of the new on board service;
- Opening the new website;
- E-ticketing;
- Frequent Flyer Programme;
- Expanding market by joining BSP and IBSC;
- Optimization of reservation system via IBE (internet booking engine) implementation.

### Improving system of effective corporate governance

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

- Introduction and registration of amendments to the Charter of Air Astana due to transfer of stocks to "Holding "Samruk" JSC;
- Election of the Independent directors to the Board of Directors of the Company;
- Appointment of the Corporate Secretary;
- Introduction of the Internal Audit Service;
- Start of the work on receiving the Corporate Governance Score.

### Tasks for 2008

Air Astana's key tasks for 2008 are as follows:

- Increase of the aircraft fleet in line with demand;
- Development of new routes;
- Provision of additional frequencies;
- Improvement of the quality of products;
- Enhancement of corporate governance;
- Development of Ab-initio pilot programme;
- Opening of call centres and sales offices.

## 2007 HIGHLIGHTS

### 23<sup>rd</sup> february

#### Arrival of Boeing 767 (P4-KCA)

A new page in the history of Air Astana started with the acquisition of the first “wide-body” aircraft for the Company, Boeing 767-300ER. The aircraft has two main engines each producing up to over 27 tons of thrust and can fly up to 11300 m at approximately 850km/h.

### 15<sup>th</sup> may

#### 5 year Anniversary

Air Astana celebrated its 5 year anniversary of the first flight. During 5 years of its operational activities the Airline had enlarged its fleet up to 18 aircraft, developed its route network to 25 domestic and 22 international directions, carried out 65 651 flights and increased passenger traffic almost 9 times since first year of operations.

### 21<sup>st</sup> november

#### Air Astana’s website won three National Internet Awards

- “Best Corporate Website” - 1st place
- “Website - Discovery of the Year” - 1st place
- “Best Website in Kazakh Language” - 3rd place



Air Astana’s website [www.airastana.com](http://www.airastana.com) won three of the 16 awards at the annual 2007 National Internet Awards “AWARD.kz”. The Award aims to acknowledge the best websites in Kazakhstan in regards to design, technology and culture.

### 1<sup>st</sup> december

#### “Nomad Club” programme launch

Official launch of a unique bonus programme for frequently flying passengers “Nomad Club” (“NC”). Starting from this day passengers flying Air Astana and having registered in the club system receive blue card and automatically become Nomad Club members. Participation in the programme allows frequently flying passengers of Air Astana accumulate points for receiving free ticket and other additional service benefits of the Airline and programme partners: hotels, restaurants, shops, etc.



### 19<sup>th</sup> december

#### Letters of Intent

Letters of Intent were signed by Air Astana with major aircraft manufacturers, Boeing and Airbus, to place orders for:

- Purchase of 6 x A320 aircraft and 3 options
- Purchase of 3 x B787 aircraft and 3 purchase rights





## 2007 HIGHLIGHTS

### Financial statistics

Indicators	USD'000 2007	USD'000 2006
Revenue	538,991	362,748
Gross profit	109,359	85,814
Income before income tax	53,391	45,034
Net income	35,350	32,023
Non-current assets	48,008	34,354
Current assets, including:	152,940	109,657
Cash and cash equivalents	80,692	55,425
Stockholders' equity	113,370	81,224
Non-current liabilities	1,507	2,651
Current liabilities	86,071	60,136

## Operating statistics

Next key production indicators describe operational activities of Air Astana for the period of 2007 in comparison with 2006:

Indicators	2007	2006	%
Flight hours	64 742	50 418	+ 28
Landings	25 632	19 989	+ 28
Passengers carried , 000' pax	2 132	1 469	+ 45
Domestic routes , 000' pax	1 396	988	+ 41
International routes , 000' pax	736	481	+ 53
Cargo, baggage, mail, Ton	13 262	7 438	+ 78
Passenger turnover , 000' RPK	4 452	3 056	+ 46
Available seat kilometres, 000'ASK	6 468	4 498	+ 44
Passenger seat factor, %	69%	68%	



**In 2007 Air Astana operated 25 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 – Taraz, Astana – Zhezkazgan, Atyrau – Aktau, Kyzylorda – Atyrau, Shymkent – Atyrau, Shymkent – Kyzylorda

**In 2007 Air Astana operated 22 international routes, including:**

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

## NETWORK IN 2007





## FLEET IN 2007

As of the end of 2007 Air Astana operated 18 modern aircraft in compliance with all the best international standards:



4 x «Boeing 757»



2 x «Boeing 767»



5 x «Fokker 50»



5 x «Airbus A320» 2 x «Airbus A321»

Of these aircraft the following six aircraft were delivered in 2007:

2 x Airbus A320 2 x Airbus A321 2 x Boeing 767

## Brief Information on Airline

Air Astana JSC (“the Company”, “Air Astana” or “the Airline”) is a joint venture between the Government of Kazakhstan and the British company BAE Systems, with 51% owned by the Kazakh Government and 49% by BAE Systems. Air Astana’s principal business is to operate regular air services of passengers, cargo and mail on domestic and international routes. Flight safety and high quality passenger service are the Airline’s main priorities.

Air Astana was registered in 2001 and commenced flight operations in May 2002. From its foundation the Company had increased its fleet to 18 aircraft serving in that year 25 domestic and 22 international destinations and employing more than 2000 staff members. The Airline 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) JAR-145 certified to perform aircraft maintenance.



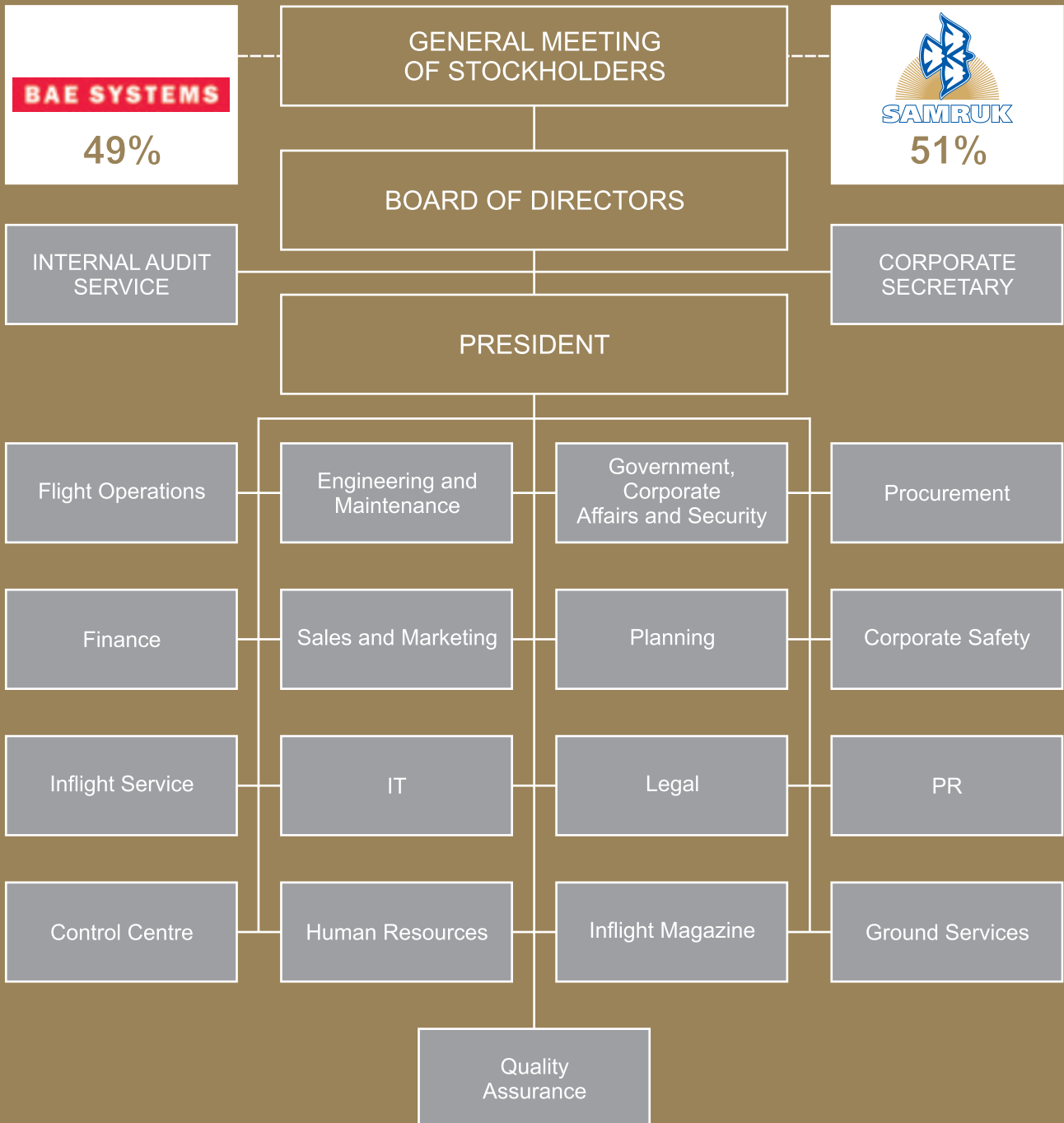
## Mission

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.

### Goals and values

1. Air Astana is committed to achieving the highest international standards of operational safety.
2. Air Astana will be the leading airline in the region in terms of service delivery and operational reliability.
3. Air Astana is committed to continued profitable development of its fleet, route network, product and business processes.
4. Air Astana will always demonstrate the highest standards of integrity and business ethics in dealings with stakeholders, business partners, customers and colleagues.
5. Air Astana will recruit, appraise, reward and promote staff based on merit, professional qualification, individual achievement and collective contribution to the Company team.
6. Air Astana will continuously enhance the abilities of staff to achieve its mission through a sustained programme of training and development for each staff member.
7. Air Astana will endeavour to be one of Kazakhstan’s most respected companies, both for fulfilling its mission, and for contributing to the nation’s social, cultural and environmental needs and initiatives.

## Organizational Structure



## 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.





## Board of Directors

### 01.01.2007 - 08.05.2007

**Nurlan Nigmatulin**, Chairman, Akim of Karagandy region, Republic of Kazakhstan;

**Azat Bekturov**, Vice-Minister of Transport and Communications of the Republic of Kazakhstan;

**Kalymzhan Ibraimov**, Head of the Department of Non-State-Owned Legal Entities with State Participation, State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan;

**Nigel Bradley**, BAE SYSTEMS CS&S and Land Systems, Group Commercial Director;

**Gary Marsh**, BAE SYSTEMS CS&S International, Finance Director;

**Martin McCann**, BAE SYSTEMS CS&S International, Commercial and Procurement Director.

### 08.05.2007 - 05.11.2007

**Sauat Mynbayev**, Chairman, Management Board Chairman of JSC “Kazakhstan Holding for Management of State Assets “Samruk”;

**Azat Bekturov**, Vice-Minister of Transport and Communications of the Republic of Kazakhstan;

**Nigel Bradley**, BAE SYSTEMS CS&S and Land Systems, Group Commercial Director;

**David Batters**, BAE SYSTEMS CS&S International, Finance Director;

**Martin McCann**, BAE SYSTEMS CS&S International, Commercial and Procurement Director;

**Gulmira Sissenbina**, Independent Director.

### 05.11.2007 - 31.12.2007

**Kanat Bozumbayev**, Chairman, Management Board Chairman of JSC “Kazakhstan Holding for Management of State Assets “Samruk”;

**Azat Bekturov**, Vice-Minister of Transport and Communications of the Republic of Kazakhstan;

**Nigel Bradley**, Commercial Director, BAE Systems UK-RoW;

**Peter Earl**, Finance Director, BAE Systems UK-RoW;

**Gulmira Sissenbina**, Independent Director of the Company;

**Lord Thomas Alexander Hesketh**, Independent Director of the Company.

**Yelena Kondachkova**, Corporate Secretary

**Valentina Khegay**, Head of Internal Audit Service



## Executive Body - President

### Peter Foster President

Peter Foster entered the airline industry immediately after graduating from Cambridge University in 1982, as a management trainee of John Swire and Sons (HK) Ltd, the owners of Cathay Pacific Airways Ltd. From 1982-1999 he served in a variety of management and senior management positions with CPA in Hong Kong, Asia, Australia and Europe, and underwent business management training at INSEAD, France.

Peter Foster left Cathay Pacific Airways in 1999 to head up the rehabilitation team of Philippine Airlines Inc. He subsequently served as Chief Executive Officer of Royal Brunei Airlines from 2002 to 2005 prior to his appointment as President of Air Astana. Peter Foster has been the President of Air Astana since 01.10.2005 up to the present time.

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## Management Team

### Alma Aliguzhinova Vice President Planning

Alma Aliguzhinova is among the first employees to join Air Astana at its early stage of formation in 2001 before the commencement of commercial operations. Alma initially joined the company as Corporate Development Manager and progressively has been promoted to Corporate Development Director and then Vice President Planning. Alma is a Bolashak Alumni graduated with an MBA degree from East Caroline University, USA.

### Askhat Beisenbayev Vice President Finance

Askhat Beisenbayev joined the airline in mid 2003 as Vice President Finance. Prior to joining Air Astana, he gained professional experience in banking reaching the level of Deputy Chairman in Bank Caspian. He had also previously worked in other companies on projects related to Securities Markets and Investments. Askhat received his MBA Degree from Goizueta Business School of Emory University (Atlanta) specializing in Finance and Strategy and graduated with honors from Kazakh State Academy of Management. As an exchange student he studied at WHU, OTTO Beisheim Graduate School of Management in Koblenz (Germany).

### Galina Umarova Vice President Procurement

Galina Umarova has experience in the airline industry and prior to joining Air Astana was Director on Finance at JSC «International Airport Astana». Galina graduated from Aktobe State University of K. Zhubanov and she holds a Degree of Master of Public Administration (KIMEP).

## Management Team

### Gerhard Coetzee

Vice President  
Corporate Safety

Gerhard Coetzee started his career as an Air Force navigator and is a qualified Accident Investigator with qualifications in (Aviation) Safety Programme management from various institutions including University of Southern California. He holds a Bachelors degree in Commerce and an Honours degree in Transport Economics from University of South-Africa. He has been actively involved in flight safety for the past 15 years including as Staff Officer Flight Safety in the South-African Air Force and Managing Consultant with BAE Systems.

### Yerbol Ospanov

Vice President Government,  
Corporate Affairs and  
Security

Yerbol Ospanov has over 30 years of experience in the aviation industry. He has had various jobs in different airlines in Kazakhstan. In his early career he worked as a co-pilot, but then advanced and has worked for various firms as a pilot instructor of many different types of aircraft including the Tu-154, Boeing 747, Boeing 757 and Boeing 767. As well as his position as Vice President in Air Astana, Yerbol serves as a Captain to the Head of the State flights, a position which he has held for several years.

### Ashendra Liyanage

Vice President Sales and  
Marketing

Ashendra Liyanage has over 19 years of airline experience working for some major players in the airline industry. He has worked for Air Lanka, United Airlines, British Airways, Sri Lankan Airlines, Qatar Airways, and Royal Brunei Airlines. He has worked in various positions in a wide range of areas such as sales, marketing, customer service, cabin crew, airport operations, route and fleet planning and corporate planning. Ashendra is also a qualified commercial pilot. He holds a Masters degree in Aviation Management from Southampton University in the UK and is also a member of the Chartered Management Institute, UK.

### Robert Bryant

Vice President Engineering  
and Maintenance

Robert has 40 years of work experience in aviation. During this period he has worked in such big companies, as British Airways, Air Malta and Qatar Airways. He started his career at 16 years old in 1966 as an intern mechanical engineer in British Airways company at Heathrow airport. Prior to Air Astana Robert worked in Qatar Airways in Doha (till February 2005).

### Patrick Rotsaert

Vice President Flight  
Operations

Patrick is an experienced leader, manager, auditor, inspector, training pilot and a ground handling inspector. He worked in such well-known companies as TEA (Trans European Airways), Starline International, Sabena, T.M.B Aviation and Air Aruba. Due to the nature of business, he worked in Europe, Africa, Northern and Southern America. He knows 3 languages – English, French and Danish.

## Management Team

**Ibrahim Canliel**  
Commercial Planning  
Director

Ibrahim Canliel has been with Air Astana since 2003 and prior to that he has worked 9 years in tourism with major tour operators in Turkey from where he moved to aviation with KLM; shortly in the Middle East and thereafter Almaty in charge of the Commercial Organization in Kazakhstan and neighboring countries. Ibrahim received his MBA degree from Bosphorus University (Istanbul) and his undergraduate in Economics from Marmara University. Ibrahim is also a board member of the European Business Association of Kazakhstan.

**Gerry Mitchell**  
IT Director

Gerry Mitchell has over 25 years of IT experience and has worked in a wide range of industries including aviation, finance, taxation, utilities, mining and data centres. Prior to joining Air Astana, Gerry was Head of IT at Royal Brunei Airlines. He has held senior IT positions in Australia, Fiji, Indonesia and Brunei. He is a member of the Australian Computer Society and holds a Bachelor of Business (Computing) degree as well as post-graduate qualifications in IT Management, from Australian universities.

**Alima Zamanbekova**  
Chief Accountant

Alima Zamanbekova joined the airline in mid 2003. Prior to joining Air Astana, she held positions of Chief Accountant in the oil industry. Alima graduated from the Institute of Foreign Languages (English faculty) and from the Kazakh State Academy of Management while specializing in Accountancy and Audit. She is a Certified Accountant and a member of the Chamber of Professional Accountants.

**Fred Gorman**  
Director In-flight

Fred Gorman has responsibility for Cabin Crew, In-flight Entertainment and Catering. He was educated in the Midlands in the UK, with university experience at Cornell University in New York State. Fred joined the aviation industry in 1965 with a small airline, and then called "Caledonian Airways". Since then he has spent most of his working life abroad in places as far a field as Hong Kong, Papua New Guinea, The Gulf States of Bahrain and Qatar, Sultanate of Brunei and Azerbaijan Republic. His experience has covered all aspects on In-flight Service from Duty Free Operations, Cabin Crew Management, to In-flight Catering Management, from both an Airline as well as a supplier of meals to airlines.

**Oliver Mathwich**  
Director Ground Service

Oliver Mathwich has responsibility for all Airport Services in the Air Astana Network. This includes all domestic and international airports. Oliver started his career in Germany and spent 17 years working in the aviation industry. He has held several senior positions for one of the leading airport ground handling companies in the world. Prior joining Air Astana, Oliver worked as a Project Manager in many airport and airline projects throughout Europe.

## Management Team

**Zukhra Sultanova**  
Public Relations  
Director

Started her career in 1984 as a journalist. From 1998 worked for international organizations as a PR manager (USAID, UN projects). Prior to joining Air Astana worked as a PR manager in telecommunications company “KaR-Tel” (trade marks of cellular communication “Beeline”, “K-mobile”).

**Aidar Kashkarbayev**  
Director Legal

Aidar Kashkarbayev has over 10 years experience in jurisprudence. He started his law practice in the Ministry of Foreign Affairs of the Republic of Kazakhstan in 1993. Prior to joining Air Astana Aidar has worked in law firm Denton Wilde Sapte, consulting company KPMG and worked as a manager of the legal department for “Karachaganak Petroleum Operating B.V.” in Karachaganak oilfield, Western Kazakhstan. Aidar graduated from Kazakh State National University and experienced study placement at Southern Illinois University, USA, under the “Visiting scholar” programme.

**Yevgeniya Nee**  
Human Resources  
Director

Yevgeniya Nee is a graduate of Karaganda State University and holds Diplomas in English/French languages and Legal. She joined Air Astana in October 2002 as Executive Assistant to the President. Prior to Air Astana, Yevgeniya worked for 4 years with Inter-Continental Hotel.

**Berdykhan Agmurov**  
Control Centre Manager

Berdykhan Agmurov started his career in 1993 as ATC controller for “Kazaeronavigatsia” at Kyzylorda airport. In 1996 he was appointed as supervisor and in 2000 as leading specialist in the Department of Safety of Air Movement and VIP flights. From 2001 until 2003, Berdykhan worked in the Main Center planning of air movement for “Kazaeronavigatsia” in Almaty. He joined Air Astana in 2003.

**Elena Obukhova**  
Manager Ground Services

Elena Obukhova is in charge of all operational ground services issues concerning Kazakhstan and international airports. Elena joined Air Astana in November 2001 as one of its first employees. She has progressed her career in various departments of the airline including administrative and airport services. She has worked in various positions in the Service Delivery department, including as Passenger Services Agent, Duty Officer, Terminal Manager, Manager Customer Services and now as Manager Ground Services.

## Management Team

### Sergey Andreyev Regional Manager

Sergey Andreyev entered the Airline in 2001, as a Senior Representative at the airport of Astana. From 2003 he has been the Regional Manager of Air Astana. Sergey Andreyev has had experience in civil aviation since 1978. Starting his career as Aircraft Maintenance Technician, he was then promoted to Flight Engineer. From 1997 Sergey Andreyev was in charge of Ground Services holding positions from Operations Services Dispatcher to Operations Deputy Manager of Representative Office. During his work as the Regional Manager of the Company Sergey Andreyev opened representative offices in 14 cities of the Republic of Kazakhstan and introduced modern technologies of passenger services.



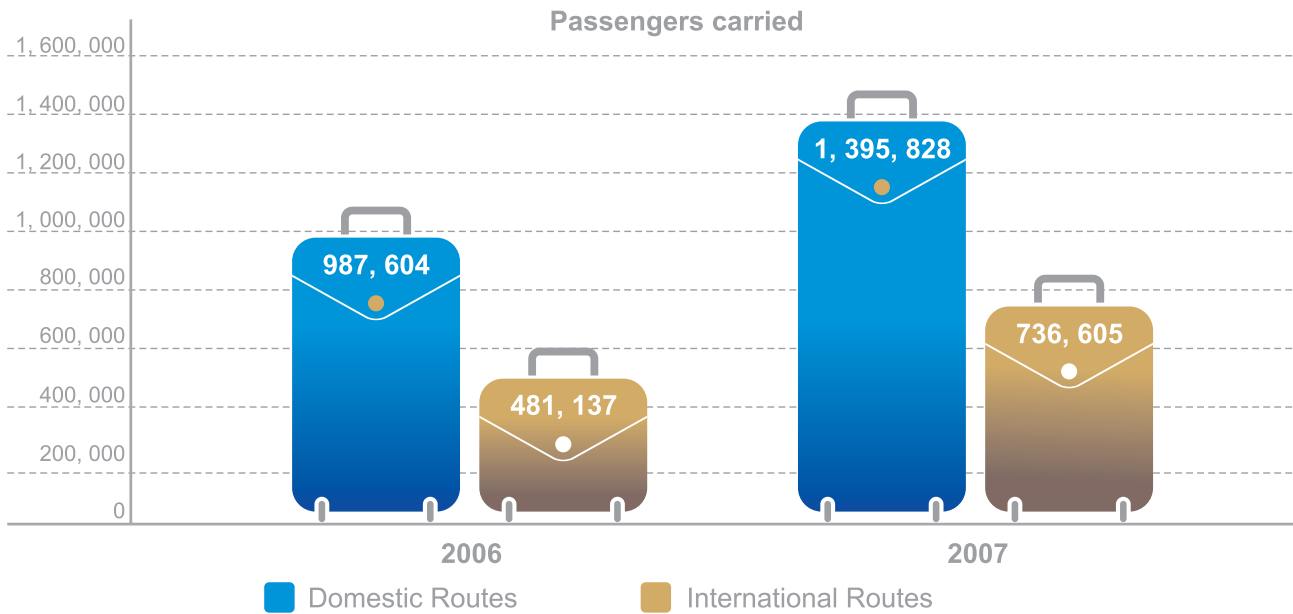




## The Business Year 2007

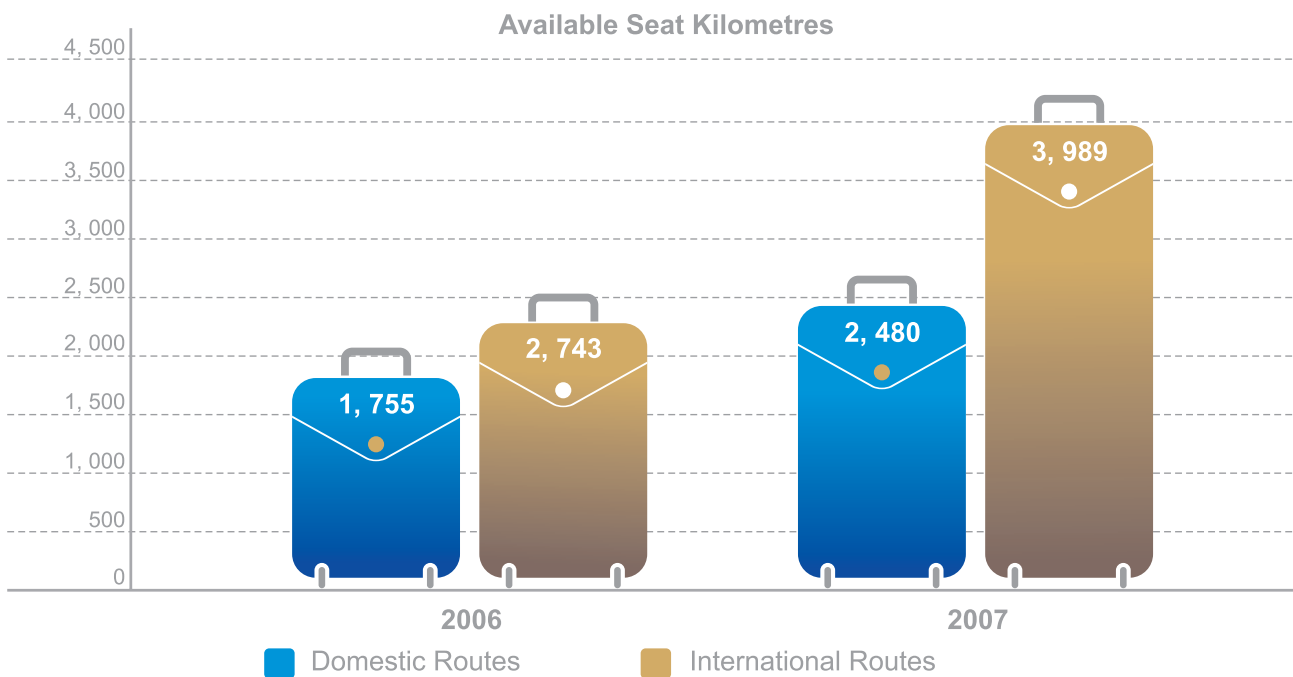
### Passenger traffic

In 2007 passenger number carried increased by 45% compared to 2006.



### Capacity

In 2007 available seat kilometres increased by 44% compared to 2006.



## Operations Safety

Air Astana JSC practices a (Operations) Safety Management System (SMS) since August 2006 and in 2007 expanded the system by centralizing quality assurance responsibilities in an independent department. SMS, mandated by ICAO from 2009, within Air Astana is aimed at empowering operations safety related departments to exercise their responsibilities effectively by integrating safety at all levels. The Corporate Safety Department is responsible for managing an aviation safety programme that will allow an accurate assessment of risk while internal oversight is conducted by the Corporate Quality Assurance department. External oversight of KC operations extends to 3 Regulatory authorities namely Kazakhstan Civil Aviation Commission, Aruba Directorate of Civil Aviation and the UK Civil Aviation Authority (specific to Engineering and Maintenance functions).

The comprehensive hazard identification programme in Air Astana includes a well established safety reporting system, Flight Data Monitoring programme, a preventative safety investigations team and an elaborate Quality assurance (and safety) audit programme, all embedded in 2007 by task specific software. Risk reduction is integrated with line-functional duties and formalised by monthly departmental safety meetings under chairmanship of Heads of Departments. A monthly Aviation Safety Review Board chaired by the accountable manager evaluates and monitors operational risk together with strategies and actions taken.

Air Astana invests extensively in safety related operational training to ensure not only exceeding standards but also to effect a safety culture that will pro-actively reduce risks. All aircraft maintenance training is conducted by EASA (European Aviation Safety Agency) Part 147 training schools while pilot and cabin crew training comply with the provisions of EU-OPS 1. IATA and JAA (Joint Aviation Authority) training is combined and complemented with training from leading universities ranging in subjects from Flight Data Monitoring to Human Factors and Crew Resource management. English language training is available to all staff

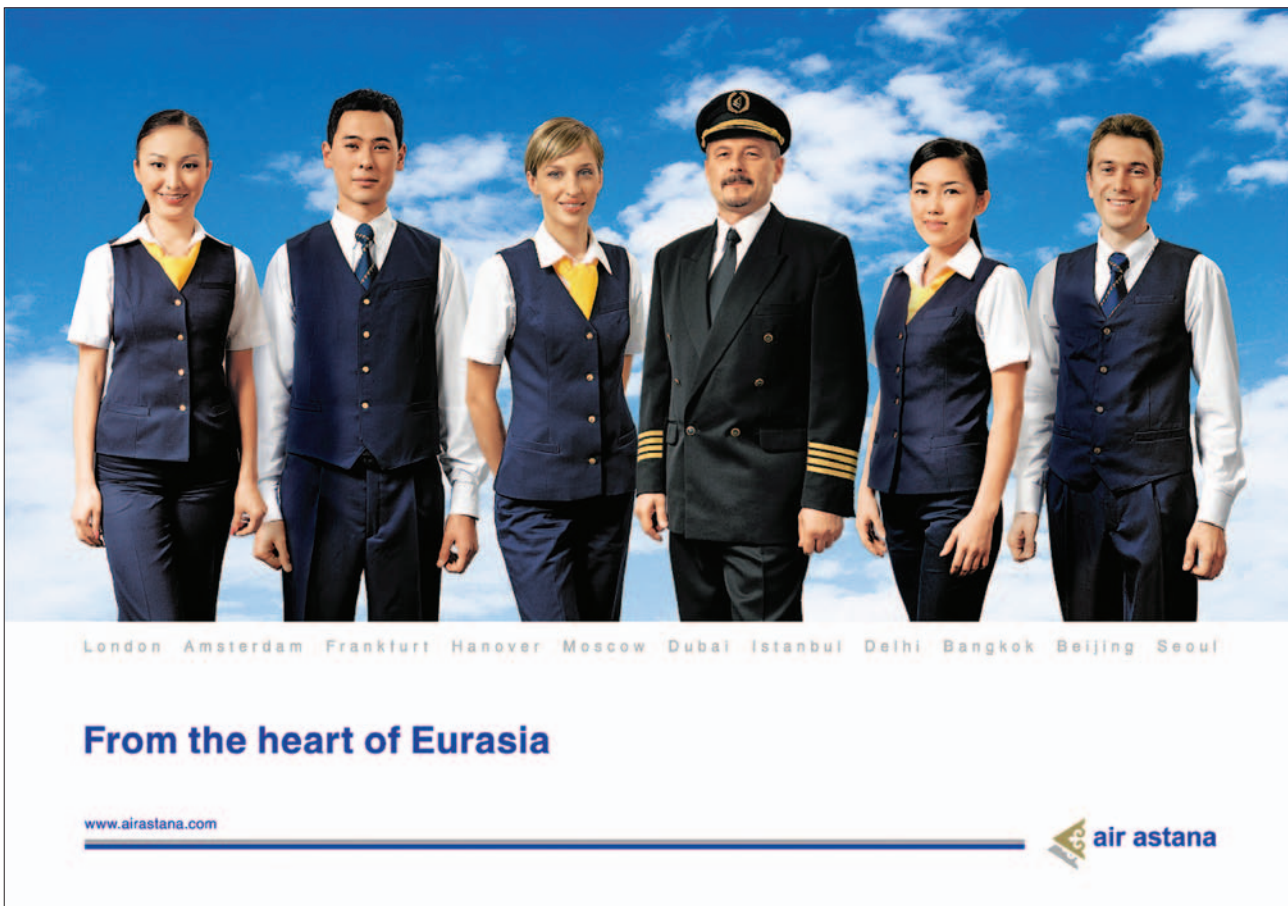
and from 2007 a task specific English language education programme is followed by all pilots.

Air Astana's safety priority is not only enshrined in its stated mission, goals and values but has consistently been demonstrated through capital investments in upgrading fleet safety related equipment well beyond the minimum International Regulatory standards, procurement of de-icing vehicles as well as establishing a world class Crisis Response Centre.

Air Astana, while proud of the safety achievements to date, fully appreciates the risk associated with complacency and continuously seeks to improve existing practices. This is demonstrated by the ongoing and extensive review of standard operating procedures despite having successfully completed IATA Operational Safety Audit (IOSA) in 2007.

## Product and Brand Development

In order to promote both inbound tourism to Kazakhstan and create brand awareness of the Airline, together with the Kazakhstan Embassy in the UK, Air Astana launched an advertising campaign covering 25 London underground stations with the theme “Visit Kazakhstan, Whatever the Season”.



London Amsterdam Frankfurt Hanover Moscow Dubai Istanbul Delhi Bangkok Beijing Seoul

**From the heart of Eurasia**

[www.airastana.com](http://www.airastana.com)

 **air astana**

As part of the Company’s strategy to create brand awareness in all markets, Air Astana signed major sponsorships deals with the Kazakhstan Cycling Federation, Football federation, Rugby Union and Kazakhstan Open Golf Tournament. These sponsorships are widely expected to enhance the airlines’ brand internationally given the keen interests these events draw.

## Product and Brand Development

### In-flight product

*Business Class.* The in-flight service was upgraded to include new equipment, new menus, a trolley service for the dispensation of drinks, better IFE headsets, duvets and new giveaways for business class passengers. For the meal service additional choices such as soup and individual bread baskets were introduced as part of those improvements.



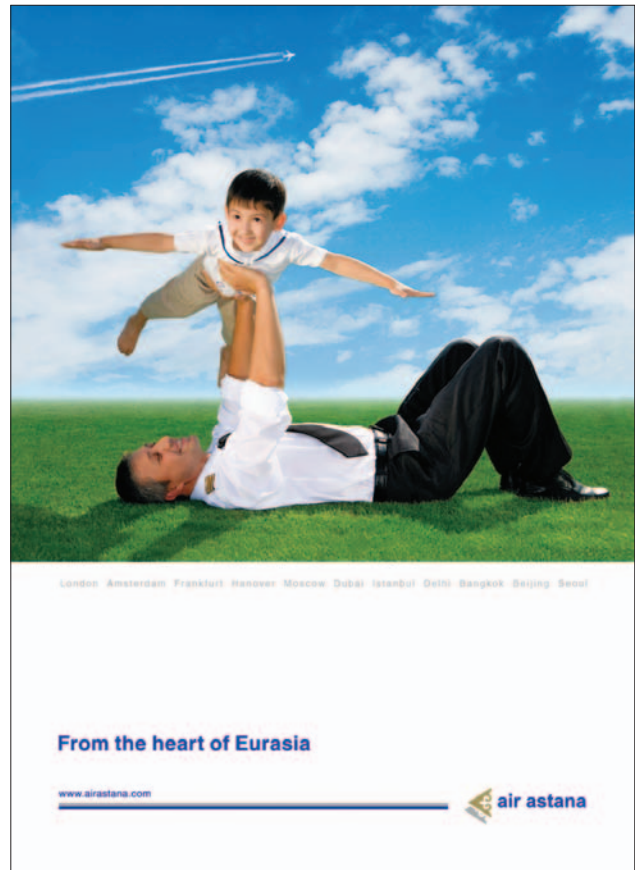
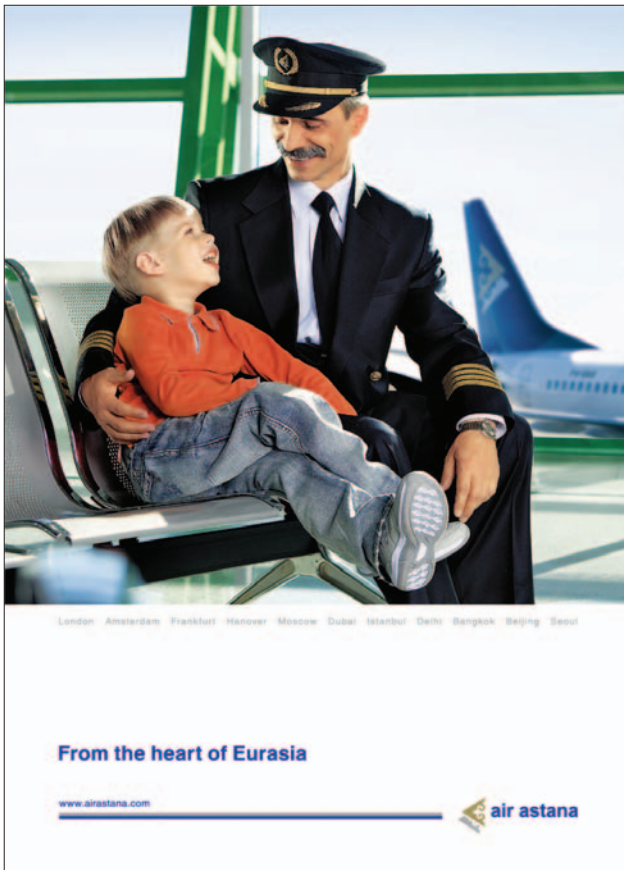
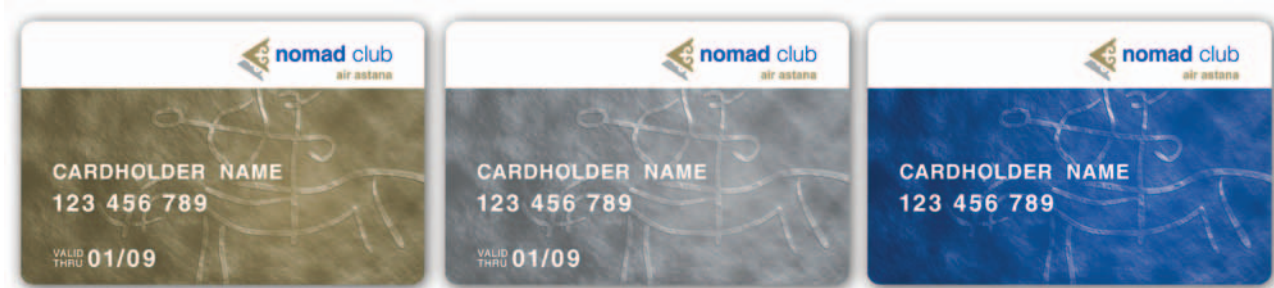
*Economy Class.* New equipment and menus were introduced into economy class, together with the new IFE headsets.

*In-Flight Entertainment.* New in flight entertainment suppliers were selected to provide improved IFE with audio and video programming for both business and economy class, together with improved number and quality of Russian dubbed films, combined with having films available at earlier stage of distribution.

## Product and Brand Development

### Frequent Flyer Programme

Nomad Club, the newly created loyalty programme, was launched on 1 December 2007. There were 6500 registered members within the first month of operation. The programme has three tiers – Nomad Gold, Silver and Blue. A Nomad Club member starts off as a Blue cardholder and can progress to Silver and Gold elite membership depending on the number of points he/she accumulates. Elite memberships will come with a range of other benefits including check-in priority, bonus points, additional check-in baggage allowance and lounge access at many airports regardless of class of travel (Gold members only).





## Passenger Ticket Sales

### Expansion of Sales Territories

Air Astana expanded its market reach by joining BSP and IBCS and in some areas appointing General Sales Agents in the following offline markets:

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, Kyrgyzstan.

In 2007, the offline market grew by approximately over 50% in comparison to 2006. The Company continues to expand and grow potential offline markets with some of them having a potential online operation in 2009/2010.

## IT Development

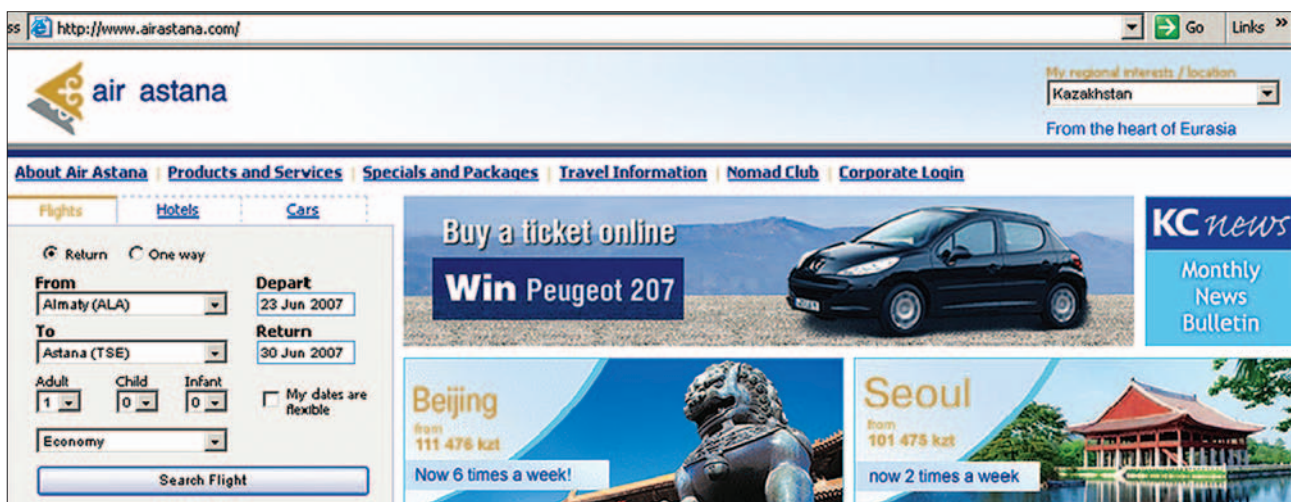
### Internet Booking Engine

In the middle of 2007 Air Astana's internet booking engine (IBE) was implemented together with an online payment gateway. Sales were predominantly international (80%) with the remainder being domestic.

The internet booking engine is the IT infrastructure behind the Airline's web site that links the reservation system with the ability to purchase a ticket over the internet. The IBE will not only serve as a tool to promote the Airline's services, but more importantly will improve the accessibility of passengers to Air Astana's product, particularly from destinations where Air Astana does not have direct representation.

### E-ticketing

E-ticketing was introduced on all Air Astana routes accounting for 10% of revenues. E-ticketing was opened up in the principal GDS's (Global Distribution Systems) of AMADEUS, GALILEO and ABACUS.



## Main Risks and Risk Management

### Principal risks and uncertainties

The operational complexities inherent in Air Astana's business, together with the highly regulated and commercially competitive environment of the airline industry, leave the Company exposed to a number of risks. Many of these risks – for example, changes in governmental regulation, acts of terrorism and availability of finance – can be mitigated to a certain degree but remain outside of the Company's control.

The risks and uncertainties described below are the ones that could have the most significant impact on the long term value of Air Astana. The list is not intended to be exhaustive.

#### Fuel price

The Airline uses approximately two hundred thousands tons of jet fuel a year. The cost for fuel is almost 23% of operating expenditures of the Company, so volatility in the price of oil and jet fuel products can have a material impact on Air Astana's operating results. Partially, this risk is compensated by fuel surcharge; the Company introduced fuel surcharge on international routes. No fuel hedging positions were taken in 2007.

#### Global economic slowdown/Credit crunch

Air Astana's revenue is highly sensitive to economic conditions in the markets in which the Airline operates. The financial services sector is one of the Company's key customer segments and recent difficulties in the banking industry represent a significant risk to the Airline's revenue.

#### Increase in prices of resources and services required by airlines

High inflation of some of the airline's costs can significantly increase the cost of the Company and adversely affects the operating margin.

### Government intervention

The scope of the industry regulation ranges from infrastructure issues relating to slot capacity and traffic rights, through to new environmental and security requirements. Air Astana's ability to both comply with, and influence any changes in, these regulations is key to maintaining the Company operational and financial performance.

#### Antimonopoly regulations restricting fare increase and fuel price increase compensation

Air Astana as a dominant operator on domestic network is subject to Kazakhstan antimonopoly regulations that require justifications of domestic fare increases.

#### Capital investment

Decisions in respect of Air Astana's planned fleet growth, in terms of timing, aircraft numbers or fleet type, could have a significant impact on the Airline's future performance.



## Corporate Governance

The Company views corporate governance as a means of increasing the effectiveness of the activities of the Company, strengthening its reputation and decreasing costs for raising capital by the Company.

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 system of the Company's Corporate Governance Bodies includes:

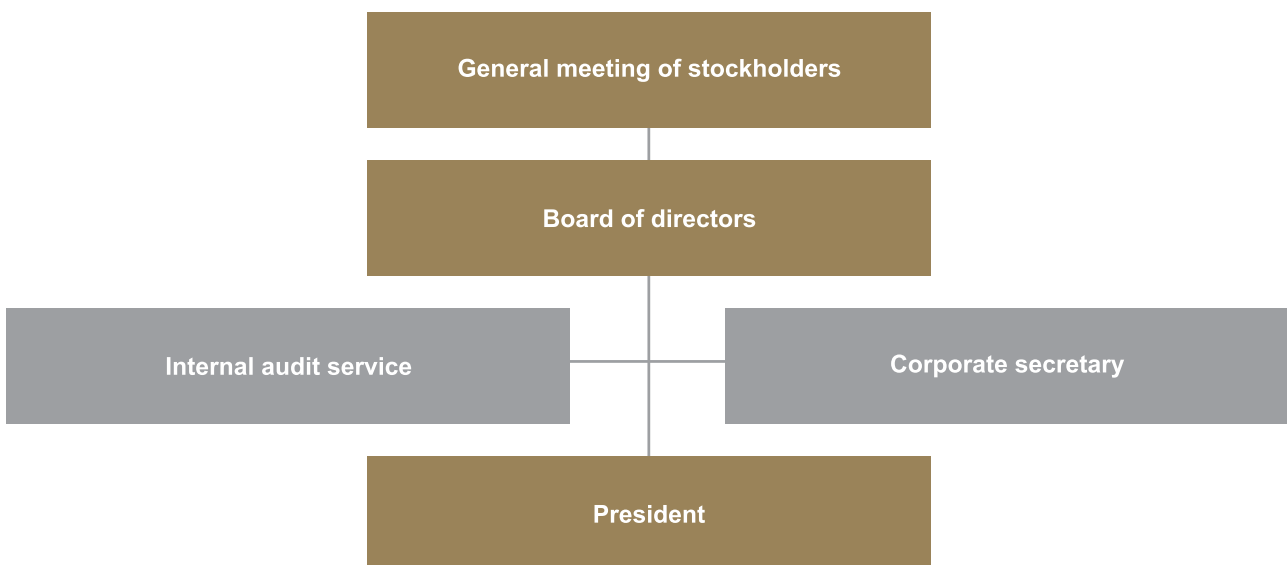
**General Stockholders' Meeting**  
the highest body;

**Board of Directors**  
management body;

**President**  
sole executive body;

**Internal Audit Service**  
body exercising control over financial and economic activity of the Company

### Corporate Governance Bodies





## Corporate Governance

### General Stockholders' Meetings

The highest governing authority of the Company is the General Stockholders' Meeting which has the authority to make all strategic decisions and approve major transactions upon recommendation by the Board of directors of the Company.

Date of the Meeting	Issues considered at General Stockholders' Meetings
---------------------	---

08 May	<ul style="list-style-type: none"> <li>• <b>Approval of the revised annual budget (income and expenditure budget) of the Company for 2007;</b></li> <li>• Deciding on the number and the terms of office of the Board of Directors of the Company; electing new members of the Board of Directors of the Company.</li> </ul>
19 May	<ul style="list-style-type: none"> <li>• Approval of the decisions of the Board of Directors of the Company on entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- International Lease Finance Corporation (ILFC) on the lease of three Airbus A320 family aircraft;</li> <li>- "Nika-Munai" LLC and "ARNA Petroleum" LLC for fuel supply;</li> </ul> </li> <li>• Election of the members of the Internal Audit Service of the Company (earlier - Audit Commission).</li> </ul>
19 June	<ul style="list-style-type: none"> <li>• Approval of the decisions of the Board of Directors of the Company dated 18 June 2007 on entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- "ARNA Petroleum" LLC and "Asia-Munai" LLC for fuel supply;</li> <li>- JSC Foreign Insurance Company «Kazakhinstrakh» for insurance of aviation risks;</li> <li>- EAS Industries for C-Checks of three Boeing 737-700/800 aircraft, provision with consumable materials for Boeing 737-700/800 aircraft, purchase of components for Boeing 737-700/800 aircraft, overhaul of components for Boeing 737-700/800 aircraft, provision with components for C-Checks of Boeing 737-700/800 aircraft;</li> <li>- SAMCO Aircraft Maintenance B.V. for C-Checks of Fokker 50 aircraft, performance of airworthiness directives, service bulletins, modifications, configurations on Fokker 50 aircraft, overhaul and maintenance of components for Fokker 50 aircraft, provision with spare parts and components for Fokker 50 aircraft, provision with consumable materials for Fokker 50 aircraft, purchase of components for C-Checks of Fokker 50 aircraft;</li> <li>- GE Engine Services, Inc for overhaul and lease of CF6 engine for Boeing 767 aircraft, overhaul and maintenance of components for Boeing 767 aircraft;</li> </ul> </li> <li>• Approval of the decisions of the Board of Directors of the Company dated 26 February 2007 on entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- "Kagorta Company" LLC and "ARNA Petroleum" LLC for fuel supply;</li> <li>- A.J. Walter (Aviation) Limited for provision of components and spare parts for Boeing 757 aircraft;</li> <li>- NMC Eastern European Computerised Reservation Services B.V. for purchase of computerised reservations system services.</li> </ul> </li> </ul>



## Corporate Governance

### Meetings of the Board of Directors

Board of Directors, the management body responsible for developing the Company's strategy, general management of its activity and control over the work of the Executive Body. The Board of Directors makes decisions on all issues relating to the activities of the Company except for the matters which fall within the exclusive competence of the General Stockholders' Meeting.

The Board of Directors consists of six (6) members who are elected by the General Stockholders' Meeting by cumulative vote: two (2) members of the Board of Directors are nominated by the Joint Stock Company "Kazakhstan Holding for Management of State Assets "Samruk", two (2) members of the Board of Directors are nominated by BAE SYSTEMS (Kazakhstan) Limited and two (2) are independent directors.

During 2007 eight meetings of the Board of Directors of Air Astana were held, including two meetings in presentia.

Date of the Meeting	Issues considered at General Stockholders' Meetings
26 February	<ul style="list-style-type: none"> <li>• Entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- "Kagorta Company" LLC and "ARNA Petroleum" LLC for fuel supply;</li> <li>- A.J. Walter (Aviation) Limited for provision of components and spare parts for Boeing 757-200 aircraft;</li> <li>- NMC Eastern European Computerised Reservation Services B.V. for computerised reservations system services;</li> <li>- Portal Worldwide Ltd. for the supply of amenity kits;</li> </ul> </li> <li>• Preliminary approval of the revised annual budget (income and expenditure budget) of the Company for 2007.</li> </ul>
08 May	<ul style="list-style-type: none"> <li>• Convening the Extraordinary General Meeting of Stockholders of the Company for considering the issue of dismissing the members of the Board of Directors of the Company; deciding on the number and the terms of office of the Board of Directors of the Company; electing new members of the Board of Directors of the Company.</li> </ul>
18 May	<ul style="list-style-type: none"> <li>• Entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- International Lease Finance Corporation (ILFC) on the lease of three Airbus A320 family aircraft;</li> <li>- "Nika-Munai" LLC and "ARNA Petroleum" LLC for fuel supply.</li> </ul> </li> </ul>
18 June	<ul style="list-style-type: none"> <li>• Entering by the Company into the major transactions with:               <ul style="list-style-type: none"> <li>- "ARNA Petroleum" LLC and "Asia-Munai" LLC for fuel supply;</li> <li>- JSC Foreign Insurance Company «Kazakhinstrakh» for insurance of aviation risks;</li> <li>- EAS Industries for C-checks of three Boeing 737-700/800 aircraft, provision with consumable materials for Boeing 737-700/800 aircraft, purchase of components for Boeing 737-700/800 aircraft, overhaul of components for Boeing 737-700/800 aircraft, provision with components for C-checks of Boeing 737-700/800 aircraft;</li> <li>- SAMCO Aircraft Maintenance B.V. for C-Checks of Fokker 50 aircraft, performance of airworthiness directives, service bulletins, modifications, configurations on Fokker 50 aircraft, overhaul and maintenance of components for Fokker 50 aircraft,</li> </ul> </li> </ul>

## Corporate Governance

### Date of the Meeting      Issues considered at General Stockholders' Meetings

provision with spare parts and components for Fokker 50 aircraft, provision with consumable materials for Fokker 50 aircraft, purchase of components for C-Checks of Fokker 50 aircraft;

- GE Engine Services Inc. for overhaul and lease of CF6 engine for Boeing 767 aircraft, overhaul and maintenance of components for Boeing 767 aircraft;
- Preliminary Fleet plan of the Company for 2007-2016 and assigning the President of the Company to conduct negotiations with aircraft and engine manufacturers in accordance with the Fleet plan for specification of delivery dates and costs.

**27 June**

- Report of the President of the Company on the results of financial and operational activities of the Company for 2006 and the first five months of 2007;
- Preliminary approval of the annual financial statements of the Company for 2006;
- Recommendations to the Annual General Meeting of Stockholders of the Company regarding the payment of dividends for 2006;
- Information of the President of the Company on submission of the request for proposals to the aircraft manufacturers – Boeing and Airbus, and engine manufacturers with a view of placing firm orders for 6 narrow-body and 3 wide-body aircraft, as well as options for further 6 narrow-body and 2 wide-body aircraft with the deliveries between 2009 and 2015 subject to availability of slots from the manufacturers;
- Entering by the Company into the major transactions with:
  - «ARNA Petroleum» for fuel supply;
  - JSC “Tulpar Avia Service” for the services on wet-lease of aircraft;
  - “Aviation Technical Centre of Almaty International Airport” LLC for the rent of the hangar complex on the territory of JSC International Airport Almaty.

**1 August**

- Entering by the Company into the major transactions with:
  - “ARNA Petroleum” and “Nika-Munai” LLC for fuel supply;
  - “Globalink Transportation & Logistics Worldwide” LLC for the purchase of international transportation and logistics services;
- Approval of the decision on the Company’s opening settlement and currency bank accounts in JSC Kazkommertsbank.

**6 December**

- Report of the President of the Company on the results of financial and operational activities of the Company for nine months of 2007;
- Preliminary approval of the annual budget of the Company for 2008;
- Information regarding placing the orders to aircraft and engine manufacturers;
- Preliminary approval of the Strategic Trends of Development of the Company for 2008-2012, Business Plan of the Company for 2008-2012 and Development Plan of the Company for 2008-2010;
- Long-range forecast of the Company for 2013-2022;
- Entering by the Company into the major transactions with “ARNA Petroleum” for fuel supply;
- Determination of the fee to be paid for the services of an auditing organization for auditing the financial statements of the Company for 2007;

## Corporate Governance

Date of the Meeting	Issues considered at General Stockholders' Meetings
	<ul style="list-style-type: none"> <li>• Approving for 2008 the norms of compensation of expenses to the Company's administrative staff who are on business trips;</li> <li>• Approving for 2008 the standards of eligibility to the Company cars and standard areas to accommodate the administrative personnel of the Company;</li> <li>• Approving for 2008 the limits of reimbursable expenses at the Company's expense when granting to administrative staff the right to use mobile communication and the limits of representation expenditures;</li> <li>• Establishing the Internal Audit Service of the Company; preliminary approval of the nominee for the appointment to the position of the Head of the Internal Audit Service of the Company; approval of the number of the staff of the Internal Audit Service of the Company; determining the amount and terms of the salaries of the Head and employees of the Internal Audit Service of the Company;</li> <li>• Appointment, determination of the term of office of the Corporate Secretary of the Company, determination of the salary amount and conditions of remuneration of the Corporate Secretary of the Company;</li> <li>• Approval of the draft employment contract of the President of the Company.</li> </ul>
14 December	<ul style="list-style-type: none"> <li>• Proposals of the President of the Company for signing proposals with Airbus for manufacture of six new jet narrow-body aircraft with engines installed and purchase of three options of A320 family (A319/320/321) aircraft with engines installed; Boeing and Rolls-Royce for the manufacture of three new jet wide-body B787-8 aircraft with Rolls-Royce engines installed as well as for three purchase rights and up to nine rolling purchase rights for wide-body B787-8 aircraft with Rolls-Royce engines installed.</li> </ul>





## Corporate Governance

### Executive Body

The management of the day-to-day activity of Air Astana JSC is carried out by the President, sole executive body of the Company. The President is obliged to implement the decisions of the General Stockholders' Meeting and the Board of Directors. The President is elected by General Stockholders' Meeting and shall prior to his/her election have served not less than ten (10) years in managerial or executive positions with airlines operating in accordance with JAR Ops, JAR 145 and other appropriate international standards. The rights and duties of the President are determined by the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter of the Company and individual employment contract signed by the Chairman of the Board of Directors on behalf of the Company.

### Internal Audit Service

Internal Audit Service - body exercising control over financial and economic activity of the Company, by way of oversight and monitoring, assessment of the effectiveness of the financial and economic activities of the Company, assessment of the compliance with internal procedures and policies of the Company,

appraisal in the area of internal control, risk management, performance of documents relating to corporate governance and consulting for the purpose of improvement of the Company's activities.

### Corporate Secretary

Corporate Secretary of the Company position, introduced by the decision of the Board of Directors of the Company on 06 December 2007. The Corporate Secretary is responsible for ensuring compliance by the Company's bodies and officials with procedures aimed at securing the rights and interests of its Stockholders, as well as the Company's compliance with the rules of corporate governance legislation, the provisions of the Charter and other internal documents of the Company. The Corporate Secretary also promotes the effective exchange of information among various Company's bodies and performs the duties of an advisor on governance issues for the members of the Board of Directors and the Executive Body of the Company.

## To Stockholders and Investors

### Dividends

The amount of dividend for 2006 payable for one common stock of the Company was 59 368 (fifty nine thousand three hundred sixty eight) tenge 68 tiyn.

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.

### Registrar of the Joint Stock Company

"Fondovy Center" JSC

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

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

tel. (7272) 508961

fax (7272) 501696



## Social Responsibility



### PERSONNEL

#### 1. Objectives of HR Department

HR Department works on making team-oriented, responsible, high-productive, friendly work environment which attracts and retains employees.

Objectives and main activities:

1. To grant employees with continuous training in order to develop in achieving common purposes of the Company.
2. To engage, appraise, reward and contribute to career promotion of employees on the basis of their achievements, professionalism and mutual cooperation in strengthening team spirit of the Company.

#### 2. Company Personnel

The economy of the Republic of Kazakhstan was on noticeable rise in 2007, which reflected in difficulties of searching high-qualified specialists, and relatively high turnover of the personnel. This tendency was observed over period of a year on a labor-market of Kazakhstan.

Meanwhile as the Strategy of the Company for 2007 on further widening of its activity and expansion of its fleet required recruitment of specialists in all areas of the Company the main mission of HR Department was to search and attract the highly qualified specialists, closely cooperating with Civil Aviation Academy, and providing internship of students in the Company with the following employment. Retaining the best specialists, motivating personnel and staff development were also priorities during the whole year. 545 people were employed during a year, which is 26.2% higher than analogous indexes in comparison with 2006.

## Social Responsibility

### Manpower list in 2007

Flight Operations Department	213
Inflight Services Department	673
Aircraft Technical Services Department	159
Airport services	378
Others	870
<b>Total</b>	<b>2293</b>

In the Company 65 per cent of employees are with the higher education, the average age is 31, correlation of men and women - 48% to 52%.

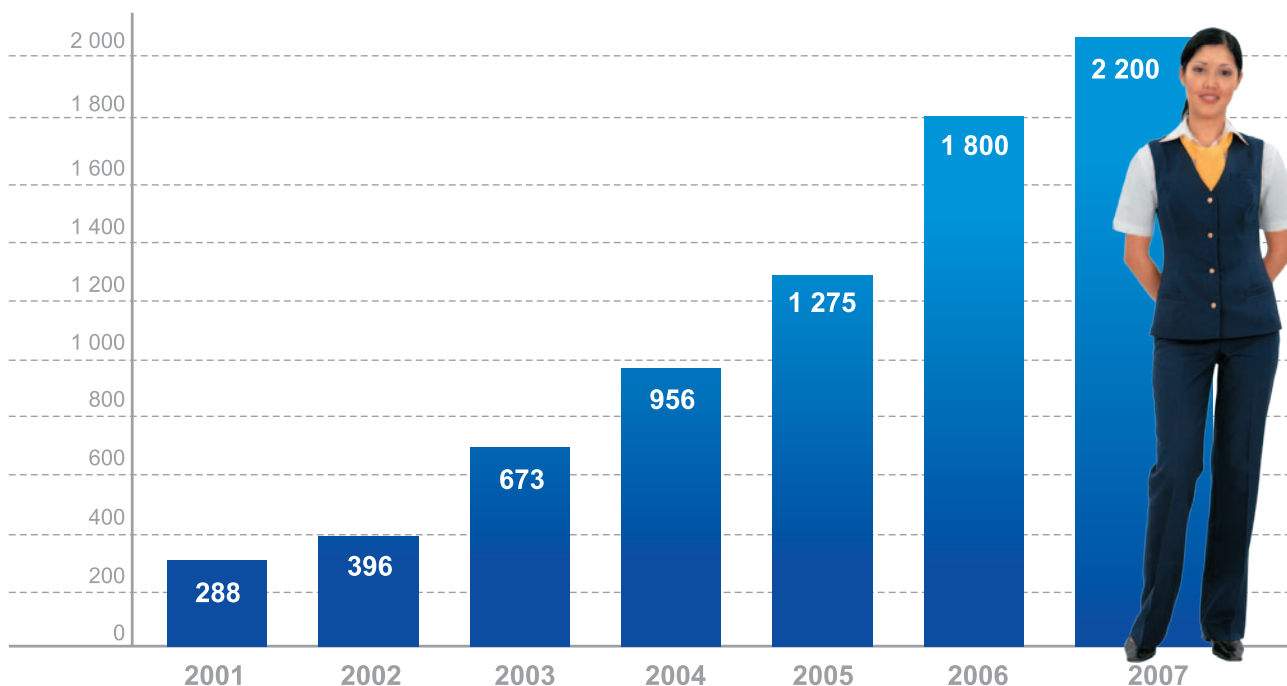
### 3. Corporate trainings and development

Training and development of employees are one of the main priorities of Air Astana JSC. All operational and technical staff of the Company is trained in the best Aviation Training Centers in London, Amsterdam, Dubai, Istanbul, Toulouse and Hannover.

According to the results of 2007 the following employees received training, retraining, and upgrade qualification:

Job title	Quantity
Inflight Services Department	645
Pilots	216
Specialists of Engineering and Technical services	170
<b>Total operational staff</b>	<b>1031</b>

### Manpower growth in 2001-2007



## Social Responsibility



During the year 178 people undertook internal corporate trainings. In addition, employees of the Company took part in professional seminars and specialized conferences.

### 4. Projects in 2007

In 2007 for the first time Employees' opinion survey was carried out. 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.

### 5. Health and Safety

Health and Safety issues, precise observance of safe work requirements of all employees of the Company play a dominant part in success of its activities.

In 2007 Health and Safety Trainings were conducted for managers and specialists. The permanent examining Board was appointed on checking health

and safety knowledge of the Company employees. All employees under influence of harmful, dangerous and unfavourable production factors are undergoing through Medical inspection on a regular basis. Attestation of industrial facilities on work conditions was carried out in September 2007. The result of attestation of work places showed that Health and Safety Conditions were fulfilled according to the current regulations; the Company covered all activities for establishing safety conditions of work.

### 6. 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 Programmes

The system of charitable social programme 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 programmes to support 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:

- programme of social services;
- affiliate programme;
- one-time support to legal entities and individuals.

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

## Charity projects

### Programme “Support for socially vulnerable segments of the population”.

#### At the places of fame

Every spring, on the eve of Victory Day, Air Astana helps to participants of the Great Patriotic War to see their friends and brother-soldiers in different cities of Kazakhstan and CIS countries.

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

#### Helping children and people in need

Air Astana helps seriously ill young patients to find their doctorate in conjunction with the Voluntary Charity Society. Boards of Air Astana carry children suffering from severe cardio diseases from different regions of Kazakhstan to Moscow and Europe for treatment and surgeries.

The Company organized a flight of German doctors, who brought essential medicines for children suffering from cancer.



## Social Programmes

Another direction of the programme is helping children who need medical treatment abroad. Individually and in cooperation with the Voluntary Charity Society in 2007 there were given out about 50 tickets to severely ill children and their parents accompanying them on the directions Astana, Moscow, Frankfurt, etc. In order to widen the circle of beneficiaries Air Astana has been involved in projects of Red Cross.

### **Sport sponsorship**

One of the priorities of Air Astana support is Kazakhstan's sports. Air Astana is an official sponsor of Football Federation of Kazakhstan, Kazakhstan Rugby Union and Astana Cycling Team.

### **Support of the Art and Culture**

Air Astana supports a number of major cultural events. In December 2007 Air Astana became official carrier of the prestigious beauty contest of our country - national competition «Miss Kazakhstan». Holder of

the crown was the first beauty student from Almaty Alfina Nasyrova. She will represent Kazakhstan at the international competitions «Miss World» and «Miss Universe».

From 5 to 12 of December 2007 in Uralsk the V International Violin Competition took place with the support of Air Astana, the ideological inspiration and constant chairman of the jury of which was Marat Bisengaliev. Despite the relatively short history, the contest has won popularity among the best violin schools of the world and now they delegate their most promising pupils to participate in this event.

The annual event at Atyrau «Evening of Robert Burn's Poetry» and «New Year Skating Show» in Almaty with the participation of Olympic champion Natalya Bestemyanova, Andrey Bukin and Igor Bobrin also found a reliable sponsor in socially responsible airline Air Astana.





## Social Programmes



The III International Competition for young singers in 2007 was also supported by Air Astana. This Competition helps to improve the prestige of Kazakhstan singing classical art, opening up new names of young talented artists from around the world taking part in the contest.

For several years Air Astana supports the international contest of children's creativity Bostorgay. Young dancers, singers, folk singers from all areas of our country come to Almaty, as well as from countries near and far abroad. All in all there were about 900 talents at the contest.

### **Socio-political events**

In April 2007, the Eurasian Media Forum for the sixth time opened its doors to participants of annual Conference - journalists, politicians, experts and business men. The official partner of the event was Air Astana airline, supporting the big event covering a wide range of topics which were being discussed that year.



## Environmental Protection

As a responsible limited liability corporation operating under laws and regulations of the Republic of Kazakhstan, Air Astana has a duty of care to exercise all due responsibility of its employees, contractors and subcontractors to minimize damage to the environment.

Air Astana exercises particular care in the following areas:

- Using aviation fuel to minimize loss and consumption as well as emissions
- Minimizing the creation of unnecessary waste or toxic materials
- Ensuring safe disposal of any waste or toxic materials in accordance with the laws and regulations of the Republic of Kazakhstan in a manner that will cause the least damage to the environment



Airline's ways to reduce the environmental impact:

- Flying shorter
- Refining take-off and landing procedures to make flights more fuel efficient

Airline's measures to cut its waste:

- Reducing amount of paper used (by using email; transferring paper-based manuals and other Company's information into online documents; having electronic approval forms only; e-ticketing)

Airline's approaches to noise and air quality issues:

- Further investing in new technology – quieter, cleaner, more efficient aircraft and ground vehicle fleet
- Developing more efficient operating procedures.

## Financial Statements

### INCOME STATEMENT FOR 2007

	<b>USD'000</b>
Revenue	538,991
Cost of sales	(429,632)
Gross profit	109,359
Other income	13,461
Selling expenses	(42,844)
Administrative expenses	(30,105)
Financial income	5,325
Financial expense	(158)
Foreign exchange loss, net	(1,647)
Profit before income tax	53,391
Income tax expense	(18,041)
Profit for the year	35,350
Basic and dilutes earnings per share	2,079

### BALANCE SHEET AS OF 31 DECEMBER 2007

#### ASSETS

	<b>USD'000</b>
Non-currents assets	
Property, plant and equipment	29,130
Intangible assets	1,675
Guarantee deposits	15,217
Deferred tax assets	1,986
	48,008
Current assets	
Inventories	13,258
Prepayments	17,352
Income tax prepaid	12,574
Other taxes prepaid	8,427
Trade and other receivables	20,637
Held to maturity investments	65,750
Cash and cash equivalents	14,942
	152,940
<b>Total assets</b>	<b>200,948</b>

## Financial Statements

### EQUITY AND LIABILITIES

USD'000

<b>Equity</b>	
Share capital	17,000
Foreign currency translation reserve	8,489
Retained earnings	87,881
<b>Total equity</b>	<b>113,370</b>
<b>Non-current liabilities</b>	
Finance lease liabilities	1,507
<b>Current liabilities</b>	
Finance lease liabilities	1,164
Deferred revenue	38,663
Provision for aircraft maintenance	13,193
Trade and other payables	33,051
<b>Total current liabilities</b>	<b>86,071</b>
<b>Total liabilities</b>	<b>87,578</b>
<b>Total equity and liabilities</b>	<b>200,948</b>

## Financial Statements

### STATEMENT OF CASH FLOWS FOR 2007

USD'000

	USD'000
<b>OPERATING ACTIVITIES</b>	
Profit before income tax	53,391
Adjustments for:	
Depreciation and amortisation	3,191
Gain on disposal of property, plant and equipment and intangible assets	(2,247)
Interest expenses on finance leases	158
Interest income	(5,325)
Change in allowance for doubtful debts	(57)
Change in allowance for obsolete and slow-moving inventories	10
Unrealised foreign exchange gain	1,432
Operating profit before change in working capital and provisions	50,553
(Increase)/decrease in:	
Guarantee deposits	(2,295)
Inventories	(3,931)
Prepayments	(5,575)
Trade and other receivables	3,331
Deferred revenue	16,318
Trade and other payables, accrued expenses and other current liabilities	4,328
Cash flows from operations before income taxes and interest paid	62,729
Income taxes paid	(24,128)
Interest paid	(169)
Cash flows from operating activities	38,432
<b>INVESTING ACTIVITIES</b>	
Interest received	4,582
Purchase of property and equipment	(13,233)
Proceeds on the disposal of property, plant and equipment	3,845
Purchase of intangible assets	(120)
Bank term deposits made	(61,366)
Maturities of bank term deposits	52,326
Cash flows used in investing activities	(13,966)
<b>FINANCING ACTIVITIES</b>	
Principal payments on long-term borrowings	(3,959)
Dividends paid	(8,235)
Cash flows used in financing activities	(12,194)
Net decrease in cash and cash equivalents	12,272
Cash and cash equivalents at 1 January	2,312
Effect of exchange rates fluctuations on cash and cash equivalents	358
Cash and cash equivalents at 31 December	14,942

## Financial Statements

### STATEMENT OF CHANGES IN EQUITY FOR 2007

	USD'000			
	Share capital	Foreign currency translation reserve	Retained earnings	Total
Balance at 1 January 2006 (as previously reported)	17,000	1,421	28,514	46,935
Profit for the year (restated)	-	-	32,023	32,023
Foreign currency translation differences (restated)	-	2,266	-	2,266
Balance at 1 January 2007	17,000	3,687	60,537	81,224
Profit for the year	-	-	35,350	35,350
Dividends declared and paid	-	-	(8,273)	(8,273)
Foreign currency translation differences	-	4,802	267	5,069
Balance at 31 December 2006	17,000	8,489	87,881	113,370

## Glossary

**ASK**

Available Seat Kilometres

**BSP**

Billing and Settlement Plan

**EASA**

European Aviation Safety Agency

**ER**

Extended Range

**GDS**

Global Distribution System

**IAS**

Internal Audit Service

**IATA**

International Association  
of Air Transport

**IBCS**

IATA BSP Consolidator System

**IBE**

Internet booking engine

**ICAO**

International Civil Aviation Organization

**IFE**

In-Flight Entertainment

**IOSA**

IATA Operational Safety Audit

**JAA**

Joint Aviation Authority

**JAR**

Joint Aviation Requirements

**NC**

Nomad Club - bonus programme  
for frequently flying passengers

**SMS**

Safety Management System



## Representative Offices

### **Almaty, Kazakhstan**

8a, Zakarpatskaya Str.,  
tel. +7 (727) 258 41 36

### **Moscow, Russian Federation**

3-ya Tverskaya-Yamskaya, 26, office 5,  
tel. + 7 (495) 251 16 05

### **Beijing, People's Republic of China**

C210A, Lufthansa Business Center, #50  
Liangmaqiao Lu, Chaoyang District,  
tel.: + 8610-64651030, 64665067

### **Istanbul, Turkey**

Cumhuriyet Caddesi No 95-97,  
1 Elmadag Taksim Beyoglu,  
tel.: +90212 343 49 60/61/62

## Registered Address

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## Mass media used for publication of information of the Company activities:

Newspapers “Egemen Kazakhstan”  
and “Kazakhstanskaya Pravda”.







Website:  
[www.airastana.com](http://www.airastana.com)