



ANNUAL REPORT 2011



10 YEARS' HIGH FLYING

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The first flight of the airline was performed
Route: Almaty - Dubai.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Over a 10-year period since its inception, Air Astana has achieved significant results and gained a reputation as one of the most innovative airlines in the region. The major achievement of the Company is recognition of the adherence of its services to the highest standards of quality and safety. Air Astana is the first Central Asian airline that has passed the IOSA audit and one of only six CIS airlines that has obtained unrestricted IOSA certification. In accordance with the international rankings of the Skytrax World Airline Awards, Air Astana was awarded second place for the Best Airline of Eastern Europe.

Consistent implementation of strategy during the first decade has built a secure basis that will enable the Company to develop further with the new higher level of quality. Air Astana enters its second decade positively and is beginning a new stage of its development. In January 2011, the General Meeting of Shareholders approved the long-term development strategy of the Company for 2011-2020. The major priorities of the strategy are fleet expansion, introduction of new domestic and international routes, enhancement of the maintenance centre, building its complement of highly qualified and experienced pilots and improvement of corporate governance.

Implementing the new strategy in December 2011, the Board of Directors approved a large transaction for the purchase of four Boeing 767-300 jets and three Boeing 787-8 Dreamliners. Delivery of the long haul Boeing 767-300 will take place in 2013-2014, while the Boeing 787-8 Dreamliners will expand the fleet in 2017-2019. This purchase is the biggest in the history of civil aviation in Kazakhstan. The aircraft purchase will be financed by the airline on its own, without any government guarantees or allocation of funds from the state budget.

The purchase of new jets, with improved fuel efficiency, to serve domestic, regional and international routes will lift Air Astana to the level of the world's leading airlines, being part of the airline's long-term strategy aimed at fleet modernisation and expansion of up to 43 jets by the end of 2020. As of today, the airline's fleet consists of 26 modern aircraft.

Last year Air Astana achieved significant operational and financial results. The number of passengers increased to three million, the airline's net profit was US\$61.3 million. Achievement of such significant operational and financial results was primarily due to the adherence to the Company's development strategy, well-coordinated work of employees and proficient management of the Company.

The airline pays great attention to improving corporate governance in accordance with best practice. Today, the corporate governance of Air Astana JSC is rated one of the highest in Kazakhstan. In 2011, Standard & Poor's agency affirmed the Company's corporate governance score at "GAMMA 6". This is the evidence of high efficiency in managing the airline, sustainable development and responsibility towards its stakeholders.

2011 was significant year for our country; we celebrated a remarkable event – the 20th anniversary of the Republic of Kazakhstan. Within a short period of independent development, our country has turned into modern and competitive state. Today, Kazakhstan is a dynamically developing country with a rich history and cultural heritage that is gaining greater international recognition.

As the national air carrier, Air Astana is well aware of its responsibility towards society. Since its foundation, the airline has paid to the state budget more than 40 billion tenge in taxes. More than 80 charity and sponsorship

The consistent implementation of strategy during the first decade has built a secure base that will enable the Company to develop further and to a higher level of quality.



projects have been carried out since 2008. Air Astana is making a big commitment to the development of civil aviation of Kazakhstan by providing assistance in the implementation of reforms for eliminating areas of non-compliance in civil aviation regulation that have been identified by the International Civil Aviation Organisation (ICAO).

On behalf of the Board of Directors, I want to thank our shareholders for their contribution and support in developing our company and to express my sincere gratitude to the management and staff for their excellent work and high professionalism.

Yours faithfully,

Nurzhan Baidauletov
Chairman of the Board of Directors



LETTER FROM THE PRESIDENT

2011 was another eventful and successful year for Air Astana. The Company continued to grow despite hugely challenging business conditions.

2011 was another eventful and successful year for Air Astana. The Company continued to grow despite the significant increase in jet fuel price and the effects of political unrest in parts of the Arab world, and of the debt crisis in Europe. We grew capacity by 14%, the number of passengers carried by 19% and revenue by 17%. Net profit of US\$ 61.3 million was lower than that of 2010, however a net margin of 7.8% continues to outperform the industry in one of its more difficult years. Staff numbers increased to 3,500.

During 2011 we implemented fleet decisions taken in 2010: We took delivery of one additional Boeing 757-200 and introduced the first three new Embraer 190 regional jets. In December we received approval from the Board of Directors to purchase four Boeing 767-300ER aircraft and three Boeing 787-8 "Dreamliners". The 767s will be delivered in 2013-2014, followed by the 787s in 2017 and 2019. These aircraft will enable the Company to increase and improve existing long-haul flights and to extend the network in time to the Americas, Africa and Australia. Their acquisition will be funded from cash reserves and aircraft finance debt markets without the need for further investment from shareholders.

Cities in the CIS, India and Asia Pacific are strategically important markets for the development of the Company's route network. In 2012 we plan to commence flights to Hong Kong and to increase the frequency of existing regional and long-haul services.

During 2011 we opened routes to Samara in the Russian Federation and Tbilisi in Georgia, using the Embraer 190s. In addition to the new routes, the E190s were deployed on existing routes and began replacing Fokker 50s, a process which will be completed by the beginning of 2013.

In September 2011 we opened a new aircraft structural parts and components maintenance centre in Almaty. The centre is licensed by the Kazakhstan CAC and fully certified in accordance with European standards and rules by the European Aviation Safety Agency (EASA). In 2012, the Company plans to introduce new workshops and achieve their certification by EASA.

The aim of the economic policy of Kazakhstan government is to achieve sustainable development through diversification and by shifting from an economy dominated by extractive industries. The opening of the maintenance centre not only makes business sense but also contributes to this process. The maintenance centre already performs third party work for airlines from around the region in addition to its core activity for Air Astana.

Safety is and remains the airline's absolute priority. In 2011 we successfully completed the IATA Operational Safety Audit (IOSA) for the third time, with zero findings, confirming our leading position in Central Asia and the CIS in terms of safety and airworthiness. The Company improves its activities constantly and success is achieved by engaging operational staff at all levels in the air safety review process.



We renewed our EASA 145 line maintenance license after the annual audit by the UK Civil Aviation Authority. Air Astana continues to be the only Kazakhstan airline exempt from the flight ban imposed by the Air Safety Committee of the European Union.

In 2011 we increased the number of students enrolled in the Ab Initio cadet pilot training scheme at the Florida Institute of Technology in Melbourne, Florida. Since the start of 2009 more than 110 young Kazakhstan cadets have passed through the programme, of whom 30 are now flying as First Officers across all of the jet fleets.

The delivery of high quality service both in the air and on the ground continues to be a priority. In 2011 we rose from third place to second in the "Best Eastern Europe Airline" category of the annual Skytrax World Airline Awards survey of frequent travellers. Flat bed Sleeper Business Class seats were installed on the Boeing 757s and this product is now available on all long haul flights without exception. KCTV personal entertainment was extended to all flights longer than three hours. Our marketing and sales unit continued to develop cooperative relationships with other airlines and in particular, the code share on services to and from Abu Dhabi with the United Arab Emirates' fast-growing national airline, Etihad Airways, is proving most successful.

Internal management systems also underwent improvement and upgrade in 2011 with the successful implementation of the Oracle E-Business Suite platform based Enterprise Resource Planning (ERP), resulting in an integrated system of all of the Company's functional areas.

Corporate governance continued to be a major focus of the management and of the Board of Directors. Since 2008 this has been annually assessed by Standard & Poor's and in 2011 the Company's corporate governance score was confirmed at the level of GAMMA-6, the highest in Kazakhstan.

In summary, we are pleased with the operational and financial achievements of what was a challenging year for Air Astana and for the industry. 2012 is shaping up to be even more difficult as jet fuel prices rise to record levels. Industry forecasts from IATA and other organisations make for gloomy reading, more than justified by initial results from most of the world's airlines. Air Astana is not immune from such trends and it is unlikely that the high levels of profitability achieved in 2010 and 2011 will be sustained this year. However I am confident that 2012, the year of our tenth anniversary, will be a profitable one and that our business and development plans will remain intact, albeit with an even greater focus on cost control similar to the last difficult period of 2008/9.

I would like to take this opportunity to congratulate and thank all of our staff for their continued dedication, professionalism and hard work, and to thank the Board of Directors and shareholders for their great support.

Best regards,
Peter Foster

ABOUT AIR ASTANA

Air Astana, a joint stock company (hereinafter – Company, airline, joint stock company), is a joint venture between the Samruk-Kazyna National Welfare Fund of Kazakhstan (51%) and the UK's BAE Systems (49%). It was founded in September 2001 and its maiden flight took place on 15 May 2002. In 2011 it carried a record three million passengers.

The airline currently serves 22 domestic and 30 international routes, including three seasonal ones. It operates a modern fleet consisting of 26 Western-built aircraft. The Company plans to expand its fleet to 43 aircraft by the end of 2020.



September 2001.
The Government of the Republic of Kazakhstan
and UK's BAE Systems signed an agreement
on establishment of Air Astana airline.

The Company has code-sharing agreements with Etihad Airways, KLM Royal Dutch Airlines, Austrian Airlines and Asiana Airlines, as well as interline partnership agreements with more than 100 other carriers, allowing passengers to choose over 300 destinations in the world.

The airline's safety and technical expertise record matches that of the leading global names. Air Astana is a full member of the International Air Transport Association (IATA) and the only Kazakh carrier that is certified by the European Aviation Safety Agency (EASA) Part 145 to perform aircraft maintenance. In 2011 for the third time in its history, Air Astana successfully completed the IATA Operational Safety Audit (IOSA). The Company belongs to the IATA Fuel Quality Pool (IFQP).

In 2011 Standard & Poor's confirmed Air Astana's GAMMA corporate governance score of six, the highest among all Kazakh companies. It came second in Skytrax's Best Airline of Eastern Europe rating for 2011.

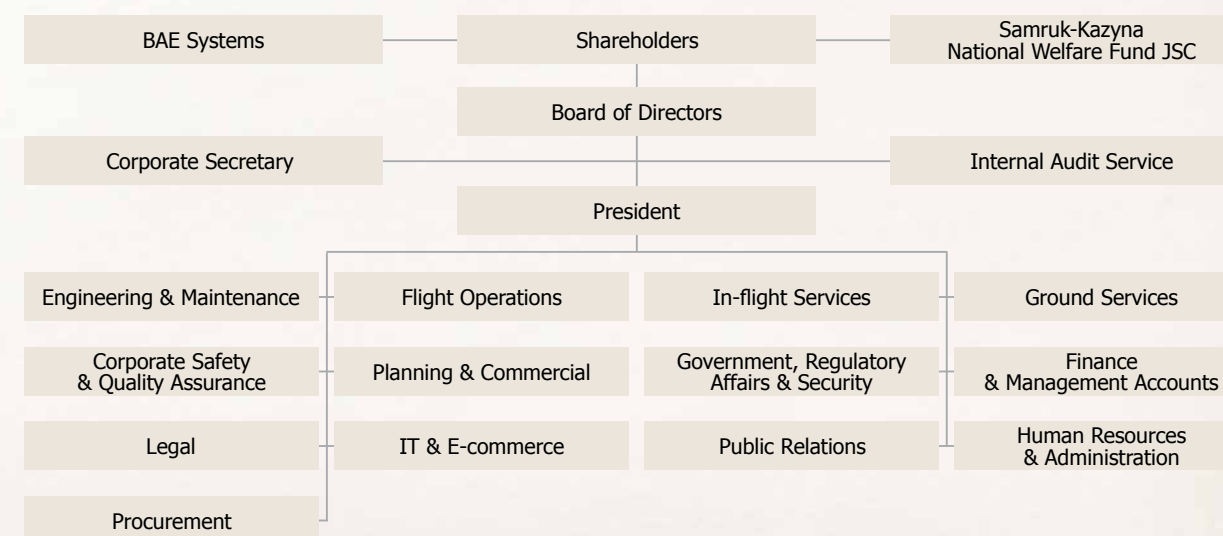
Mission

The mission of the Company is to become the leading airline in Central Asia and CIS, providing profitable domestic and international air services to the highest standards of air safety and customer service.

Goals and Values

- Achieving the highest international standards of operational safety;
- Be the leading airline in our region in terms of service delivery and operational reliability;
- Commit to continued development of our fleet, route network, product and business processes considering our Company's and clients' interests;
- Always demonstrate the highest standards of integrity and business ethics in our dealings with stakeholders, business partners, customers and colleagues;
- Recruit, appraise, reward and promote staff based on merit, professional qualification, individual achievement and collective contribution to the Air Astana team;
- Continuously enhance the abilities of staff to achieve our mission through a sustained programme of training and development for each staff member;
- Endeavour to be one of Kazakhstan's most respected companies, both for fulfilling our mission, and for contributing to the nation's social, cultural and environmental needs and initiatives.

ORGANISATIONAL STRUCTURE OF AIR ASTANA



MANAGEMENT TEAM

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), the owners of Cathay Pacific Airways. From 1982-1999 he served in a variety of management and senior management positions with Cathay Pacific Airways 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.

Alma Aliguzhinova Senior Vice President Planning and Commercial

Alma was amongst the first employees to join Air Astana around the time of its 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 and now Senior Vice President Planning and Commercial. Alma is a Bolashak Alumni, who graduated with an MBA degree from East Carolina University, USA.

Yerbol Ospanov Senior Vice President Government, Regulatory Affairs and Security

Yerbol Ospanov brings with him over 35 years of unique experience and education in the aviation industry. In 1985 he earned his aviation business management qualification following graduation from the Officers' Training faculty of the Civil Aviation Academy in Leningrad, Russia. In 2002 Yerbol earned his Bachelor of Law degree from the Kazakh State University Law School. He has served as Chief Pilot for the fleet of the President of the Republic of Kazakhstan since 1992.

Yerbol joined Air Astana in 2005 and is currently Senior Vice President as well as pilot-instructor on Boeing 757/767. He holds FAA ATPL and Transport Canada ATPL following flight training at Sheffield School of Aeronautics (Florida, USA) and Canadian Airlines (Vancouver, Canada).

Gerhard Coetzee Senior Vice President Corporate Safety and Quality Assurance

Gerhard started his career as an Air Force navigator and is a qualified Accident Investigator, CRM facilitator and Flight Procedure designer with qualifications in (Aviation) Safety Programme management from various institutions including the 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 management for the past 20 years including as Staff Officer Flight Safety in the South-African Air Force and Managing Consultant with BAE Systems.

John Wainwright Senior Vice President Engineering Group

John has over 36 years of aircraft maintenance experience, both in base and line maintenance. He was educated in the United Kingdom and trained at the Royal Aircraft Establishment, Bedford. After spending almost 20 years working for Britannia Airways, he moved to South East Asia, working for Royal Brunei Airlines in Brunei, Vietnam and Nepal. When he left Brunei to emigrate to Australia, he held the position of Head of Maintenance. John joined Air Astana in 2006 as the Maintenance Manager, then he served as Vice President Engineering and Maintenance and progressively has been promoted to Senior Vice President Engineering Group. He is a holder of an EASA B1 and C category Maintenance Engineers License.

Graeme Ogilvie Senior Vice President Operations

Graeme started his aviation career in the Royal Air Force as a pilot and spent the following 15 years flying mainly the C130 Hercules. During his Royal Air Force time Graeme managed an exchange tour with the US Air Force as an instructor examiner followed by three years in charge of flying for the UK Special Forces.

The next 27 years were in Hong Kong with Cathay Pacific both as a pilot and manager. During this time Graeme obtained his MBA at Hong Kong University, worked in many management positions including as an in-house consultant. In his last 10 years in Cathay Pacific, Graeme set up Air Hong Kong, a joint venture company with DHL whilst holding the position of Director of Operations and Engineering. Graeme joined Air Astana in March 2011.

Ibrahim Canliel

Vice President Marketing and Sales

Ibrahim started his career in tourism where he undertook several roles during nine years ending with the management of a major tour operator in Turkey. He joined KLM in 1998 with a brief appointment in the Middle East, followed by the Regional Management role for Central Asia and Caucasus until 2003. He joined the Air Astana team where he undertook roles in the Commercial Planning and Marketing and Sales Teams. Ibrahim holds a bachelor degree in Economics from the Marmara University, an MBA degree from the Bosphorus University and speaks five languages. During his employment with Air Astana, he served as a Board Member of the European Business Association of Kazakhstan between 2005 and 2008.

Aidar Kashkarbayev

Vice President Legal Affairs

Aidar has over 15 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 worked in law firm Denton Wilde Sapte, KPMG consulting company and as a manager of the legal department for Karachaganak Petroleum Operating B.V. in the Karachaganak oilfield, Western Kazakhstan. Aidar graduated from the school of law of Al-Farabi Kazakh State National University and experienced a study placement at Southern Illinois University, USA, under the Visiting Scholar programme.

Chamindra Lenawa

Vice President IT and e-Commerce

Chamindra initially joined Air Astana as Manager IT Business Systems and then held the position of Director IT and e-Commerce. He is an IT professional having management experience with three national carriers. He holds a Masters Degree in Business Administration and a Bachelor of Science Degree in Electronics and Telecommunication Engineering. He holds certifications in different IT domains and is a professional in airline reservations, inventory, ticketing, departure control systems and business operations. He is a certified PMP (Project Management Professional, PMI – USA) and a Chartered Information Technology Professional of the British Computer Society.

Bella Tormysheva

Vice President Public Relations

Bella has over 10 years experience in Public Relations, Information and Cultural activity. Before joining Air Astana, she worked in the Delegation of the European Commission covering the Republic of Kazakhstan, the Kyrgyz Republic and the Republic of Tajikistan. She holds a Masters Degree in International Relations and is currently completing a PhD in Political Sciences. Bella has attended numerous training activities abroad and enjoys working in a multinational and international environment.

Yevgeniya Nee

Vice President HR and Administration

Yevgeniya is a graduate of Karaganda State University named after E. A. Buketov and holds diplomas in foreign languages and legal. She joined Air Astana in October 2002 as Executive Assistant to the President of Air Astana. Since September 2005 Yevgeniya has been the head of the HR department, which also oversees the Health and Safety division, Administrative office and Transport Service of the Company. During six and a half years of her leadership a transparent system of recruitment, corporate training has been created and a performance evaluation and reward system has been introduced. Yevgeniya regularly participates in professional conferences and congresses as an expert, moderator, and speaker. She has a number of diplomas and certificates in management and personnel management.

Galina Umarova

Vice President Procurement

Galina has over 10 years of experience in the airline industry and prior to joining Air Astana was Director of Finance at Astana International Airport JSC. Galina graduated from Aktobe State University of K. Zhubanov and she holds a Master Degree in Public Administration (KIMEP).

Alima Zamanbekova

Chief Accountant

Alima joined the airline in mid 2003 as Chief Accountant. 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 specialising in Accountancy and Audit. She is a Certified Accountant and a member of the Chamber of Professional Accountants of the Republic of Kazakhstan.

Dilyara Kunkhozhayeva

Chief Financial Analyst

Dilyara joined the airline in early 2006 as Financial Analyst. She holds a Bachelor and a Master degree in Business Administration and Accounting from KIMEP. Since 2008 she has been Chief Financial Analyst. Dilyara is responsible for providing management and financial reporting, budgeting, financial analysis, insurance and risk management.

Oliver Mathwich

Director Ground Services

Oliver is responsible for the Ground Services Department. He started his career in Germany and spent 17 years working in the aviation industry. Oliver has held several senior positions for one of the leading airport ground handling companies in the world. Prior to joining Air Astana in 2005, he worked as a Senior Consultant and Project Manager in many airline projects throughout Europe. Oliver received his MBA Aviation degree with distinction in 2011.

Richard Ledger

Director Sales Worldwide

Richard joined the Company in June 2006 as the Regional General Manager EU, USA and Canada, based in London, where he was primarily responsible for the creation of a sales network throughout the region. Prior to joining Air Astana, Richard worked in corporate sales for Singapore Airlines in London for five years before becoming Sales and Marketing Manager UK at Royal Brunei Airlines in January 2005. Richard started his travel industry career in 1993 after graduating from Lancaster University with a MA in Travel and Tourism, and from the University of London (UCL) with a BA (honours) in Geography. His first positions in the travel industry were as Tour Operations Manager for a tour operator specialising in packages to Thailand and India, before progressing to Wexas International as a "Round the World" specialist. Richard was appointed Air Astana's Director Sales Worldwide in February 2009.

Aiman Tileubayeva

Director Network and Revenue Management

Aiman joined Air Astana in November 2003 as the Commercial Planning Manager, where she was responsible for the schedule and network planning. Prior to joining Air Astana, Aiman worked in Air Kazakhstan airline for five years. Aiman graduated from the Kazakh National University and has a PhD in Applied Mathematics. Aiman was appointed Air Astana's Director Network and Revenue Management in February 2009.

David Wilmot

Director Operations Training and Standards

David's experience of more than 34 years was gained whilst operating for different major airlines. The positions held previously were Chief Pilot, Fleet Captain, Instructor Pilot and Check Airman, mainly on the Boeing 747 and Boeing 767 aircraft. His extensive flight crew training of 26 years extends from ab-initio cadet training to type rating training (TRI/TRE) on the Boeing 747 and Boeing 757/767. As a captain, he has flown a wide variety of Boeing airplanes, namely the Boeing 707, Boeing 727, Boeing 737, Boeing 747, Boeing 757 and Boeing 767. His flying experience encompasses most parts of the globe. The theatre of operations included Asia, Africa, Europe, Russia and North and South America. Prior to joining Air Astana, David was a Simulator Instructor for a major aircraft manufacturer's training division, where he was dedicated to a well known Japanese airline.

Sandra Cullen

Director In-Flight Services

Sandra is accountable for cabin crew onboard service delivery performance and standards, recruitment, training and development. She has extensive airline experience within the Operations, Human Resources and Learning and Development fields and has worked with several major airlines in the UK, Europe, USA and Far and Middle East before joining Air Astana in 2011. After over 20 years with British Airways, Sandra moved into consultancy and held positions with several blue chip international organisations, focusing on in particular – service delivery, strategic leadership and people management. Over the last five years prior to joining Air Astana, Sandra has held senior management positions with two leading airlines in the Middle East. She has a wide breadth of general knowledge within the aviation industry, enjoys working within a culturally diverse environment and holds a BSc (honours) degree in Psychology.

Timur Yakupov

Engineering Director

Timur is an aeronautical engineer with more than 20 years of experience. Having a classic aviation education in the former Soviet Union, Timur began his career as a mechanic for aerobatic aircraft. He served in the army as an infantry weapons specialist in Military Transport Aviation. He continued his career in Kazakhstan in the role of a technician on Tu-154, and further mastered the maintenance of the main types of passenger and cargo aircraft of the former Soviet Union. Timur has worked in Air Astana from the first day, and started as a shift supervisor. He is a holder of an engineering license and can serve more than 11 types of aircraft and their modifications.

Mergali Alzhanov

Director Flight Operations

Mergali has extensive experience in the aviation industry. Educated in Aktobe top civil aviation flight school in 1980, Mergali began his career as a co-pilot on the Yak-40 in the Kokchetav aviation squadron, and in 1991 transferred to the Almaty squadron. After working at several airlines, Mergali joined Air Astana in 2004 as a captain on the Boeing 757 aircraft.

Russel Ellis

Director Operations Control

Russel has more than 27 years of aviation experience and has held several senior management positions in airlines in South Africa and the Middle East before joining Air Astana in 2007. His early experience was in the military where he qualified as a navigator and instructor. He is responsible for the day-to-day operational control of the airline and emergency response readiness.

I BUSINESS YEAR 2011

1.1 KEY INDICATORS OF ACTIVITIES IN 2011

STATISTICS FOR 2011

FINANCIAL STATISTICS

(in millions of US\$)

Item	2011	2010
Revenue	773	661
Operating expenses	(704)	(570)
Operating profit	69	91
Profit before tax	77	97
Net profit for the year	61	77
Non-current assets (excluding bank deposits)	131	72
Current assets, including:	255	261
Cash and cash equivalents (including bank deposits)	150	161
Shareholders' equity	244	204
Non-current liabilities	12	14
Current liabilities	131	116

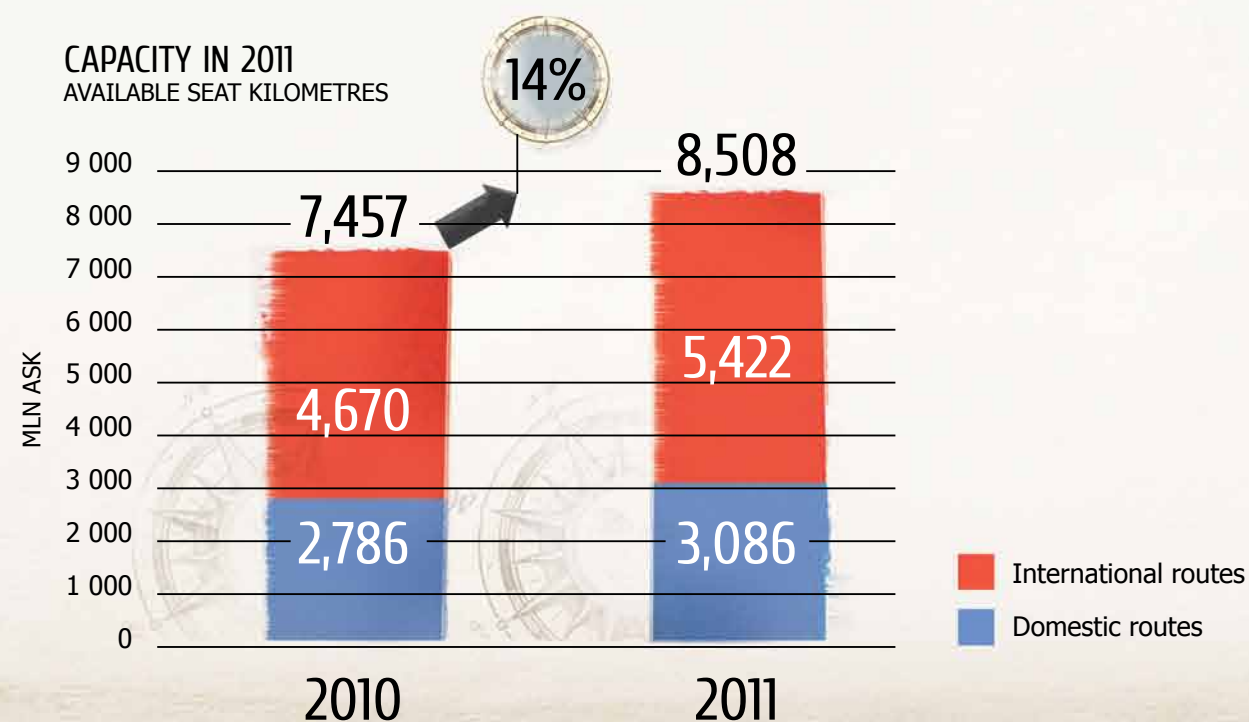
OPERATING STATISTICS

Item	Unit	2011	2010	Change in %
Aircraft flight time	hours	79,006	69,294	14%
Aircraft landings	number	32,221	27,787	16%
Passengers carried	'000 pax	3,057	2,568	19%
on domestic routes	'000 pax	1,959	1,713	14%
on international routes	'000 pax	1,098	855	28%
Cargo, baggage and mail	tonnes	19,692	16,392	20%
Revenue passenger kilometres	mln RPK	5,828	5,082	15%
Available seat kilometres	mln ASK	8,508	7,457	14%
Passenger load factor	%	69%	68%	1%

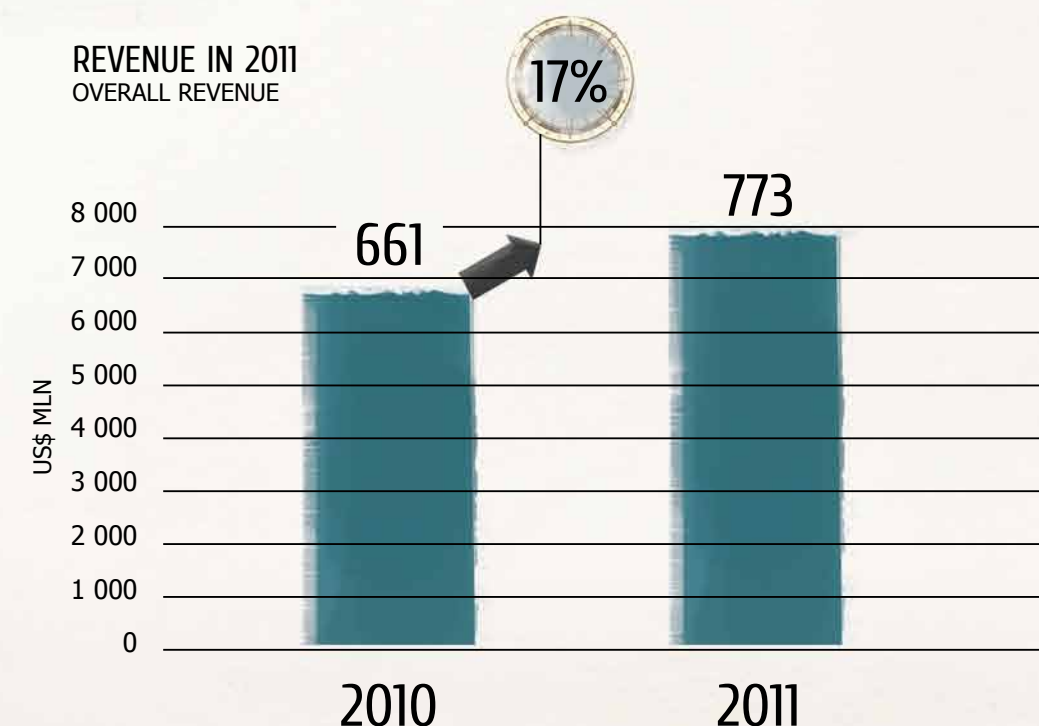
TRAFFIC IN 2011 PASSENGERS CARRIED



CAPACITY IN 2011 AVAILABLE SEAT KILOMETRES



REVENUE IN 2011 OVERALL REVENUE

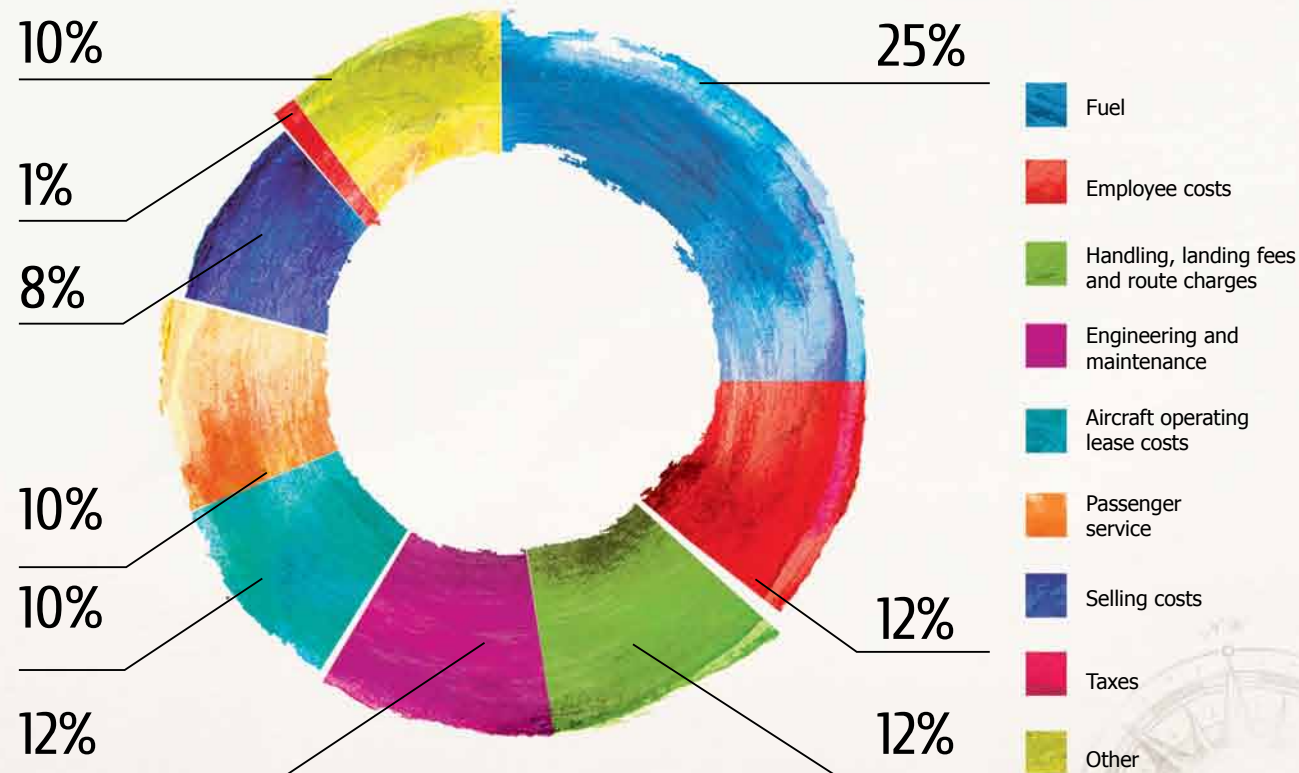


BREAKDOWN OF COSTS FOR 2011

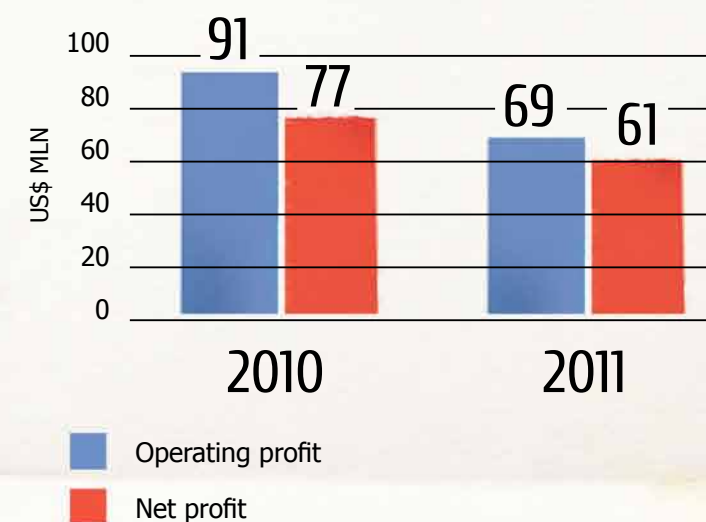
OPERATING EXPENSES

(in millions of US\$)

Item	2011	2010
Fuel	179	106
Employee costs	85	69
Handling, landing fees and route charges	85	70
Engineering and maintenance	85	85
Aircraft operating lease costs	73	73
Passenger service	69	52
Selling costs	54	49
Taxes	7	5
Other	67	61
Total operating expenses	704	570

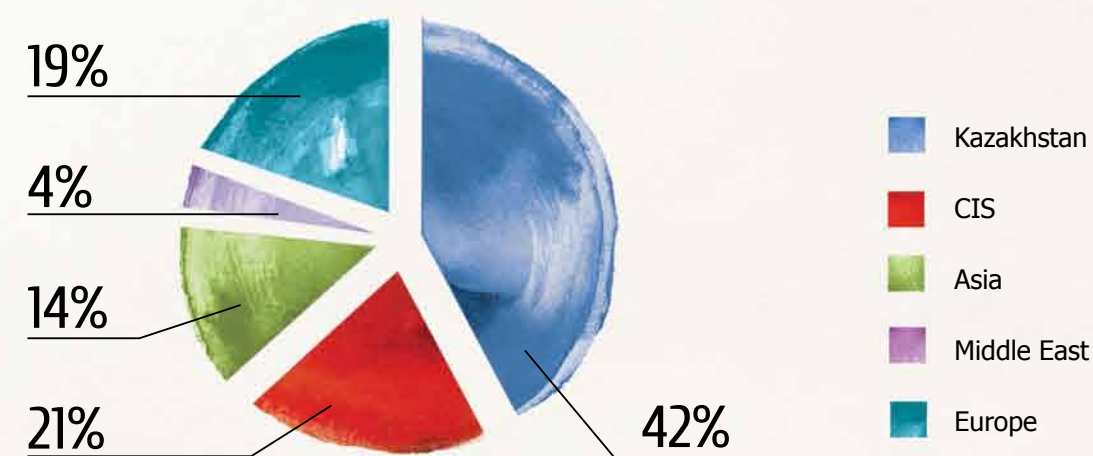


FINANCIAL RESULTS FOR 2011



STRUCTURE OF NETWORK BY REGION

In 2011 Air Astana served 22 domestic and 30 international routes, including three seasonal ones. The regions to which the airline operates flights include Kazakhstan, the wider CIS, Asia, the Middle East and Europe.



1.2 ACHIEVING KEY STRATEGIC TARGETS

In 2010 Air Astana set specific targets for 2011. Below is a review of the progress in achieving them.

EU operating ban

Objective: Keeping the status of an airline allowed to operate in the EU.

Result: Exemption from the EU operating ban continued thanks to the airline's high safety standards and successful performance. However, the exemption remains dependent on the progress of the Kazakh civil aviation authorities in addressing ICAO findings. In 2011 Air Astana successfully passed an audit and renewed its EASA Part 145 certification for performing maintenance of aircraft. The airline also successfully passed the IOSA audit for the third time. This audit was completed without any findings.

The Company remains in an ongoing dialogue with the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan to address the shortcomings in the civil aviation system identified by ICAO. The result of such activity is the creation of "Association of Kazakhstan Airlines" (AKA) aimed at mutual cooperation and joint efforts towards reforming the activities of the Republic of Kazakhstan's civil aviation.

Network development

Objective: Launch new routes to Tbilisi and Samara as part of network expansion strategy.

Result: The Company successfully achieved its objective. In 2011 delivery of three Embraer 190 airplanes allowed the planned Almaty – Tbilisi and Almaty – Samara routes to start. The new flights were also introduced from Aktau to Istanbul. Additionally, in 2011 the airline increased

frequencies on current routes and was upgrading its routes from Fokker-50 to Embraer-190.

In February 2011 Air Astana implemented a code-share agreement with Etihad. Under the new agreement Air Astana passengers have an opportunity to access the Etihad route network covering Asia, Middle East, Africa and India.

Fleet decisions

Objective: Expansion and renewal of Air Astana fleet.

Result: Three Embraer 190 and one Boeing 757-200 aircraft were delivered during 2011. The Boeing 757/767 fleet was reconfigured and refurbished during the year.

Embraer 190's range, efficiency, size and convenience are ideal to develop the route network of Air Astana in Central Asia and the CIS.

The Company conducted extensive preparatory work in putting into operation the new Embraer 190 aircraft. In particular, Fokker 50's 20 pilots were sent to a training centre in France to master handling the Embraer 190. In addition, the Company acquired an Enhanced Virtual Procedure Trainer (EVPT) for conducting pilot training on the Embraer 190 at its own training centre in Almaty. Moreover, the Company launched training for engineers to carry out maintenance of Embraer 190 in accordance with international standards of safety and quality and for flight attendants to ensure the safety and comfort of passengers on board.

In 2011 it was agreed to purchase four Boeing 767-300 airplanes and three Boeing 787-8 Dreamliners. Boeing 767-300 equipped with fuel-saving winglets, will replace the present leased aircraft of the same type. With a

range of approximately 12 hours the Boeing 767-300 are capable of operating on all the current routes of Air Astana without restriction or need for technical stops. In its turn, Boeing 787-8 Dreamliners with a range more than 16 hours, will not only enable the existing routes to be operated to the highest standards of efficiency and comfort, but will also enable the airline to consider longer routes to the USA, Australasia and Africa. Overall, the acquisition of the new aircraft will lift cost efficiency and convenience standards of the Company to new heights.

During 2011 the Boeing 757/767 fleet reconfiguration and refurbishment were carried out. These included various cabin interior works, such as the installation of new business class seats with in seat power, galleys upgrade, lavatories renovation, installation of closets and other.

Creation of aircraft maintenance centre

Objective: Creation of aircraft maintenance centre to provide independent engineering service.

Result: The opening of an aircraft maintenance centre in 2011 was an important event in the history of the Company. The new maintenance centre is an up-to-date high-tech engineering complex. The new centre comprises workshops for the maintenance of aircraft wheels and batteries, for structural repair of aircraft, and a nitrogen plant. Additionally the centre owns the only aviation laboratory for non-destructive testing of aircraft components in Kazakhstan.



1.3 KEY EVENTS OF 2011

JANUARY

- The new Strategic Plan of Air Astana for 2011-2020 was approved by the General Meeting of Shareholders of the Company.
- Air Astana was the official carrier of the VII Asian Winter Games 2011, held from 30 January to 6 February 2011. During this event additional flights between Astana and Almaty were introduced.
- The Company successfully launched an Enterprise Resource Planning (ERP) system using the Oracle E-Business Suite and Oracle Hyperion platforms.
- Air Astana started services from Aktau to Turkey's largest city, Istanbul.

FEBRUARY

- Air Astana won the award for The Best Children's Amenity Kit at the annual Airline Amenity Bag Awards 2010 that took place in London.
- Air Astana implemented a code-share agreement with Etihad Airways, the National Airline of the United Arab Emirates.

APRIL

- The first Embraer 190 jet landed at Almaty airport. The Embraer 190 has been selected to operate due to its upgraded design, comfort for passengers and efficiency.

MAY

- Air Astana successfully passed the IOSA audit for the third time. The audit looked into the airline's documentation as well as its compliance with over 900 IOSA standards. The audit was made without a single finding, which demonstrates the Company's adherence to the highest world standards of flight safety. The next IOSA audit is scheduled for 2013.
- The second Embraer 190 landed at Almaty airport.
- The official presentation of the new Embraer 190 jet.

JUNE

- Air Astana won second place for The Best Airline in Eastern Europe at the prestigious Skytrax 2011 World Airline Awards. The Award ceremony took place at the French Air and Space Museum during the Paris Air Show.
- Air Astana started direct services from Almaty to the Georgian capital, Tbilisi, and to Samara, a large city in Southern Russia.

JULY

- International credit agency Standard & Poor's affirmed the Company's corporate governance score at the level of "GAMMA 6".

SEPTEMBER

- The launch of the airline's maintenance centre in Almaty comprising a wheel shop, battery shop, structural repair and, unique to Kazakhstan – non-destructive testing laboratory.

OCTOBER

- Delivery of a third Embraer 190. The aircraft was delivered directly from the factory, which is located in Brazil. The new Brazilian aircraft based at Astana airport is a gift from Air Astana to Astana city, the capital of the Republic of Kazakhstan, on the occasion of the 20th anniversary of the Independence of Kazakhstan.

NOVEMBER

- The Company added one more Boeing 757 to its fleet.
- The results of the First Annual Competition of annual reports, organised by the rating agency Expert RA Kazakhstan, were summarized during the Third Economic Forum "Expert-100-Kazakhstan" held in Astana. The 2010 annual report of Air Astana became one of the three leaders in the categories "The best annual report in the non-financial sector" and "Design and Graphic Art".

DECEMBER

- The Company made a decision to purchase four Boeing 767-300 aircraft and three Boeing 787-8 Dreamliners. The Boeing 767 long-range aircraft will be delivered in 2013-2014, while delivery of the Boeing 787 is scheduled for 2017 and 2019.



II OPERATIONAL ACTIVITY

2.1 SAFETY



*August 2002.
The first international flight
of the airline was performed:
route Almaty-Dubai.*



Ensuring safety and security in accordance with the highest international standards is a priority of Air Astana.

The airline's compliance to International standards of safety and security is confirmed by various highly respected organisations such as IATA and EASA. The IATA Operational Safety Audit (IOSA) programme is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IOSA programme evaluates all facets of the Company operations including: organization and management, flight operations, flight dispatch and operations control, aircraft maintenance and engineering, cabin operations, ground handling, cargo handling and operational security.

In May 2011 Air Astana has once again successfully passed IOSA. The latest audit was completed without any findings, an achievement that testifies to the airline's commitment to the highest standards of operational safety, and improvement on the previous audit when one finding was recorded. IOSA was conducted for the third time by an IATA accredited Audit Organisation, with previous audits having been undertaken in September 2007 and May 2009. Air Astana is the only IOSA registered Kazakhstan air carrier.

Air Astana's safety programme is based on Safety Management Systems (SMS), aimed to integrate aviation safety at all levels through structured and comprehensive processes of risk identification, analyses and risk mitigation. Through the safety training and dissemination of safety information, this ongoing programme ensures that managerial and operational personnel continue to understand the airline's SMS and their assigned safety duties and the positive safety culture is maintained.

Responsibility for aviation safety rests with operational departments and is supported by an independent Corporate Safety and Quality Assurance Department.

In July 2009 the EU Air Safety Committee published its decision to ban all Kazakhstan carriers, except for Air Astana, from operating in European airspace. Air Astana is allowed to continue operations into the EU at the same frequency as in the past.

The EU ban of Kazakhstan operators other than Air Astana is the result of an ICAO Universal Safety Oversight Audit of the Kazakhstan Civil Aviation Authority. The restrictions will not be lifted until the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan solves the safety oversight deficiencies found by the ICAO audit.

The exemption for Air Astana from the so called "Black List" was due to the aircraft airworthiness supervision performed by the Department of Civil Aviation of Aruba, as the State of Aircraft Registry, and the airline's compliance with the highest international maintenance and flight safety standards.

Air Astana is actively supporting the Civil Aviation Committee of the Republic of Kazakhstan in eliminating the ICAO identified non-conformities in state aviation safety oversight. One of the results of this cooperation has been the establishment of the "Association of Kazakhstan Airlines" to support reform and improvement of the civil aviation safety oversight in Kazakhstan.

Air Astana continues to seek the maximum benefit available from the Safety Assessment of Foreign Aircraft (SAFA) programme as evidenced by the consistent improvement in key performance indicators. The SAFA programme of

the European Civil Aviation Conference (ECAC) includes EU Member States, and non-ECAC Member States, including Turkey, Azerbaijan, Armenia, Moldova and Ukraine. The SAFA purpose is to promote the safety of international civil aviation through ramp inspections. The programme has ICAO Annex 1, 2, 6, 7, 8, 10, 16 and 18 of the Chicago Convention as a reference.

Operational safety audits

In addition to independent audits, the Company's internal safety auditors conduct operational safety audits in Kazakhstan airports where Air Astana flies to. Operational safety audits are carried out with a view to check observance of the fire safety rules, activities of the Ornithological Service, condition of runways and ground servicing equipment for compliance with the safety standards of Air Astana. Following an Air Astana Quality Assurance audit, Semey airport rectified deficiencies in the fire safety system to comply with the legislative requirements. The audit of airport in Uralsk detected non-compliance of the condition of a runway with safety standards. Starting from 1 September 2011 Air Astana stopped its flights to Uralsk by jet aircraft due to safety reasons.

Personnel and training

The Company management is well aware of the role that responsible and highly-qualified personnel play in ensuring flight and aviation safety. To comply with the highest safety standards the employees of Corporate Safety and Quality Assurance Department attend intensive training at leading international aviation centre on a regular basis, which provides up-to-date and effective knowledge in the area of flight and aviation safety.

During 2011 safety and quality assurance specialists received training for conducting the audit procedures for non-destructive methods of control in CAAi (a training subsidiary of UK Civil Aviation Authority International) and attended investigation courses at the University of Southern California (USA).

The Aviation Safety Manager and Flight Safety Coordinator passed an intensive accident investigation course at Cranfield University (UK).

Air Astana staff attended Accident Investigation and Safety Risk management workshops held by International Society of Air Safety Investigators (ISASI) in February and November 2011.

Staff have participated in Manufacturer, IATA, Flight Safety Foundation and ISASI safety seminars and meetings.

Due to the introduction of the new regional jet aircraft – Embraer 190, a general induction course related to this type of aircraft was provided to the specialists of the Department of Quality Assurance in Engineering and Airworthiness.

In 2011 the Corporate Safety and Quality Assurance Department further improved its Safety Promotion Programme related to the Safety Management System. The programme aims to increase awareness of and compliance with SMS requirements in the Administrative and Operations Departments through the safety training and distribution of safety information.

Senior operations management attended a UK CAAi SMS course 2010/2011. A Safety Management System Internal Training Course was also developed and maintained in 2011.

2.2 FLIGHT OPERATIONS

2011 has brought changes for a number of the Company's departments. The entire Air Astana Operations (Flight Operations, Training and Operations Control and Cabin and Ground Services) is now supervised by Senior Vice President.

This decision was made with a view to increasing efficiency and providing clients with a uniform standardised level of service.

The Company provides pilot education and training under different lines and programmes.

Ab-initio pilot initial training programme

The programme has been designed to train young highly-qualified Kazakhstan pilots. The training is provided in the Pilot Training College, which is one of the leading European training centres having its bases in the cities of Waterford (Ireland) and Melbourne (Florida, USA).

After graduating from the course the aviation cadets are awarded a JAA qualification and receive JAA flying qualification certificates.

Training on virtual trainers

To improve the quality of pilot training, to establish its own training centre and to increase safety as well as to reduce training costs, the Company purchased virtual simulators. As of today the Company owns a standard Virtual Procedure Trainer (VPT) to train and develop the skills in flying Embraer 190 aircraft; advanced EVPT to fly aircraft of the Airbus A320 family, as well as a virtual trainer for Boeing 757/767 aircraft. Moreover, the Company has plans to buy an advanced EVPT for simulating flying Embraer 190 aircraft, which will be ready to use by June 2012.

Embraer 190

Due to the Fokker 50 aircraft being replaced by the Embraer 190, the Operations Training and Standards Department has been tasked to retrain the Fokker pilots onto jet aircraft and type rate them accordingly. They will primarily be used on the Embraer, however a few will be type rated on the Airbus and the Boeing as the need arises.

In the period December 2010 to January 2011, twenty Fokker 50 pilots were sent to a training centre in France to master flying Embraer 190 aircraft. Additionally, several Fokker 50 pilots were retrained and mastered flying Airbus A320 and Boeing 757/767 aircraft. In total, thirty Fokker 50 pilots were retrained in 2011.

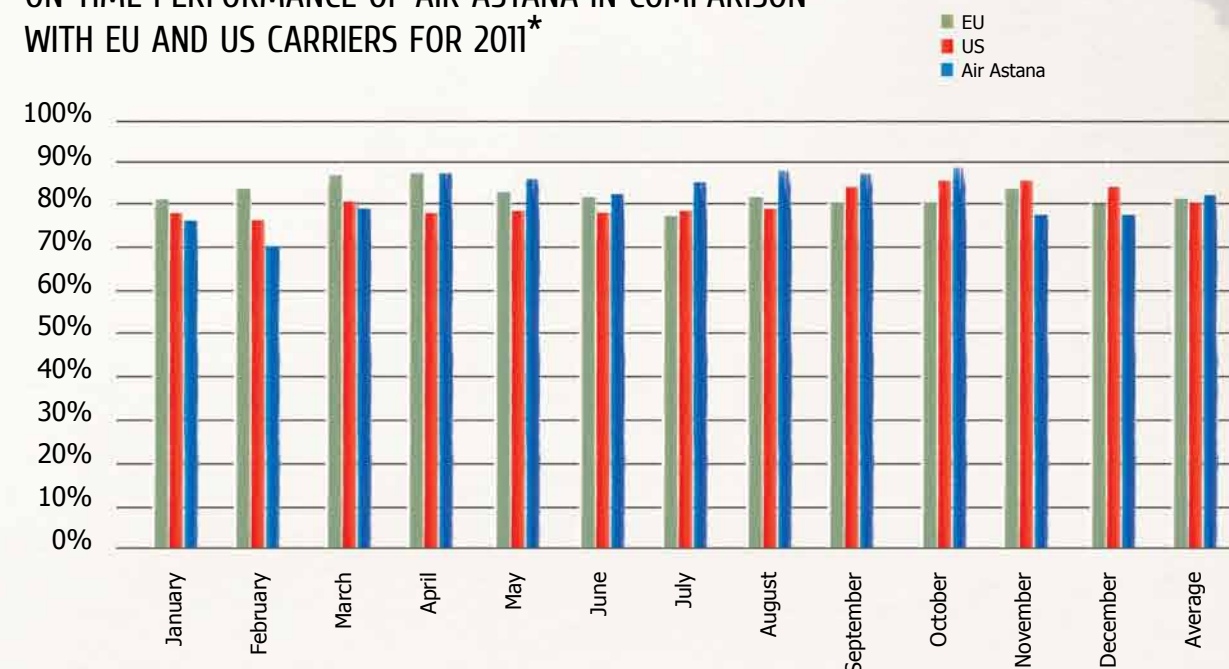
Retraining of the pilots is provided at the international flight centre of Delta Airlines by its instructors.

On-time performance

On-time performance (OTP) is considered to be one of the key measures of the efficiency of the Operations Department. According to international rules a flight is regarded as "on time" if it departs or arrives no later than 15 minutes from its scheduled departure or arrival time. Arrival performance is based on arrival at the gate, whilst departure performance is based on departure from the gate. Certain delays can be caused by circumstances within the airline's control (e.g. aircraft maintenance, crew duty times) whilst other delays such as adverse weather conditions, airport operations, security breaches are beyond the control of the airline.

Air Astana abides by IATA safety guidelines with regards to delays, cancellation or postponement of flights where passenger safety is considered to be the highest priority.

ON-TIME PERFORMANCE OF AIR ASTANA IN COMPARISON WITH EU AND US CARRIERS FOR 2011*



* Data supplied by:
Eurocontrol – Central Office of Delay Analysis
USA – Bureau of Transportation Statistics

Average OTP of Air Astana: 82,5%
Average OTP of EU carriers: 82,4%
Average OTP of US carriers: 81,0%

2.3 ONBOARD SERVICES

The onboard services of Air Astana meet the level of the leading air companies in the world. The Company keeps improving its onboard services, paying special attention to comfort and quality of passenger servicing, onboard dining and entertainment, as well as further education of personnel.

Comfort and convenience

Business class passengers of Air Astana are provided with world-class comfort during flights. The business class of the Boeing 757 aircraft is equipped with angled flat bed seats that turn into convenient sleeper beds at the touch of a button. Such seats will be installed soon in Boeing 767 aircraft. In addition, on international flights passengers are provided with travel kits, which include certain items necessary for each traveler to make their flight more pleasant. During international flights which last more than four hours business class passengers are offered men's and women's travel sets developed jointly with Chopard. At the TravelPlus Airline Amenity Bag Awards 2011, held in London on 6 February 2012, the Air Astana travel kit for men was recognised as the best one amongst global air companies, while the travel kit for women was recognised as the second best.

On all flights Air Astana provides blankets and pillows for passengers in all classes of service and on long haul overnight services extremely comfortable duvets are offered as a choice in business class.

Onboard dining

New menu cards and a first ever Air Astana wine list were introduced in 2011. During domestic and international flights business class passengers are provided with a choice of up to four hot meals of haute cuisine and a selection of French and Italian wines. French Champagne is offered during long haul flights for business class passengers.

In 2011 the onboard menu design was improved, and the menu of all alcohol and non-alcohol beverages was renewed and upgraded to higher quality selections of well known local and international high end brands on all flights and in all classes.

The list of meals in all classes on international flights changes depending on the country from where the flight departs, especially with regard to meals on flights

from Asian countries. Additionally snacks are offered before landing on long haul flights.

Air Astana also now offers ice-cream on all long haul flights to Kazakhstan in all classes.

In-flight entertainment

Passengers are offered a wide choice of entertainment programmes. Every aircraft is equipped with an up-to-date in-flight entertainment system – KCTV (a personal multimedia player for business class passengers).

The KCTV entertainment system offers the best new releases and classic movies, TV programmes, music programmes and games. In addition to movies, which are mostly in Russian or English, the system offers movies in Kazakh, Korean, Cantonese, Arabic and Hindu movies as well as catering for our ever growing numbers of international passengers choosing to travel on Air Astana flights. The Air Astana in-flight entertainment programmes change every two months.

On all international flights young passengers are provided with travel kits for boys and girls. The travel kit for a boy consists of a backpack in the form of a plane, in which are a watch, a mobile phone pendant, a fluffy toy, a bear-pilot, cardboard puzzle, Kazakhstan magnetic map and a plane with a self-winding mechanism. The girl's travel kit consists of a "happy hippo" backpack with a doll in a stewardess uniform, cardboard and 3D puzzle, a ring in the form of a flower and a bracelet. Similarly to the Air Astana travel kit for adults, the children travel kit won first prize for the best children travel kit worldwide in 2011.

Next year the Company is also planning to provide young passengers with an entertaining and informative magazine "Shusha". The magazine has been successfully publishing for the last six years. At Air Astana's request the "Shusha" team is preparing a special issue of the magazine, which will contain useful tips, Kazakh language lessons, contests, puzzles, funny pictures and exciting stories. The magazine will be updated every two months.

For those who are always striving to keep up on international affairs, Air Astana offers a wide variety of newspapers in Kazakh, Russian and English and magazines in Russian and English.

Air Astana is planning to pay more attention to Asian markets, especially the Chinese one, incorporating the Chinese language in its menu, movie programmes, magazines, etc. while flying to and from China.

Skytrax Award

In 2011 Air Astana won the second place for The Best Airline in Eastern Europe at the prestigious Skytrax 2011 World Airline Awards moving up one place from the third place achieved in this category in 2010. The

award ceremony took place at the French Air and Space Museum during the Paris Air Show.

International independent Skytrax World Airline Award is an annual event, which was first held in 1999. More than 18.8 million of travelers from 100 countries worldwide participated in the survey held by the Skytrax rating agency and evaluated the quality of services provided by 200 international air companies in accordance with almost 40 different criteria.

Skytrax is a unique rating agency, which specialises in evaluating Product and Service Delivery Quality of airlines throughout the world. Skytrax evaluates commercial airlines based on the assessments of international tourists, including evaluation of crew operation, in-flight entertainment, onboard dining, lounges and many other factors.



European Aviation Safety Agency

2.4 GROUND SERVICES



Trying to make the journey as comfortable as possible Air Astana kept improving its ground services in 2011 for passengers around the world.

Check-in service

Business class passengers, Nomad Club Gold and Silver Card holders have the benefit of being checked-in at a separate desk. Passengers of business class and holders of the Nomad Club Gold Card can also use the "Fast Lane" service to clear immigration and security check service in Bangkok, Kuala-Lumpur, Istanbul and London Heathrow Airport.

In 2011 a mobile counter service was implemented in Almaty airport, which allows passengers who missed online registration to the Company's website to be

checked-in within a few minutes and avoid the queues to register at a desk. The mobile check-in counter service is currently available only for domestic flights, however, in future the service is planned to be used for international flights as well.

For 2012 it is planned to introduce mobile phone check-in for smart phone at selected airports and selected routes.

Also priority boarding for business class passengers and Nomad Club Gold and Silver members will be introduced at selected airports.

Airport lounges

International airports provide the most comfortable lounges for Air Astana passengers. In 2011 Air Astana

has further invested into offering the very best lounges available at the international airport of departure and business class passengers and Nomad Club Gold Card members are now able to enjoy the upgraded comfortable lounges of Etihad Airways at Abu-Dhabi International Airport and at Heathrow Airport in London.

Also at Seoul's Incheon International Airport Air Astana the newly added the Asiana Airlines lounge provides yet another product update and a greater number of amenities for the passengers of Air Astana. Business class passengers and Nomad Club Gold Card members can use wireless internet and free telephone and fax services, as well as enjoy a wide range of soft drinks and magazines. The lounge has restrooms, shower cabins, the opportunity to enjoy a relaxing massage and many other facilities.

In 2012 Air Astana is planning to continue to upgrade its lounge offering to first-class and five-star lounges to ensure an even more comfortable waiting or transfer time at international airports for its passengers.

Baggage handling

Despite an ever growing number in transfer passengers who travel on Air Astana's network via Almaty and Astana, Air Astana was able to further reduce the numbers compared with 2010 for mishandled baggage to an average of 1.74 bags per 1000 passengers in 2011. This is a much better result than the average rates of US and European airlines.

2.5 ENGINEERING AND MAINTENANCE

Air Astana Engineering and Maintenance Department's main role is to ensure the highest standard of flight safety and to optimise aircraft maintenance costs.

Engineering and maintenance of aircraft in the Company is carried out in accordance with the requirements of the European Aviation Safety Agency (EASA).

To optimise costs and efficiency, Air Astana continues to develop independent engineering and technical services, by increasing the scope of maintenance work that the Company performs, significantly reducing the amount of outsourced work.

As a part of the project for establishing an on-site aviation and technical centre, in 2011, a new workshop for the repair of aircraft structures and components was opened in Almaty. The new workshop is an up-to-date high-tech engineering complex. The new centre consists of workshops for the maintenance of aircraft wheels, batteries and for structural repair of aircraft, additionally the only aviation laboratory for non-destructive testing of aircraft components in Kazakhstan has been established.

By the end of 2012 the Company plans to open a workshop for aircraft brake repairs, composite repairs of aircraft components, structural repairs and a laboratory for maintenance of the aircraft galley equipment, all will be certified to EASA standards. In addition, the Company is considering establishing a calibration and hydrostatic laboratory. In addition to EASA, Air Astana has also obtained licenses from the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan. The expansion of the centre will allow the Company to become largely independent of foreign maintenance service providers.

Construction of workshops for the repair of the aircraft components is just one stage. In addition there is a project for establishing technical centre in Astana. The goal of this project is to enable the Company to undertake complex aircraft maintenance service including C-Checks on Airbus A320 and Embraer 190 aircraft, which are not currently performed in Kazakhstan. When completed, all maintenance services of the specified types of aircraft will be carried out in Kazakhstan. Moreover, in future, the Company will be able to provide repair services to other airlines operating in the region.

A C-Check is a labour intensive form of aircraft base maintenance, intended for a detailed check of aircraft systems and structures. The maintenance period is, on average, one to two weeks. Currently no C-Checks are carried out in Kazakhstan.

Hangars and warehouses

Aircraft maintenance in Almaty is performed in a hangar leased by Air Astana on a long-term basis. The Company has upgraded and additionally equipped the hangar, which has significantly increased efficiency. Additionally the Company has maintenance bases at Astana and Atyrau airports. This allows the Company to significantly reduce the time for repair of aircraft at these bases. As a part of the project, in future it is planned to open hangar complexes at these bases which will reduce the workload of Almaty base during peak periods.

Currently, the Company owns a large stock of components. All components are purchased directly from the manufacturers or suppliers approved by the manufacturers. In addition, the Company has access to the component reserves of A J Walters, Fokker Services and Embraer.

Equipment

Air Astana is consistently expanding the list of equipment required for effective and efficient maintenance of aircraft at all maintenance stations. The Company owns passenger steps, a motorised lift truck for the airplane cleaning service, two small tow trucks for towing ground equipment, aircraft heaters, stands and step ladders. In addition, a large tow tug is available in Almaty which provides an opportunity for considerable time saving when an aircraft is required to be repositioned from the parking area to the hangar for maintenance. Air Astana drivers have passed special manufacturers' training to operate the equipment.

Maintenance of aircraft for other air companies

As a part of the development programme for third party maintenance services, Company engineers have



successfully completed training courses and are certified to provide maintenance on customer's aircraft, including new types, like the Boeing 747-800 and Airbus A330. Twelve foreign companies receive our maintenance services including Turkish Airlines (Turkey), KLM (Netherlands), Cargolux (Luxemburg), UPS (USA), Austrian Airlines (Austria), Aerosvit (Ukraine), Air Arabia and Etihad (UAE). Moreover, Air Astana actively cooperates with virtually all local carriers, providing repair of their aircraft components, furnishing equipment and materials and procurement of hangar space.

Training of the engineering and maintenance team

In 2011, four engineers from our engineering department returned from training in the United Kingdom. They are now qualified to EASA Part 66 standards and received Aircraft Maintenance Licenses in mechanical and avionics disciplines, the first four such licenses issued to citizens of the Republic of Kazakhstan. The Company is currently further developing a training programme to allow all engineers to obtain EASA Part 66 Aircraft Maintenance Licenses by distance learning and attending seminars in Germany.

Some of the engineers who completed this training are already working in the maintenance department and component repair shop. The Company expects to continue this trend of continuous education of Air Astana engineers by investing in similar training programmes in the future.

Future development of aviation engineers

Jointly with the Academy of Civil Aviation of Kazakhstan, the Company has developed an action plan for the improvement of the practical and academic expertise of academy students. This will ensure they are trained to suit the needs of the Company. After successful completion of all theoretical and practical training courses, suitable candidates will be offered vacant positions within the Engineering and Maintenance Department of Air Astana.

Additionally and in cooperation with the Academy of Civil Aviation, a project to establish a European standard training centre in Almaty is being developed. This will resolve the problem of the current deficiency in qualified civil aviation staff in Kazakhstan.

2.6 SALES AND MARKETING

During 2011 passenger revenues exceeded US\$ 736 million, with year-on-year increase of 18%. The key factors contributing to the stable growth of the Company's revenues include: the rapid development of the regional and Asian network and continued economic growth of these destinations, a diversified distribution network, and arrangements and programmes aimed at increasing customer loyalty and recognition of our brand. The growth was further contributed to by offline sales, which grew 15% in 2011 on the strong base of 2010 which in turn had grown by 19%.

Sales channels

The airline's tickets can be bought and booked in the Company's sales offices, the Call Centre, on its website

and in travel agencies across the globe. The Company keeps expanding and diversifying its sales channels, which enables clients to access services through over 40,000 touch points across the globe.

Direct sales

The airline's direct sales offices cover almost the entire territory of Kazakhstan. Globally the Company's sales offices can be found in CIS states, as well as in the countries of Europe, Asia and Middle East. Air Astana sales offices provide a wide range of services for booking and selling of air tickets, selling of the Company's branded products and providing information about its services.

Airline's reputation continues to grow.



Aero International,
November 2004
"Kazakhstan's national carrier
on the rise"



Airlines International (IATA),
January 2005
"Air Astana - Fast Ambitions"



Airliner World,
February 2005
"Air Astana - Kazakhstan's
expanding carrier"



*100%
Introduction of the first
wide-bodied aircraft,
a Boeing 767-300ER.*

To develop direct sales, Air Astana has signed contracts with banks and point of sale suppliers. The Company's clients can pay for their tickets purchased directly with Air Astana at about 3,000 touch points.

The airline's Call Centres located in Almaty and Astana operate on a 24-hour basis as part of a programme for client service quality improvement and stimulating the growth of direct sales. Direct office sales account for almost 15% of the total sales revenue in the Company's home market, and sales through airastana.com increased by 38% and account for 4% of the total passenger revenues worldwide. In 2011, Air Astana was once again by far the leading e-commerce sales generator in Kazakhstan.

In 2011 Air Astana introduced an automated system informing clients by means of SMS. In case of any changes to the flight schedule, an SMS is automatically sent to all passengers in order to reduce the inconvenience. Implementation of this service has resulted in reduction of the number of calls from passengers related to information about changes in the flight schedule. In 2011 the Company's Call Centres received and served about 4,000 calls per day, which was 34% more than in 2010.

Distribution

The airline's participation in the IATA BSP (Billing and Settlement Plan) promotes further increases in the Company's operational efficiency in dealing with the foreign agent community. BSP is a system of mutual settlements established to simplify the process of air ticket issuance, preparation of sales reports and making mutual settlements between agents and airlines for the services provided.

Air Astana chairs the Agency Programme Joint Council (APJC) as a part of BSP Kazakhstan. During 2011, in order to mitigate its credit risks, which were increasing

alongside with the growth of revenue, the Company actively participated in discussions of the financial criteria necessary to join BSP in Kazakhstan. The meetings held resulted in a review and reduction of the credit period by a third. These changes became effective from 1 January 2011.

In 2010 Air Astana held a number of successful negotiations with the major providers of the Global Distribution Systems (GDS) benefiting from the regulatory changes of the EU and optimising distribution costs. In 2011 the airline concluded new contracts with the major GDS's on mutually beneficial terms.

Code-shares and airline partnerships

As part of the programme of expanding its global route network, the Company has implemented code-shares with a number of major airlines, including Etihad, KLM, airBaltic, Asiana and Austrian Airlines.

The code-share agreement with Etihad was signed in 2011. Under the new agreement, Air Astana passengers have been provided with a wide access to the Etihad route network across Asia, Middle East, Africa and India. As of today the two airlines may jointly offer their passengers 15 flights per week between the cities of Kazakhstan and Abu Dhabi (UAE), as well as convenient connection flights to more than 100 destinations worldwide.

During 2011 Air Astana signed a code-share agreement with Rossiya Airlines. This enabled the Company to serve the new route Almaty - St Petersburg with a doubled frequency; a major factor in the traffic stimulation experienced on this route.

In addition, the Company has interline agreements in place with more than 100 airlines and Special Prorate Agreements (SPA) with over 50. This enables Air Astana's customers to gain access to a network of more than 300 destinations.

Nomad Club frequent flyer programme

Nomad Club is the frequent flyer programme (FFP) of Air Astana. The Programme was launched in December 2007 and reached almost 100,000 members with a 35% growth in 2011. The strong growth pattern is a reflection of increased interest by its users due to benefits provided to the loyal customers of the Company.

The Nomad Club has three tiers of membership: Blue, Silver and Gold. Programme membership implies accumulation of level points to upgrade the tiers and receive increasing benefits and award points that can be used for free tickets and upgrades.

Depending on the tier of membership and the number of accumulated points, programme members may enjoy a wide range of benefits such as priority check-in, additional baggage allowances, access to business class lounges, additional bonus points and others. Air Astana is working continuously to ensure steady growth in the number and variety of additional benefits, in order to achieve an increasing loyalty from frequent travelers.

In order to simplify processes, online points correction and online award ticket redemption have been introduced that are now used by close to 20% of the Company's loyal customers.

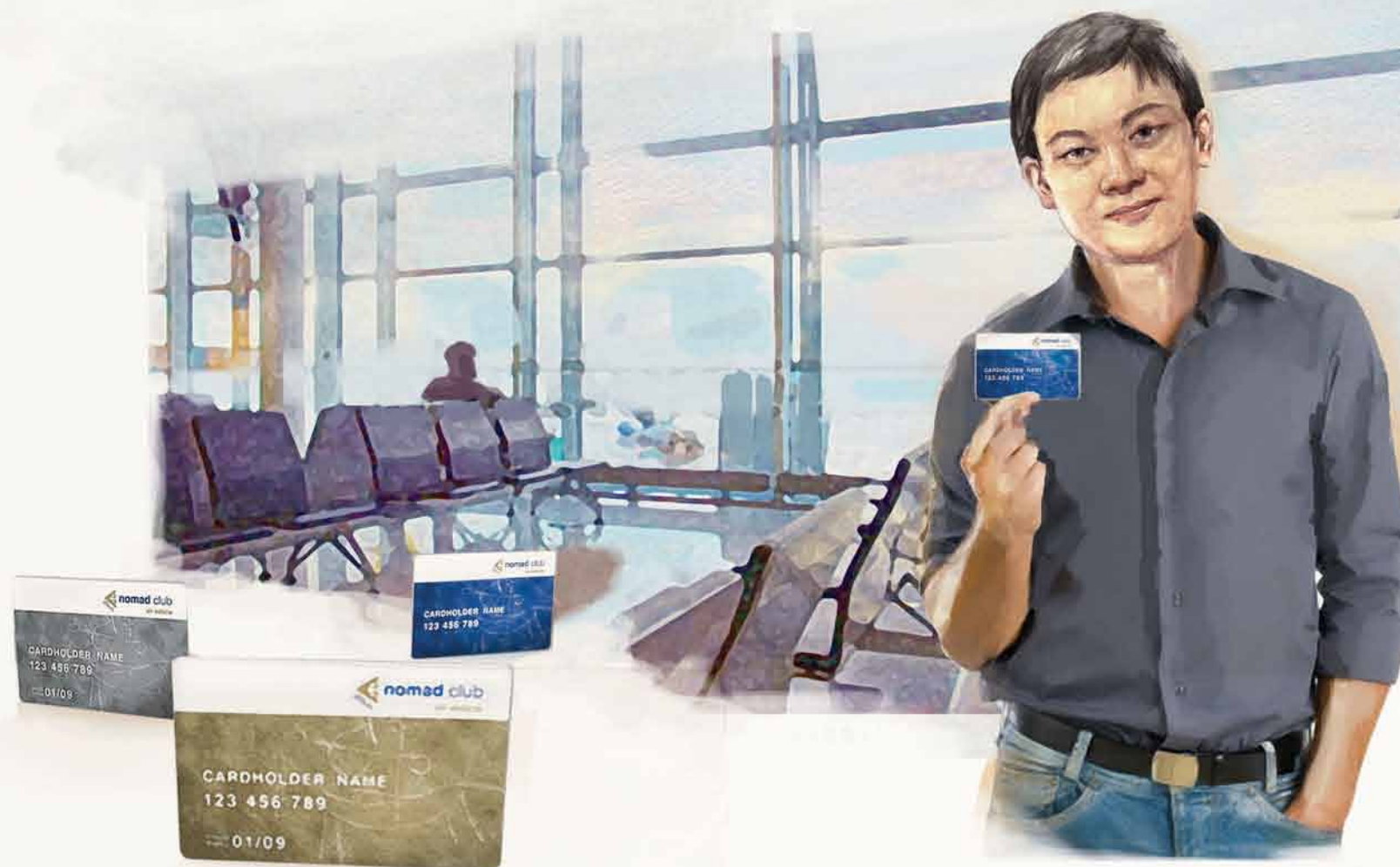
Besides flights of Air Astana, Nomad Club members are able to accumulate award points through goods and services purchased with the Company's partners such as hotels, restaurants, shops and other.

HSBC Nomad Club co-branded credit card

In 2011, HSBC Bank Kazakhstan and Air Astana airline launched a co-branded credit card – HSBC Nomad Club. Besides the flight points and purchases made with other partners, the co-branded credit card allows members to accumulate award points with every transaction they make using the credit card in Kazakhstan and abroad. The card increases the incentive for passenger loyalty but is also an ancillary revenue stream for the Company.

Expansion of the route network

Air Astana started implementing its Regional Network Strategy in 2009 which gained particularly momentum in the last months of 2010 and throughout 2011.



2007. Air Astana launched the unique frequent flyer programme "Nomad Club".

At the end of 2010, Air Astana started services to Tashkent, Dushanbe, St Petersburg, Yekaterinburg followed by the opening of the Aktau – Istanbul route at the start and Almaty to Tbilisi and Samara in the middle of the year.

The Company increased frequencies on most domestic routes increasing its competitive advantage. With the arrival of the Embraer 190, most services that have been operated by Fokker 50 are being upgraded to jet aircraft.

Due to economic slowdown particularly in the West, Asia has been on the focus for additional capacity. Alongside the regional expansion, capacity was added on the Almaty – Bangkok and Almaty – Kuala Lumpur services with a strong response from the market. Air Astana had planned increasing services to Delhi as well; however approval is pending from India. In 2012 besides the deferred India services, Air Astana plans to start services to Hong Kong and add capacity to all Chinese routes.

Cargo service

Notwithstanding a global decline in demand for cargo services, Air Astana cargo revenues kept growing in

2011 with growth of 17% compared with 2010. The decision to start direct distribution in Kazakhstan not only reduced the cost of cargo distribution services, but the additional distribution also enabled revenue growth of 47% at the Company's home base. In the fourth quarter, Air Astana re-tendered the cargo representation services for Europe to have an aligned product and supply throughout the continent, including offline sales.

Brand and awareness

The Company takes part in a number of exhibitions abroad as well as in Kazakhstan to increase awareness of the airline as well as Kazakhstan as a destination. These are further supported by national and international marketing campaigns and trade events.

The international launch of the new Sleeper Business Class seats was done during ITB Berlin in March 2011. In spring 2011 the Company took part in the 11th KITF international exhibition in Almaty where it took the opportunity to exhibit the new Boeing 757 Business Class Sleeper Seats in a mock up. This was also the launch event for the new services to Tbilisi, Georgia.

Some of the exhibitions Air Astana attended were AITF Baku, TTAA in Bangkok, MATA in Malaysia, KIOGE, Samara Expo, Atyrau Oil & Gas, Mining 2011, Digital Communication, KazEnergy and many others.

Besides a number of trade events Air Astana organized with its partners in each station, the Company also facilitated workshops between tour operators of Kazakhstan and other countries to stimulate tourism demand. The strongest example of these was the sixth Kazakh-Indian exhibition "Tourism and Travel" held in New Delhi. The exhibition was timed to coincide with the 31st Indian International Trade Fair (IITF), which is considered to be one of the world largest trade fairs in terms of a number of exhibitors and visitors.

Early in 2011 the new visual concept of the Company was introduced in Kazakhstan and throughout the Air Astana route network through an international campaign with media like Time, Economist, Newsweek, Herald Tribune and others. The new branding that has been rolled out across the network including the destination launch campaigns, aims to display an image of a modern, safe and dynamically growing airline offering a good network particularly between Asia and the CIS. The design allows for an easy distinctive recognition of the brand which was one of the key objectives.

2.7 INFORMATION TECHNOLOGY AND E-COMMERCE

Air Astana pays special attention to the continuous development of its information technology platform, in addition to the regular maintenance of current systems.

In 2011, jointly with Business Applications Solutions, a Kazakhstani company, Air Astana successfully completed the implementation of an Enterprise Resource Planning (ERP) system using the Oracle E-Business Suite and Oracle Hyperion platforms. The project started in 2010 and within just nine months the core modules of the platform were in live operation. The implementation of this project has resulted in an enterprise wide system, which covers different functional areas of the Company resulting in improved efficiency, management control and transparency. Procurement, finance, human resources management, inventory management, budgeting and planning modules have been implemented under the project. The ERP platform has been integrated with several other operational systems of the airline including the system used for engineering, crew management, flight control and revenue accounting. The procurement website was also revamped and integrated with the ERP system. The online recruitment facility was also modified to incorporate the Oracle iRecruitment facility. Further, an application was developed in-house for adding more value to the ERP platform – "ERP Assistance". This application allows end users to trace the ERP operations in a user friendly manner, manage their accounts seamlessly, leveraging on the corporate Active Directory logins and allows cost centre owners to monitor and obtain various types of management information.

"Sales Management System" was developed in-house for ticket offices to automate and streamline the operations spanning across reservations, payments and accounting. The operational efficiency has improved significantly due to the use of this application.

In addition, an application was developed in-house for self service counters at ticket offices with an option to pay by cash in addition to credit card. The cash payments are integrated to ticket office "Sales Management System". This solution is expected to reduce significantly the waiting time of passengers buying tickets.

A software solution has been implemented for passengers to make payments for reservations through banks in Kazakhstan and get the tickets issued in real-time. This solution has given the passengers another convenient alternative option to buy tickets from Air Astana. Currently this solution allows payments to be made through Homebank facility of Kazkommertsbank and tickets are automatically issued.

Further, an application was developed in-house for managing the exchange of documents with external parties. This is a low cost document management platform, which will be enhanced further.

In 2011, to facilitate in-house aircraft battery maintenance, new software, ABMS (Aircraft Battery Management System) was implemented. This has contributed to cost savings in the maintenance of aircraft batteries. In addition, to provide interactive technical information to the engineers of Embraer 190 fleet who are based in Almaty and Astana a software application was provided.

Further, the TechSupply application for engineering supplies and logistics management was further improved and integrated to the Oracle E-Business Suite. The TechSupply application is another in-house development of Air Astana IT and E-Commerce Department.

Air Astana uses iCargo application for cargo operations. This programme allows global reservation and cargo



*2007:
Air Astana became the first Central Asian airline to pass the IOSA audit and one of only six CIS airlines to obtain unrestricted IOSA certification.*

transportation management and cargo revenue accounting. In 2011, a new module was added to handle mail revenue accounting, in addition to the existing airway bill accounting.

A new module was added to the crew management system to facilitate automated processing flight crew sign in. This system was implemented at all the hubs of Air Astana. This has resulted in better control, efficiency and transparency in processing flight crew duty hours.

In 2011 RTB departure control was implemented for the new stations, Tbilisi and Samara.

Further, a solution was implemented for portable passenger check-in at Almaty airport to increase the efficiency in passenger check-in during peak hours.

Air Astana has a data centre in Astana as a disaster recovery arrangement for the main data centre in Almaty. This disaster recovery site was further enhanced in 2011 with regards to the resources and availability of data. For the Call Centres, a clustered telephone exchange system was implemented improving the availability of service. Automatic transfer of calls between call centres in Astana and Almaty has also been implemented to handle demand effectively.

IT and e-commerce department caters to the training needs of the Company. In 2011, a new training programme called "Refresh your IT knowledge" was launched. This is aimed at keeping the employees IT knowledge up-to-date. The intranet platform was revamped in 2011 incorporating many rich functions. The intranet platform is used more frequently for knowledge management.

E-commerce

The corporate website of Air Astana is one of the major communication vehicles of the Company and an additional channel for direct sales. It offers a wide range of services: online booking and purchase of air tickets; online check-in; reservation of hotels worldwide; monitoring of flight arrivals/departures; check of the reservation status and many other services. Using the Air Astana website, tickets can be purchased for itineraries operated not only by Air Astana, but also by its interline partners. There were several online sales promotions in 2011 which boosted online sales significantly. A travel insurance service was also added in 2011 to the corporate website jointly with the large international insurance company – Chartis Travel Guard.

Through a partnership with HRS (Hotel Reservation Service) the corporate website enables online hotel reservations to be made in more than 250,000 hotels in 180 countries worldwide. More than 6,500 special offers of exclusive prices from hotels are available to Air Astana clients.

A new online booking service for Nomad Club members was introduced in 2011. The Nomad Club members can buy reward tickets online, redeeming their Nomad Club points and pay for the taxes using a credit card. This is a very convenient tool for the frequent flyers. The system shows the dates on which seats are available on a calendar spanning over several months. The system is integrated with reservation, frequent flyer and payment gateway systems.

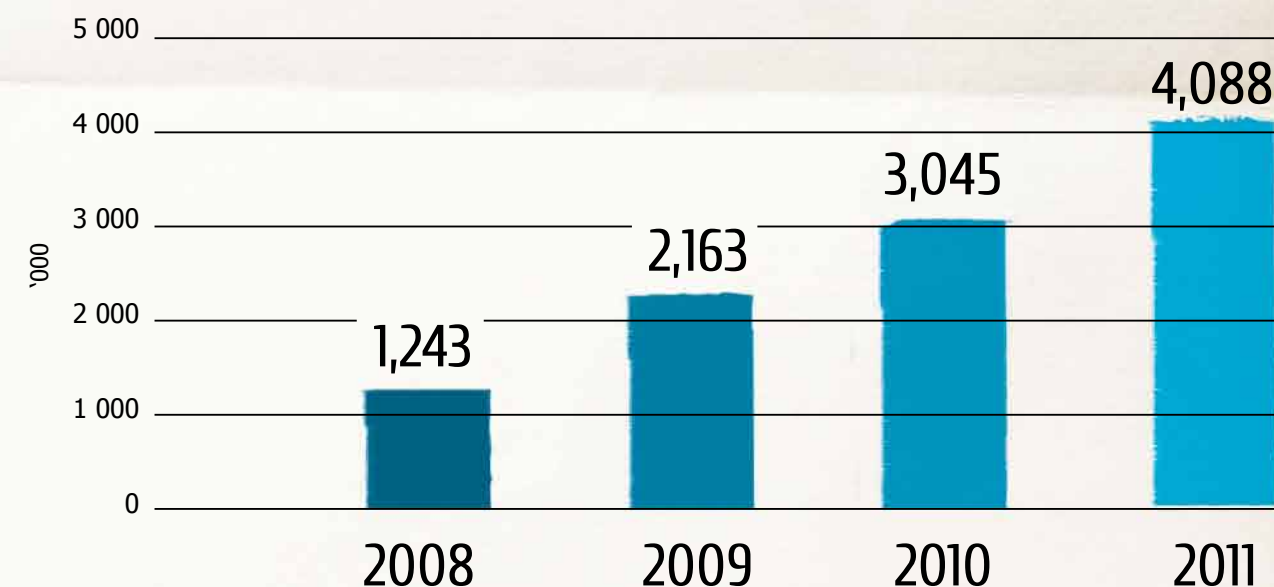
To ensure the maximum comfort for passengers, Air Astana offers Web Check-In (WCI) on its website. This service is available for all airports of the Air Astana network. The flights are open for online WCI as early as 24 hours before and up to 60 minutes prior to scheduled departure time. The number of passengers that have used the WCI service increased by 70% compared with 2010 and as many as 544,752 passengers used this service in 2011 compared with 319,398 passengers in 2010.

WEB CHECK-IN TENDENCY



Visits to the Air Astana corporate website have increased by 3.2 times over the last four years. Every day about 15 thousand users, from more than 100 countries of the world, visit the Company's website.

WEBSITE VISITORS



To increase information transparency and efficiency in providing information on Air Astana to mass media, a special section – "Press Office" was added to the website in 2011. In this section the visitors can find information on the Company's media policies, press releases, information on the participation in the Corporate Responsibility projects and other Company related information.

III RISK MANAGEMENT

Air Astana, like other airlines, is exposed to political, operational, financial and industry risks. In order to identify and evaluate risks, and mitigate their impact on financial and operational performance, a system of risk management has been implemented in the Company. The aim of the process of risk management is the optimisation of internal procedures with a view to risk minimisation and loss prevention.

The Company's risk management structure operates at three levels.

The first level is represented by the Board of Directors which plays a key role in overseeing the system of corporate risk management, setting the Company's objectives, and confirmation of documents in the field of risk management, risk tolerance, and appetite for risk. The Board of Directors regularly reviews key risks, assesses the management of these key risks and the planned activities to manage risk.

The second level is represented by the President of the Company and the Risk Committee which in turn are responsible for organising an effective risk management

system and establishing a framework of risk control to ensure compliance and adherence to corporate policies.

The third level of the risk management process is a structural unit of the Company, which is accountable for coordination of the risk management system in the Company, identification, evaluation and monitoring of risks in accordance with programmes and procedures established and approved by the Board of Directors.

It is especially important that the Company increases risk awareness among each employee working with risks on a daily basis and that employees recognise their significance in the risk management system, and that it is the responsibility of each employee and department (risk owners) to manage and monitor risks and their potential impact on the functions of each department and the Company as a whole.

Risk management is an integral part of the Company's corporate risk management system and is a permanent, dynamic and continuous process that comprises the following components:

Since risk mitigation is an essential element of the overall process of risk management, Air Astana follows and uses risk response methods such as reduction and risk control, retention of risk, risk financing and risk avoidance, taking into account the risk tolerance level of the Company and its risk appetite.

Below is a list of risks that the management has identified as the primary risks facing to the airline's business. At the same time, it is not exhaustive, and future unforeseen events and/or factors could have a negative effect on the Company's performance.

The key risks are:

- A safety or security incident;
- A deterioration in economic conditions;
- An extension of the ban on Kazakh carriers flying to and from the EU;
- Issues with counterparties;
- Volatility in aviation fuel prices;
- A sudden drop in passenger traffic.

Risk of deterioration in economic conditions

Air Astana's revenue streams are highly sensitive to the economic conditions in the markets in which it operates. In particular, deterioration in the global and/or the Kazakh economy may cause a drop in demand for its services. The management regularly reviews revenue forecasts and takes necessary corrective measures, including optimisation of the route network and reduction of costs.

Risk of an extension of the ban on Kazakh carriers flying to and from the EU

In July 2009 the European Aviation Safety Agency imposed a ban on flights over its territory for all Kazakh airlines due to shortfalls in domestic civil aviation regulation identified by the International Civil Aviation Organisation (ICAO).

Air Astana received an exemption from the ban, because it was able to demonstrate that it has taken and continues to take all of the necessary measures to comply with international flight safety standards. In addition, the Department of Civil Aviation of Aruba (as the state of aircraft registration) and the UK Civil Aviation Authority (which audits the Company's EASA Part 145 compliance) oversee the airline.

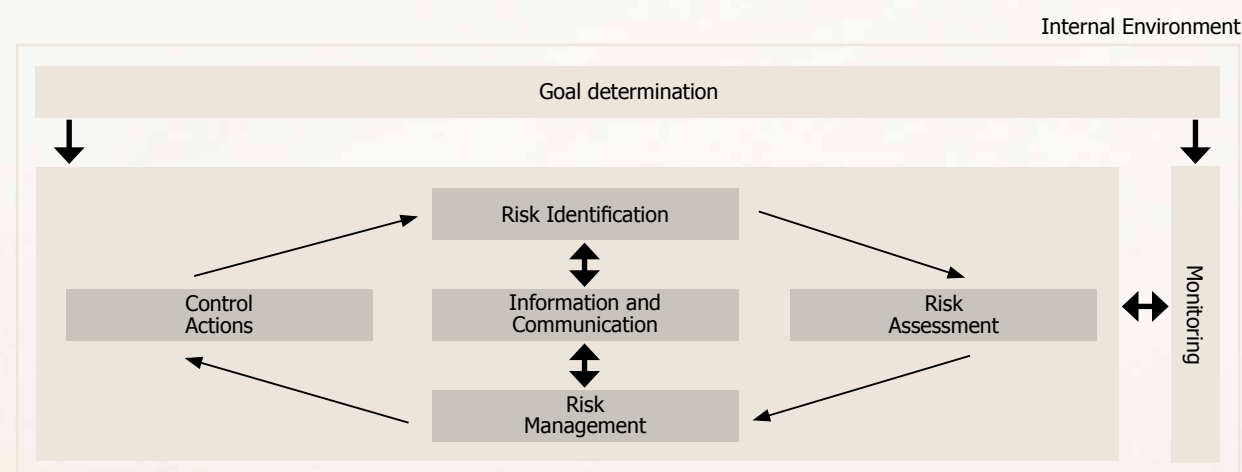
Air Astana remains in an ongoing dialogue with the Kazakh Civil Aviation Authority to address the shortcomings in the civil aviation system. In May 2011, a non-profit organisation the "Association of Kazakhstan Airlines" including Air Astana, Prime Aviation and BurundaiAvia was established to support ongoing regulatory reform aimed at resolution of the ICAO findings in Kazakhstan and lift of the EU ban.

Risk of a safety or security incident

The safety and security of all customers and employees are of paramount concern to Air Astana. Any failure to prevent or respond adequately to a major incident would have an adverse impact on the Company's financial and operating performance.

The airline maintains an integrated safety, security and quality management system, including regular safety forums and training sessions as well as audits of policies, procedures and processes designed to maximise the care of passengers and staff. In case of an incident, the airline maintains an emergency response centre that is trained to manage its actions and coordinate with external authorities.

RISK MANAGEMENT SYSTEM



Counterparty risk

In its operating activities, Air Astana has counterparties – such as ticket sales agents, suppliers of goods and services, and banks and financial institutions – in several countries. Should any of these parties experience any business issues, or cease to operate, this could have an adverse effect on the Company's financial and operating performance. To minimise this risk, the airline has taken numerous measures, including:

- Setting limits on deposits with commercial banks where temporarily free funds are placed;
- Establishing bank guarantees with ticket sales agents;
- Increasing the volume of internet and direct sales to reduce exposure to agents and intermediaries;
- Diversifying supply channels; and
- Improving control over suppliers and assessment of their credibility.

Insurance

Being one of the main methods of risk mitigation, insurance enables the Company to transfer part of risks to other counterparties by paying an upfront amount of premium.

The Company establishes the highest standard requirements in the arrangement of its insurance coverage, including the quality and transparency of insurance companies it engages with. The types of the insurance coverage used by Air Astana are as follows:

1. Aviation insurance;
2. Non-aviation insurance:
 - Medical insurance of employees;
 - Directors, officers and corporate liability insurance;
 - Property insurance;
 - Comprehensive vehicle insurance;
 - Compulsory insurance of employee from accidents carrying out their duties;
 - Commercial general liability insurance (Public liability);
 - Civil liability insurance to customs authorities.

Risk of volatility in aviation fuel prices

Air Astana uses around 217,000 tonnes of jet fuel annually. Hence, volatility in the price of oil and petroleum products can have a material impact on the Company's results. For fuel sourced locally, the airline negotiates prices on a competitive basis with Kazakh suppliers. However, in August 2011 prices for jet fuel in Kazakhstan went up significantly, mainly due to the exclusion of aircraft fuel from Government regulation on oil and gas turnover. For fuel bought outside Kazakhstan, the price risk is hedged using financial derivatives in the oil and petroleum market.

Risk of a sudden drop in passenger traffic

The markets of Central Asia, Air Astana's home region, and many others that the airline operates in and depends on passenger traffic, are classified as emerging markets. As such, the political and economic uncertainty in them is greater than in developed markets. Any political or economic turbulence in the Company's destinations, or the outbreak of an epidemic or other unforeseen events, could adversely affect financial and operating performance.

Aviation Insurance

Air Astana pays particular attention in relation to insurance coverage for its aircraft operations and hence places aviation risks in major international insurance markets having the highest ratings for financial stability and uses the services of an international reputable broker. Types of insurance coverage obtained are set out below:

1. Aviation hull, total loss only and spares all risks and airline liability including passenger liability;
2. Aircraft hull and spare engine deductible;
3. Aviation war, hi-jacking and other perils excess liability;
4. Aviation hull and spares "War and allied perils".

*2008.
The Company was the second
airline in the CIS to fully
implement e-ticketing for
all flights.*



IV CORPORATE SOCIAL RESPONSIBILITY

4.1 HUMAN RESOURCES

As a socially responsible company, Air Astana is aware that the most important resource of the Company is a team of highly skilled professionals, and therefore the effective management of human resources is one of the key management functions of the airline.

The main objective of human resource policy is the continuous development of staff and the formation of a highly professional team of leaders through:

- Search and selection of the best professionals, as well as prospective young specialists;
- Identification of a talent pool based on external and internal sources;
- Creation and implementation of induction programmes for new employees;
- Motivation of the employees;
- Improvement of staff performance;
- Provision of social benefits and guarantees to employees.

In 2011, the number of employees was more than 3,500 people increasing by 12% compared with the same period in 2010.

NUMBER OF EMPLOYEES (PERSONS)	2010	2011
Pilots	227	292
Cabin crew	872	980
Engineering & Technical staff	221	249
Operations Support & Administrative staff	1 835	2 029
Total	3 155	3 550

In order to create an efficient labour organisation and keep employees motivated, the following projects were completed in 2011:

- New Oracle ERP system for optimisation of human resource documentation, timecard, benefits, training, evaluation and recruitment;
- Third Corporate Management Forum for line managers;
- Preparation for online staff opinion survey;
- Air Astana Talent – development of human resources talent pool.

Recruitment

Air Astana is actively engaged in attracting highly qualified professionals. Vacancies are filled through internal and external selection.

The new iRecruitment system, which was launched in May 2011, has automated recruitment and created a lot of opportunities for both the employer and candidates. Candidates can enter the web site of Air Astana (www.airastana.com) and after registration they can see vacancies and new vacancy announcements and send their CVs. The CVs can be seen not only by the HR recruitment specialists, but also by the department manager who initiated the vacancy. This system makes recruitment policy more transparent and efficient.

Since 2011 vacancies can also be found on the social network site www.facebook.com.

The successful collaboration with universities continues. Air Astana signed new contracts on internship with students from different universities:

- Kazakhstan Institute of Management, Economics and Strategic Research;
- Kazakh Economics University named after T. Ryskulov;



- Kazakh Abylay Khan University of International Relations and World Languages;
- Academy of Civil Aviation;
- Eurasian National University named after Gumilyov;
- Almaty Institute of Power Engineering and Telecommunications;
- Suleyman Demirel University.

In 2011 more than 80 students took part in internships at Air Astana; as a result 10 graduates joined different departments.

The experimental aviation engineer preparation project, with participants from fourth year engineering students, was launched in 2011, as a joint programme with the Academy of Civil Aviation. The objectives of this programme are quality improvement of education and enhancement of a specialist skills and the attraction of young mechanics to Air Astana. Twelve students have experienced basic technical service in the Engineering and Maintenance department. The purpose of education is to get practical skills through using the latest western equipment. The students were given a personal scholarship.

More than 10 people were hired by Air Astana through the "Social workplace 2020" programme; it was made in collaboration with the municipal government agency "Employment Centre in Almaty" and the Department of Employment and Social Programmes of Almaty.

Performance appraisal

The Company conducted annual performance appraisal in November. The main purpose of the evaluation was to: provide feedback to employees, evaluate the effectiveness of their activities, and plan professional and career development. The online system Oracle ERP was used for the first time for staff assessment in 2011.

Additional seminars and training for managers, who evaluate staff, were organised for the annual assessment.

Corporate training and development of the personnel

Personnel training and professional and career education are the key elements of human resource management within the Company. Expenses of training

and staff development are considered to be a long-term investment made by the Company.

Air Astana offers its employees a unique opportunity for professional growth and career development through an effective system of education:

- For staff training both internal trainers and leading experts from local and international training companies are involved;
- The staff development programme "Air Astana talents", which started in 2009, gave its first results in 2011. Four programme participants out of ten were promoted in 2011;
- "Skills improvement" training was carried out for each employee recommended, in their annual appraisal, to improve some skills or abilities;
- The compulsory programme "Fundamentals of Managerial Skills" was launched in 2009. The scope of this programme includes such training courses as Air Astanology, Manager Up to Date, Monitoring and Feedback, Mentoring and Coaching, Team Resource Management;
- Kazakh language full-time courses were organised including basic, informal and business use;
- Distance learning English courses were organised in 2011.

All Company's new joiners pass an induction programme, which contains information about the Company's mission, purposes, values, history, achievements, structure, internal policy and rules. The programme gives newcomers basic communication skills; they also participate in an introductory tour of the Company and listen to obligatory fire safety and work safety briefings.

The third Corporate Management Forum for line managers, which brought together 130 participants, was held in November 2011. The forum is an arena where line managers, Company leaders and HR meet for human resources management discussions and search for joint solutions.

The forum's objectives were the enhancement of the importance of line managers as a driving force of the Company success and motivation for active learning for management improvement. The forum's main idea became management effectiveness; it is demonstrated in the name of the forum – "From personal effectiveness

to the successes of the Company. From the ground – to the stars!" The best HR consultants and business trainers of Kazakhstan held master classes on pressing topics and also a trainer from Canada visited the forum. One of the most significant events in the forum was a talk show with leading Kazakhstan public relations specialists in which Air Astana employees took part.

Air Astana continues to implement the training programme for its pilots, both existing and those, who just started learning from scratch. This programme includes such initiatives as implementation of the initial pilot training project (ab-initio), introduction into service of new pilots and pilots retraining for new aircraft types.

The programme of initial pilot training (ab-initio) was launched in 2009. Today, more than 110 cadets have been selected and trained under the programme and more than 30 pilots have successfully completed the programme and sit at the helm of Air Astana airplanes. Since 2009 the Company has spent around 10 million Euros for the realisation of the ab-initio programme.

Working with labour union

Being a responsible employer, Air Astana understands the importance of open and well-tuned cooperation between the Company and its employees.

Following the signing of the Collective Agreement on September 20, 2010, the Human Resources and Administration Department on a regular basis (quarterly) is involved in the committees for the implementation of the collective agreement.

Work safety

The aim of the airline's work safety policy is risk minimisation, and the reduction of the number of accidents and occupational diseases. This work is coordinated by Health and Safety Department. Work and leisure conditions are constantly being improved within the Company. Air Astana puts significant effort to equip the work place with modern technologies and attest that work places are in compliance with working conditions. The Company reviews the health status of employees on a constant basis. Health and safety training, including first aid training is also conducted on a voluntary basis. In order to improve the indicators of health protection and occupational safety the Company



plans to conduct a certified audit of labour safety management and professional safety, according to safety standard BS OHSAS 18001:2007.

In 2011 the planned activities were carried out in accordance with the laws and internal documents of the Company.

Periodic workplace assessments covering production facilities and new constructions and reconstructed objects are planned in 2012. These assessments will be held in accordance with Kazakhstani Labour Code.

Social sphere

Air Astana launched an online staff opinion survey in 2011. The main purpose of this research was to find ways to improve and develop working conditions further. Staff were divided into several categories to get more accurate information. After the survey, focus groups were organised and results were published in a special issue of the corporate newspaper.

Air Astana provides extended social package to its employees that include:

- Medical insurance: employees receive a medical service, limited dental services and medicines;
- Year-end and profit share bonuses;
- Airline tickets at special rates on the Company's routes as well as routes operated by partners;

• Opportunity to visit sport centres "Fitnation", "Rakhat Fitness", "Fidelity", "FitCurves" with discounts and to play football on a rented arena;

• Financial support, as necessary, to employees in case of illness or death of close relatives;

• Bank loans for purchases at low interest rates;

• New year presents for employees' children;

• Social corporate events for employees and their families.

The Company places special attention on the development of amateur sport amongst employees. This contributes to development of a strong corporate culture and team spirit. During 2011 employees participated in different competitions:

• Participation in the 7th Eurobak annual mini football championship for the World Monitor cup;

• Participation in the Winter and Fall Mini Football championships in Almaty's Mini Soccer League;

• Participation in an annual rafting championship;

• Participation in five and ten kilometres races in the World Airline Road Race in Grapevine, Texas. Alimzhan Kaldiyarov, an employee from Financial Department, won first place in his age category.

4.2 SOCIAL RESPONSIBILITY

Air Astana is committed to responsible corporate citizenship. Since its inception, the airline has maintained a socially oriented policy that prioritises assistance to vulnerable groups, educational and medical institutions and public organisations.

Support for vulnerable groups

Since its creation the airline has provided Great Patriotic War veterans with free tickets for flights in Kazakhstan and the wider CIS. The campaign was conducted each year from 1 May to 15 June until 2008. From 2009 the Company 100% discount became permanent. In addition, each year from 1 May to 30 June, the Company provides a 50% discount for people accompanying veterans. In 2011 Air Astana carried over 1,100 veterans.

For several years Air Astana has worked with the Miloserdie (Mercy) charity. It transfers children with cancer and serious cardiac conditions from different regions of Kazakhstan to Moscow and European countries for specialist, state-of-the-art treatment. In 2011 the Company provided 80 tickets to seriously ill children and their parents.

Moreover, Air Astana took part in the following charity programmes:

- 11 August 2011 – benefit evening in the “BG Energy Challenge 2011 – Kazakhstan” to raise funds to support disabled children in Astana;
- 14 October 2011 – Organisation of a children’s holiday for pupils of the boarding school No. 10 for children from poor families and the donation of a children’s playground “Airplane”;
- 9 November 2011 – Realisation of the Mereke project – assistance to Kazakhstan’s children hospitals in conjunction with International Women’s Club, “Miras” school and the charity fund “Dara”. Within the programme, Air Astana equipped children’s playroom in the Pediatrics Department of the Institute of Oncology and Radiology in Almaty.

Support for culture, science and sport

Air Astana was an official carrier of Republican Public Award – We are one team! The event was organised by the Civil Alliance of Kazakhstan. Information support for the Award was provided by KTK channel and the Khabar agency. The “We are one team” award is an opportunity to communicate about people who have: performed a life-saving feat; made an invaluable contribution to Kazakhstan’s social life; or contributed to the development of spiritual and moral values. Through the help of the national carrier many members from different regions of Kazakhstan were able to visit the award ceremony which was held on 3 March 2011 in Almaty.

On 18 May 2011 the Kazakhstan’s first international scientific conference on the subject of “Charity in Kazakhstan” was held with the support of Air Astana. It was held in a large concert hall of the Kazakh National Conservatory named after Kurmangazy. The purpose of the conference was to create a forum for understanding problems of charity development and for sharing experience of leading charity funds, local and international specialists and scientists in the field of social policy and charity.

During 2011 Air Astana supported the following sponsorship projects:

- 15-17 April – BarCamp Central Asia 2011 IT Conference (Almaty);
- 7 May – Concert dedicated to the 20th anniversary of the independence of Kazakhstan – Music without Limits (Almaty);
- 24-25 May – VII International PR-Forum Conference (Almaty);
- 3-4 September – Cup of Continents 2011, International Tournament in Wheelchair Dance Sport (St Petersburg);
- 30 September – Art of Independence charity art project (Almaty);
- 11 October – KIW 2011, week of Internet in Kazakhstan (Almaty);
- 31 October – IV Republican Media-Kurultai Conference (Almaty);
- 16 November – iProf 2011, first conference for internet professionals (Almaty);
- 17 November – Award.kz-2011, National Internet-Award (Almaty).

*2011.
Air Astana won the award
for "The Best Children's
Amenity Kit" at the annual
"Air Line Amenity Bag Awards 2010"*



4.3 ENVIRONMENTAL RESPONSIBILITY

Being aware of its corporate responsibility towards society and future generations Air Astana strives to ensure a sustainable balance across its business.

Two core areas of focus are reducing carbon emissions and carbon footprint, as well as reducing the use of materials and waste in all operations.

Reducing carbon emissions

Air Astana estimates that 99% of its carbon emissions come from combustion of aviation fuel and the rest come from secondary sources like motor vehicles and ground fleet and facilities. While the IATA has calculated that the airline industry is a minimal contributor to global environmental pollution, the Company has made a strong commitment to reducing its carbon footprint.

As with other airlines, Air Astana seeks to reduce emissions through three primary methods:

- Operating more fuel-efficient aircraft;
- Modifying the current fleet;
- Flying more efficiently.

The fourth method is seeking an alternative or more carbon-efficient fuel, whilst recognising that such alternatives are not available or commercially viable at present.

The Company also participates in the EU Emissions Trading Scheme (ETS). Its emissions monitoring plan was approved by the German Emissions Trading Authority. Verification covered:

- Completeness of flight and emissions data and compliance of it with data from Air Traffic Control (ATC), compiled by the European Organisation for the Safety of Air Navigation (EUROCONTROL);

- Consistency between reported data and documented mass;

- Consistency between aggregated fuel consumption and purchase records.

The reduction of the negative impact on the environment is improved by maintaining a young and fuel-efficient fleet. In 2011 the airline acquired modern Embraer 190 aircraft. These aircraft have lower fuel consumption and carbon emissions and produce minimal noise waste in their class of airplanes.

To improve the aerodynamics of airplanes the Company installed winglets (curved device at end of wings) on the Boeing 757-200 aircraft. The Company estimates that this will effectively reduce fuel consumption by 3-5% and will lead to a reduction of airplane fuel consumption by approximately 1,800-3,000 tonnes per year.

In order to reduce consumption of jet fuel, the Company launched a programme of weight reduction of airplanes. Examples of the programme in practice are: using lighter facilities for on-board services and reserves of potable water loaded on board of each airplane.

In addition to upgrading and improving the aerodynamics of the aircraft, Air Astana is also reducing emissions through flying the shortest routes.

Air Astana improved its flight planning system, making it possible to optimise flights with a view to reducing fuel consumption and improving security on all routes. The new navigation system also contributes to the enhancement of landing effectiveness and a reduction in the number of canceled flights due to weather conditions.

Continuous Descent Approach (CDA) reduces noise and carbon dioxide emissions during landing. All Air Astana pilots are required to use Optimised Profile Descent



*2011.
Air Astana was the official
carrier of the VII Asian
Winter Games.*



(OPD), except when weather conditions, security and instructions of the airport controller require changing the landing approach.

Aircraft anti-icing procedure has a significant impact on environment. Air Astana introduced the programme "Clean Wing", which ensures effective wing cleaning and anti-icing, including the effective use of de-icing fluid.

Staff of Air Astana and subcontractors' employees performing work at airports with chemical products take mandatory annual training on environmental protection. This training covered the following topics: the basic principles of waste management; prevention of water pollution; the rules of safe handling of harmful and dangerous substances; and preventing and responding to leaks of hazardous substances.

Waste reduction

Whilst reducing aviation fuel consumption and CO₂ emissions are the main aims of Air Astana environmental policy, another important task is waste reduction.

The implementation of e-tickets and online registration reduces the amount of paper tickets. In addition the Company continues to reduce the amount of printed materials. Current IT initiatives are designed to create paper-free systems throughout the business. Looking forward, the airline is studying procurement policies that will introduce sustainability criteria in purchasing products and services.

V CORPORATE GOVERNANCE

5.1 CORPORATE GOVERNANCE SYSTEM

Air Astana views corporate governance as a means of increasing the effectiveness of the activities of the Company, strengthening its reputation and decreasing costs of raising capital by the Company. The system of corporate governance of the Company is improving and developing on a constant basis to ensure a higher degree of transparency in the Company's governance and to confirm the Company's unfailing preparedness to observe due corporate governance standards.

The activities of the Company are built on the underlying corporate principles of honesty, reliability, and professionalism of its employees, the effectiveness of

their work, respect for each other and for stakeholders and society as a whole.

The Company makes significant efforts to increase its transparency. Corporate and internal documents regulating the activities of the management and control bodies, as well as information policy are available on the Company's website at: www.airastana.com.

Since 2008, the quality of the Company's corporate governance is annually confirmed by the international agency Standard & Poor's. Following an audit of Air Astana's activities in 2011, Standard & Poor's affirmed

the Company's corporate governance score at the level of "GAMMA 6". Today, Governance, Accountability, Management Metrics and Analysis (GAMMA) score of the Company is the highest in Kazakhstan. Subsequent to completion of the annual review, the GAMMA score was withdrawn by Standard & Poor's initiative by the decision to cease providing assessment based on a GAMMA score worldwide.

The following are the basic principles of the Company's Corporate Governance System:

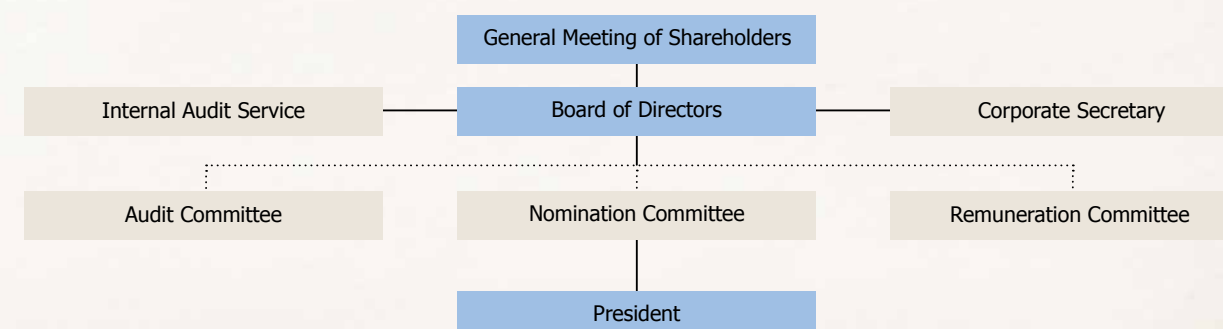
- **The principle of protection of shareholders' rights and interests** – protection of, and respect for, the rights and legal interests of shareholders stipulated by legislation; effective activities of the Company, including the growth of its assets and maintaining its financial stability and profitability. The dividend policy of the Company should be sufficiently transparent and open for access by shareholders, potential investors and the general public of Kazakhstan;
- **Effective management of the Board of Directors** – maximum observance and implementation of the interests of shareholders and the Company; transparency of its activities to shareholders; responsibility for the activities conducted by the Company;

• **Effective management of the Executive Body** – manage the day-to-day activities of the Company in order to achieve the tasks and to implement the strategy of the Company. Activities of the Executive Body are carried out in the principles of integrity, honesty, rationality, prudence and regularity. The relations among the shareholders, members of the Board of Directors and Executive Body are based on mutual trust, respect, accountability and control;

• **Transparency and objective disclosure of information about the Company's activities** – timely disclosure to shareholders and interested parties of reliable information about the Company, including its financial situation, economic indicators, results of its activities, and its ownership and management structure;

• **Responsibility** – protection of the rights of the Company's employees which are stipulated by legislation; providing training to staff and social protection of the Company's employees; transparency in selection of employees; provision of favourable working conditions to and improvement of professional skills of the Company employees; ensuring environmental protection as stipulated by law; ensuring social responsibility by providing sponsorship and/or organising charity events for people in need.

5.2 CORPORATE GOVERNANCE BODIES



5.3 SHAREHOLDERS

51 % - Samruk-Kazyna National Welfare Fund JSC

Samruk-Kazyna National Welfare Fund JSC – holding company for State Asset Management owned by the Government of the Republic of Kazakhstan. Samruk-Kazyna was created through a Presidential decree of the Republic of Kazakhstan dated 13 October 2008 and a government decree of the Republic of Kazakhstan dated 17 October 2008 to improve the national economy's competitiveness and sustainability and anticipate possible negative factors in the world markets that could influence the growth of the economy.

Registered address:
23 Kabanbai Batyr Avenue
Astana 010000
Kazakhstan

49 % - BAE Systems (Kazakhstan) Limited

BAE Systems (Kazakhstan) Limited – subsidiary of British corporation BAE Systems plc engaged in the development, delivery and support of defense, information security and aerospace systems on land, at sea, in the air, and in space.

Registered address:
Warwick House PO Box 87
Farnborough Aerospace Centre
Farnborough Hampshire
GU14 6YU
United Kingdom

General Meeting of Shareholders

The highest governing authority of the Company is the General Meeting of Shareholders 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 provisions of the Company's Charter and internal documents.

Responsibilities of the General Meeting of Shareholders

The following matters fall within the exclusive competence of the General Meeting of Shareholders:

- Electing the members of the Board of Directors and deciding on the number of members and the terms of office of the Board of Directors;
- Determination of the term of office, and electing and dismissing the President, the Vice President, Flight Operations and the Vice President, Engineering and Maintenance, of the Company;
- Approving the long-term strategy of the development of the Company;
- Approving the medium-term and short-term business plans (development plan and annual budget);
- Approval of the annual financial reports of the Company;
- Approval of decisions on the execution by the Company of major transactions and interested party transactions as well as other transactions requiring the approval of the General Meeting of Shareholders in accordance with the law; and
- Taking into ownership or under financial leasing or lease of any aircraft.

Issues considered at the General Meeting of Shareholders in 2011

In 2011, ten General Meetings of Shareholders, including nine meetings in presentia, were held, and the following issues were considered:

Issues on strategic development:

- Approval of the long-term strategy of the development of the Company for 2011-2020;
- Approval of the Business Plan (Development Plan) of the Company for 2011-2015;
- Introduction of changes to the Regulations of the Representative Office of the Company in the Republic of Turkey;

- Deciding on the Company's participation in the establishment of association of legal entity "Association of Kazakhstan Airlines";
- Approval of the decision on entering by the Company into a major transaction with Embraer for the purchase of two Embraer 190 type aircraft with deliveries in May and June 2012 and two additional purchase options;
- Approval of the decision on entering by the Company into major transactions with ILFC (International Lease Finance Corporation) on extension of the lease of two Boeing 767-300 aircraft;
- Approval of the decision on entering by the Company into a major transaction with Macquarie Aircraft Leasing Services (Ireland) Ltd for an operating lease of one Boeing 757-200 aircraft;
- Approval of the decision on entering by the Company into major transactions with Air Lease Corporation for an operating lease of two Embraer 190 aircraft;
- Approval of the decision on entering into an Amendment Agreement between the Company and Air Lease Corporation to the Lease Agreement for one Airbus A320 aircraft;
- Airbus A319 conversion under a purchase agreement with Airbus S.A.S.

Issues on financial and operational activities:

- Approval of the Annual Budget of the Company for 2011;
- Approval of the Investment Policy of the Company;
- Introduction of changes and amendments to the Procurement Manual of the Company;
- Determining the audit organisation to perform an audit of the Company;
- Approval of the decision on entering by the Company into a major transaction with Petro Kazakhstan Trading House LLP for aviation fuel supply;
- Approval of the decisions on entering by the Company into major transactions with AJ Walter Aviation Ltd on access to spare parts pool with regard to Airbus A320/ A321 and Boeing 757-200/767-300;
- Approval of the decision on entering by the Company

into a major transaction with Fokker Services B.V. on access to spare parts pool with regard to Fokker 50 aircraft;

- Approval of the annual financial statements of the Company for 2010;
- Approval of the procedure for distribution of net profit of the Company for the year 2010, deciding on payment of dividends on common shares and approval of the amount of the dividend for the year 2010 per one common share of the Company;
- Deciding on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital or an amount of more than US\$5,000,000 in connection with entering by the Company into major transactions;
- Approval of entering by the Company into a transaction on committed banking facility for issuance of cash backed Letters of Credit for a total amount of more than US\$1,000,000;
- Deciding on entering by the Company into a transaction on money pledge for coverage of issued Letters of Credit for a total amount of more than US\$1,000,000.

Governance and remuneration issues:

- Election of the new member of the Board of Directors of the Company. Azat Bekturov has been a member of the Board of Directors of Air Astana since 8 August 2011 (refer to the section of Composition of the Board of Directors);
- Approval of the policy of remuneration of the members of the Board of Directors of the Company;
- Approval of the amount and terms of remuneration and compensation to the Independent Directors of the Company;
- Approval of the amount of the annual bonus payment to the President of the Company following the results of work for the year 2010;
- Election and determination of the term of office of the Senior Vice President Engineering Group of the Company;
- Termination of the authorities of the Vice President Flight Operations of the Company.

5.4 BOARD OF DIRECTORS

Composition of the Board of Directors

The Board of Directors consists of six members who are elected by the General Meeting of Shareholders by cumulative vote. The Board of Directors consists of two members who are nominated by the Samruk-Kazyna National Welfare Fund, two members who are nominated by BAE Systems and two independent directors.

The quantity composition of the Board of Directors should be determined by the decisions of the General Meeting of Shareholders.

Chairman of the Board of Directors

Nurzhan Baidautov

Nurzhan Baidautov has been the Chairman of the Board of Directors of Air Astana since 2008. He is a member of the Nomination Committee. Currently he is a Managing Director of the Samruk-Kazyna National Welfare Fund and since 2006 a member of the Board of Directors of NC Kazakhstan Temir Zholy JSC. He has a distinguished career in the transportation industry in Kazakhstan that spans more than two decades. Mr. Baidautov is a recipient of the Kurmet Medal.

PROFESSIONAL EXPERIENCE

From 2008	Managing Director of Samruk-Kazyna National Welfare Fund JSC
2006-2008	Director of Transport Asset Management of Samruk Holding JSC
2004-2006	Chairman of the Rail Communications Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan
2003-2004	Vice Minister of Transport and Communications of the Republic of Kazakhstan
1998-2003	Head of the Rail Transportation Department of the Ministry of Transport and Communications of the Republic of Kazakhstan
1997-1998	Head of Akmolinskaya Railways, Kazakhstan Temir Zholy
1997	Deputy Head of Akmolinskaya Railways, Head of Pavlodar Branch of Railways
1996-1997	First Deputy Head of the Pavlodar Branch of Tselinnaya Railways
1990-1996	Head of Pavlodar Station
1989-1990	Deputy Head of the Transportation Department of the Pavlodar Branch of Tselinnaya Railways
1988-1989	Chief Engineer of Pavlodar-North Station, Pavlodar
1986-1988	Processing Engineer of Ekibastuz station, Duty Officer of Ekibastuz station of Tselinnaya Railways

Members of the Board of Directors

Radilbek Adimolda (until 8 August 2011)

Radilbek Adimolda was a member of the Board of Directors until 8 August 2011. Being a member of the Board he was the Chairman of the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan.

PROFESSIONAL EXPERIENCE

From 2009	Chairman of the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan
2005-2009	Deputy Chairman of the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan
2005	First Vice President of Aviation Maintenance Plant of Civil Aviation, Aktobe
2004-2005	Aviation Project Expert of Central Asian Aviation Industry Association, Almaty
2002-2004	Director of "Alatau Airlines" Air Company, Astana
2001-2002	Head of Directorate, Deputy Chairman of the Civil Aviation Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan
1998-2000	Head of Division, Deputy Head, then Head of Air Traffic Main Centre of Kazaeronavigatsia, Almaty
1985-1998	Dispatcher, Senior Dispatcher, Head of Complex Shift, Leading Engineer, Deputy Head of Department, Head of Agency of Almaty International Airport

Mr. Adimolda has the following International Certificates:

IATA – Civil Aviation Senior Manager (Moscow, 2004);
EASA – Aviation Technical Regulations (Astana, 2007).

Azat Bekturov (since 8 August 2011)

Azat Bekturov has been a member of the Board of Directors since 8 August 2011. Currently he is the Vice Minister of Transport and Communications of the Republic of Kazakhstan. Mr. Bekturov has a PhD in Economics and Management Theory.

PROFESSIONAL EXPERIENCE

From 2006	Vice Minister of Transport and Communications of the Republic of Kazakhstan
2004-2006	Vice President of Air Astana, Almaty
2002-2004	Director, Deputy Director, Head of Administration, Chief Manager of Corporate Development Department of KazTransGas, Astana
2001-2002	Electronic Business Projects Analyst in Chevron, Saint-Ramon, USA

Nigel Bradley

Nigel Bradley has been a member of the Board of Directors since 2001. He is a member of the Nomination Committee. Mr. Bradley is Commercial and Procurement Director, Programmes & Support and International (BAE Systems); a member of the Board of Directors of UK and Rest of the World (BAE Systems); and Chairman of the Commercial Functional Council (BAE Systems). Previously he held various senior posts at BAE Systems companies, as well as in outside legal practice.

PROFESSIONAL EXPERIENCE

2007-2009	Commercial Director, UK and Rest of the World, BAE Systems
2002-2007	Group Commercial Director, Customer Solutions and Support, BAE Systems
2000-2002	Commercial Director of International Programmes, BAE Systems
1995-2000	Legal Department Director, British Aerospace Military Aircraft
1990-1995	Legal Adviser, British Aerospace Military Aircraft
1989-1990	Senior Legal Adviser, Kellogg's
1987-1989	Commercial Lawyer, Costain Group
1981-1987	Private legal practice

David Brent

David Brent has been a member of the Board of Directors since 2008. Mr. Brent has been Group Treasurer of BAE Systems since 1995. He has more than 30 years of experience in senior financial roles at BAE Systems' companies.

PROFESSIONAL EXPERIENCE

1992-1995	Treasurer, Corporate Finance, British Aerospace
1990-1992	Director of Accounting and Control, Ballast Nedam BV
1988	Assistant Treasurer, British Aerospace
1987	Chief Internal Auditor, British Aerospace
1982	Assistant Treasurer, British Aerospace
1979	Foreign Currency Manager, British Aerospace
1979	Financial Accountant, British Aircraft Corporation

Mr. Brent is a Fellow of the Institute of Chartered Accountants in England and Wales (having qualified in 1975) and a member of the Association of Corporate Treasurers.

Independent Directors

Dmitriy Larionov

Dmitriy Larionov has been an Independent Director of the Company since 2008. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee. Mr. Larionov is International Liaison Partner of BDO Kazakhstanaudit LLP. He is a leading expert on accountancy and financial reporting.

PROFESSIONAL EXPERIENCE

From 2009	Member of the Consultative Board on Accounting and Auditing under the Ministry of Finance of the Republic of Kazakhstan
From 2008	Independent Director of Kazakhtelecom, Chairman of the Audit Committee, member of the Remuneration and Nomination, and Strategic Planning Committees
2008-2010	Member of the Developing Nations Committee, International Federation of Accountants
2003-2010	Deputy Chair, member of the Board, the Chamber of Professional Accountants and Auditors of the Republic of Kazakhstan
2004-2005	Local Accounting and Financial Reporting Expert, Regional Financial Sector Development Project, Asian Development Bank
2001-2004	Senior Consultant in Accounting, Accounting Reform Department, USAID Enterprise Development Project, Pragma Corporation
1999-2001	Lecturer in Accounting and Finance, Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP)

Lord Thomas Alexander Hesketh

Lord Thomas Alexander Hesketh has been an Independent Director of the Company since 2007. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. Lord Hesketh has a long and distinguished career in public service and international business. In 1997 Lord Hesketh was invested as a Knight Commander of the British Empire.

PROFESSIONAL EXPERIENCE

1993-2010	Non-Executive Deputy Chairman, Babcock International
1994-2007	Chairman, British Mediterranean Airways
2004-2005	Treasurer, the Conservative Party of the United Kingdom
1991-1993	Government Chief Whip in the House of Lords, Privy Councillor of the United Kingdom
1991-1993	Captain of the Honourable Corps, Gentlemen at Arms
1990-1991	Minister of Industry, Department of Trade and Industry

The Board of Directors is the management body which carries out the overall management of the Company. 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 other bodies of the Company.

Responsibilities of the Board of Directors

The exclusive competence of the Board of Directors includes, without limitation, the authority to:

- Determine the priority fields of activity (development) of the Company, preliminarily approve and propose for approval by the General Meeting of Shareholders the long-term strategy of the development of the Company;
- Preliminarily approve the annual financial statements of the Company;
- Submit matters to be resolved by the General Meeting of Shareholders pursuant to the Law and (or) the Company's Charter for consideration and resolution by the General Meeting of Shareholders;
- Approve the documents regulating the internal activity of the Company, including the internal document establishing the conditions and the procedure for carrying out of auctions and subscription for the Company's securities, except for the documents to be adopted by the President for the purposes of organisation of the activity of the Company;

- Decide on the entering into major transactions in the manner prescribed by the Law and the Company's Charter;
- Elect the registrar of the Company, and take decision on termination of an agreement with the former registrar;
- Determine the procedure for work of the Internal Audit Service (IAS), the amount and conditions of remuneration of the employees of the IAS upon recommendation of the President, bonuses to the employees of the IAS upon recommendation of the Audit Committee, subject to the proposals of the President, and also to approve the qualification requirements for the employees of the IAS; and
- Preliminarily approve and submit for approval by the General Meeting of Shareholders the medium-term and short-term business plans (the development plan and the annual budget) and any amendments thereto, including capital expenditure which has not been provided for in the approved business plans.
- Deciding on the formation of a Representative office of the Company in Hong Kong (People's Republic of China);
- Approval of Tbilisi (Republic of Georgia) as a new flight destination outside Kazakhstan;
- Deciding on the formation of a Representative Office of the Company in Tbilisi (Republic of Georgia);
- Approval of Ulan Bator (Mongolia) and Kazan (Russian Federation) as new flight destinations outside Kazakhstan;
- Deciding on the formation of Representative office of the Company in Ulan Bator (Mongolia);
- Approval of Samara (Russian Federation) as a new flight destination outside Kazakhstan;
- Deciding on entering into an Amendment Agreement between the Company and Air Lease Corporation to the Lease Agreement for one Airbus A320 aircraft;
- Deciding on entering by the Company into a major transaction with Air Lease Corporation on operating lease of one Embraer 190 type aircraft;
- Deciding on entering by the Company into major transactions with ILFC (International Lease Finance Corporation) on the extension of the leases of two Boeing 767-300 aircraft;
- Airbus A319 conversion under a purchase agreement with Airbus S.A.S. Preliminary deciding on increasing the sum of the Company's liabilities with regard to a major transaction with Airbus S.A.S. earlier approved by the General Meeting of Shareholders of the Company;
- Deciding on entering by the Company into a major transaction with Macquarie Aircraft Leasing Services (Ireland) Ltd on an operating lease of one Boeing 757-200 aircraft;
- Issue of the Company's participation in the establishment of association of legal entities "Association of Kazakhstan Airlines".

Issues considered at the meetings of the Board of Directors in 2011

In 2011 fifteen meetings of the Board of Directors, including four meetings in presentia, were held and the following issues were considered:

Issues on strategic development:

- Preliminary approval of the Business Plan (Development Plan) of the Company for 2012-2016;
- Report of the President of the Company on the Company's fleet plan implementation according to the Strategic Development Plan for 2011-2020;
- Deciding on entering by the Company into a major transaction with Boeing on the purchase of three wide-body Boeing 787-8 aircraft together with three purchase rights and nine rolling purchase rights;
- Deciding on entering by the Company into a major transaction with Boeing on the purchase of four Boeing 767-300 aircraft;
- Deciding on entering by the Company into a major transaction with Embraer for purchase of two Embraer 190 type aircraft and two additional purchase options;
- Approval of Hong Kong (People's Republic of China) as a new flight destination outside Kazakhstan;

Issues on financial and operational activities:

- Approval of the plan of work and the schedule of the meetings of the Board of Directors of the Company for 2012;
- Preliminary approval of the Annual Budget of the Company for 2012;

- Deciding on entering by the Company into a major transaction with AJ Walter Aviation Ltd on access to spare parts pool with regard to Airbus A320/A321 type aircraft;
- Deciding on entering by the Company into major transaction with AJ Walter Aviation Ltd on access to spare parts pool with regard to Boeing 757-200/767-300 type aircraft;
- Deciding on entering by the Company into major transaction with Fokker Services B.V. on access to spare parts pool with regard to Fokker 50 type aircraft;
- Deciding on entering by the Company into major transactions with Petro Kazakhstan Trading House LLP and Sinoil LLP for aviation fuel supply;
- Operational Safety Review of the Company for 12 months (June 2010 – July 2011). Update on regulatory situation of flight safety with regards to the ICAO and EU Aviation Safety Committee;
- Operational Safety Review of the Company. Update on the regulatory situation of flight safety with regards to the ICAO and EU Aviation Safety Committee;
- Report of the Head of the IAS of the Company on IAS activity;
- Staff changes of the IAS of the Company;
- Preliminary approval of the Investment Policy of the Company;
- Corporate Social Responsibility Report of the Company for 2010;
- Approval of changes and amendments to the Labour Contract with the President of the Company;
- Approval of the Annual Audit Plan of the IAS of the Company for 2012;
- Approval of changes and amendments to the Procurement Manual of the Company;
- Consideration of the issue of changing of the insurance process of the Company and approving the rules on arrangement of insurance coverage of the Company;
- Proposals to the General Meeting of Shareholders of the Company on the procedure for distribution of the net income of the Company for 2010 and the amount of the dividend for 2010 per one common share of the Company;
- Preliminary deciding on increasing the Company's

liabilities by an amount constituting ten per cent or more than US\$5,000,000 in connection with entering by the Company into the major transactions;

- Report of the President of the Company on the results of financial and operational activities of the Company;
- Approval of the decision of the President of the Company on opening by the Company of settlement accounts in Bank Republic JSC (the Republic of Georgia);
- Preliminary approval of receiving by the Company borrowing of an amount of more than US\$1,000,000;
- Determination of the fee to be paid for the services of an auditing organisation;
- Annual approval of the procedure for and terms of compensation of expenses to the Company's employees travelling on business, the standards of eligibility to the Company cars and standard areas to accommodate the administrative personnel of the Company, the limits of reimbursable expenses at the Company's expense when granting to employees the right to use mobile communication and the limits of representation expenditures.

Governance and remuneration issues:

- Determination of the amount of the bonus payment of the Head and employees of the IAS of the Company following the results of work for the year 2010;
- Determination of the amount of the 2011 Year-End Bonus payment to the Head and employees of the IAS of the Company;
- Recommendations to the General Meeting of Shareholders of the Company with respect to the annual bonus payment to the President of the Company following the results of work for the year 2010;
- Recommendations to the General Meeting of Shareholders of the Company regarding appointment of the Senior Vice President Engineering Group of the Company and termination of authorities of the Vice President Flight Operations of the Company;
- Information of the Remuneration Committee of the Board of Directors of the Company on review and recommendations regarding changing the amount and terms of remuneration and compensations to the President of the Company;
- Annual approval of the remuneration system and provision of incentives and the scheme of labour remuneration of the Company's employees.

Risk management:

- Approval of the Risk Map of the Company;
- Approval of the amended Risk Management Policy of the Company. Approval of the Rules of Identification and Assessment of Risks of the Company.

Selection criteria for members of the Board of Directors

- Nominees and members of the Board of Directors may be of any citizenship and (or) nationality;
- Candidates for Directors should have appropriate work experience, knowledge, qualifications, positive achievements and an impeccable reputation in business and industry environment required for the performance of duties and organisation of effective work of the whole Board of Directors in the interests of the shareholders and the Company.

The members of the Board of Directors should not:

- Have any current convictions under the law;
- Be a person who previously was the chairman of the Board of Directors, Chief Executive Officer (Chairman of the Management Board), Deputy Chief Executive Officer, Chief Accountant of another legal entity in the period of no more than one year before the adoption of the decision on forced liquidation or forced redemption of shares, or temporary closing of another legal entity recognised as bankrupt in the established procedure. The requirement should be applied within five years after the date of adoption of the decision on forced liquidation or forced redemption of shares, or temporary closing of another legal entity recognised as bankrupt in the established procedure.

Qualification requirements for the candidates for the Independent Directors of Air Astana 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 (except his/her engagement with the captioned joint stock company in the position of an independent director), 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.

Remuneration to members of the Board of Directors and Executive Body

Directors who represent the shareholders do not receive remuneration for their work. Independent directors are remunerated; the amount is determined by the General Meeting of Shareholders, based on recommendations by the Board of Directors and the Remuneration Committee. The amount paid to the executive body is also set by the General Meeting of Shareholders, based on recommendations by the Remuneration Committee.

In 2011 the overall remuneration paid to independent directors and the executive body totalled KZT 32,235 thousand, including taxes.

5.5 AUDIT COMMITTEE

The Audit Committee was created on 7 March 2008 by the decision of the General Meeting of Shareholders of the Company.

The Audit Committee is a consulting and advisory body of the Board of Directors and has been created to assist the effective performance of the functions of the Board of Directors. The Committee should act in the interests of shareholders. The Committee is responsible for reviewing the effectiveness of the system of control over financial and economic activity of the Company, control the reliability and efficiency of the internal control and risk management systems, as well as implementation of corporate governance documents, control the independence of the external and internal audit and ensuring compliance with the legislation of the Republic of Kazakhstan.

Composition of the Committee

The Audit Committee consists of two persons, who are independent directors.

The composition, election and termination of Chairman and members of Audit Committee should be subject to approval of the Board of Directors of the Company with further approval by the General Meeting of Shareholders of the Company.

In 2011 the composition of the Audit Committee was the following:

Chairman of the Audit Committee	Dmitriy Larionov, Independent Director
Member of the Committee	Lord Thomas Alexander Hesketh, Independent Director

Responsibilities of the Audit Committee

The following falls within the responsibility of the Committee:

- To develop recommendations to the Company's Board of Directors on the appointment and change of the external auditor, to determine the amount to be paid to the external auditor, to evaluate the quality of services rendered by the external auditor, to receive related services from the external auditor;
- To develop recommendations to the Company's Board of Directors on appointment and early termination of authorities of the Head of the IAS;
- To hold meetings with external and internal auditors without representatives of the Company's management being present; and
- To initiate and conduct any investigations of the issues under the supervision of the Committee.

Issues considered by the Audit Committee in 2011

The following issues were considered by the Audit Committee in 2011:

Issues on financial statements:

- Recommendations to the Board of Directors of the Company with regards to the preliminary approval of the annual financial statements of the Company for 2010.

Issues on internal audit:

- Report of the Head of the IAS of the Company on the IAS activity for 2010;
- Report of the Head of the IAS of the Company on the IAS activity for the first, second and third quarters of 2011;

- Preliminary approval of the Annual Audit Plan of the IAS of the Company for 2012;
- Amendment to the Annual Audit Plan of the IAS of the Company for 2012 preliminarily approved by the Audit Committee on 1 November 2011;
- Preliminary approval of the amount of the 2010 Profit Share bonus to the head and employees of the IAS of the Company;
- Preliminary approval of the amount of the 2011 Annual bonus to the head and employees of the IAS of the Company;
- Recommendations regarding termination and appointment of the authorities of the Operational Audit Manager of the Company;
- Recommendations regarding appointment of the Financial Audit Manager of the Company.

Issues on external audit:

- Consideration of the independent auditor's letter to the Company management following the results of the audit of the annual financial statements of the Company for 2010;
- Recommendations with regard to determining the auditing organisation to perform an audit of the Company for 2011-2013 and the fee to be paid for its services;
- Deloitte LLP's information on the results of the external audit of the financial statements of the Company for 2010;
- Deloitte LLP's update on the status of the external audit of the financial statements of the Company for 2011.

Issues on internal control and risk management:

- Consideration of the updated Risk Map of the Company as of December 2011;
- Recommendations with regard to approval of the amended Risk Management Policy of the Company

and the Rules of Identification and Assessment of Risks of the Company.

Other issues:

- Consideration of the issue of changing the insurance process of the Company;
- Preliminary approval of the budget for continuous professional development and training of the employees of the IAS of the Company for 2012;
- Hearing of the report on the status of litigations and results of state inspections and audits of the Company.

5.6 NOMINATION COMMITTEE

The Nomination Committee was created on 7 March 2008 by the decision of the General Meeting of Shareholders.

The Committee was created to develop recommendations to the Board of Directors for attracting qualified specialists to the Board of Directors, Executive Body, and to other bodies of the Company.

Composition of the Committee

The Committee should consist of three Directors, at least one of which is an Independent Director. The composition, election and termination of its Chairman and members should be subject to approval of the Board of Directors of the Company with further approval by the General Meeting of Shareholders of the Company.

In 2011 the composition of the Nomination Committee was the following:

Chairman of the Nomination Committee	Dmitriy Larionov, Independent Director
Members of the Committee	Nurzhan Baidauletov, Chairman Nigel Bradley, Director

Responsibilities of the Nomination Committee

The following should fall within the responsibility of the Committee:

- Development of qualification requirements for the candidates for Independent Directors, Executive Body, Head of IAS and Corporate Secretary of the Company;
- Consideration and development of recommendations to the qualification requirements for candidates to the IAS of the Company developed and submitted by the Head of the IAS of the Company;
- Recommendations for electing or nominating candidates for Independent Directors, Executive Body, Head of IAS and Corporate Secretary of the Company. The candidates whose election (nomination) is within the competence of the General Meeting of Shareholders of the Company should be considered on the basis of relevant norms of internal documents of the Company and/or request (instruction) of the General Meeting of Shareholders of the Company;
- Development of the instruction (programme of initiation) for newly elected members of the Board of Directors of the Company which specifies the information about the Company, rights and obligations

of the members of the Board of Directors of the Company, in particular; and

- Development of the succession planning policy for the members of the Board of Directors and the Committees of the Board of Directors, Executive Body, Head of IAS and Corporate Secretary.

Issues considered by the Nomination Committee in 2011

In 2011 the following issues were considered by the Nomination Committee:

- The plan of work of the Nomination Committee of the Board of Directors of the Company for 2011;
- Recommendations regarding the appointment of the Senior Vice President Engineering Group of the Company;
- Recommendations regarding the termination of authorities of the Vice President Flight Operations of the Company.

5.7 REMUNERATION COMMITTEE

The Remuneration Committee was created on 7 March 2008 by the decision of the General Meeting of Shareholders of the Company.

The Remuneration Committee was created to provide recommendations to the Board of Directors of the Company on remuneration of Directors, Executive Body and other employees of the Company whose remuneration should be agreed by the Board of Directors and shareholders.

Composition of the Committee

The Remuneration Committee consists of two persons, which are independent directors.

In 2011 the composition of the Remuneration Committee was the following:

Chairman of the Remuneration Committee	Lord Thomas Alexander Hesketh, Independent Director
Member of the Committee	Dmitriy Larionov, Independent Director

Responsibilities of the Remuneration Committee

The following should fall within the responsibility of the Committee:

- Recommendations with regards to the policy and structure of remuneration of the members of the Board of Directors, Executive Body, Head of IAS, Corporate Secretary and other employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in accordance with internal documents of the Company;
- Recommendations with regards to the determination of annual individual remuneration of the members of the Board of Directors, Executive Body, Head of IAS, Corporate Secretary and other employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in accordance with internal documents of the Company, to include termination payments and compensation payments where applicable;
- Proposals to the Board of Directors of the Company with regards to changing the amount of remuneration of the members of the Board of Directors, Executive Body, Head of IAS, Corporate Secretary and other employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in accordance with internal documents of the Company;
- Consideration of payment of remuneration following the results of the year to the employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in accordance with internal documents of the Company;
- Development of actions on optimisation of amounts paid to the employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in case of early termination of their authorities; and
- Conducting comparative analysis of the level and policy of remuneration of the members of the Board of Directors, Executive Body, Head of IAS, Corporate Secretary and other employees of the Company, whose remuneration should be agreed by the Board of Directors/shareholders in Kazakh and foreign companies of the same type and range of activity and provision of the information to the Board of Directors of the Company.

Issues considered by the Remuneration Committee in 2011

In 2011 the following issues were considered by the Remuneration Committee:

- Annual plan of work of the Remuneration Committee of the Board of Directors of the Company for 2011;
- Proposals to the Board of Directors and shareholders of the Company with regards to changing the amount

of remuneration and compensation to the President of the Company;

- Recommendations with regards to the annual bonus payment to the President of the Company following the results of work for the year 2010;
- Recommendations with regards to the 2010 Profit Share Bonus payment to the Head and employees of the IAS of the Company;
- Recommendations on determination of the amount of the 2011 year-end bonus payment to the Head and employees of the IAS of the Company.

5.8 INTERNAL AUDIT SERVICE

The Internal Audit Service was created on 6 December 2007 by the decision of the Board of Directors. The Service is a corporate body of the Company reporting directly to the Company's Board of Directors and providing internal audit of the Company and constant monitoring of Internal Control System of the Company. The Service function is supervised by the Audit Committee of the Company's Board of Directors.

In accordance with the Charter of the Company, employees of the IAS cannot be elected to the Board of Directors or be the President.

Functions

The competence of the IAS includes the following:

- Evaluation of reliability and effectiveness of internal control system in the Company;
- Evaluation of reliability and effectiveness of risk management system;
- Evaluation of the Company's corporate governance improvement process;
- Evaluation of the reliability, completeness, objectivity of the accounting system and reliability of the financial reporting;
- Evaluation of compliance of the Company with the requirements of the legislation of the Republic of

Kazakhstan and assessment of the adequacy of the systems and procedures developed and used for ensuring compliance with these requirements (compliance control);

- Verification of compliance with the laws of the Republic of Kazakhstan, international standards, the Company's internal documents and also implementation of instructions of authorised bodies; and
- Evaluation of the rationality and efficiency of use of the Company's resources and methods (means) of safeguarding the Company's assets.

Head of the Internal Audit Service

Valentina Khegay

The position of the Head of the IAS was established based on the decision of the Board of Directors of Air Astana on 7 December 2007. Ms. Valentina Khegay is the Head of the IAS.

Prior to joining Air Astana in 2006, Valentina worked in the audit firm KPMG. She has extensive experience in audit, finance and accounting. Ms. Khegay started her audit experience in 1996. Prior to 1996 she served as Chief Accountant and Chief Financial Officer of various manufacturing companies. Valentina is a Candidate of Economic Sciences, Certified Public Accountant and a Professional Accountant (CAP, CIPA, and a Professional Accountant certificates).

5.9 CORPORATE SECRETARY

Yelena Kondachkova

The position of Corporate Secretary was established based on the decision of the Board of Directors of Air Astana on 6 December 2007. Ms. Yelena Kondachkova is the Corporate Secretary.

Yelena is one of the Company's employees who started working at a very early stage of its formation. She served as a Corporate Development Specialist and then Corporate Development Manager in the Strategic Planning Department. In September 2011 Yelena was among the first graduates to successfully complete a certification programme for Corporate Secretaries from different companies of Samruk-Kazyna JSC.

The Corporate Secretary has the key role in an open dialogue between the Board of Directors and the Executive Body. The Corporate Secretary should ensure

smooth coordination between the Company's bodies, and the performing by the bodies of the Company the legislative and corporate requirements.

The Corporate Secretary should ensure due consideration by the Company's relevant bodies of the shareholders' appeals and settlement of conflicts related to violation of shareholders' rights.

The responsibilities of the Corporate Secretary should include ensuring a normal flow of information within the Board of Directors, its Committees, between the Executive Body and the Board of Directors and also assistance in the process of initiation of new Directors.

Appointment and dismissal of the Corporate Secretary is the responsibility of the Board of Directors.

2012 FINANCIAL CALENDAR

Issue of independent auditor's report on financial statements for 2011	27 March 2012
Preliminary approval of financial statements for 2011 by the Board of directors	26 April 2012
Approval of financial statements for 2011 by the General Meeting of Shareholders	29 May 2012
Publication of financial statements for 2011	4 June 2012
Announcement of dividends for 2011	7 June 2012

Independent auditor

Deloitte LLP
Location: Building B, 36 Al-Farabi Avenue,
Almaty, 050059, Kazakhstan
Phone: +7 (727) 258 13 40,
Fax: +7 (727) 258 13 41

Share registrar

Fondovy Centre JSC
Registered address:
92 Maulenov Street, 050012, Almaty, Kazakhstan
Location: 79a Zheltoksan Street, 050091, Almaty,
Kazakhstan
Phone: +7 (727) 250 89 60/61,
Fax: +7 (727) 250 16 96

VI TO SHAREHOLDERS AND INVESTORS

The dividend policy of Air Astana is developed in accordance with current legislation, the Charter and internal documents of the Company. The dividend policy is concerned with balancing the interests of shareholders and the Company, as well as applying a transparent approach in determining the amount and conditions of the dividends to be paid.

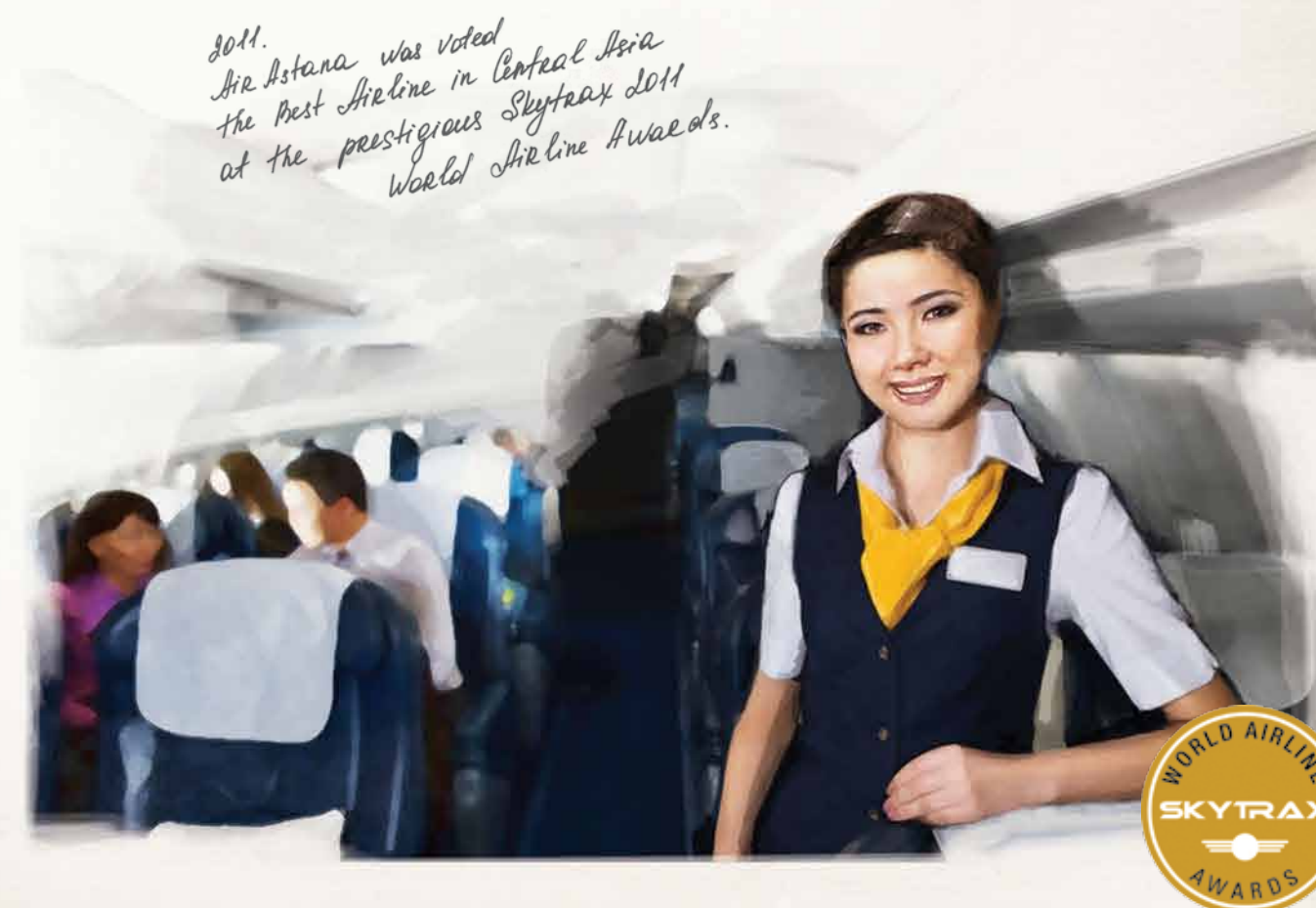
The dividend policy is based on increasing the investment attractiveness of the Company and its capitalisation, respect and compliance with rights of

shareholders under current legislation, the Charter and internal documents of the Company.

According to the Company's dividend policy, the amount allocated for dividends is 25% of net income based on results prepared in accordance with International Financial Reporting Standards (IFRS). The exception is when otherwise decided by shareholders, taking into account the actual circumstances, investment plans and financial position of the Company at that point.

Dividend history

	2006	2007	2008	2009	2010	2011
Accrued dividends per common share (KZT)	59,369	63,708	30,208	145,722	167,064	158,504



VII FINANCIAL STATEMENTS

7.1 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of Air Astana JSC (the Company) as at 31 December 2011, the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;

- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;


- Maintaining statutory accounting records in compliance with legislation of Kazakhstan and IFRS;

- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and


- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2011 were authorised for issue on 27 March 2012 by management of the Company.

On behalf of management of the Company:


Peter Foster
President

27 March 2012
Almaty, Republic of Kazakhstan


Alima Zamanbekova
Chief Accountant

27 March 2012
Almaty, Republic of Kazakhstan

7.2 INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Air Astana JSC:

We have audited the accompanying financial statements of Air Astana JSC (the Company), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice
Number 78586, Australia

Deloitte, LLP

Deloitte, LLP
Audit license for Republic of Kazakhstan
#0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan
dated 13 September 2006

27 March 2012
Almaty, Republic of Kazakhstan



Nikolay Demidov
Qualified auditor
Qualification certificate #0000573
dated 20 December 2004,
Republic of Kazakhstan



Nurlan Bekenov
General Director
Deloitte, LLP

7.3 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF COMPREHENSIVE INCOME (IN THOUSANDS OF US DOLLARS)

	NOTES	2011	2010
Revenue			
Passenger	5	736,337	626,069
Cargo and mail	5	21,694	18,561
Other	5	14,852	16,854
Total revenue		772,883	661,484
Operating expenses			
Fuel		(178,569)	(105,760)
Employee costs	6	(85,500)	(69,089)
Handling, landing fees and route charges	6	(84,848)	(69,989)
Engineering and maintenance	6	(84,695)	(85,394)
Aircraft operating lease costs	6	(72,987)	(73,268)
Passenger service	6	(68,578)	(52,453)
Selling costs	6	(54,351)	(48,855)
Aircraft crew costs	6	(41,340)	(32,861)
Taxes		(6,633)	(4,638)
Depreciation and amortisation	11	(5,924)	(5,480)
Insurance	6	(5,316)	(5,306)
Property lease cost		(4,972)	(5,252)
Information technology		(2,670)	(2,328)
Consultancy, legal and professional services		(2,651)	(1,656)
Other		(4,567)	(7,780)
Total operating expenses		(703,601)	(570,109)
Operating profit		69,282	91,375
Finance income	7	10,392	7,455
Finance costs	7	(1,816)	(954)
Foreign exchange loss, net		(414)	(756)
Profit before tax		77,444	97,120
Income tax expense	8	(16,184)	(20,004)
Net profit for the year		61,260	77,116
Other comprehensive (loss)/ income:			
Foreign currency translation (loss)/ gain		(1,783)	864
Income tax		(66)	-
Other comprehensive (loss)/income for the year		(1,849)	-
Total comprehensive income for the year		59,411	77,980
Basic and diluted earnings per share (in US Dollars)	20	3,604	4,536

The notes on pages 82 to 115 form an integral part of these financial statements. The independent auditors' report on the financial statements is on pages 76 and 77.

STATEMENT OF FINANCIAL POSITION (IN THOUSANDS OF US DOLLARS)

	NOTES	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	9	34,101	31,537
Intangible assets	10	3,152	3,096
Prepayments for long-term assets	14	68,666	16,418
Guarantee deposits	12	17,302	15,038
Deferred tax assets	8	7,984	5,763
Bank deposits	18	117,523	113,435
		248,728	185,287
Current assets			
Inventories	13	29,151	20,730
Prepayments	14	31,776	21,059
Income tax prepaid		3,197	3,694
Trade and other receivables	15	35,119	49,958
Other taxes prepaid	17	4,268	2,774
Guarantee deposits	12	1,410	1,177
Bank deposits	18	8,142	6,018
Cash and bank balances	19	23,995	41,545
Financial assets at fair value through profit or loss	16	891	1,096
		137,949	148,051
Total assets		386,677	333,338
EQUITY AND LIABILITIES			
Equity			
Share capital	20	17,000	17,000
Foreign currency translation reserve		(15,477)	(13,628)
Retained earnings		242,404	200,542
Total equity		243,927	203,914
Non-current liabilities			
Provision for aircraft maintenance	22	12,086	13,836
		12,086	13,836
Current liabilities			
Deferred revenue	21	61,075	61,471
Provision for aircraft maintenance	22	16,220	10,896
Trade and other payables	23	52,576	43,102
Financial liabilities at fair value through profit or loss	16	793	119
		130,664	115,588
Total liabilities		142,750	129,424
Total equity and liabilities		386,677	333,338

The notes on pages 82 to 115 form an integral part of these financial statements. The independent auditors' report on the financial statements is on pages 76 and 77.

STATEMENT OF CHANGES IN EQUITY

(IN THOUSANDS OF US DOLLARS)

	NOTES	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
At 1 January 2010		17,000	(14,492)	140,216	142,724
Net profit for the year	-	-	-	77,116	77,116
Other comprehensive income for the year	-	-	864	-	864
Total comprehensive income for the year	-	-	864	77,116	77,980
Dividends declared	20	-	-	(16,790)	(16,790)
At 31 December 2010		17,000	(13,628)	200,542	203,914
Net profit for the year	-	-	-	61,260	61,260
Other comprehensive loss for the year	-	-	(1,849)	-	(1,849)
Total comprehensive income for the year	-	-	(1,849)	61,260	59,411
Dividends declared	20	-	-	(19,398)	(19,398)
At 31 December 2011		17,000	(15,477)	242,404	243,927

The notes on pages 82 to 115 form an integral part of these financial statements. The independent auditors' report on the financial statements is on pages 76 and 77.

STATEMENT OF CASH FLOWS

(IN THOUSANDS OF US DOLLARS)

	NOTES	2011	2010
OPERATING ACTIVITIES:			
Profit before tax		77,444	97,120
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11	5,924	5,480
Gain on disposal of property, plant and equipment		(129)	(1,027)
Change in allowance for doubtful debts	14, 15	48	2,898
Change in allowance for obsolete and slow-moving inventories	13	132	-
Foreign exchange loss		414	755
Finance income	7	(8,359)	(7,455)
Interest expense on finance lease	7	-	1
Net unrealised loss on financial assets and liabilities at fair value through profit or loss	7	1,284	386
Operating cash flow before movements in working capital		76,758	98,158
Change in accounts receivable		14,726	(14,205)
Change in other receivables and prepaid expenses		(13,441)	(4,883)
Change in inventories		(13,793)	(410)
Change in accounts payable, accrued expenses and other current liabilities		13,109	22,768
Change in deferred revenue		(40)	17,050
Cash generated from operations		77,319	118,478
Income tax paid		(17,823)	(22,027)
Interest paid		-	(11)
Net cash generated by operating activities		59,496	96,440
INVESTING ACTIVITIES:			
Pre-delivery payments		(53,495)	(8,913)
Purchase of property, plant and equipment	9	(6,749)	(19,023)
Proceeds from disposal of property, plant and equipment		3,063	11,700
Purchase of intangible assets	10	-	(1,526)
Bank term deposits placed		(132,788)	(87,772)
Bank term deposits withdrawn		126,164	40,964
Interest received		6,111	3,753
Net cash used in investing activities		(57,694)	(60,817)
FINANCING ACTIVITIES:			
Dividends paid	20	(19,398)	(16,812)
Principal payments on finance lease		-	(303)
Net cash used in financing activities		(19,398)	(17,115)
NET (DECREASE)/ INCREASE IN CASH AND BANK BALANCES		(17,596)	18,508
Effect of exchange rate changes on cash and bank balances held in foreign currencies		46	1,029
CASH AND BANK BALANCES, at the beginning of the year	19	41,545	22,008
CASH AND BANK BALANCES, at the end of the year	19	23,995	41,545

The notes on pages 82 to 115 form an integral part of these financial statements. The independent auditors' report on the financial statements is on pages 76 and 77.

NOTES TO THE FINANCIAL STATEMENTS

(IN THOUSANDS OF US DOLLARS)

1. NATURE OF ACTIVITIES

Air Astana JSC (the Company) is a joint stock company as defined in the Civil Code of the Republic of Kazakhstan. The Company was established as a closed joint stock company on 14 September 2001 by Resolution of the Government of the Republic of Kazakhstan # 1118 dated 29 August 2001. Due to a change in legislation introduced in 2003, the Company was re-registered as a joint stock company on 27 May 2005.

The Company's principal activity is the provision of scheduled domestic and international air services for passengers. Other business activities include freight and mail transportation.

The Company operated its maiden flight on 15 May 2002, a Boeing 737 service from Almaty to Kazakhstan's national capital, Astana. As at 31 December 2011 the Company operated 26 aircraft comprising 6 short-haul turboprop aircraft, 3 short-haul and 17 long-haul aircraft (2010: 6 short-haul turboprop aircraft and 16 long-haul aircraft).

The Company re-registered its office in 2010 from Astana, Kazakhstan to Zakarpatskaya street 4A, Almaty, Kazakhstan as the Company's main airport of operations is Almaty International Airport.

The shareholders of the Company are Samruk-Kazyna National Welfare Fund JSC (which holds the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which own 51% and 49% of the shares of the Company, respectively.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Company's annual consolidated financial statements for the year ended 31 December 2011:

- IFRS 7 "Financial Instruments: Disclosures" — amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans;
- IAS 24 "Related Party Disclosures" — (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities.

The adoption of the new or revised standards did not have any effect on the financial position or financial performance of the Company, and all have been retrospectively applied in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the following new standards and interpretations were in issue, but not yet effective, and which the Company has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" — amendments enhancing disclosures about transfers of financial assets ¹;
- IFRS 9 "Financial Instruments" ⁶;
- IFRS 10 "Consolidated Financial Statements" ³;
- IFRS 11 "Joint Arrangements" ³;

- IFRS 12 "Disclosure of Interest in Other Entities" ³;

- IFRS 13 "Fair Value Measurement" ²;

- IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented ⁴;

- IAS 12 "Income Taxes" — Limited scope amendment (recovery of underlying assets) ⁵;

- IAS 27 — reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011) ³;

- IAS 28 — reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011) ³.

- IAS 32 "Financial Instruments: Presentation" and IFRS 7 — amendments which provide clarifications on the application of the offsetting rules and disclosure requirements ⁷.

¹ Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

³ Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

⁴ Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

⁵ Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

⁷ Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements — for annual periods beginning on or after 1 January 2013.

Amendment to IAS 12 Income Taxes — provides (for income tax calculation purposes) a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

Retrospective application of the amendment is required in accordance with IAS 8. The Company is considering the impact of the amendment on the financial statements and believes there will be no effect on its financial statements in the period of application.

The Company will adopt relevant new, revised and amended Standards and new Interpretations from their effective date. The Company's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the Company's financial position and statements of operations and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstani Tenge ("tenge"), which is the Company's functional currency, because it reflects the economic substance of the underlying events and circumstances of the Company. The US Dollar ("USD") is the presentation currency for these financial statements since management believes that this currency is more useful for the users of these financial statements. All financial information presented in US Dollars has been rounded to the nearest thousand.

The tenge is not a readily convertible currency outside Kazakhstan and, accordingly, any conversion of tenge to US Dollars should not be construed as a representation that the tenge amounts have been, could be, or will be in the future, convertible into US Dollars at the exchange rate disclosed, or at any other exchange rate.

Translation was made using rates from table summarises tenge exchange rates at 31 December 2011 and 2010.

Revenue

Passenger revenue

Ticket sales are reported as revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the reporting date is reported as deferred (unearned) transportation revenue. This item is reduced either when the Company completes the transportation service or when the passenger requests a refund. The value of tickets that have been issued, but which will never be used, are recognised as passenger transport revenue at the date of their expiry. The maximum validity period of the tickets is one year.

Passenger revenue includes revenue from code-share agreements with other airlines. Under these agreements, the Company sells seats on these airlines' flights and those other airlines sell seats on the Company's flights. Revenue from the sale of code-share seats on other airlines are recorded net in the Company's passenger revenue in profit or loss. The revenue from other airlines' sale of code-share seats on the Company's flights is recorded in passenger revenue in profit or loss.

Cargo revenue

Cargo transport services are recognised as revenue when the air transportation is provided. Cargo sales for which transportation service has not yet been provided are shown as deferred (unearned) transportation revenue.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Customer loyalty program

Sales of tickets that result in award credits for customers, under the Company's Nomad Program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value being the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

Travel agents' commissions

Travel agents' commissions are recognised as an expense when the transportation service is provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Operating leases for aircraft include both fixed and variable lease payments, of which the latter vary according to flying hours and cycles. Lease payments are recognised as expenses in the periods in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives received is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease guarantee deposits

Guarantee deposits represent amounts paid to the lessors of aircraft, which are held as security deposits by the lessors in accordance with the provisions of finance and operating lease agreements; these deposits are returned to the Company at the end of the lease period. Lease deposits relating to the operating lease agreements are presented as assets in the statement of financial position. These deposits are interest-free and are recorded at amortised cost using an average market yield of 8.2% (2010: 8.2%).

Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

The results and financial position of the Company are translated into the presentation currency using the following procedures:

- Assets and liabilities for each reporting date presented (i.e. including comparatives) are translated at the closing rate at the date of that reporting date;
- Income and expenses for the reporting period (i.e. including comparatives) are translated at average exchange rates during the year; and
- All resulting exchange differences are recognised as foreign currency translation reserve within other comprehensive income.

The following table summarises tenge exchange rates at 31 December and for the years then ended:

	Average rate		Reporting date spot-rate	
	2011	2010	2011	2010
US Dollar (USD)	146.62	147.35	148.40	147.40
Euro (EUR)	204.11	195.67	191.72	195.23
British Pound (GBP)	235.10	227.86	228.80	228.46

Finance income and expenses

Finance income comprises interest income on funds invested.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance expenses comprise interest expense, bank commissions and other. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

Short-term employee benefit obligations are recognised as an expense in profit or loss as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit/ Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand-by equipment are classified as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings and premises	14-50 years
• Aircraft engines	14 years
• Rotable spare parts	5-10 years
• Office equipment and furniture	3-7 years
• Vehicles	7 years
• Other	5-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful economic life of software for the current and comparative periods is from 7 to 10 years.

Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis, except for fuel, which is determined on weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Expenditures incurred in acquiring the inventories such as customs duties, freight and broker's services are accumulated into a separate inventory account and allocated depending on use of relevant inventory. Delivery overheads do not include fuel and de-icing (Note 13).

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where

a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for aircraft maintenance

The Company is obligated to perform regular scheduled maintenance of aircraft under the terms of its operating lease agreements and regulatory requirements relating to air safety. The lease agreements also require the Company to return aircraft to lessors in a satisfactory condition at the end of the lease term, which may require the performance of final return conditions. The Company's scheduled aircraft maintenance programs carried out through the lease periods are designed to reduce the incidence of final return costs. Major aircraft maintenance relates to airframes (referred to as the C-check program) and engines. The C-check program takes place every 18 months or 5,000 to 6,000 flying hours according to aircraft type. Engine overhaul occurs after specified flight hours or cycles occur. The operating lease agreements include a component of variable lease payments which is generally reimbursable to the Company by lessors as a contribution to engine maintenance costs after they are incurred. The variable lease payments are recognised as an expense in profit or loss as incurred. For C-check maintenance, a provision is recorded on a progressive basis based upon the Company's estimate of future maintenance costs. For engine maintenance, a provision is recorded on a progressive basis based upon the Company's estimate of the excess of maintenance costs over the amount reimbursable by the lessors. Unanticipated maintenance costs are expensed in profit and loss as incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as

at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in finance income line item in profit or loss statement. Fair value is determined in the manner described in Note 24.

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance costs' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 24.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to aviation fuel price in the normal course of its business operations. Further details of derivative financial instruments are disclosed in Notes 16 and 24.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contracted prices of the underlying instruments and other factors. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies and estimates

The following are the critical judgments and estimates that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes exist. Provisions mainly consist of provision for aircraft maintenance (Note 22).

Recoverability of variable lease payments related to future maintenance

Under the operating lease agreements for its aircraft, the Company makes variable lease payments to lessors which are based upon the flight hours of engines, limited life parts of engines and auxiliary power units. Such amounts are reimbursable by lessors upon occurrence of the maintenance event (engine overhaul, replacement of the limited life parts of engines). The reimbursement is made only for scheduled repairs and replacements in accordance with the Company's maintenance program agreed with the Kazakhstan Civil Aviation Committee ("CAC").

In case of return of the aircraft after the scheduled maintenance event, but before the return condition specified in the lease agreement is triggered, the amounts of variable lease payments made to the lessors are not reimbursable and are retained by the lessors as a deposit transferrable to the next lessees of the aircraft. Management of the Company believes that as at 31 December 2011 contributions of variable lease payments of US Dollars 117,028 thousand (2010: US Dollars 68,709 thousand) are subject to reimbursement by the aircraft lessors upon actual maintenance events. Management regularly assesses the recoverability of variable lease payments made by the Company.

Compliance with tax legislation

Kazakhstani tax, currency and customs legislation is subject to frequent changes and varying interpretations. Management's interpretation of such legislation in applying it to business transactions of the Company may be challenged by the relevant regional authorities enabled by law to impose fines and penalties. It is possible that the tax treatment of transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the five calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Company believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Company.

Useful lives of property, plant and equipment

In reporting intangible assets and tangible assets, an assessment is made of the useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Fair value of financial instruments

As described in note 24, the Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 24 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Allowances

The Company accrues allowances for doubtful accounts receivable. Judgment is used to estimate doubtful accounts, which includes consideration of historical and anticipated customer performance. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in these financial statements. As at 31 December 2011 and 2010, allowances for doubtful accounts have been created of US Dollars 3,747 thousand and US Dollars 4,012 thousand, respectively (Notes 14, 15).

The Company annually estimates the necessity of accrual of allowances for obsolete and slow-moving inventories based on annual stock count data conducted at the reporting date. As at 31 December 2011, the Company accrued an allowance for obsolete and slow-moving inventories in the amount of US Dollars 466 thousand (2010: US Dollars 338 thousand) (Note 13).

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes to the financial statements.

5. REVENUE

Passenger revenue	2011	2010
Passenger transport	643,241	552,271
Fuel surcharge	53,473	45,263
Airport services	33,556	23,334
Excess baggage	6,067	5,201
	736,337	626,069
Cargo and mail revenue	2011	2010
Cargo	21,065	18,007
Mail	629	554
	21,694	18,561
Other revenue	2011	2010
Penalties on agency contracts	6,767	5,978
Government subsidies	2,568	4,604
Advertising revenue	1,472	1,184
Income from ground services	809	833
Gain on disposal of spare parts and other assets	227	1,164
Spare parts received free of charge	21	-
Other	2,988	3,091
	14,852	16,854

In accordance with Resolution #915 of the Government of the Republic of Kazakhstan dated 17 August 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana to Semey, Pavlodar and Zhezkazgan.

During 2010, the Government provided subsidies for the routes from Astana to Semey, Zhezkazgan, Pavlodar, Petropavlovsk, Uralsk and Aktoke. During 2011, the Government closed flights from Astana to Petropavlovsk, Uralsk and Aktoke.

During the years ended 31 December, passenger and cargo revenue were generated from the following destinations:

	2011	2010
Domestic	298,511	263,515
Europe	306,011	252,068
Asia	153,509	129,047
Total passenger and cargo revenue	758,031	644,630

6. OPERATING EXPENSES

Engineering and maintenance	2011	2010
Maintenance – variable lease payments	46,208	41,569
Maintenance – components	17,401	12,154
Spare parts	11,149	11,168
Maintenance – provisions (Note 22)	7,890	18,495
Technical inspection	2,047	2,008
	84,695	85,394
Aircraft operating lease costs	2011	2010
Fixed lease charges	71,651	70,097
Lease of engines and rotatable spare parts	1,336	1,575
Leased Engine on Wing Costs	-	1,596
	72,987	73,268
Handling, landing fees and route charges	2011	2010
Handling charge	28,131	22,938
Aero navigation	27,431	22,372
Landing fees	26,701	22,737
Meteorological services	1,764	1,354
Other	821	588
	84,848	69,989
Employee costs	2011	2010
Wages and salaries of operational personnel	57,825	46,263
Wages and salaries of administrative persona	12,616	10,902
Social tax	6,032	4,784
Wages and salaries of sales persona	4,962	4,407
Other	4,065	2,733
	85,500	69,089

The average number of employees during 2011 was 3,358 (2010: 3,032).

Passenger service	2011	2010
Airport charges	30,182	20,951
Catering	27,976	23,750
In-flight entertainment	2,168	1,725
Security	2,147	1,643
Other	6,105	4,384
	68,578	52,453
Selling costs	2011	2010
Commissions	33,457	27,561
Reservation costs	12,749	15,148
Advertising	5,187	4,213
Interline commissions	887	1,081
Other	2,071	852
	54,351	48,855
Aircraft crew costs	2011	2010
Contract crew	15,918	10,947
Accommodation and allowances	13,244	12,089
Training	12,178	9,825
	41,340	32,861
Insurance	2011	2010
Hull insurance	2,201	2,496
Legal liability insurance	2,030	2,131
Medical insurance	844	531
Other	241	148
	5,316	5,306

7. FINANCE INCOME AND COSTS

Finance income	2011	2010
Finance income on bank deposits	8,230	7,239
Realised gain on financial assets and liabilities held at fair value through profit or loss (Note 16)	2,032	-
Other	129	216
	10,391	7,455
Finance costs	2011	2010
Net unrealised loss on financial assets and liabilities at fair value through profit or loss (Note 16)	1,284	386
Bank commissions	532	567
Interest expense on finance lease	-	1
	1,816	954

8. INCOME TAX EXPENSE

The Company's income tax expense recognised in profit or loss for the years ended 31 December was as follows:

	2011	2010
Current income tax expense	17,162	22,655
Adjustments recognised in the current year in relation to the current income tax of prior years	1,309	-
Deferred income tax benefit	(2,287)	(2,651)
	16,184	20,004

The Company's income tax recognised in other comprehensive income for the year ended 31 December was as follows:

	2011	2010
Current income tax	-	-
Deferred income tax	66	-
	66	-

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at 31 December 2011 and 2010 is presented below:

	2011	2010
Deferred tax assets		
Provision for aircraft maintenance	5,662	4,945
Remuneration payable	1,071	1,427
Trade and other receivables	640	938
Trade and other payables	2,147	516
Intangible assets	53	14
Total	9,573	7,840
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(1,242)	(1,471)
Prepaid expenses	(347)	(604)
Trade and other payables	-	(2)
Total	(1,589)	(2,077)
Net deferred tax assets	7,984	5,763

The income tax rate in the Republic of Kazakhstan, where the Company is located, in 2011 and 2010 was 20%. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to profit before income tax. Below is a reconciliation of theoretical income tax at 20% (2010: 20%) to the actual income tax expense recorded in the Company's statement of comprehensive income:

	2011	2010
Profit before tax	77,444	97,120
Income tax at statutory rate	15,489	19,424
Tax effect of non-deductible expenses	695	599
Foreign currency translation difference	-	(19)
Income tax expense	16,184	20,004

9. PROPERTY, PLANT AND EQUIPMENT

	ROTABLE SPARE PARTS	OFFICE EQUIPMENT AND FURNITURE	BUILDING, PREMISES AND LAND	VEHICLES	OTHER ASSETS	EQUIPMENT TO BE INSTALLED	TOTAL
Cost							
At 1 January 2010	24,303	4,409	5,459	2,676	3,650	145	40,642
Additions	309	1,013	-	284	-	17,417	19,023
Disposals	(12,041)	(104)	-	(200)	-	-	(12,345)
Transfers from intangible assets (Note 10)	-	-	-	-	-	193	193
Transfers to inventory	-	-	-	-	-	(941)	(941)
Transfers from inventory	-	-	-	-	-	1,678	1,678
Transfers	18,193	2,010	-	97	(3,675)	(16,625)	-
Foreign currency translation difference	158	28	35	17	25	(1)	262
At 31 December 2010	30,922	7,356	5,494	2,874	-	1,866	48,512
Additions	-	-	-	-	-	6,749	6,749
Disposals	(4,896)	(175)	-	(188)	-	-	(5,259)
Transfers to intangible assets (Note 10)	-	-	-	-	-	(883)	(883)
Transfers to inventory	(1)	(4)	-	-	-	(1,572)	(1,577)
Transfers from inventory	1	4	-	-	-	6,569	6,574
Transfers	7,317	1,239	-	465	-	(9,021)	-
Foreign currency translation difference	(238)	(61)	(37)	(23)	-	(34)	(393)
At 31 December 2011	33,105	8,359	5,457	3,128	-	3,674	53,723
Accumulated depreciation							
At 1 January 2010	8,313	2,485	525	948	1,324	-	13,595
Charge for the year (Note 11)	3,304	1,102	199	360	-	-	4,965
Disposals	(1,411)	(87)	-	(174)	-	-	(1,672)
Transfers	1,728	(394)	-	(1)	(1,333)	-	-
Foreign currency translation difference	53	16	4	5	9	-	87
At 31 December 2010	11,987	3,122	728	1,138	-	-	16,975
Charge for the year (Note 11)	3,087	1,394	187	451	-	-	5,119
Disposals	(2,017)	(155)	-	(153)	-	-	(2,325)
Foreign currency translation difference	(94)	(36)	(7)	(10)	-	-	(147)
At 31 December 2011	12,963	4,325	908	1,426	-	-	19,622
Net book value							
At 31 December 2011	20,142	4,034	4,549	1,702	-	3,674	34,101
At 31 December 2010	18,935	4,234	4,766	1,736	-	1,866	31,537

As at 31 December 2011, the book value of fully depreciated property, plant and equipment that is still in use was US Dollars 1,360 thousand (2010: US Dollars 1,303 thousand).

10. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2010	3,728
Additions	1,526
Disposals	(58)
Transfer to property, plant and equipment (Note 9)	(193)
Foreign currency translation difference	24
At 31 December 2010	5,027
Transfers from property, plant and equipment (Note 9)	883
Foreign currency translation difference	(44)
At 31 December 2011	5,866
Accumulated amortisation	
At 1 January 2010	1,466
Charge for the year (Note 11)	515
Disposals	(58)
Transfer to property, plant and equipment (Note 9)	(1)
Foreign currency translation difference	9
At 31 December 2010	1,931
Charge for the year (Note 11)	805
Foreign currency translation difference	(22)
At 31 December 2011	2,714
Net book value	
At 31 December 2011	3,152
At 31 December 2010	3,096

11. DEPRECIATION AND AMORTISATION

	2011	2010
Depreciation of property, plant and equipment (Note 9)	5,119	4,965
Amortisation of intangible assets (Note 10)	805	515
Total	5,924	5,480

12. GUARANTEE DEPOSITS

	31 December 2011	31 December 2010
Non-current		
Guarantee deposits for leased aircraft	16,780	14,056
Other guarantee deposits	522	982
	17,302	15,038
Current		
Guarantee deposits for leased aircraft	550	200
Other guarantee deposits	860	977
	1,410	1,177
	18,712	16,215

Guarantee deposits for leased aircraft comprise security deposits required by the lease agreements as security for future lease payments to be made by the Company. Guarantee deposits are denominated primarily in US Dollars.

Guarantee deposits are receivable as follows:

	31 December 2011	31 December 2010
Within one year	550	200
After one year but not more than five years	14,311	13,580
More than five years	2,757	800
	17,618	14,580
Fair value adjustment	(288)	(324)
	17,330	14,256

13. INVENTORIES

	31 December 2011	31 December 2010
Spare parts	17,144	12,541
Fuel	5,676	2,868
Goods in transit	2,001	783
Crockery	1,684	1,101
Promotional materials	954	1,368
De-icing liquid	699	859
Blank forms	567	988
Uniforms	296	190
Other	596	370
	29,617	21,068
Less: allowance for obsolete and slow-moving inventories	(466)	(338)
	29,151	20,730

The movements in the allowance for obsolete and slow-moving inventories were as follows for the years ended 31 December:

	2011	2010
Allowance for obsolete and slow-moving inventories at the beginning of the year	(338)	(336)
Accrued for the year	(132)	-
Foreign currency translation difference	4	(2)
Allowance for obsolete and slow-moving inventories at the end of the year	(466)	(338)

14. PREPAYMENTS

	31 December 2011	31 December 2010
Non-current		
Prepayments for non-current assets	68,666	16,418
Advances paid for services	1,537	1,547
	70,203	17,965
Less: allowance for non-recovery	(1,537)	(1,547)
	68,666	16,418
Current		
Advances paid for services	15,313	11,319
Advances paid for goods	11,308	9,162
Prepayments for operating leases	6,868	2,381
	33,489	22,862
Less: allowance for non-recovery	(1,713)	(1,803)
	31,776	21,059

Prepayments for non-current assets were made to Airbus as pre-delivery payments for the purchase of six new aircraft with delivery commencing in 2012, and Embraer as pre-delivery payment for the purchase of two aircraft with delivery commencing in May-June 2012.

The movements in the allowance for non-recovery for the years ended 31 December were:

	2011	2010
At the beginning of the year	(3,350)	(2,136)
Accrued during the year	(35)	(2,433)
Written-off against previously created allowance	113	1,232
Foreign currency translation difference	22	(13)
At the end of the year	(3,250)	(3,350)

The allowance for non-recovery includes advance payments made by the Company to suppliers which are currently subject to legal claims for recovery due to the suppliers' inability to complete the transactions.

15. TRADE AND OTHER RECEIVABLES

	31 December 2011	31 December 2010
Trade receivables	18,966	36,631
Receivable from lessors – variable lease reimbursement	12,687	12,003
Due from employees	3,335	1,731
Subsidies receivable (Note 26)	443	255
Other	185	-
	35,616	50,620
Less: allowance for doubtful debts	(497)	(662)
	35,119	49,958

At 31 December 2011, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 29% of the Company's trade and other receivables (2010: eight debtors comprised 73%).

Receivable from lessors represents the amount of variable lease reimbursement applied for by the Company as a result of maintenance events that occurred prior to reporting date.

The Company's trade and other receivables are denominated in the following currencies as at 31 December:

	31 December 2011	31 December 2010
US Dollar	18,633	22,962
Tenge	6,622	18,339
Euro	4,751	5,057
Russian Rouble	1,036	869
Other	4,574	3,393
	35,616	50,620

The movements in allowance for doubtful debts for the years ended 31 December were:

	2011	2010
At the beginning of the year	(662)	(256)
Accrued during the year	(13)	(465)
Written-off against previously created allowance	176	61
Foreign currency translation difference	2	(2)
At the end of the year	(497)	(662)

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss arise from the Company's aviation fuel price hedging activities which commenced in 2009. The Company signed agreements and entered into transactions with various financial institutions to manage the risk of significant changes in aviation fuel prices. These assets and liabilities are recognised at fair value through profit or loss as the derivatives were not designated into a hedge accounting relationship.

	Call option	Put option	Net
At 1 January 2010	1,361	(336)	1,025
First-time valuation of options	211	-	211
Gain on hedging of aviation fuel	127	-	127
Foreign currency translation (loss)/gain	2	(2)	-
Net unrealised (loss)/gain on financial assets and liabilities at fair value through profit or loss (Note 7)	(605)	219	(386)
At 31 December 2010	1,096	(119)	977
First-time valuation of options	(1,651)	19	(1,632)
Realized gain on hedging of aviation fuel	2,032	-	2,032
Foreign currency translation (loss)/gain	(2)	7	5
Net unrealised loss on financial assets and liabilities at fair value through profit or loss (Note 7)	(584)	(700)	(1,284)
At 31 December 2011	891	(793)	98

The terms of the options are described in Note 24.

17. OTHER TAXES PREPAID

	31 December 2011	31 December 2010
Value added tax recoverable	3,965	2,458
Prepayment for personal income tax for non-residents	-	19
Other taxes prepaid	303	297
	4,268	2,774

Value added tax receivable is recognised within current assets as the Company annually applies for reimbursement of these amounts.

18. BANK DEPOSITS

	31 December 2011	31 December 2010
Current		
Guarantee deposits	26	21
Interest receivable	8,116	5,997
	8,142	6,018
Non-current		
Term deposits with local banks with original maturity more than 1 year	117,523	113,435
	125,665	119,453

Term deposits with local banks (with an original maturity of more than three months and more than one year) earn interest in the range from 3.5% to 8.2% per annum (2010: 5% to 8.7%). Bank deposits have no restrictions on early withdrawal.

Guarantee deposits made to meet the requirements of Kazakhstan legislation relating to foreign employees are denominated in tenge and earn interest of 4.5% per annum (2010: 4.5%).

Bank deposits are denominated in the following currencies as at 31 December:

	2011	2010
US Dollar	118,627	116,562
Euro	7,011	2,817
Tenge	27	74
	125,665	119,453

19. CASH AND BANK BALANCES

	31 December 2011	31 December 2010
Current accounts with local banks	9,074	17,165
Term deposits with local banks with original maturity less than 3 months	7,969	20,352
Current accounts with foreign banks	6,867	3,967
Cash on hand	85	61
	23,995	41,545

As at 31 December 2011, current accounts with banks earn interest in the range of 0.2% to 2% (2010: 0.2% to 2%). Short-term deposits (over-night) with banks earn interest of 0.08%-2.5% per annum (2010: 0.75%-3.35%).

Cash and bank balances are denominated in the following currencies as at 31 December:

	2011	2010
Tenge	7,138	20,933
US Dollar	5,679	13,230
Uzbek Soms	4,822	-
Euro	2,954	3,312
GBP	1,227	1,408
Russian Rouble	1,059	586
Chinese Yuan	521	775
Indian Rupee	339	490
Other	256	811
	23,995	41,545

20. EQUITY

As at 31 December 2011 and 2010, share capital comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of US\$ 1,000 per share.

The Company has not yet declared any dividends for the year ended 31 December 2011. Dividends payable on ordinary shares are determined by the shareholders at the annual meeting.

In 2011, the shareholders declared a dividend payment equivalent to 25% of profit for 2010. The total amount of the dividend of US Dollars 19,398 thousand, which was distributed and paid to each shareholder in accordance with their shareholdings (2010: US Dollars 16,790 thousand).

The calculation of basic earnings per share is based on profit for the year and the weighted average number of ordinary shares outstanding during the year of 17,000 shares (2010: 17,000). The Company has no dilutive potential ordinary shares.

	2011	2010
Profit:		
Net profit	61,260	77,116
Number of ordinary shares	17,000	17,000
Earnings per share – basic and diluted (US Dollars)	3,604	4,536

21. DEFERRED REVENUE

	31 December 2011	31 December 2010
Unearned transportation revenue	47,704	51,287
Customer loyalty program	13,371	10,184
	61,075	61,471

Unearned transportation revenue represents the value of sold but unused passenger tickets, the validity period of which has not expired.

Deferred revenue attributable to the customer loyalty program refers to the Company's Nomad program.

22. PROVISION FOR AIRCRAFT MAINTENANCE

	31 December 2011	31 December 2010
Engines	23,645	22,081
C-Check	2,670	2,651
Fokker-50 redelivery provisions	1,991	-
	28,306	24,732

The movements in the provision for aircraft maintenance were as follows for the years ended 31 December:

	2011	2010
At 1 January	24,732	16,475
Accrued during the year (Note 6)	14,507	18,495
Reversed during the year (Note 6)	(6,617)	-
Used during the year	(4,105)	(10,343)
Foreign currency translation difference	(211)	105
At 31 December	28,306	24,732

Under the terms of its operating lease agreements for aircraft, the Company is obliged to carry out and pay for maintenance based on use of the aircraft and to return aircraft to the lessors in a satisfactory condition at the end of the lease term. The maintenance cost estimates used for provisions are in US Dollars.

The planned utilisation of these provisions is as follows:

	31 December 2011	31 December 2010
Within one year	16,220	10,896
During the second year	7,349	8,553
During the third year	2,466	4,047
After the third year	2,271	1,236
Total provision for aircraft maintenance	28,306	24,732
Less: current portion	(16,220)	(10,896)
Non-current portion	12,086	13,836

Significant judgment is involved in determining the provision for aircraft maintenance. Management has engaged an independent specialist to assist in estimating the timing and cost of expected engine maintenance activities. The estimate by the independent specialist is prepared based on the current condition of aircraft, historical flight hours and cycles, expected future utilisation of the aircraft over the remaining life of the operating leases as well as requirements for returnable condition when the lease term is concluded. The estimates are based on the following key assumptions:

- Expected utilisation rate for flight hours and cycles is based on historical data;
- Market prices are used for services and parts;
- It is assumed that aircraft will be operated within standard norms and conditions; and
- No provisions have been made for unscheduled maintenance.

23. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010
Trade payables	31,666	24,213
Employee unused vacation and remuneration payable	8,558	9,389
Operating lease payables	4,417	3,177
Wages and salaries payable to employees	3,320	2,328
Advances received	1,817	1,424
Taxes payable	639	808
Other	2,159	1,763
	52,576	43,102

The Company's trade payables are denominated in the following currencies:

	31 December 2011	31 December 2010
Tenge	23,418	20,827
US Dollar	17,971	12,848
Euro	7,201	7,151
GBP	1,547	550
Russian roubles	664	854
Other	1,775	872
	52,576	43,102

24. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, currency and commodity price risk arises in the normal course of the Company's business. The Company does not hedge its exposure to such risks, other than commodity price risk as discussed below.

Capital management

The Company manages its capital to ensure the Company will be able to continue as going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2010.

The capital structure of the Company consists of net debt and equity of the Company (comprising issued capital, retained earnings as detailed in Note 20).

The Company is not subject to any externally imposed capital requirements.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

As at 31 December 2011, there was no significant concentration of credit risk in respect of prepayments (Note 14) and trade accounts receivable (Note 15).

Interest rate risk

The Company does not have significant exposure to interest rate risks.

Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the tenge. The currencies giving rise to this risk are primarily the US Dollars and Euro. For amounts of assets and liabilities denominated in foreign currency refer to Notes 15, 18, 19 and 23.

Commodity price risk

The Company uses options to economically hedge the exposure to movements in the price of aviation fuel. Financial instruments are acquired being call options (where a premium is paid upfront by the Company for covering the risk of increases of commodity price above a predetermined level) and a zero cost collar (where no premium is paid by the Company unless the price of the commodity decreases below a predetermined level). Since aviation fuel derivative financial instruments are not quoted or available in Kazakhstan, management signed economic hedge agreements with reference to changes in the crude oil price per barrel. The quantity of aviation fuel to be covered by such instruments is assessed on a quarterly basis by management as part of its risk management strategy. Economic hedging is conducted in accordance with the policy for hedge of fuel price changes approved by the Company's directors and shareholders.

The following table summarises the impact of reasonably possible changes in aviation fuel price on the Company's net profit and equity. For the purpose of this disclosure, the sensitivity analysis assumes a 10 per cent increase and decrease in the price of aviation fuel above upper price (Cap) and below lower price (Floor), respectively. The sensitivity analysis assumes designation and effectiveness testing results as at 31 December 2011 remain unchanged. This analysis also assumes that all other variables, including foreign currency exchange rates and option volatilities, remain constant.

	2011		2010	
	Net Profit	Equity	Net Profit	Equity
Market price is 10% higher than Cap	9,917	9,917	3,458	3,458
Market price is 10% lower than Floor	(4,964)	(4,964)	(1,102)	(1,102)

Foreign currency sensitivity analysis

The Company is mainly exposed to the risk of change of exchange rates of tenge against US Dollars and Euro.

The book value of the Company's monetary assets and liabilities in foreign currency as at the reporting date has been provided below. This disclosure excludes assets and liabilities denominated in other currencies as they do not have significant effect on the financial statements of the Company.

	Notes	US Dollar		Euro	
		2011	2010	2011	2010
Assets					
Trade and other receivables	15	18,633	22,962	4,751	5,057
Bank deposits	18	118,627	116,562	7,011	2,817
Cash and bank balances	19	5,679	13,230	2,954	3,312
Total		142,939	152,754	14,716	11,186
Liabilities					
Trade and other payables	23	17,971	12,848	7,201	7,151
Total		17,971	12,848	7,201	7,151
Net position		124,968	139,906	7,515	4,035

The following table details the Company's sensitivity to 10.72% and 16.33% increase in the tenge against US Dollars and EUR respectively in 2011 and 10% in 2010. 10.72% and 16.33% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. Management of the Company believes that given the current economic conditions in Kazakhstan that a 10.72% and 16.33% increase is a realistic movement in the tenge exchange rates against foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10.72% and 16.33% change in rates of US Dollars and EUR respectively, as at 31 December 2011 and 10% as at 31 December 2010. The sensitivity analysis includes trade and other receivables, cash and bank balances, bank term deposits, financial lease liabilities and trade account payable.

A negative number below indicates a decrease in profit and equity where the tenge strengthens by 10.72% and 16.33% against US Dollars and EUR, respectively (2010: 10%). For a 10.72% and 16.33% weakening of the tenge against US Dollars and EUR in 2011 and 10% in 2010, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	Currency US Dollars impact		Currency Euro impact	
	2011	2010	2011	2010
Profit or (loss)	10.72%	10.00%	16.33%	10.00%
	(13,397)	(13,991)	(1,227)	(404)

The Company limits the currency risk by monitoring changes in exchange rates of foreign currencies in which cash and bank balances, bank term deposits, accounts receivable and accounts payable are denominated.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
2011					
Financial liabilities					
Interest free					
Trade and other payables	-	-	41,562	-	41,562
Financial liabilities at fair value through profit or loss	-	-	793	-	793
2010					
Financial liabilities					
Interest free					
Trade and other payables	-	-	31,481	-	31,481
Financial liabilities at fair value through profit or loss	-	-	119	-	119

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Up to 3 months	3 months to 1 year	1-5 years	Total
2011					
Financial assets					
Interest free					
Trade and other receivables	-	-	35,119	-	35,119
Financial assets at fair value through profit or loss	-	-	891	-	891
Cash and bank balances	-	23,995	-	-	23,995
Fixed rate					
Bank deposits	5.68%	112	10,681	120,483	131,276
2010					
Financial assets					
Interest free					
Trade and other receivables	-	-	49,958	-	49,958
Financial assets at fair value through profit or loss	-	-	1,096	-	1,096
Cash and bank balances	-	41,545	-	-	41,545
Fixed rate					
Bank deposits	6.22%	91	7,830	121,306	129,227

Fair values

The fair values of financial assets and financial liabilities of the Company are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following methods and assumptions are used by the Company to estimate the fair value of these financial instruments:

Cash and bank balances

The carrying value of cash and bank balances approximates their fair value as they either have short-term maturity or are interest-bearing and hence are not discounted.

Trade and other receivables and payables

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. Average year-end market borrowing rates were as follows as at 31 December:

	2011 (% per year)	2010 (% per year)
Tenge		
For 1 to 5 years	11.4%-12.4%	12.4%-15.0%
Foreign currency		
For 1 to 5 years	6.8%-11.6%	4.0%-14.6%

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Financial instruments at fair value through profit or loss

Valuation of financial instruments recognised at fair value through profit or loss (Note 16) is based on inputs for which all significant inputs are observable, either directly or indirectly and valuations are based on one or more observable quoted prices for orderly transactions in markets that are not considered active and represent Level 2 of the fair value hierarchy.

Trade and other receivables and payables

For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

Provisions

For provisions which meet the definition of financial liabilities the fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

25. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Aircraft

Aircraft operating leases are for terms of between 5 to 10 years. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the leased aircraft at the expiry of the lease period.

Operating lease commitments include fixed lease payments and variable lease payments which vary according to flying hours and cycles.

The fixed and variable lease payments are denominated and settled in US Dollars. This currency is routinely used in international commerce for aircraft operating leases.

Non-cancellable operating lease commitments are payable as follows:

	31 December 2011	31 December 2010
Within one year	111,239	111,932
After one year but not more than five years	165,075	229,157
More than five years	75,732	44,462
	352,046	385,551

Engine

During 2010, the Company purchased a spare engine and subsequently entered into a sale and leaseback transaction for the engine. The lease term is 10 years with an extension period of 5 years at the agreement of the lease agreement parties.

The fixed and variable lease payments are denominated and settled in US Dollars. This currency is routinely used in international commerce for engine operating leases.

Non-cancellable operating lease commitments are payable as follows:

	31 December 2011	31 December 2010
Within one year	1,457	1,522
After one year but not more than five years	6,319	6,642
More than five years	3,015	4,149
	10,791	12,313

Insurance

The Company has the following insurance coverage provided and underwritten to international standards:

- Aviation all risks hull, spares and equipment, and airline legal liability insurance, which includes passenger liabilities;
- Aviation hull deductible insurance;
- Aviation hull war risks (including spares) and allied perils insurance;
- Aviation excess war, hi-jacking and other perils liability insurance;
- Computer and communications equipment insurance;
- Employer's legal liability for all employees of the company.

The Company has not yet obtained coverage for business interruption.

Capital commitments

During 2008 the Company signed an agreement with Airbus to purchase six Airbus narrow-body aircraft. The Company is committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2008 and the last payment is due in 2013. The terms of the Company's contract precludes it from disclosing information on the purchase cost of the aircraft.

During 2010 the Company signed an agreement with Embraer to purchase two Embraer-190 narrow-body aircraft. The Company is committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2011 and the last payment is due March 2012. The terms of the Company's contract precludes it from disclosing information on the purchase cost of the aircraft.

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by numerous taxes and frequent changes in legislation, official pronouncements and court decisions. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstani economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Company's access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

As Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

26. RELATED PARTY TRANSACTIONS

Control relationships

The shareholders of the Company are JSC "National Welfare Fund "Samruk-Kazyna" (which holds the investment on behalf of the Government of the Republic of Kazakhstan) and BAE Systems Kazakhstan Limited, which own 51% and 49% of the shares of the Company, respectively.

In 2007 the shareholders appointed two independent directors; one is from JSC "National Welfare Fund "Samruk-Kazyna", and another from BAE System Kazakhstan Limited. An agreement with the independent directors was signed in 2007 and the total remuneration paid in 2011 to independent directors was US Dollars 85 thousand (2010: US Dollars 73 thousand).

Management remuneration

Key management (2011: 22 persons, 2010: 19 persons) received the following remuneration during the year, which is included in personnel costs (see Note 6):

	2011	2010
Salaries and bonuses	3,544	2,945
Termination benefits	1	60
	3,545	3,005

Transactions with related parties

Related parties comprise the shareholders of the Company and all other companies in which those shareholders, either individually or together, have a controlling interest.

The Company provides air transportation services to Government departments, Government agencies and State-controlled enterprises. These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not state-controlled.

The Company has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

In accordance with the resolution of the Government of the Republic of Kazakhstan #915 dated 17 August 2002, the Government provides subsidies to companies rendering passenger and air cargo services on unprofitable routes. The Government subsidies for 2011 amounted to US Dollars 2,568 thousand (2010: US Dollars 4,604 thousand) (Note 5). As at 31 December 2011 the outstanding amount due to the Company for subsidies was US Dollars 443 thousand (2010: US Dollars 255 thousand) (Note 15).

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, management is of the opinion that the following transactions require disclosure as related party transactions:

Services received	2011		2010	
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
State-owned companies	29,357	(477)	24,024	201
Shareholders and their subsidiaries	10,057	(430)	11,116	(232)
	39,414	(907)	35,140	(31)

Services from related parties are represented by airport, navigation and meteorological forecasting services.

Services provided by the Company	2011		2010	
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Shareholders and their subsidiaries	1,604	112	775	131
	1,604	112	775	131

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

27. SUBSEQUENT EVENTS

In February 2012, the Company signed an agreement with Boeing to purchase three Boeing 787 and four Boeing 767 aircraft. The fourth Boeing 767 is subject to purchase reconfirmation by the Company in September 2012. The Company is committed to pre-delivery payments in accordance with the agreed payment schedule.

The Company has entered into a credit line agreement for the amount of 45 million US Dollars which may be used to meet its liabilities. The credit line was obtained in order not to incur interest penalties on early termination of bank deposits.

The Company will use its bank deposits (Note 18), when they mature to pay this loan liability.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by management and authorised for issue on 27 March 2012.

VIII MAIN TASKS FOR 2012

Maintaining the EU flight ban exemption

One essential task for 2012 is to ensure that Air Astana remains exempt from the EU's ban on Kazakh carriers operating in its territory. The airline's exemption is based on several factors, one of the most important being compliance with EASA Part 145 maintenance standards.

The Company remains in an ongoing dialogue with the Kazakh Civil Aviation Authority to address the shortcomings in the civil aviation system. It is committed to supporting the local authorities in taking the appropriate action to eliminate the areas of non-compliance in civil aviation regulation, as identified by ICAO and withdrawing Kazakhstan airlines from the EU "Black list".

*2011.
Air Astana's workshop facility
was opened in Almaty.*



Implementing the fleet upgrade

The priority task for 2012 is to implement the decisions in relation to upgrading the fleet, including buying new aircraft and gradually phasing out the remaining turboprop aircraft.

Three Embraer 190s, two Airbus A321s, and one Airbus A320 are expected to be delivered during 2012.

The Company plans to phase out Fokker 50 airplanes during 2012. Leasing of one Fokker 50 will be extended until January 2013 due to the need to provide a service to Uralsk airport.

Aircraft financing

In 2012 Air Astana plans to deliver five new aircraft directly from manufacturers under purchase agreements with guarantees by export credit agencies.

Developing the route network

Air Astana is committed to expanding its network in 2012. The entry of three new Embraer and Airbus jets will enable to launch new routes and increase frequencies on existing ones. In the next year the Company plans to introduce several new routes, including destinations in Kazakhstan, the CIS and Asia.

Developing the maintenance centre

The Company is planning to continue development of the maintenance centre. The main stages of this task in 2012 are planned to be the following:

- Establishing the C-Check maintenance service in Almaty;
- Obtaining a certificate for performing C-Check on Airbus A319/320/321 jets;
- Launching the process for obtaining a certificate for performing C-Check on Embraer 190 jets;
- Expanding the capacity of workshops and hangars: repair of on-board kitchen facilities, brake systems and rescue equipment;
- Gaining EASA Part 147 approval for a training school for Airbus A320 mechanics.

Improving of in-flight and ground services

In 2011 Air Astana won second place for The Best Airline in Eastern Europe at the prestigious Skytrax 2011 World Airline Awards and the Company plans to have a further Skytrax audit in 2012. During the year the Company will continue reviewing, adjusting and where needed redeveloping of all in-flight and ground services. For this reason Air Astana has started reviewing and making a decision on new personal In-Flight Entertainment (IFE) in economy class on Boeing 757 and Boeing 767 aircraft. In 2012 the Company plans to enter agreements to use business class lounges on selected international routes.

GLOSSARY

AKA	"Association of Kazakhstan Airlines". Association was formed on 31 May 2011, and includes Air Astana JSC, Prime Aviation JSC and Burundaiavia JSC. The main goal of Association is mutual cooperation and joint efforts in reforming of civil aviation of the Republic of Kazakhstan.	EASA (Part 147)	European Aviation Safety Agency's standard on requirements to be met by company that provides theoretical and practical trainings for operating staff.
Code-share agreement	Aviation business arrangement where two or more airlines share the same flights, one of which is an operating airline that sells tickets for its own operating flights and others are marketing partners that sell seats on those flights of the operating company.	GDS (Global Distribution System)	A worldwide computerised reservation network.
BSP (Billing and Settlement Plan)	System of mutual settlements designed to simplify the ticketing, reporting on the sales and mutual settlements between sales agents and airlines. The first BSP was created by IATA in Japan in 1971. Today it is a unique system that is implemented in more than 160 countries.	IATA (International Air Transport Association)	International Air Transport Association was formed in 1945 to develop cooperation between airlines with the aim to provide safe, secure and efficient flights to passengers.
C-check	Complex form of base maintenance designed for detailed check of aircraft systems and inspection of aircraft components. The length of maintenance is 1-2 weeks. Currently it is not performed in Kazakhstan.	ICAO (International Civil Aviation Organisation)	International Civil Aviation Organisation was created in 1944 under Chicago Convention on International Civil Aviation. ICAO is a specialised agency of the UN, which is responsible for setting international standards, recommended practices and rules in technical, economic and legal fields of international civil aviation.
EASA (European Aviation Safety Agency)	Agency that is responsible for developing all flight safety regulations (for independent confirmation or submission to European Commission or Parliament/Council) and performing inspections of compliance with these regulations.	IOSA (IATA Operational Safety Audit)	The IATA Operational Safety Audit includes the following functional areas of airline: company management, flight operations, flight control and monitoring, aircraft maintenance, onboard operations, aircraft ground operations, cargo transportation, and flight safety.
EASA (Part 66)	European Aviation Safety Agency's standard on requirements for certifying aircraft staff.	JAA (Joint Aviation Authorities)	The civil aviation regulatory authorities of a number of European States, which develop and implement common safety regulatory standards and procedures.
EASA (Part 145)	European Aviation Safety Agency's standard on requirements to be met by airline for the issue or continuation of an approval for the maintenance of aircraft and components.	Skytrax	Internationally recognized consulting company specialized in quality analysis of services provided by airlines and airports. It was formed in 1989 and provides information on more than 210 airlines and 65 airports based on different types of international-traveler surveys.

APPENDICES

NETWORK IN 2011

INTERNATIONAL ROUTES

CIS

Almaty – Baku
Almaty – Bishkek
Almaty – Dushanbe
Almaty – Moscow
Almaty – Samara
Almaty – St Petersburg
Almaty – Tashkent
Almaty – Tbilisi
Astana – Moscow
Astana – Novosibirsk
Astana – Yekaterinburg

Asia and Middle East

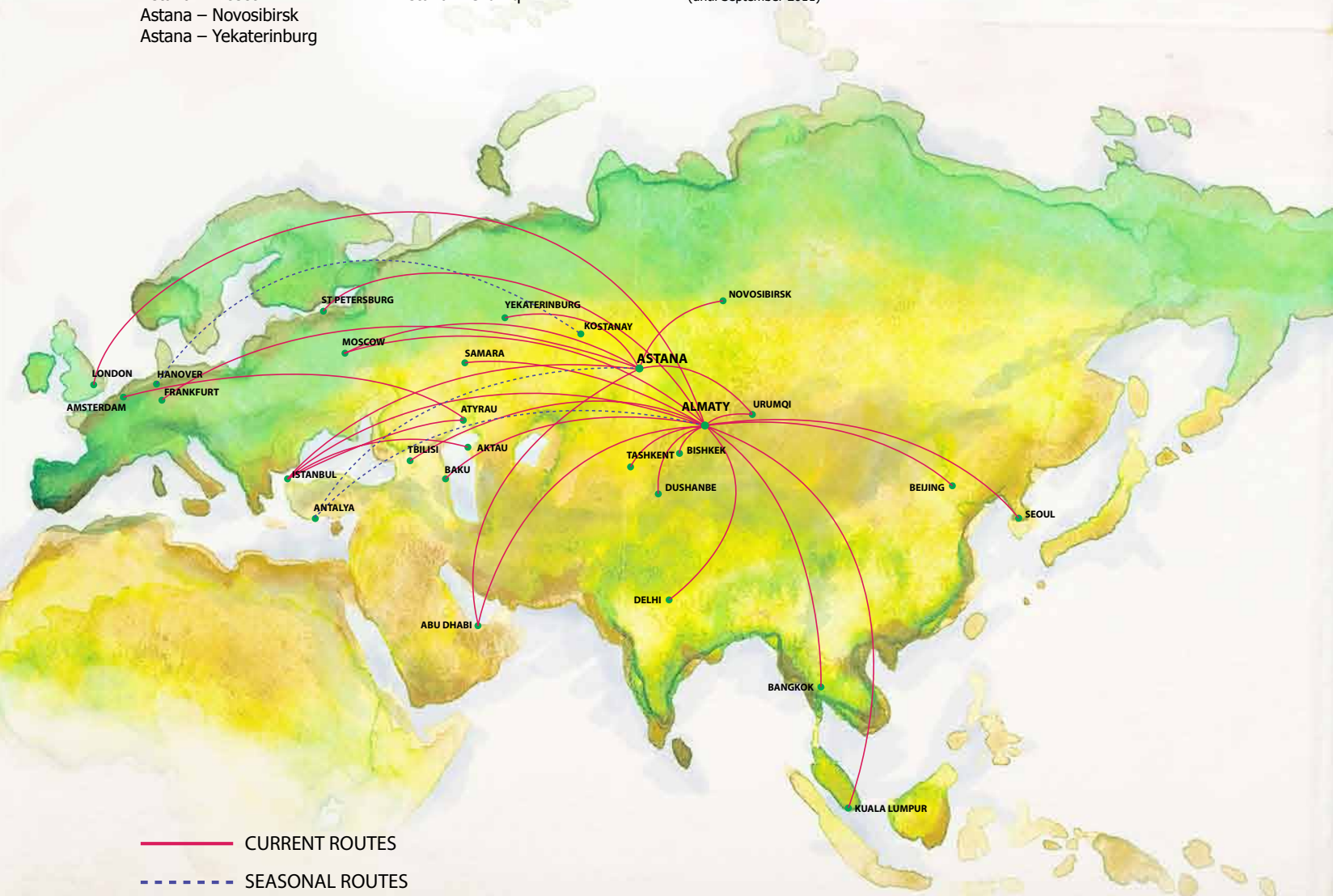
Almaty – Abu Dhabi
Almaty – Bangkok
Almaty – Beijing
Almaty – Delhi
Almaty – Kuala Lumpur
Almaty – Seoul
Almaty – Urumqi
Astana – Abu Dhabi
Astana – Urumqi

Europe

Aktau – Istanbul
Almaty – Istanbul
Almaty – London
Astana – Frankfurt
Astana – Istanbul
Atyrau – Amsterdam
Atyrau – Istanbul
Oral – Amsterdam*
*(until September 2011)

Seasonal routes*

Almaty – Antalya
Astana – Antalya
Kostanay – Hanover
*(May – September)



DOMESTIC ROUTES

Almaty – Aktau
Almaty – Aktobe
Almaty – Astana
Almaty – Atyrau
Almaty – Karaganda
Almaty – Kyzylorda

Almaty – Oral*
Almaty – Oskemen
Almaty – Pavlodar
Almaty – Shymkent
Astana – Aktobe
*(until September 2011)

Astana – Atyrau
Astana – Kostanay
Astana – Kyzylorda
Astana – Oral
Astana – Oskemen
Astana – Pavlodar

Astana – Semey
Astana – Zhezkazgan
Atyrau – Aktau
Atyrau – Kyzylorda
Atyrau – Oral



FLEET IN 2011

Boeing 767

Operates on long haul international and domestic routes



Range
9,000 (km)

Crew
2 (pilots)

Quantity 2	Cruise speed 850 (km/h)	Max. take off weight 184,612 (kg)	Economy class 190 (seats)	Business class 30 (seats)
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Boeing 757

Operates on long haul international and domestic routes



Range
7,250 (km)

Crew
2 (pilots)

Quantity 5	Cruise speed 870 (km/h)	Max. take off weight 115,666 (kg)	Economy class 150 (seats)	Business class 20 (seats)
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Airbus A321

Operates on short and medium haul international and domestic routes



Range
5,600 (km)

Crew
2 (pilots)

Quantity 2	Cruise speed 870 (km/h)	Max. take off weight 89,000 (kg)	Economy class 147 (seats)	Business class 28 (seats)
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Airbus A320

Operates on short and medium haul international and domestic routes



Range
5,500 (km)

Crew
2 (pilots)

Quantity 7	Cruise speed 870 (km/h)	Max. take off weight 77,000 (kg)	Economy class 132 (seats)	Business class 16 (seats)
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Airbus A319

Operates on short haul international and domestic routes



Range
3,450 (km)

Crew
2 (pilots)

Quantity 1	Cruise speed 900 (km/h)	Max. take off weight 64,000 (kg)	Economy class 114 (seats)	Business class 12 (seats)
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Embraer 190

Operates on short and medium haul international and domestic routes



Range
4,200 (km)

Crew
2 (pilots)

Quantity 3	Cruise speed 890 (km/h)	Max. take off weight 50,300 (kg)	Economy class 88 (seats)	Business class 9 (seats)
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Fokker 50

Operates on short haul international and domestic routes



Range
2,800 (km)

Crew
2 (pilots)

Quantity 6	Cruise speed 450 (km/h)	Max. take off weight 20,820 (kg)	Economy class 50 (seats)	Business class 0 (seats)
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REPRESENTATIVE OFFICES

CIS

Baku, Azerbaijan

Air Astana City Office
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AZ 1065, Baku
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Airport Ticket Office
Air Astana Ticket Desk at Check-in Desk
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Opening time: 3 hours before scheduled time of departure

Air Astana City Office
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Hyatt Regency Bishkek Hotel
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Business centre "SAS", 1st floor
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Moscow, Russian Federation

Ticket Sales Office
Tverskaya metro station
½ Bldg. B. Gnezdnikovskiy side street
"Gnezdnikovskiy" Business Centre
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Sheremetyevo Ticket Office
Sheremetyevo International Airport
Terminal E, Departure Hall
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Opening hours:
07:00 – 11:00 Mon – Sun
19:00 – 23:00 Mon – Sun

Novosibirsk, Russian Federation

Tolmachevo International Airport
Airport Ticket Office
Air Astana Ticket Desk at Check-in Desk
International Terminal, Departure Hall
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+7 963 947 70 84
Opening time: 3 hours before scheduled time of departure

St Petersburg, Russian Federation

Air Astana Representative Check-in Desk
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Tbilisi International Airport
Air Astana Ticket Desk at Check in-Desk
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Fax: +90 212 343 49 63
Opening hours: 08.00 – 17.00

Istanbul Airport Office
Atatürk Airport International Terminal
Departure Level
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Fax: +90 212 465 53 92
Opening time: 3 hours before scheduled time of departure

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www.airastana.com



*The first flight
of the airline was performed
Route: Almaty - Dubai.*