



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY



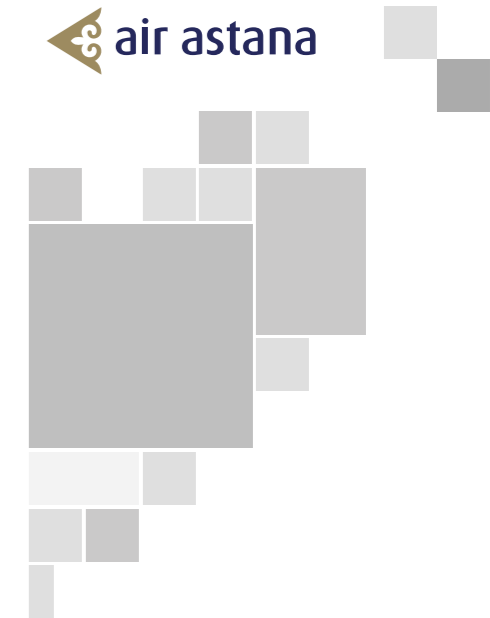
2014

ANNUAL REPORT



HOSPITABLE
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I'M A PART OF THE  HEART



FROM THE HEART OF EURASIA

In 2014, Kazakhstan's national companies began a wide-ranging transformation with the launch of the Transformation Programme developed by the Samruk-Kazyna National Welfare Fund. The programme aims to increase the efficiency of the investment and operational activity of the Fund and its portfolio companies.

Having adopted the Transformation Programme, Air Astana reviewed its mission, values and goals and as one of the measures to achieve them, developed the HEART programme. It links the success of the company to the commitment, involvement and contribution of its employees.

The HEART programme establishes easily understood values that should guide and be demonstrated daily by every member of the Air Astana team in their interactions with customers and colleagues as they create one of the best airlines in the world.

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AIR ASTANA AT A GLANCE

ABOUT AIR ASTANA

Air Astana is a fast-growing international airline and the flag carrier of Kazakhstan with a world-class track record of safety and technical expertise. A joint-stock company, we are a joint venture between the Samruk-Kazyna National Welfare Fund of Kazakhstan (51%) and the UK's BAE Systems (49%). We are a full member of the International Air Transport Association (IATA) and the first Kazakhstani carrier to have Part 145 certification to perform aircraft maintenance from the European Aviation Safety Agency (EASA). We are an IATA Operational Safety Audit (IOSA) accredited airline. Air Astana has achieved a 4-star Skytrax rating for three consecutive years and is the only 4 star carrier in Eastern Europe and CIS. We were also awarded the Best Airline in Central Asia and India in 2012, 2013 and 2014. In December 2014, Air Astana was the first Central Asian airline to win Air Transport World's Airline Market Leadership award.

■ OUR MISSION

From the Heart of Eurasia we are building one of the finest airlines in the world.

■ OUR GOALS

- We implement the highest safety standards.
- We are and must be the most reliable airline in the region with the highest standards of customer service.
- We profitably grow and improve our fleet, route network and product.
- We work to the highest standards of integrity and business ethics.
- We recruit, appraise and reward staff based on merit and enable them to develop to their maximum potential.
- We are a socially responsible organisation.
- We are a global ambassador for Kazakhstan.

■ OUR VALUES

Hospitable

We treat every person with whom we come into contact, customer or colleague, as a guest. We are warm, friendly and tactful, always willing to help.

Efficient

We are professional people who produce high quality results with knowledge and style. We maximise our skills and use our time efficiently.

Active

We anticipate and respond to the needs of customers and colleagues. We do things to the very best of our ability and are always looking for ways to improve.

Reliable

We produce reliable and consistent quality in all of our activities. We always keep our promises.

Trustworthy

We are honest people who never compromise our integrity. Customers and colleagues can trust us.

HIGHLIGHTS OF 2014

Financial Highlights

Revenues

US\$ 934.8 million, down 3% year-on-year

Revenues reached US\$934.8 million in 2014, down from US\$966.9 million in 2013

Operating expenses

US\$ 836.3 million, down 7% year-on-year

Operating expenses stood at US\$836.3 million in 2014, compared with US\$894.7 million in 2013

Operating profit

US\$ 98.5 million, up 36% year-on-year

Operating profit rose to US\$98.5 million in 2014, up from US\$72.2 million in 2013, a record result for the Company and driven by enhanced efficiency and rising transit traffic

Net profit

US\$ 19.5 million, down 62% year-on-year

Net profit stood at US\$19.5 million in 2014, compared to US\$51.4 million in 2013, due to revaluation of monetary assets and liabilities driven by the devaluation of the Kazakhstani tenge that led to an unrealised loss of US\$47.8 million

Operational Highlights

Passengers carried

3.77 million, up 3% year-on-year

We set another record, carrying 3.77 million passengers in 2014, 3% higher than the 3.68 million carried in 2013, despite macroeconomic headwinds

Capacity

11.7 billion available seat kilometres, up 2% year-on-year

In 2014, available seat kilometres rose by 2% to 11.7 billion, compared with 11.4 billion in 2013

Passenger load factor

65%, almost at the same level year-on-year

Passenger load capacity stood at 65% in 2014, at the same level as the previous year

Cargo

18,960 tonnes

Cargo, baggage and post carriage decreased by 20% to 18,960 tonnes in 2014, down from 23,810 tonnes in 2013



5-YEAR FINANCIAL & OPERATIONAL SUMMARY

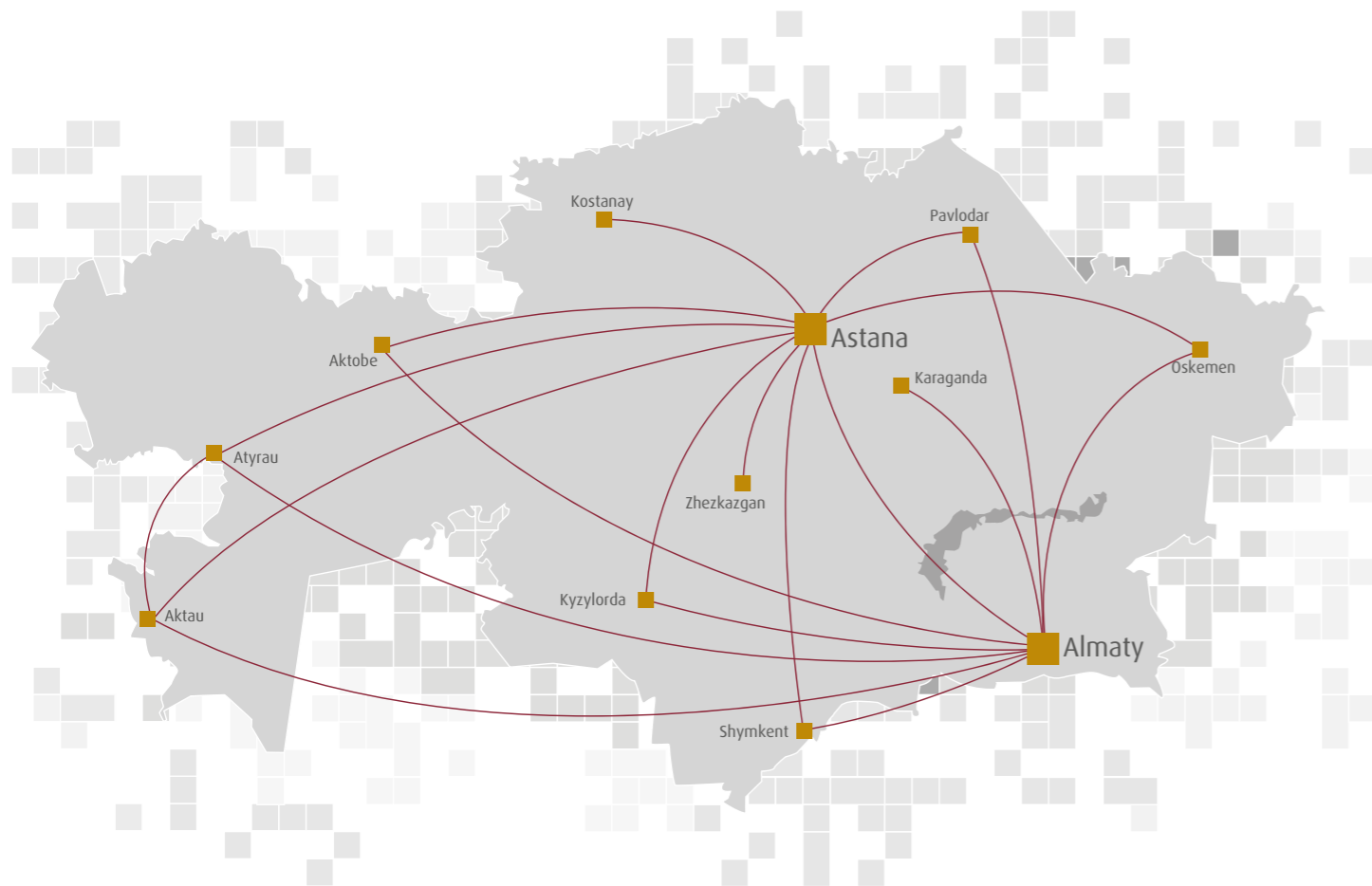
Profit & Loss ('000)	2010	2011	2012	2013	2014
Total revenue	661,484	772,883	875,075	966,904	934,780
Domestic	263,515	298,511	332,746	346,137	317,132
International	381,115	459,520	527,075	600,356	597,491
Other	16,854	14,852	15,254	20,411	20,157
Fuel	(105,760)	(178,569)	(246,820)	(280,007)	(252,108)
Employee & crew	(101,950)	(126,840)	(131,578)	(138,566)	(130,370)
Other operating costs	(362,399)	(398,192)	(420,515)	(476,117)	(453,811)
Operating Profit	91,375	69,282	76,162	72,214	98,491
Profit before tax	97,120	77,444	79,221	64,925	27,433
Income tax expense	(20,004)	(16,184)	(18,145)	(13,561)	(7,980)
Effective tax rate (%)	21%	21%	23%	21%	29%
Net Profit	77,116	61,260	61,076	51,364	19,453
EBITDAR	166,952	146,857	160,273	173,657	209,902
Dividends paid	16,790	19,398	18,204	21,120	8,517
Pay-out as % previous year Net Income	35%	25%	30%	35%	20%
Balance Sheet ('000)	2010	2011	2012	2013	2014
Cash & equivalents	47,563	32,137	123,527	128,097	185,613
Inventories	20,730	29,151	42,760	55,247	48,890
Prepayments	21,059	31,776	21,256	49,214	26,254
Guarantee deposits	1,177	1,410	1,585	5,146	1,034
Trade receivables	49,958	35,119	46,322	32,706	42,045
Other	7,564	8,356	5,969	13,609	22,029
Total Current Assets	148,051	137,949	241,419	284,019	325,865
Property, plant & equipment	31,537	34,101	229,897	562,856	536,737
Intangible assets	3,096	3,152	2,593	2,139	1,388
Prepayments for long-term assets	16,418	68,666	95,053	23,798	11,401
Guarantee deposits	15,038	17,302	17,601	12,799	10,861
Bank deposits	113,435	117,523	0	0	0
Other non-current assets	5,763	7,984	0	5,448	3,270
Total Non-Current Assets	185,287	248,728	345,144	607,040	563,657
Loans & financial leases	0	0	28,274	45,752	40,069
Provision for maintenance	10,896	16,220	16,712	16,049	6,092
Trade payables	43,102	52,576	53,040	50,129	56,202
Deferred revenue	61,471	61,075	57,440	63,240	51,818
Other	119	793	280	266	10,300
Total Current Liabilities	115,588	130,664	155,746	175,436	164,481
Loans & financial leases	0	0	140,489	382,887	415,358
Provision for maintenance	13,836	12,086	4,132	7,098	16,982
Deferred tax liability	0	0	3,515	18,120	23,104
Total Non-current Liabilities	13,836	12,086	148,136	408,105	455,444
Total Equity	203,914	243,927	282,681	307,518	269,597
Working capital (WC)	32,463	7,285	85,673	108,583	161,384
Net debt/(net cash)	(160,998)	(149,660)	45,236	300,542	269,814
Invested capital	172,340	237,017	463,036	762,962	703,909
Capital expenditure	20,894	13,323	205,326	369,457	109,030

Operating costs % of total	2010	2011	2012	2013	2014
Fuel	19%	25%	31%	31%	30%
Employees & crew	18%	18%	16%	15%	16%
Engineering	15%	12%	9%	9%	9%
Handling	12%	12%	12%	13%	13%
Passenger service	9%	10%	10%	10%	10%
Selling	9%	8%	6%	5%	5%
Lease & depreciation	14%	11%	11%	12%	14%
Other	5%	4%	4%	3%	3%
Operating margin	14%	9%	9%	7%	11%
EBITDAR % of revenues	25.2%	19.0%	18.3%	18.0%	22.5%
WC % of revenues	4.9%	0.9%	9.8%	11.2%	17.3%
Net debt/(equity)	(79%)	(61%)	16%	98%	100%
RoE	44%	27%	23%	17%	7%
RoIC	58%	34%	22%	12%	13%
Operating data	2010	2011	2012	2013	2014
Passengers ('000)	2,568	3,057	3,245	3,675	3,770
% growth	17%	19%	6%	13%	3%
- Domestic	1,713	1,959	1,986	2,118	2,184
- International	855	1,099	1,259	1,557	1,586
- Transit	10	57	88	185	202
Cargo, mail & excess baggage (tonnes)	16,392	19,692	22,076	23,810	18,960
Segments	27,787	32,221	34,634	38,891	40,218
Passengers per segment	92	95	94	94	94
Flight hours	69,294	79,006	84,501	96,344	98,982
Avg sector length (km)	1,979	1,906	1,972	2,028	1,906
Fleet (avg no of aircraft)	21.8	23.6	25.3	26.6	30.4
Fleet (avg age)	11.4	11.2	8.2	6.4	5.5
ASK ('000)	7,456,531	8,507,991	9,467,058	11,395,698	11,668,440
% growth	4.2%	14.1%	11.3%	20.4%	2.4%
- Domestic	2,786,304	3,086,211	3,279,190	3,548,688	3,709,008
- International	4,670,227	5,421,781	6,187,868	7,847,010	7,959,432
RPK ('000)	5,081,698	5,828,398	6,397,846	7,452,866	7,549,907
% growth	12.3%	14.7%	9.8%	16.5%	1.3%
- Domestic	2,076,130	2,302,900	2,333,928	2,519,159	2,574,602
- International	3,005,568	3,525,498	4,063,918	4,933,706	4,975,306
Load factor	68%	69%	68%	65%	65%
- Domestic	75%	75%	71%	71%	69%
- International	64%	65%	66%	63%	63%
RTK ('000)	513,552	587,978	651,580	752,922	747,719
Revenue per Passenger (US\$)	258	253	270	263	248
Net profit per passenger (US\$)	30	20	19	14	5
ASK Yield (USc)	8.9	9.1	9.2	8.5	8.0
Operating costs per ASK (USc)	7.6	8.3	8.4	7.9	7.2
RPK Yield (US c)	13.0	13.3	13.7	13.0	12.4
Employees (average)	3,032	3,358	3,750	4,069	4,356

Note: statistical data exclude charter flights

OUR NETWORK

In 2014, we served 19 domestic and 40 international routes, including two seasonal ones. In addition, we have code-sharing agreements with Asiana Airlines, Austrian Airlines, Air India, Etihad Airways, KLM, GTK Rossiya Airlines and Turkish Airlines, as well as interline partnership agreements with more than 100 other carriers, allowing passengers to choose over almost 400 destinations worldwide.

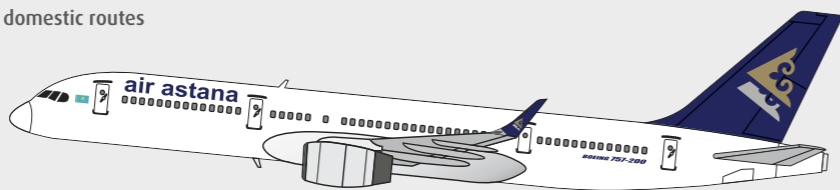


OUR FLEET

We operate a modern fleet of 30 Western-made aircraft and plan to expand this to more than 35 by 2020. Air Astana has a proven track record of safety and expertise. We are an IOSA registered airline and also belong to the IATA Fuel Quality Pool (IFQP), a group of airlines that actively share fuel inspection reports and workload at locations worldwide.

BOEING 757

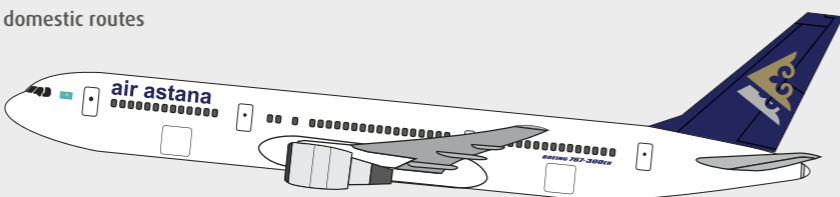
Operates on long haul international and domestic routes



- Quantity: 5
- Cruise speed: 870 (km/h)
- Max. take off weight: 115,666 (kg)
- Range: 7,222 (km)
- Economy class: 150 (seats)
- Business class: 16 (seats)
- Crew: 2 (pilot)

BOEING 767

Operates on long haul international and domestic routes



- Quantity: 3
- Cruise speed: 850 (km/h)
- Max. take off weight: 184,612 (kg)
- Range: 11,070 (km)
- Economy class: 190/193 (seats)
- Business class: 30 (seats)
- Crew: 2 (pilot)

EMBRAER 190

Operates on short and medium haul international and domestic routes



- Quantity: 9
- Cruise speed: 890 (km/h)
- Max. take off weight: 50,300 (kg)
- Range: 4,500 (km)
- Economy class: 88 (seats)
- Business class: 9 (seats)
- Crew: 2 (pilot)

AIRBUS A319

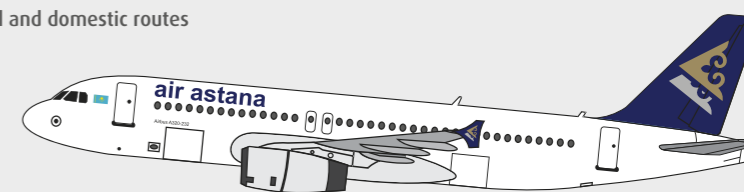
Operates on short haul international and domestic routes



- Quantity: 1
- Cruise speed: 900 (km/h)
- Max. take off weight: 64,000 (kg)
- Range: 6,850 (km)
- Economy class: 114 (seats)
- Business class: 12 (seats)
- Crew: 2 (pilot)

AIRBUS A320

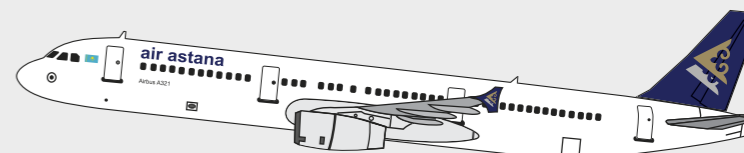
Operates on short and medium haul international and domestic routes



- Quantity: 8
- Cruise speed: 870 (km/h)
- Max. take off weight: 77,000 (kg)
- Range: 6,150 (km)
- Economy class: 132/151 (seats)
- Business class: 16/28 (seats)
- Crew: 2 (pilot)

AIRBUS A321

Operates on short and medium haul international and domestic routes



- Quantity: 4
- Cruise speed: 870 (km/h)
- Max. take off weight: 89,000 (kg)
- Range: 5,950 (km)
- Economy class: 147/151 (seats)
- Business class: 28 (seats)
- Crew: 2 (pilot)

KEY EVENTS OF 2014

February

Air Astana takes delivery of a new Airbus A320 and Embraer E190 as it continues to build a younger and more efficient fleet.

March

Air Astana takes delivery of one new Airbus A320.

April

We opened our first independently operated business lounge, "The Shanyrak," in Astana. The lounge is the first in Central Asia that is owned and managed by an airline.

The EU lifted previous frequency restrictions on Air Astana flights, giving us the freedom to increase frequencies on existing routes and plan for new destinations, further demonstrating that the airline has safety systems and procedures fully consistent with international standards.

Air Astana takes delivery of a new Airbus A320.

We began the refurbishment of five Boeing 757 aircraft to world-class standards during the year, including the fitting of completely new cabins and exterior painting.

June

Air Astana becomes a full member of the Association of Asia Pacific Airlines (AAPA), the leading association for Asia Pacific carriers, underlining its status as a major Asian carrier.

The Business Insider Airline Survey ranks Air Astana as No.12 in the world, up six places from the previous year's rating.

Air Astana and South Korea's Asiana Airlines, both Skytrax award-winning carriers, sign a wide-ranging code-share agreement giving our customers an even greater choice of routes and destinations.

Air Astana took delivery of a new Boeing 767, the third B767 in the fleet, as we continue to build one of the youngest fleets in the world.

July

Air Astana achieved a 4-Star rating at the Skytrax World Airline Awards, based on passenger surveys, for a third straight year 2014 and was also named Best Airline, Central Asia and India, and Best Airline Staff Service, Central Asia and India, reflecting our continued dedication to outstanding customer experience.

September

Air Astana received an "E-Commerce Market Driver" award, marking our significant contribution to the development of domestic e-commerce in Kazakhstan.

Air Astana re-launches its Almaty-Dubai route.

December

Air Astana won Air Transport World's Airline Market Leadership award for 2015, becoming the first ATW Industry Award winner from Central Asia.

Air Astana continues to expand its international network with the launch of a new Astana-Bangkok route.

STRATEGIC REPORT

STRATEGIC ACHIEVEMENTS AND OUTLOOK

■ OUR STRATEGY

- The Strategy of Air Astana for 2011–20 was approved by the Shareholders in January 2011 and remains our development roadmap.
- We seek to continue to grow profitably, enhancing our position as the regional leader in Central Asia.
- Air Astana operates modern aircraft – notably the Embraer E190, the A320 family, the B757 and the new B767 – and plans to introduce the Boeing 787 Dreamliner. These aircraft provide us with the most modern fleet in the region.
- We forecast total passenger traffic to grow to over 5.8 million passengers in 2020.
- Air Astana has become the benchmark airline in the region, with cutting-edge distribution and revenue management systems, web site, and corporate application and management information systems and we are committed to maintaining this status.
- We will develop a heavy maintenance engineering capability with extensive workshop facilities, enabling us to carry out major aircraft maintenance in-house, provide a centre of excellence in the region, and allow us to maintain similar types of aircraft for other airlines.
- The Ab-Initio pilot training programme is creating a pool of a highly qualified and experienced Kazakhstani pilots comparable with that of any major international operator.
- Air Astana is at the forefront of human resources and personnel development. The Company is recognised throughout Kazakhstan and by the workforce generally as being a first-class employer that applies best international practices in management and invests in continual training to develop the potential of all of its employees.
- Air Astana is recognised as having a corporate governance system that meets international best practices and seeks to maintain and enhance this system.
- The airline has an excellent safety system and record, and it will continue to develop this in all parts of our business.

STRATEGIC ACHIEVEMENTS IN 2014

- **EU Flight Ban Exemption Maintained and Frequency Restrictions Lifted:** Air Astana maintained its exemption to the EU flight ban on Kazakhstani carriers and achieved the lifting of frequency restrictions on flights operated to and from EU destinations as we demonstrated that the airline has safety systems and procedures fully consistent with international standards.
- **Continued Investment in Our Fleet:** We continued to upgrade our fleet, making it one of the youngest in the industry, increasing efficiency, cutting carbon emissions and improving passenger experience, as we took delivery of a third Boeing 767 and three Airbus A320s and one Embraer E190, as well as refurbishing five Boeing 757s, and we returned four aircraft to their owners during 2014.
- **Development of Maintenance Capacity:** During 2014, we achieved a technical dispatch reliability rate of 98% and continued investment in training and facilities, including completion of all preparatory work in order to begin construction of our new Maintenance Centre in Astana, a major advance for the development of our in-house maintenance capabilities, with construction of a new hangar due to be completed at the end of 2015 and the facility becoming active in 2016.
- **Maintained Our Skytrax 4-Star Rating:** A key measure of our commitment to world-class service, Air Astana was the first carrier in Eastern Europe and the CIS to receive this award in 2012. We won the 4-Star rating at the Skytrax World Airline Awards for a third straight year 2014, with the rating based on passenger experience across business and economy classes. Air Astana was also named Best Airline, Central Asia and India, and Best Airline Staff Service, Central Asia and India.
- **HEART Programme Launched:** As part of our commitment to developing best practices in management systems, we developed and launched the HEART (Hospitable, Efficient, Active, Reliable and Trustworthy) programme in 2014. The programme clearly outlines and defines our corporate mission, values and goals for every member of the Air Astana team and shapes how they deal with our valued customers and partners.
- **Continued E-Commerce Leadership:** Air Astana's website remained the number one e-commerce site in Kazakhstan again in 2014. We re-launched the site with a fresh look and additional functionality, alongside our upgraded smartphone app, enhancing it as both a sales channel and an efficient way for passengers to manage their flights. Online web check-ins increased by 27%.

STRATEGIC GOALS FOR 2015

- **Continue to Manage a Challenge Macroeconomic Environment:** The Company took a proactive and successful approach to managing the challenges of the February 2014 tenge devaluation and postponed most network expansion to manage the macroeconomic headwinds driven by a slowing domestic economy, as well as a rapid slowdown in Russia and Ukraine driven by geopolitical events and falling oil and gas prices. We will need to remain proactive to ensure top-line and underlying growth, as GDP growth is expected to remain modest in 2015 in Kazakhstan and much of the CIS.
- **Maintain the EU Flight Ban Exemption, Work with Regulators to Address Restriction on other Carriers:** Air Astana will continue to ensure it maintains its exemption from the EU flight ban on Kazakhstani carriers and work closely with the Kazakhstan Civil Aviation Committee to address the significant safety concerns related to safety oversight that has led to the ban, and support the CAC in implementing the ICAO plan of action put into place in 2013.
- **Develop our Maintenance Base:** The continued development of our in-house maintenance capacity, through both investment in facilities and training, makes us both safer and more cost efficient by reducing the need to send aircraft abroad for servicing. We plan to complete construction of our new Astana Maintenance facility hangar in 2015, having completed all preparatory work on schedule in 2014. In 2015, we also plan to obtain EASA Part 145 Base Maintenance approval and Part 147 Maintenance Training approval, among others.

- **Making a Decision on Replacing the Boeing 757 Fleet:** Our Boeing 757 fleet is ageing, with an average aircraft age of over 17 years. We use these aircraft principally on international routes, and while they have proved to be extremely reliable and we have carried out the refurbishment and modernisation of the aircraft cabins, they are becoming expensive to operate and maintain. Therefore our goal in 2015 is to finalise plans for replacing the fleet by the end of the decade.
- **Maintain and Improve Service Quality:** Our reputation for excellent service quality, as reflected in our 4-Star Skytrax ratings since 2012, is key for the Air Astana brand. We continue to work with all of our client-facing teams to ensure that they understand customer needs and deliver a consistent, high level of service to all our passengers. We continue to invest in creating a superior ground and in-flight experience through technology and training.
- **Expand our Technology Advantage:** We plan to continue to implement technology solutions to make our business processes more efficient and enhance our service delivery. One of our important competitive advantages is our ability to develop and implement many IT solutions in-house. Key plans in 2015 include the rollout of a Station Hub Control System in Almaty and Astana, continued development of Electronic Flight-Bag systems and implementation of ERP systems.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



NURZHAN BAIDAULETOV
CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2014 presented Air Astana with significant external challenges, including powerful economic headwinds in Central Asia and the wider CIS. I am pleased to say that the Company rose to the challenge, delivering impressive operational results and record operational profits while maintaining our robust safety record. At the same time, the airline also continued to take the right steps as part of our long-term strategy to build a world-class airline and standard-bearer for Kazakhstani companies.

In October 2014, we were honoured when President Nursultan Nazarbayev singled out the airline as ready to lead Asia in terms of security, transparency, quality and level of service. We are committed to meeting the high expectations articulated by the President. I believe our continued success will be achieved through the right combination of targeted investment in technology and the strength of our organisation and people.

Building a modern fleet and investing in technology, training and practices for our engineering and ground operations has been one important pillar in building a world-class airline. Over the last four years, we have taken delivery of 21 new aircraft, giving us one of the youngest fleets in the business, with an average age of just 5.5 years. The Company has purchased 11 brand new aircraft, investing US\$ 624 million without any additional state or shareholders' funds or guarantees.

A young fleet reduces our carbon emissions, which accounts for almost our entire environmental footprint. While aviation accounts for only 2% of global carbon emissions, according to IATA, we believe being a green company sets an example for the industry and Kazakhstani business more widely. Along with new aircraft, we are training our crews to practice fuel-conscious flying and are participants in the EU's emissions trading system and anticipating the launch by the ICAO of a new, global, market-based scheme for aviation by 2016.

Meanwhile, our relentless focus on safety and investment in training and equipment continues to be recognised by international regulators. In April 2014, in recognition of our safety performance and ability to adapt to changes and operating a safety system allowing for safe flight, the EU lifted frequency restrictions on Air Astana flights. We note that the EU ban on other Kazakhstani airlines remains in place, linked to ICAO's continued significant concerns about safety oversight. We continue to work with the Kazakhstani Civil Aviation Committee (CAC) to overcome existing deficiencies.

In another important development, we received approval from the CAC to commence Extended-range Twin-engine Operations (EDTO) and completed a programme of ground and flight training with our crews.

EDTO allows us to fly more direct and efficient routes, reduces costs and disruptions and opens up the option to develop future trans-oceanic routes.

Air Astana has also become a standard bearer for technological innovation. Our corporate website, re-launched at the end of 2014 with a refreshed and expanded interface and supported by a mobile app, remains by far the largest e-commerce site in Kazakhstan in terms of revenue and an important and growing part of our overall revenue, as well as a convenient and efficient tool for our passengers for managing their flights.

Despite a tight cost environment, we continued to implement a range of paperless solutions. Breakthroughs such as the Electronic Flight Bag for pilots and Crew Pads for cabin crew, to name just two, permit more efficient and thorough documentation, allow us to process information more efficiently and cut down on the weight and environmental burden of using and transporting large amounts of paperwork. It is a testament to the strength of our in-house team that we were able to implement many of the software solutions across our business using our own IT and other technical experts and homegrown solutions.

Alongside these technical breakthroughs – a tribute to both investment in technology and relentless training across our departments – we also made important progress in developing our corporate culture. Since its founding in 2001, one of Air Astana's strengths has been its entrepreneurial and open corporate culture. As a start-up airline, it lacked many legacy issues facing many of its aviation competitors in the CIS and Europe as well as other Kazakhstani national companies. Having grown rapidly over the past 13 years, we felt it was the right time to update how we describe

our Company's shared mission, goals and values and incorporate these into our internal communications and training.

The launch of the HEART programme represents the right step forward for our Company. The programme provides our managers and employees on every level with a clear and collective sense of mission. It also shapes our approach to our passengers and pushes us to deliver an even better experience on the ground and in the air.

Our net profit declined, as predicted, due to a one-off charge related to the revaluation of our external debt following the devaluation. Nonetheless, we were able to deliver another set of dividends for our shareholders, paying out 20% of 2013 earnings, while ensuring we are able to maintain our continued funding commitments and prudent debt load.

We anticipate continued challenges in our domestic home market and expanded home market in Central Asia and the CIS in 2015. Russia and Ukraine are likely to deliver little or no growth. However, I am confident we have the right people, organisation and technology in place to overcome these challenges and remain a leader both in our industry and among Kazakhstani national companies.

On behalf of the Board of Directors and the shareholders, I would like to thank the entire Air Astana team for their hard work and progress in 2014.

**Yours faithfully,
Nurzhan Baidauletov**

LETTER FROM THE PRESIDENT & CEO



PETER FOSTER
PRESIDENT & CEO

In 2014 the company produced a net profit of US\$19.5 million, on revenues of US\$934.8 million, respectively 62% and 3% lower than 2013. These apparently disappointing figures were driven entirely by the devaluation of the Kazakh tenge against the US dollar by 19% on 11 February 2014. This resulted, on the one hand, in a one-off balance sheet adjustment and resulting profit and loss account charge of US\$48 million, due to a requirement to revalue the company's non tenge-denominated debt, and on the other, yield dilution in US dollar terms of

state-controlled and tenge-denominated domestic airfares. Total passenger traffic, measured in Revenue Passenger Kilometres (RPKs), and capacity, measured in Available Seat Kilometres (ASKs), increased by 1.3% and 2.4% respectively.

Setting aside the effect of devaluation, the company recorded an operating profit of US\$98.5 million, 36% higher than 2013 and comfortably the highest in our 13 year history. Operating margin was 11% and EBITDAR as a percentage of revenue was 22.5%, both records for the airline and amongst the highest in the industry. We took delivery of one Boeing 767, three Airbus 320s and one Embraer 190 aircraft and retired four aircraft, resulting in a year-end average fleet age of 5.5 years, the lowest in the region and one of the lowest in the industry. This was a major factor in an improvement in punctuality from 84.6% to 88.5%, a record for us, and one which compares favourably with EU and US average punctualities of 83.7% and 79% respectively. The Boeing 757 cabin retrofit programme was completed to a high standard and the dedicated "Shanyrak" Business Class Lounge was opened at Astana International Airport. These both contributed to the airline being awarded Best Airline Central Asia and India for the third consecutive year, and Best Staff Service for the same region for the second consecutive year, at the Skytrax Global Annual Awards ceremony held at the Farnborough Air Show in mid July. All of the above culminated in the award of Global Market Leader, for opening up new air travel markets, from Air Transport World at an awards ceremony held in Washington DC in February 2015.

The successes of 2014 can be attributed to three things: firstly, continued work on reducing both operational and non-operational cost through greater internal efficiencies, lower fuel prices (outside Kazakhstan) and the award of long-term contracts at excellent rates for large expenditure items such as heavy maintenance and aircraft spares; secondly, continued focus on improving operational reliability and ground and inflight services to customers, for which no attempt was or will be made to save cost; and thirdly, an internal campaign, referred to as the HEART programme, to update and simplify the company's mission, goals and values, and to obtain full support for them from all of the airline's supervisors, middle and senior managers, through a series of enjoyable

and stimulating events held in Kazakhstan and abroad. The latter initiative was in the context of a transformation programme launched by the Samruk-Kazyna National Welfare Fund for all of its subsidiaries, which aims to maximise the economic value of the Fund through better utilisation of financial assets and human capital. Air Astana, as a relatively young joint venture, suffers from few if any of the legacy issues of the older companies however, after 13 years in business, management recognises that the unique corporate culture of the airline needs to be both distilled and re-emphasised, particularly for the benefit of the younger and newer members of the team.

After nearly 10 years in this job, it is my firm conviction that it is this corporate culture, or organisational behaviour, as business schools would call it, which is the driving force behind our continued success. Air Astana people are selected and promoted on merit alone. We try to communicate clearly and honestly with each other, to take pride in our own and our colleagues' achievements, and to avoid blaming or finger-pointing. This does not mean that there is no accountability. Given the risks inherent in the airline business it is essential that procedures are comprehensive and clear, regularly updated, and strictly adhered to. However, this needs to be balanced by a culture which encourages people to admit mistakes and to report problems, and to acknowledge the need for personal or organisational improvement, without fear of retribution or punishment. For this so-called "just culture" to work, there must be total confidence in the reliability and integrity of internal systems (both IT and business), operating procedures, the appraisal and reward system, and management information. The company has invested heavily in all of these over the years and continues to do so. To take one example, a great benefit of having reliable management information is the ability to react quickly when things go wrong. Last year's devaluation was a major challenge for a company with the bulk

of its revenues in tenge and expenses in dollars, and it required immediate and decisive action. Had the information available to us been less reliable, we might well have made some poor decisions in the heat of the moment but as it was, the right information led to the right decisions, particularly in terms of measures taken to reduce unit cost. At the end of the year this stood at US\$7.2 per Available Seat Kilometer, a reduction of 9% over 2013 and one of the lowest in the airline's history. Once the comparative figures are publicly available I have no doubt that our unit cost will prove to be very nearly, if not actually, the lowest of any full-service airline in the world. It is this solid platform that enables us to be continually profitable in the tough market conditions prevailing at the present time, and which will allow us to take full advantage of the recovery, which will follow, as we continue to exercise our leading role in the development of Kazakhstan as this vast region's transportation hub.

I would like to conclude, as usual, by thanking our customers for their continued loyalty, our shareholders Samruk-Kazyna and BAE Systems PLC for their great support, and my colleagues around the world for all their hard work and dedication.

**Yours faithfully,
Peter Foster**



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY

We treat every person with whom we come into contact, customer or colleague, as a guest. We are warm, friendly and tactful, always willing to help.

OUR COMPETITIVE ADVANTAGES

Over the past 13 years, Air Astana has proved to be a true Kazakhstani success story and delivered consistent and profitable growth in one of the world's most challenging industries – aviation. In 2014, the airline delivered a record operating profit despite a currency devaluation in our domestic market and continued economic and political headwinds in Ukraine and Russia, two important markets for us.

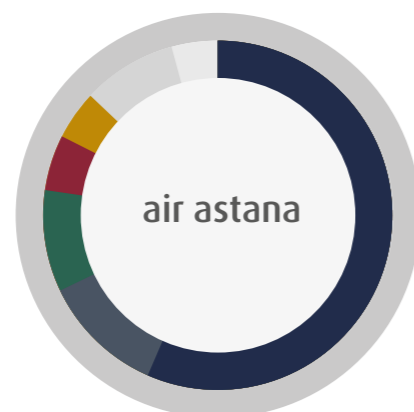
Air Astana's strong performance in 2014, despite economic challenges in our domestic and extended home market, reflects our competitive advantages, including the strength of our network, our young and efficient fleet, our technical base, ability to promptly adjust to changing circumstances and efficient cost structure. As a result, we continue to deliver consistent dividend payouts to our shareholders, are able to continue expanding without any funds from our shareholders and make significant contributions to the state budget of Kazakhstan.

■ Our Network

The aviation market is cyclical and dependent on the health of the economy of the countries and regions in which an airline operates. The global aviation market continues to rebound after the 2008-2009 global financial crisis, although the CIS markets faced a challenging year in 2014 and will again in 2015, mainly driven by geopolitical factors involving Russia and Ukraine and currency weakness driven by the decline in the oil price in late 2014.

Frequencies by Destination (2014)

- Domestic
- Russia
- Other CIS
- Turkey
- UAE & India
- Other Asia
- Europe



Source: Company

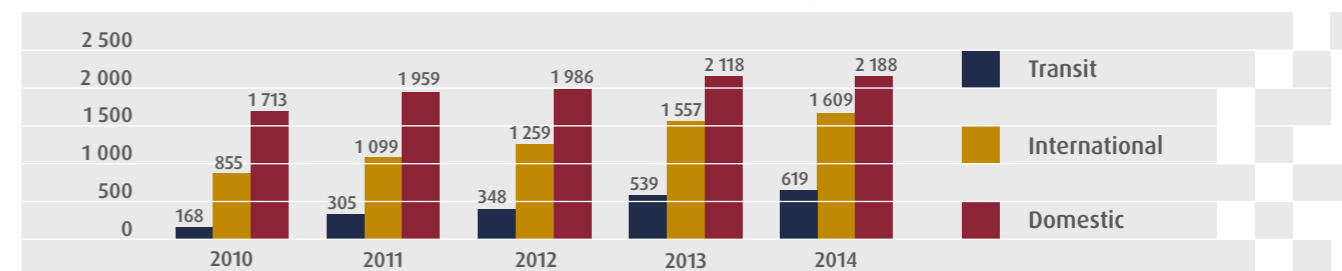
We operate in a dynamically growing economy located in the Heart of Eurasia. In 2011, Air Astana launched its innovative “extended home market” strategy targeting the underserved and fast-growing markets

of Central Asia, southern Russia, the Caucasus and Northwest China, a region encompassing around 75 million people.

We believe our extended home market retains enormous long-term potential. Prior to 2014, CIS markets accounted for five of the 10 fastest growing markets in the world according to IATA forecasts and retain enormous long-term growth potential due to their large populations, strategic geographic position and economic potential.

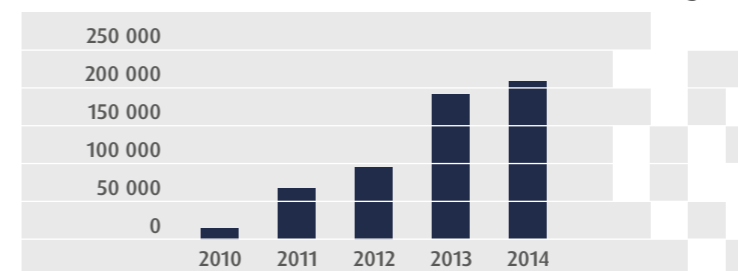
We were able to use this spare capacity to boost revenues in major hard currencies through higher international fares and a 10% increase in transit traffic, as well as launching high-margin charter services, taking advantage of our unique network in our extended home market – for example the ability to transit efficiently from Urumqi to Frankfurt, Istanbul, Dushanbe – as well as reach destinations in the European and Asia Pacific markets. Our ability to react quickly to short term changes in our core markets gives us important flexibility in a challenging environment.

5-Year Growth in Domestic, International & Transit Passengers ('000)



Source: Company

5-Year International to International Transfer Passenger Traffic



Source: Company

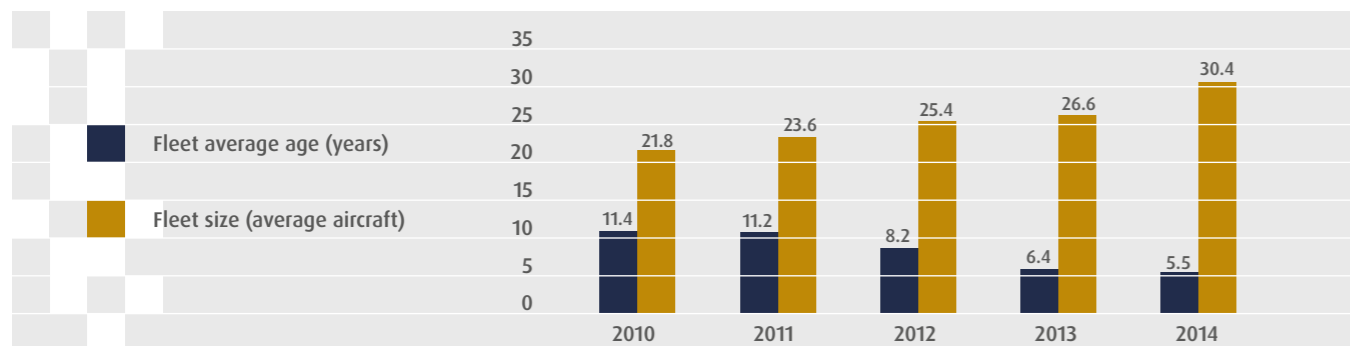
Our Young and Efficient Fleet

Air Astana has a fleet of 30 jet aircraft and, thanks to continued investment, one of the youngest and greenest fleets in the industry. Our fleet includes four different aircraft types suited to our route network and passenger volumes, with capacity ranging between 97 and 223 seats and suited for the unique aspects of each of our markets.

The sheer geographic scale of our domestic market and low population density – Kazakhstan has 17 million people but is roughly the size of Western Europe – requires aircraft that are not large but have sufficient range. In order to operate profitably we need to carefully align capacity by aircraft type on every route.

We currently have four basic aircraft types: Boeing 757, Boeing 767, Airbus A320 family (319, 320, 321), and Embraer 190. The Boeing 757 and 767 have a common flight deck, so in terms of flight crew we are training for three basic types of aircraft. Air Astana's Boeing 787 order will see its first delivery towards the end of this decade.

Air Astana Average Fleet Size & Average Age (2010-14)



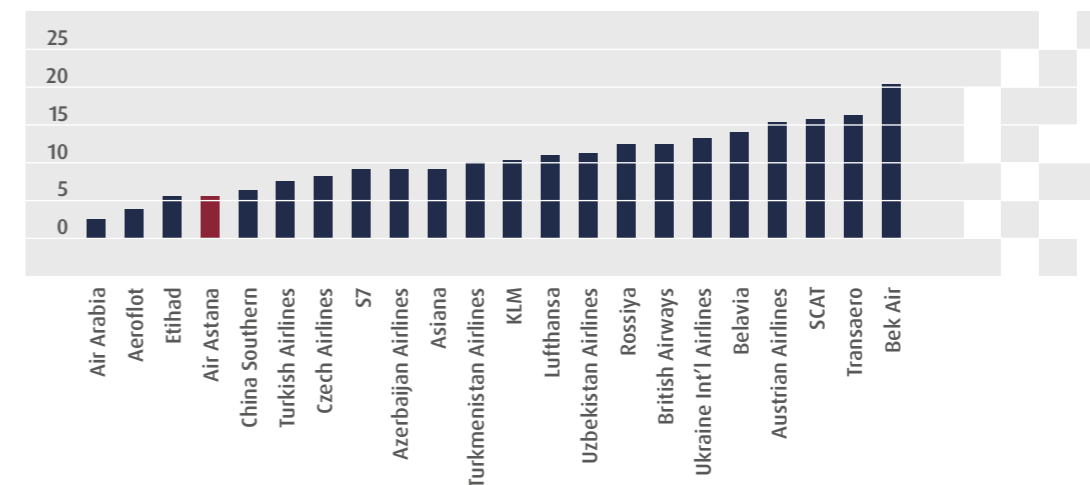
Source: Company

Over the past five years, our fleet size has grown from around 20 aircraft to 30. In addition, in line with our long-term strategy, we have increased the number of aircraft we own, allowing us greater standardisation across our fleet. The average age of our aircraft was reduced from 11.4 years in 2010 to 5.5 years in 2014, as a result of new aircraft deliveries and return of older leased aircraft to their owners. We acquired five new aircraft in 2014, seven in 2013, six in 2012 and three in 2011 or in other words, 70% of the fleet has been delivered over the last four years.

Our fleet age compares favourably with airlines globally and with those that fly in the CIS and our extended home market. In particular, it is

almost half the average fleet age of major CIS operators, which averages 11.2 years¹. A young fleet, which uses fuel more efficiently, contributes to our reduced carbon footprint.

Average Fleet Age Comparison

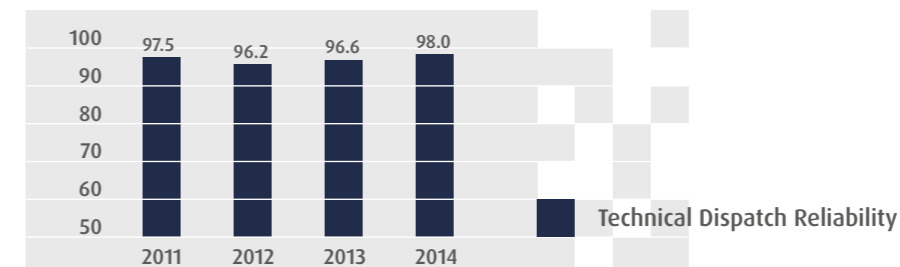


Source: Airfleets.net; Company. Latest available data.

Our Technical Base

Our 98% Technical Dispatch reliability rate in 2014 reflects both the reliability of our young fleet and strength of our maintenance standards. We operate average flight segments of more than 2,000 kilometres and need to make sure we have access to maintenance facilities at distant airports. We face and overcome considerable logistical challenges to make sure we have the spare parts and facilities in place to ensure the safe and efficient operation of our aircraft.

Technical Dispatch Reliability (%)



Source: Company

¹ Source: Airfleets.com

We continue to make major investments in facilities and training, permitting us to carry out an ever greater array of maintenance work without having to send aircraft abroad. In 2014, we completed preparations for building a new, well-equipped year-round facility in Astana. Our capabilities also mean that we are a trusted partner for maintenance services for international airlines that require maintenance on the ground in Kazakhstan.

We operate in a country where all airlines, except for Air Astana, are banned from flying in the EU due to deficiencies in the national safety oversight system. In 2014, the EU lifted frequency restrictions imposed on Air Astana in 2009, allowing us to increase the number of flights to EU destinations. The strength of our training, technology and systems ensure we are able to meet the highest global safety standards, giving us access to Europe and the global aviation market.

■ Efficient Cost Structure

For an airline, costs are either fixed (i.e. aircraft, overheads), variable based on load factor (passenger and cargo volumes), or variable based on utilisation (number of flights and distance flown). Service-level based variable costs are harder to adjust and represent about 70% of total variable costs. A relentless focus on cost efficiency allows us to maintain profitability in challenging business conditions, while creating conditions for increasing margins as the macroeconomic situation improves and maintain flexibility to promptly adjust to downturns.

In 2014, Air Astana recorded operating costs per average seat kilometre (ASK) of US\$7.2 in line with peer airlines. Revenue per revenue passenger

kilometre (RPK) yield stood at US\$12.4, down slightly year-on-year. The airline's passenger load factor (PLF), which has remained relatively steady over the past five years, was 65% (69% on domestic routes and 63% on international routes) compared to IATA's estimate of 79.9% for the worldwide industry in 2014. Our effective cost controls translate to a much lower break-even load factor, a level at which many of our international peers could not sustain their profitability.

We took robust and timely action the impact of the February 2014 devaluation of the Kazakhstani tenge on our business. We originally planned an ASK increase of 10% last year. However, we acted promptly to changing economic conditions and trimmed our plans to a more modest but sustainable 2.4% growth rate. The network was optimised, and the excess capacity was re-allocated to the charter market producing a strong margin.

Air Astana uses the PROS Revenue Management System, which allows us to dynamically adjust pricing and capacity based on demand and the fares offered by competitors. This data and analytics driven tool helps ensure that we maximise revenues, and not just load factors.

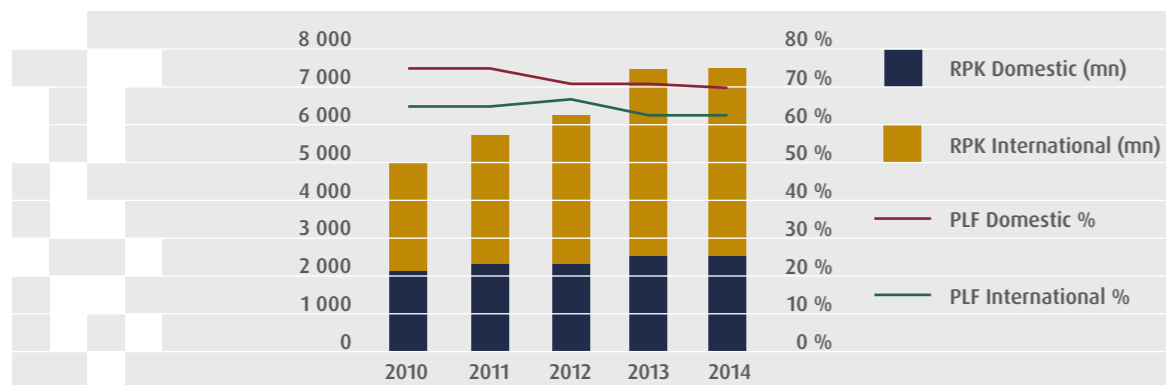
■ Return on Investment

While the global airline industry has seen many examples of highly subsidised and unprofitable airlines, Air Astana's competitive advantages have helped it grow rapidly and deliver consistent long-term returns on investment for shareholders and contributions to the state budget. We have been able to finance our aircraft leases and purchases without recourse to state support.

In sum, we have returned more than US\$100 million to our shareholders in dividends since inception of their original investment of US\$17 million while retaining sufficient resources to invest in future growth. In terms of return on invested capital (ROIC), a key efficiency measure, our 13% rate compares favourably to IATA's estimated 2014 level of 6.1% for the global airline industry.

The Government of Kazakhstan, through its ownership of our majority shareholder, has had the additional benefit of tax revenues from a growing and profitable enterprise, a total of US\$330 million since we started to operate in 2002.

5-Year RPK & PLF - International & Domestic



Source: Company



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY

We are professional people who produce high quality results with knowledge and style. We maximise our skills and use our time efficiently.



MANAGEMENT REPORT

STRATEGIC AND COMMERCIAL PLANNING

ALMA ALIGUZHINOVA

**SENIOR VICE PRESIDENT,
STRATEGIC AND COMMERCIAL PLANNING**

The airline's 10-year strategy through 2020 was developed and approved by the shareholders in 2011 and based on three economic scenarios – high, medium and low growth. The core directions of the strategy are: to enhance our position as the regional leader in Central Asia and the CIS by striving for excellence in safety and service, network development with the focus on short and medium range markets, as well as niche long haul routes, sound investment and fleet decisions, investing in technology, maintenance capabilities and development of human capital.

Air Astana's transparent corporate governance structure, based on the best international practices, serves as the foundation of our strategic decisions and daily activities. In line with the strategy, the five-year business planning cycle is run on an annual basis to give our stakeholders a clear and up-to-date view on the level of planned activities, financial projections and capital investments.

Alongside with the Strategy and Business Planning activities the key functions of the Strategic and Commercial Planning Department include Fleet Planning and Aircraft Portfolio Management, Network and Schedule Planning, Revenue Management and Corporate Development.

The tenge devaluation led to a slow-down in growth in 2014, driving important network decisions as we adjusted our plans. Mitigating the impact of the devaluation was central during the year. This process involved implementing several measures, including slower near-term capacity and network growth, and our success in this area was instrumental in maintaining the airline's growth in the face of challenging economic headwinds.



AIMAN TILEUBAYEVA

**VICE PRESIDENT,
NETWORK AND REVENUE MANAGEMENT**

■ Network Development

Our response to the challenges posed by devaluation was to take robust and timely decisions regarding our network, identifying less profitable routes and revising plans for future network and capacity growth. Our original plan for 2014 was to increase Available Seat Kilometres (ASK) by 10%. However, during the year, we trimmed our plans to a more modest but sustainable 2.4% growth rate.

We had deferred planned growth on our Almaty and Moscow route in view of economic conditions in Russia, a factor impacting our Central Asian routes as well. We suspended flights between Astana and Orenburg, and between Atyrau and Moscow. We also reduced the

frequency of flights between Almaty and Samara, and between Almaty and Kazan. We also aligned capacity and demand between Atyrau and Amsterdam more closely, by changing the operating equipment to an Airbus A321 from a Boeing 767.

Due to the geopolitical and economic situation in Ukraine, we reluctantly took the decision to cancel the Astana-Kiev route and reduced the frequency of Almaty-Kiev flights. In part due to this spare capacity, we were able to expand our South East Asia flights. We also focused on maintaining transit traffic, which rose by 10%, providing an important additional share of international revenue to balance a decline in domestic purchasing power after the devaluation.

In 2014, we implemented a code share agreement with Asiana Airlines and Air India, which gives customers better ticket purchasing, routing and transfer options for travel to and from South Korea and India and opens new possibilities for developing these two large and exciting markets for both direct and transit travel.

After this selective rationalisation of ASK, Air Astana found itself with spare capacity. This allowed us to launch the airline's first-ever charter programme, with the launch of summer season flights to Barcelona and Antalya. See Sales and Marketing section below for additional details.

■ Fleet Portfolio

We have built one of the youngest fleets in the industry in recent years. Out of the 30 aircraft in the fleet, 21 were delivered between April 2011 and July 2014. During the year, as part of the fleet renewal programme, Air Astana took delivery of a new Boeing 767, the third in our fleet. The aircraft was financed under US Export Import Bank guarantees. The updated business class on the new aircraft and improved service levels made us more competitive on the market. We also added three new Airbus A320s and one Embraer E190 aircraft under operating lease agreements. All of the aircraft were delivered directly from the manufacturer's assembly lines.

During 2014, the airline extended the lease terms of two Airbus A321s and one Airbus A319 aircraft and continued discussions with lessors regarding future aircraft deliveries. However, in 2015, there will be no additional aircraft and only one more unit planned for 2016, and we have also postponed a planned Boeing 787 acquisition.

A study is in progress for the replacement of the Boeing 757 fleet, based on the market forecast to 2030. The study, covering the period 2015-2030, will provide us with a clear vision of our fleet over the long term and ability to implement our fleet strategy.

■ Business Planning

A new five-year business plan for the period 2015-2019 was developed to provide an up-to-date reference point for moving the airline into the future. The new plan takes into account the latest economic conditions and the market slowdown that followed the devaluation in February 2014. In connection with these economic developments, we have had to review our plans regarding the future fleet.

We will continue discussions with the lessors and aircraft manufacturers on new aircraft deliveries, with the goal of securing the best deals for the airline.

■ Revenue Management

There is a strong correlation between Air Astana's passenger growth and Kazakhstan's GDP, which grew by a preliminary 4% in 2014². Air Astana experienced 3% passenger growth in 2014, down from growth rates of 13% in 2013 and 9% in 2012, an expected result of the tenge devaluation. Along with the steps above, we were able to mitigate the impact on our revenue by increasing our international fares in tenge. We are pleased to have maintained positive growth and, through the steps outlined above, to have preserved solid revenue and profitability growth.

■ Corporate Development

The Corporate Development function provides support to the Corporate Secretary in working regularly with our Board of Directors and shareholders, as well as the Company more widely, to improve the compliance process and enhance corporate governance in line with international best practices.

Our key values in terms of corporate governance are transparency, legality, ethical behaviour, and responsibility to our stakeholders, including our employees, partners, customers and society.

² Source: Committee on Statistics of the Republic of Kazakhstan

■ OUTLOOK FOR 2015

Key plans and outlook for the Strategic and Commercial Planning department include:

- Expansion in 2015: Paris-Astana three weekly service will begin in March, new routes Astana-Tbilisi, Astana-Seoul, Astana-Uralsk will increase capacity in existing markets.
- While we do not expect significant passenger growth again in 2015, since late 2014 we have enjoyed the effects of lower fuel prices, so the airline has some margin for pricing, allowing us to stimulate traffic, both domestically and internationally.
- No new aircraft deliveries planned for 2015.
- We have seen the Kazakh GDP growth forecast for 2015 fall from 6% to 1.5%, so we have decreased our projected passenger growth rate from 8% to 5%.
- We plan to finalise the decision on the Boeing 757 replacement, due for completion by the end of the decade.

SAFETY



GERHARD COETZEE

**SENIOR VICE PRESIDENT,
CORPORATE SAFETY AND QUALITY ASSURANCE**

Safety is a core value for Air Astana and the safety of our operations is an overriding priority. We adhere to the highest international standards and best practices, supported by a Safety Management System (SMS) with structured and comprehensive processes for risk identification, analysis and mitigation.

Responsibility for aviation safety rests with operations departments at all levels, from senior management to frontline staff working safely under acceptable conditions. Their effectiveness relies on the support of all Air Astana employees, and, in particular, an independent Corporate Safety and Quality Assurance Department (CS&QA). This department monitors compliance and coordinates SMS implementation across the airline, and promotes a culture of safety throughout the business.

Air Astana's compliance with international standards of safety and security is monitored by regulatory authorities including Department of

Civil Aviation (DCA) of Aruba, where our aircraft are registered, the European Aviation Safety Agency (EASA) for airline maintenance (EASA Part-145) and the Kazakhstan Civil Aviation Committee.

The IATA Operational Safety Audit (IOSA) also evaluates Air Astana's safety standards. IOSA is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline. It evaluates all facets of operations, including: organisation and management, flight operations, flight dispatch and operations control, aircraft maintenance and engineering, cabin operations, ground handling, cargo handling and operational security.

During the fourth and most recent IOSA renewal audit in April 2013, Air Astana once again demonstrated compliance with global safety standards by successfully passing the audit without any findings or adverse observations related to SMS. Air Astana remains the only air carrier in Kazakhstan to maintain IOSA certification. The next IOSA renewal audit will be held at the airline in May 2015.

The airline, in liaison with our insurance underwriters, contracted an external independent assessment of the SMS by Tetrattech in 2014. A positive report was delivered to the Aviation Safety Review Board (ASRB) in February 2015.

■ ICAO Audit and Impact on Operations

In 2009, the ICAO safety audit (USOAP) of Kazakhstan's regulatory aviation safety oversight resulted in two significant safety concerns that again led to all carriers from Kazakhstan, except Air Astana, being banned from operating to the EU. The EU Journal minutes the exemption as based on: oversight by the Aruba DCA and the UK Civil Aviation Authority (where our aircraft are registered) and our commitment to continued safety performance improvement. However, the exemption "froze" the operation in terms of routes, frequencies as well as aircraft used. In 2012, the restriction on aircraft used was removed while in 2013, the airline was allowed to open a third frequency to London. All frequency restrictions imposed on Air Astana by the EU in 2009 were lifted in April 2014, as minuted in the EU Journal by the Air Safety Committee (ASC). It noted the airline's ability to adapt to changes, and the systems in place allowing for safe flights.

An ICAO Coordinated Validation Mission follow-up audit of the civil aviation regulatory system of Kazakhstan was conducted in May 2014. The significant safety concern pertaining to the issuance of aircraft

certificates of airworthiness was closed while the significant safety concern regarding Airline Operator Certificates remains.

The EU also monitors the safety performance of all operators to and in the EU through the Safety Audit of Foreign Aircraft (SAFA) programme. Air Astana is subject to approximately 40 inspections a year, carried out by specialists in the countries to which we fly. The results of these inspections in 2014 continue to reflect positively on the airline despite an increase in the number of inspections, which has earned us kudos from several national authorities.

In 2014, Air Astana continued to support the Kazakhstani regulator in implementing ICAO required safety improvement initiatives. These include a National Bird Strike Prevention programme and Runway safety teams at major Kazakhstan airports, as well as assigning experts to help in the engineer licensing administration process.

In addition, in 2014, Air Astana submitted the initial application for approval to become an EU Third-Country Operator (TCO).

■ Compliance to Standards

Our quality assurance process monitors processes related to airworthiness and operations (including maintenance) to ensure compliance with Air Astana's standards. These standards combine applicable regulatory requirements and international best practices.

The internal compliance-monitoring programmes are complimented by membership and active participation in IATA safety and quality audit programmes. These include: (IATA) Safety Audit for Ground Operations (ISAGO), Fuel (IFQP) as well as De/Anti-Icing (DAQCP) quality pools. Our membership of and active participation in global safety audit programmes reflects our determination to perform to the highest standards.

Two more Air Astana staff qualified as IOSA auditors while three ISAGO auditors expanded their qualifications during four audits in Europe, Russia, Hong Kong and Kazakhstan. Air Astana's Fuel Quality auditors conducted 14 audits of fuel installations and managed the acceptable resolution of IFQP findings at a regional airport. While the findings were unresolved, the airline suspended fuel uplift at the airport implementing tankering or landing at a nearby Kazakhstan airfield to refuel.

With the move to an all-jet aircraft fleet in 2012 we ceased flights to two domestic destinations (Semey and Uralsk), where we deemed the

runways unsafe for jet aircraft. Termination of operations to Petropavlovsk also took place the previous year after safety and compliance audits unfortunately found the risk unacceptable. After the reconstruction of Uralsk's runway in 2014, Air Astana conducted a safety and compliance audit. While the runway was now in an acceptable condition the audits found that deficiencies, primarily in emergency services, did not permit the resumption of flights to Uralsk. The deficiencies were resolved and operation commenced in January 2015.

We continue to work with domestic airports to promote infrastructure, equipment and safety related services that meet our standards. Many challenges remain and Air Astana continues to advocate a scientific and analytical approach, for example in dealing with the increase in ramp damage or in habitat management solutions to mitigate bird strikes.

Compliance monitoring was expanded by the QA and the Aviation Security department by more closely involving Station Managers, who now provide regular assessment reports. We are also in the process of implementing a passenger screening procedures survey by educating selected staff to provide their experience and observations of airport security. In the case of one airport, we terminated all cargo operations following the results of a security audit.

■ Accident Prevention Programme

While compliance to appropriate standards and good training are the foundation for any safe operation, the airline accident prevention programme also aims to detect and mitigate operational risks that manifests regardless and could cause an accident.

All accidents come from unsafe acts and it is acknowledged that safe practices and behaviours are underpinned by a culture of competence and trust. The characteristics are engendered by fostering learning, reporting and informed cultures while practising a fair or just culture where mistakes are learnt from and violations (wilful non-compliances without acceptable substantiation) has to be accounted for. To minimise mistakes all departments follow Human Factors training and education programmes.

Critical to our safety programme is a variety of hazard identification processes, such as safety reporting, Flight Data monitoring (FDM) or data analysis. All of the processes have mitigation as an integral part relying on good investigation techniques and experience. The FDM programme monitored 91% of all flights in 2014, identifying, quantifying, assessing and mitigating potential operational risks by focusing on

trends and cause(s) thereof. Exceptional events are investigated in liaison with Flight Operations management.

The airline encourages a reporting culture and we are pleased that safety reports increased by 20% in 2014. The increase is mostly from Cabin and Ground Services reflecting a pro-active safety culture and camaraderie by sharing hazards observed with colleagues.

The airline conducted 14 internal and, on behalf of the National Investigation agency, another 15 ICAO Annex 13 incident prevention investigations. The four departmental safety action groups met monthly where hazards were also reviewed, as did the Flight Data Review Group and Fatigue Risk meetings. The Aviation Safety Review Board, chaired by the accountable manager and attended by operations department heads, met nine times to review operational safety risks.

The Safety Performance Indicators (SPI) and action plans are reviewed quarterly. Acceptable and target levels of risk, accurate data, benchmarks to compare performance and more effective action plans to mitigate unacceptable risks continued to be refined to improve integrity to allow managers to decide their priorities based on the indicators. Air Astana, represented by the Safety Risk Manager responsible for developing the SPI process, continues to take a leading role in ICAO-EU regional experts safety team (IE- REST) activities for Flight Data analysis and SMS workgroup (FDG).

The airline fully acknowledges that lessons learnt from accidents that befell others and research conducted by reputable agencies need to be heeded. This is why we increased our integration with the international community by contributing and utilising international safety databases like STEADES, GDDB and FDX. Furthermore staff delivered presentations at seven international safety seminars inside and outside Kazakhstan.

Air Astana officially became a full member of the Association of Asia Pacific Airlines (AAPA) in June 2014. The Association is doing an excellent job in engaging with government and other stakeholders on a number of issues important to Asian airlines, including market access, safety, security and environment. The Association also allows Air Astana to participate in various Committees and Working Groups.

■ Safety Education

Our investment in training continues: more than 14 staff members have undertaken formal auditing, investigations or safety management training in 2014. The Corporate Safety and Quality Assurance Department

reviewed and amended internal safety education and promotion programs in compliance with international standards and best practices.

Air Astana is committed to safe operations by acknowledging that the dynamic aviation environment demands pro-active detection and mitigation of operations risks. This requires managed collaboration and transparency that can only be achieved by fostering a safety culture appropriate for our environment and responsibilities as an airline.

■ OUTLOOK FOR 2015

Key plans and outlook for the Safety and Quality Assurance department include:

- Commitment to maintain our record of zero accidents.
- Integrate QA and Safety sub-departments by their line-operations function to achieve more effective risk mitigation.
- Continued improvement of SMS as verified through a positive IOSA in May 2015.
- Implement performance auditing, starting with Line Operational Safety Audit.
- Implement “leading-SPIs” and expand benchmarking.
- Improve internal expertise on internationally recognised high-priority areas, such as flight-path management, fatigue and procedural compliance.
- Improve software, introduced in 2014, and data analysis process effectiveness.
- To obtain EU third-country operators certification in 2015–2016.

FLIGHT OPERATIONS



ANTHONY REGAN SENIOR VICE PRESIDENT, OPERATIONS

The year 2014 was a highly productive one for flight operations. We continued to introduce new technology such as the Electronic Flight Bag (EFB), which we are developing in collaboration with software solutions from our IT and E-Business department. In September, we began the operational evaluation phase on the Airbus aircraft.

In addition, we obtained Extended Range Twin-engine Operations (EDTO) operational approval and EDTO operations commenced in December. Meanwhile, the project to rework and simplify documentation has made significant progress in 2014 and will be continued into 2015. The main focus is to ensure operational policies and procedures are clear, making them easier for front-line personnel to implement.

■ Organisation

We maintained our upward trend in crew productivity in 2014 after a significant increase in 2013. Over the past two years we have increased crew productivity by 18%. The fuel conservation programme is now beginning to yield positive results with significant fuel savings made in 2014 compared to 2013.

From an organisational perspective, the priority is to ensure we have the right structures in place to support our continued expansion and new aircraft deliveries to the end of the current decade.

To that end, in 2014, Air Astana reorganised the Training Department in Operations. The objectives were to provide an organisation to support our growth and improve the standard of training. Air Astana is very committed to achieving the highest standards in this key area. To do so, in 2015 there will be significant technology enhancement in training which will improve and standardise the reporting and assessment processes. This will lead to advances in quality, efficiency and standardisation.

■ Training

In 2014, we trained 55 new pilots including 47 cadets. This involved initial cadet, simulator conversion and line training. In addition, there was significant development in developing our training capacity and outcomes in 2014. The Training Management organisation was renewed and streamlined to focus upon improving quality and standardisation. While it is important to deal with the specific characteristics of our fleets, it is also crucial to standardise and simplify. This enables a concentration on quality and generating a return on the significant training investment the company makes.

We plan continued investment in new technology to improve our reporting capability and have already commenced a programme for our instructors to further improve their skills. This, together with the new technology, should enable a higher quality output as well as improved standardisation.

Meanwhile, we continued our Ab-Initio pilot training programme, a long-term project to create a pool of highly skilled pilots from Kazakhstan. The programme is designed to train pilots to the highest international standards and nearly 200 candidates have already passed through the system. The training up to now has been provided by three schools, AeroSim, one of the world's leading aviation training centres, based in

Miami (Florida, US), Atlantic Flight Training, in Cork, Ireland, and Flight Training Europe in Jerez Spain. After graduating, the cadets are awarded an EASA Licence. In October 2014, six cadets from Air Astana completed their commercial pilot training in Spain.

We consider Ab-Initio a substantial but worthwhile long-term investment in time and resources to create a new generation of highly skilled pilots who will drive the future growth of Kazakhstani aviation. In 2015, we will use the two European schools. Air Astana is continuing to work with well established aviation partners in basic and simulator training. Our objective is to continue to make every effort to maintain the highest standards in training.

■ Extended operations

During 2014, we commenced Extended-range Twin-engine Operations (EDTO). This was achieved after we received approval from the Civil Aviation Committee (CAC). Ahead of obtaining approval, the company engaged Lufthansa Consulting to review our readiness for EDTO operations. We completed a programme of ground and flight training with our crews and commenced operations in December.

EDTO has many benefits: it improves regularity, reduces disruption and costs and enables us to extend our network further. This is a major milestone for Air Astana as EDTO experience will be an important factor in enabling network development to destinations, such as future transoceanic routes, requiring EDTO operations.

■ Electronic Flight Bag

During 2014, we received approval from the Civil Aviation Authority for EFB operations and commenced the operational evaluation stage on Airbus. At 18 kilogrammes or more, the traditional pilot's flight bag is not only heavy, but the production and distribution of paper documentation takes time, effort and resources. Through digital technology the EFB lightens the load and makes the management of operational documentation more efficient and comprehensive. The approval was granted on the basis of following European Aviation Safety Agency (EASA) standards, as outlined in the EASA AMC 20-25.

This innovation will place us at the forefront of operational support technology. The EFB project is an important part of our preparations for the introduction of the Boeing 787, a next-generation aircraft, the first of which are due for delivery in 2019. It will also bring significant

advantages in terms of simplification and accuracy in documentation control as well as weight reduction.

■ On-Time Performance

During the year, we continued our excellent on-time performance. Our performance rose to 88.5% in 2014. This is well above the industry average in Europe or the US for the same period and particularly notable in Kazakhstan's variable climatic environment. As a benchmark, Air Astana uses European and US on-time performance standards, and our results compare very favourably with them, despite the harsh winter conditions for operations in the region.

On a weekly basis, we review the root causes of any delays and work, wherever possible, to address these issues to minimise or eliminate delays in the future. We continuously strive to maximise our performance in this area, as we understand how important this is for our customers. Meanwhile, crew efficiency rose by 18% year-on-year despite tighter cost controls.

■ Fuel Conservation

Air Astana commenced a fuel conservation programme in 2013 to reduce both costs and our environmental footprint. Fuel accounts for about 30% of airline costs according to IATA and Air Astana is in line with this industry indicator. This is a significant portion of costs and must be managed, while fuel efficiency also reduces emissions.

There is a direct relationship between excess weight carried and increased fuel consumption, so Air Astana's objective is to reduce the weight carried in flying operations without having any impact on safety or our customers. We have pursued this project by engendering a "fuel conscious culture" in our operations team, which they have embraced professionally. This programme delivered significant savings in 2014. We intend to further develop this successful programme in 2015.

■ OUTLOOK FOR 2015

Key plans and outlook for the Operations department include:

- Our number one goal is to maintain the highest levels of safety for our crew and passengers.
- We are focused on delivering outstanding operational performance alongside safe operations, seeking to maintain and further enhance our already high on-time performance standards.
- We plan ongoing investment in crew training, including investments in training instructors, implementing new technology and introducing evidence-based training to help our crew prepare for a wider range of potential real-world situations.
- We intend to go operational with the EFB on all our fleets in 2015, the culmination of a multi-year project and technological breakthrough.
- We plan to train 25 to 30 cadet pilots annually to 2020 to meet the needs of our growing fleet.
- Launch of "green training programmes" planned for 2015 for our crews to reduce our carbon footprint while improving operational efficiency and continue to promote a more fuel-conscious culture.
- Focus on improving and streamlining documentation, while adhering to local and international regulatory guidelines and best practices, so that our policy guidelines and procedures can easily be understood and implemented by front-line operational personnel.

ENGINEERING AND MAINTENANCE



JOHN WAINWRIGHT SENIOR VICE PRESIDENT, ENGINEERING GROUP

Air Astana's Engineering and Maintenance Department is committed to ensuring the highest standard of flight safety as well as increasing the efficiency of aircraft maintenance. We seek to be a regional leader in terms of engineering capabilities, with leading maintenance, repair and operations facilities in Kazakhstan. We carry out engineering and maintenance of aircraft in accordance with the requirements of the European Aviation Safety Agency (EASA).

The year was a busy and successful one for Engineering and Maintenance despite a challenging economic environment. Highlights of the year included taking delivery of Boeing 767, Airbus A320s and Embraer E190 aircraft and integrating them into our fleet, as well as the refurbishment of our Boeing 757s, and the return of four aircraft to their owners. We also focused on developing our Maintenance Centre in Astana, an advance for the development of our in-house maintenance capabilities, with construction of a new hangar due to begin in 2015.

■ Engineering and Maintenance

We maintain our aircraft in accordance with the requirements of EASA, the Aruban Department of Civil Aviation (DCA) and the local Civil Aviation Committee (CAC), all of whom routinely perform detailed audits of our processes and procedures, ensuring that all maintenance is compliant with the regulations in force.

Last year we achieved a 98% technical dispatch reliability rate, a reflection of our continued investment in equipment, systems and training. We also readily achieved our target for average technical delays of one minute and thirty seconds. In addition, we continued to expand the capabilities and certifications of our workshops, including expanding our capabilities for overhauling wheels.

Our maintenance activities included 18 major maintenance checks at various third party Maintenance and Repair Organisations (MROs) in Europe, China and the Middle East. In Kazakhstan we accomplished routine engine changes 'A' checks and unscheduled defect rectification.

With the escalation of A320 'C' check programme in 2014, we required two fewer 'C' checks this year, maintaining safety while reducing costs and downtime.

We currently are an approved EASA Part 145 Line Maintenance organisation. However, during the year we started work to obtain base maintenance approval. This will allow us much greater flexibility to conduct major maintenance checks and remains a goal for 2015.

During the year, we also carried out the overhaul and maintenance of all of our ground-support equipment and de-icing trucks. In addition, our Structural Workshop accomplished major repairs on aircraft damaged during operation.

In a major development for the airline, Engineering, in conjunction with Flight Operations, obtained approval for our Boeing fleet to be operated under the requirements of EDTO regulations, enabling shorter and more direct routes to be flown with consequent fuel savings. We are currently preparing our Airbus fleet to be included in EDTO operations during 2015.

Meanwhile, in line with initiatives across the airline to move to more efficient paperless systems, we implemented the STREAM electronic aircraft records systems.

SUPPORT DEPARTMENTS

■ Commercial Engineering

The department played a key role in supporting Air Astana's planning team in taking delivery of a third Boeing 767, three Airbus A320s and an Embraer E190 aircraft and integrating them into our fleet. In addition to deliveries, we successfully re-delivered two Boeing 767s and two Airbus A320s to their owners during 2014.

The fitting of the Boeing 767s with our bespoke cabins, along with fuel-saving winglets, was carried out in China, with teams from Commercial Engineering, Technical Services, Logistics and Maintenance involved in fitting lie-flat business class seats, RAVE in-flight entertainment system and mood-lighting.

In addition, we completed the planning and launched the refurbishment of our Boeing 757 fleet, refurbishing five aircraft to world-class standards during the year. This included the fitting of completely new cabins and exterior painting, carried out in the UK. In support of our new, improved product, our Total Cabin Appearance Department introduced many improvements in cabin cleaning, maintenance and operations.

■ Project Management

During 2014, the Project Management department made progress in advancing our plans to establish a Maintenance Centre in Astana, acquiring land and working with the airport and local authorities to complete necessary preparations for building the facility. In November, Samruk-Kazyna, one of our shareholders, approved the project.

We plan to begin construction of the hangar in 2015, with the structure due for completion at the end of the year and the facility completed in early 2016. While we have a maintenance base in Almaty, the construction of our own facility in Astana represents a major step forward for the airline, allowing us to carry out, year-round maintenance in our own facilities.

In addition, the department oversaw, in coordination with our IT and E-Business department, the implementation of an IT system for electronically controlling engineers' license and maintenance approval renewals.

■ Logistics and Customs

Our Logistics and Customs department arranged repair of around 1,700 rotatable spares and supported 18 maintenance checks. Some 13,500 shipments were made, including aircraft on ground (AOG) deliveries. A total of around 5,700 goods declarations were issued.

■ Training

In 2014, we continued to invest in training and facilities, expanding our in-house capabilities, raising standards and reducing costs for third-party services. In July, we moved our training department to a custom-built facility and launched a training programme for engineers to obtain EASA Part 66 Engineers licenses. The first group of six are now close to completion of the course. We also initiated a project to obtain an EASA Part 147 training approval.

Also during the year, Air Astana joined the European Aviation Maintenance Training Committee and received CAC approval to conduct mandatory Continuation Training.

■ Third-party Sales

In addition to supporting our own fleet of aircraft, we also provide third-party line maintenance as an EASA Part 145 maintenance organisation for several international operators, this provides an additional source of revenue for the airline as well as expanding our technical capabilities to cover aircraft types not in our fleet. During the year, we expanded our third-party line maintenance to include Hainan Airlines and China Southern in Almaty and Astana. A reciprocal agreement signed with Hainan provides us with maintenance coverage in Urumqi, China, with no additional fees.

■ OUTLOOK FOR 2015

Key plans and outlook for the Engineering and Maintenance department include:

- Starting the construction of Astana Maintenance Hangar.
- Obtaining EASA Part 147 Maintenance Training approval.
- Obtaining EASA Part 145 Base Maintenance approval.
- Obtaining CAC approval as a training organisation
- Continuing our EASA Part 66 license scheme.
- Maintaining our technical dispatch reliability rate.
- Obtaining A320 fleet EDTO certification.
- Escalating our E190 C Check programme.
- Expanding our workshop capability to include overhaul of brakes and cargo container repairs.
- Creating seat avionic and emergency equipment workshops and expand our Non-Destructive Testing (NDT) workshop to include X-Ray and thermo-graphic inspection.

IN-FLIGHT SERVICES



MARGARET PHELAN DIRECTOR, IN-FLIGHT SERVICE DELIVERY

Air Astana is renowned for the highest international standards of in-flight service. We became the first airline in Eastern Europe and the CIS to receive the coveted Skytrax 4-Star rating for passenger service in 2012, placing us among the world's leading airlines. We have met the challenge of retaining this rating in 2013 and again in 2014, a clear sign of the airline's dedication to the highest levels of passenger service.

Despite macroeconomic headwinds and higher cost pressures in 2014, we again delivered an improved experience for our passengers, enhancing our aircraft cabins, catering and amenities. Most of all, we delivered consistency and quality of service provided by our staff, both on the ground and in the air, providing Air Astana with a key competitive advantage through superior in-flight service.

■ Comfort and Convenience

In-flight services were directly involved in the cabin design of the new Boeing 767s and retrofitted Boeing 757s aircraft. These new aircraft have given us the opportunity to deliver superior service and to introduce full flat beds in business class for our long haul routes.

All of the B767s and three of the B757s in our fleet now have our RAVE integrated personal in-seat entertainment for an enhanced customer experience. We increased the amount of content available for in-flight entertainment, including adding popular Soviet-era films for long-haul flights.

In the meantime, we ensure, where possible, that we have a consistent product across our fleet. For instance, mood lighting was installed on both the B767s and B757s, along with new fleece blankets, to increase customer comfort on long-haul flights.

In 2014, we continued our programme of menu revision and improvement. There are now new menus in business and economy on seven routes, with more planned for launch in summer 2015. We continue to focus on quality and variety, and plan the introduction of a light cold meal service in Business Class inspired by European trends. New wines are being introduced, including both Kazakhstani red and white variety promotional wines on international routes.

■ Skytrax 4-Star Award

We retained our 4-Star rating at the Skytrax World Airline Awards again in 2014, with the rating based on passenger experience across business and economy classes. Air Astana was the first carrier in Eastern Europe and the CIS to receive this award, which reflects our relentless focus on customer service and satisfaction and it places us among the world's top airlines.

We were particularly pleased to have maintained this position despite the cost challenges posed by the tenge devaluation. The rating remains a mark of our commitment to outstanding customer service. We were also very pleased to win the awards for Best Airline, Central Asia and India, and Best Airline Staff Service, Central Asia and India.

■ Cabin Crew Performance, Training and Development

Cabin crew performance, as measured by passenger surveys, hit a new high in 2014. During the year, the average satisfaction levels increased by three percentage points to 95%, while one month we achieved an unprecedented 100% satisfaction level. The number of commendations from our passengers is up, while complaints are down.

Nonetheless, we always seek to improve our performance still further. We held Cabin crew forums in late 2014 and set even more rigorous standards for commendations and complaints for 2015. After all, we understand that our people are critical for delivering excellent customer service.

Last year, we introduced on-board coaching for crew, predominantly on long haul flights. Under the initiative, an additional senior crewmember joins the team and stands back, observing the crew's performance and offering on-the-spot advice. This initiative has been extremely successful in quickly raising standards.

We ran a series of training programmes for cabin crew and other customer-facing staff in 2014, including a practical session covering grooming and uniform, on top of our regular initial staff training sessions, which saw us train 253 new cabin crew members. We also held a presentation for Kazakhstan Temir Zholy (Kazakh Railways) to share our service training with them and demonstrate how our cabin crew deliver our award winning on-board standards.

During the year, we have developed and revised grooming and uniform standards, identified weaknesses in our uniforms and improved their appearance, while still paying close attention to key considerations of convenience, comfort and practicality. In April 2014, we launched a new uniform for pilots and throughout 2015 plan to continue to implement common grooming standards for all uniformed staff.

Air Astana continues to run its "Cabin Crew Recognition Awards" to help reward and motivate staff. Out of more than 1,000 cabin crew, 41 received awards in a variety of categories, with one overall winner. Prizes were awarded at a special, end-of-year glamorous gala evening previewed throughout the year. These awards reflect the importance of our cabin crew for delivering top service and are a vehicle for recognising superior performance.

■ OUTLOOK FOR 2015

Key plans and outlook for the In-flight Services department include:

- The launch of our Integrated Quality and Safety Management System in 2015 will increase the efficiency of cabin crew reporting, working hand-in-hand with new, paperless electronic “crew pads” which will allow reports to be written and filed electronically.
- New crew pads will give in-flight services the statistics to deal with issues more effectively and crews will be able to introduce themselves to business class passengers by name and see their Nomad frequent flyer status.
- We plan to upgrade the iPads in the business class cabins on participating flights, vastly expanding the range of entertainment on offer, while we continue to research in-flight internet access solutions.
- Our on-board coaches are expected to complete external training and qualification to further enhance their ability to help us deliver an even better in-flight service experience.
- We continue to review our menus in line with leading global and European trends.
- We also plan to introduce new business class amenity kits long haul and medium haul flights.
- After the popular launch of new, age-specific children’s gift kits at the end of 2013, we plan to launch new designs in the latter part of 2015.

GROUND SERVICES



PAOLO RICCIOTTI DIRECTOR, GROUND SERVICES

The goal of the ground services team is to make our passengers’ journey as comfortable as possible by ensuring a comfortable and hassle-free airport experience. We perform this task in dozens of airports worldwide. We made significant progress in 2014 on improving customer service in our airports in Kazakhstan, putting the right tools in place to handle rapid growth in passenger traffic, improving staff conditions to allow them to deliver even better for our customers.

Important highlights of the year included launching a new de-icing station in Almaty to help improve our already impressive on-time numbers and opening the first airline-owned and managed lounge in Astana and developed a new station control system to smooth the ground experience for our passengers.

■ Improving Capacity

The year 2014 was one of intense activity, with an emphasis on Customer Service and experience. The two main airports in Kazakhstan both suffer from capacity constraints, mainly in Almaty but also to some extent in Astana. If not addressed this may hinder our future growth, our ability to offer a sustainable level of customer experience, and slow the development of our hubs into the main transfer points in Central Asia.

We have been working closely with the relevant authorities on the capacity issue, and a great deal of work has been done to ensure that the Air Astana requirements and growth plan were accommodated in the Astana Airport Development plan. Similar discussions are still ongoing for Almaty Airport and we look forward to seeing new developments there in 2015. Also in 2015 we will roll out self-service check-in kiosks in Almaty, Astana and Shymkent airports, as well as off-airport locations.

We have also focused on our Almaty de-icing station, which became operative in 2014 and will improve our performance during the harsh Kazakhstan winters. In addition, we have developed new fluid facilities and can refill vehicles more quickly and safely. This has allowed us to cut the refilling time in half and consequently increased vehicle operational activity time.

■ Ground Handling

We have experienced rapid growth in the number of transit passengers and therefore have reviewed our system for these customers. To make their connections quicker and more efficient, we have put in place a new transfer counter and movable transfer information display boards. We encourage proactive interaction from our staff in welcoming and directing passengers and ensuring smooth baggage transfer.

A major new system, Station Hub Control, has been developed in-house. The new system will allow us to track and control the flow of passengers and baggage in real time. This greater overview of all aspects of Ground Handling activities will allow a more consistent and proactive approach to both on time performance, customer service and data integrity transmission. Transfer passenger and baggage tracking is also a feature of the system and it will produce specific reports for every single flight. The system was completed and entered testing in 2014.

■ Passenger Experience

In April, we opened our first Air Astana Lounge, The Shanyrak, in Astana. This is the first in Central Asia that is owned and managed by an airline. It offers a variety of hot and cold snacks, as well as coffee, tea and other drinks. The library section in The Shanyrak offers a variety of local and international newspapers and magazines and hosts an art gallery section where works of local and international artist are displayed on rotation.

■ Staff Training

In September, we launched a new training programme, derived from the HEART campaign, to provide our customers with the best possible service for our customers at our airports. We also put in place plans to shift staffing hours to improve working conditions. We believe both these initiatives will help improve customer experience by giving our people the right tools and working conditions to deliver superior customer service.

■ OUTLOOK FOR 2015

Key plans and outlook for the Ground Services department include:

- The roll out of the Station Hub Control system in our two main hubs Almaty and Astana is one of the key projects for 2015.
- We plan to improve the shift system for our ground staff, run on a new software platform, which we believe will improve staff efficiency and retention, while allowing us to fine-tune staffing numbers to respond to busy periods.
- We plan to advance preparations to build a new de-icing station in Astana to enhance efficiency.
- We are in dialog with regulators to develop a new cargo transit facility in Almaty.
- We plan to work with the Astana Airport authorities to ensure the building of a new terminal ahead of the Expo-2017 does not interrupt our operations.

SALES AND MARKETING



IBRAHIM CANLIEL SENIOR VICE PRESIDENT, MARKETING AND SALES

In 2014, we carried out a raft of both revenue generating and cost reduction actions in our Sales and Marketing department following the tenge devaluation to ensure sustained profitability. We worked closely with Network Revenue Planning to carry out network optimisation. In addition, the overall reduction in operated capacity let us enter the established and significant charter market as an interim measure to keep aircraft utilisation high while we continued to develop our strong e-commerce sales and launch our refreshed website and branding. With the implementation of the HEART programme, we saw immediate results with our sales staff in terms of our customer satisfaction.

■ Sales

International transit sales grew over 20% year-on-year, thanks to the efforts of our overseas sales teams and effective distribution. By the end of 2014, 13% of all international passengers on the Air Astana network were transit passengers travelling via Kazakhstan as their

transit point in Eurasia. Greater connectivity within our extended home market and the regional market made this possible, with the airline participating in developing multiple origin and destination markets from key markets like Istanbul and Moscow to Asia or niche markets like Urumqi, Bishkek, Novosibirsk to the Middle East and Europe. The total number of international-to-international network passengers in 2014 exceeded 200,000 for the first time.

We further enhanced distribution in 2014 by developing partnerships with other carriers. 2014 was the first full year of our code share with Turkish Airlines. In addition, after a consultancy process in the first half of the year, we improved the scope of distribution, as well as settlement mechanisms with partner airlines, including the development of a codeshare with Asiana Airlines between Almaty and Seoul. Operating frequency on the route was increased to three services a week using the new Boeing 767 aircraft.

An additional codeshare with Air India for our services between Almaty and New Delhi was also introduced in October 2014 to improve our footprint in the Indian Subcontinent. We aim to announce at least two additional code shares in 2015, after the reporting period, including one Asian and one European airline.

Our entrance into the charter market delivered improved aircraft utilisation of the entire fleet contributing to the cost management along with strong revenues and a healthy margin. (See Strategic and Commercial Planning section above).

Meanwhile, in 2014, the Cargo sales unit successfully migrated its reservation system to a new provider (CargoSpot) providing efficient and accurate processes across all stakeholders (agents, Marketing and Sales, Ground Operations and Finance). We also delivered a new product Express Mail in the fourth quarter of the year. In addition, a "Revenue-Plus" team was formulated to drive ancillary and incremental revenue.

■ Website

We re-launched our website with a new look-and-feel and functionality which continues to grow in popularity as a sales channel: the number of visits to Air Astana corporate website increased by 16% in 2014. The site saw around 80,000 page visits per day with number of unique visitors growing by 14%. Online web check-ins increased by 27%, from 963,000 passengers in 2013 to 1,223,000 in 2014, and the service is available for all airports in the Air Astana network.

During 2014 we added the facility to book multi-stop itineraries and process visas for Kazakhstani nationals intending to visit the United Arab Emirates. We enhanced mobile e-commerce, so customers can now book and purchase flights on the Air Astana app. This contributed to the distribution of Air Astana products on over 100,000 mobile devices.

Key initiatives included the launch of online top-up sale of Nomad club points in April, creating not only a new source of revenue but also giving our regular fliers a cost-effective way of using existing points. In addition, modifications were made in our online booking system to streamline the customer experience. We added a new multi-city booking system to make it simple for passengers to customise their travel itinerary. We have also carried out search-engine optimisation to increase customer traffic. Intuitive functionality of the website is a key priority for 2015 to drive growth of use and sale using airastana.com.

■ Creating A Stopover Market

Air Astana Holidays, the provision of commercial ground arrangements in Kazakhstan for visitors, was launched at the end of 2013 and developed successfully during 2014. The aim of the programme is to attract international travellers to Kazakhstan as both a transit and final destination by providing hotels, transfers and tours, with ski passes in winter and hiking options in the summer.

The project was given a significant boost in July 2014 when the visa requirement for ten nationalities (United Kingdom, United States, the Netherlands, France, Italy, Germany, United Arab Emirates, Malaysia, Korea and Japan) was relaxed.

Under the assumption that the passengers attracted to this programme would not have otherwise visited Kazakhstan, Air Astana Holidays delivered 2,000 incremental passenger segments in 2014. In addition, the 2015 brochure was developed, printed and put into distribution. It contains an extended selection of hotels in Almaty and Astana as well as tours and excursions in these cities.

Key tour operators and travel agents from across the network (Germany, Thailand, Hong Kong, Russian Federation, Azerbaijan and Uzbekistan) have been hosted in Almaty on agent familiarisation trips. A strategic local partnership with a key hotel provider in Almaty has both contributed to the attractiveness of these trips and led to cost sharing benefits.

■ Customer Relations

The delivery of the revised mission, goals and values drove the cornerstone of the customer service delivery actions in 2014. The proactive communication and actions by the Customer Relations unit has reduced the number of direct claims to the company by 20% in 2014. Response times from initial contact have been reduced to a maximum of three days. All passengers booking their travel via the corporate website are also now invited to complete a customer services questionnaire, improving the quality and quantity of feedback and suggesting key improvements. A customised mail with post-flight data on Nomad Club points is sent along with an invitation to participate in the online feedback forum to Nomad Club members. These actions drove a growth of customer feedback through online channels by 10 times.

The direct sales operation has also used technology to improve the efficiency of our procedures and we automated many processes in 2014, including special requests for infants, bassinets and meals, and allowing passengers to give their reactions to flight interruptions via SMS. We processed over 180,000 automated transactions in 2014. This efficiency has enabled the ticketing and reservations staffs to reduce the numbers of missed calls by 50%, achieve a 92% service level, and grow direct sales by 40% without any additional human resource. The target in 2015 is to establish a 5 seconds response level exceeding the 20 seconds response level of 2014.

■ Marketing and Brand Development

The marketing and brand development unit drove brand consistency across all channels in 2014. The Airport Ticket Offices in Almaty, Astana and Shymkent has been renovated to mirror the look of the new aircraft interiors. As well as supporting the tactical sales actions, this unit delivered strong corporate campaigns, such as "Colours of London" for the launch of the Astana-London route.

We were not confined to traditional, print, outdoor and online activities in 2014. Branded flash-mobs (Astana Day), and on-board promotional activity (Astana Cycling team) have captured on video and used to broaden the marketing mix. As with previous years, the unit has delivered high quality displays for international and domestic travel exhibitions and route expansion and the evolution of the brand will be at the forefront in 2015.

The rebranding prepared in the second half of 2014 will be launched in the first quarter of 2015. It is an evolution of the brand that will maintain the key elements but evolve others, especially advertising layout and colours, delivering a fresh and dynamic look of the Air Astana brand.

Air Astana's social network outreach increased in 2014, with regularly published branded content pushed out to a full range of social media, including Facebook, Instagram, Twitter and Google+. On a weekly basis this has generated 100,000 customer interactions (14,000 per day or 600 per hour). It has been used to both promote the airline's commercial agenda (new routes, special promotions, actions due to weather), as well as receiving consumer feedback and reacting to rapidly changing events.

■ Nomad Club Frequent Flyer Programme

The Nomad Club celebrated its seventh anniversary in 2014. Membership of the programme grew to over 165,000 members (including around 7,000 elite members). We have developed partnerships with similar brand value partners, giving us global contracts with hotel chains, car rental companies and mobile telephone operators. The Nomad Club membership has been effectively used to promote new routes using bonus points, as well as to support low demand routes and dates by offering lower redemption requirements.

Our frequent flyer club has also been used effectively to promote The Shanyrak, the new Business Class Lounge in Astana. All Elite members can use the lounge irrespective of class of travel as Nomad Club privilege. To exploit the commercial strength of this new product, Corporate Sales Agreements have been executed with a number of entities with the same entitlement.

■ OUTLOOK FOR 2015

Key plans and outlook for the Sales and Marketing department include:

- The rebranding and launch of new products, such as our new Paris service, are key priorities.
- Our innovative, flatbed economy sleeper product is being launched on B757 routes in 2015.
- We plan to launch a flight upgrade bid tool in the first half of 2015, providing an innovative and cost-effective mechanism for selling upgrades without eroding our existing business class base.
- Planned code-share launches with an Asian and a European carrier in 2015.
- We will launch our new redemption airline partnership, Asiana Airlines, allowing Asiana members to redeem their points for Air Astana operated flights and vice versa. Negotiations are ongoing with a major European carrier to implement the same.
- We plan to continue to attract the right partners for our Nomad Club members to bring them even better and more relevant offers as part of their membership focusing on personalised and exclusive offerings.
- We plan to launch automated confirmation of ground content for Air Astana Holidays, adding additional convenience to our holiday product.
- We are focused on continued growth of network, market share and transit traffic in our Extended Home Market.

IT AND E-BUSINESS



CHAMINDRA LENAWA VICE PRESIDENT, IT AND E-BUSINESS

In 2014, Air Astana continued to use innovative IT and E-Business initiatives to achieve competitive advantages, including improved customer service, cost reductions and operational efficiencies. In a challenging cost environment, the IT and E-Business department was able to use in-house resources to execute several important new IT projects for both internal and external use. A major continuing project during 2014 was developing major applications for the airline's core operations, including the Electronic Flight Bag and software to improve aircraft maintenance.

■ E-Commerce

Developed in close partnership with our Sales and Marketing Department (see above), Air Astana's corporate website remains the largest e-commerce operation in Kazakhstan today in terms of revenue through direct sales and it is a key channel of communications with our customers.

Its functionality, including online check-in and flight information, is an important contributor to our overall efficiency. We undertook a major upgrade of the look, functionality and feel of the corporate website in 2014, simplifying navigation and user experience with a more intuitive interface.

Our online marketing of the site took a major step forward in 2014 with the adoption of accurate e-commerce tracking and the development of on-screen adverts targeted at those consumers who had viewed, but not yet purchased, Air Astana flights.

Thanks to these efforts Air Astana managed to boost online sales in 2014, despite the devaluation, with the online sales revenue increasing by 20% compared to the previous year.

Air Astana received an "E-Commerce Market Driver" award in September 2014 to mark its major contribution to the development of domestic e-commerce in Kazakhstan.

■ Corporate Systems

Last year saw several initiatives for enhancing business systems to increase operational efficiency. The implementation of Cargospot, the new cargo management system, was completed on time and within budget in 2014. This system handles the sales, ground operations and revenue accounting for cargo operations. We also replaced the flight operations document system with a more cost-effective solution from Techpubs, which offers better functionality.

The enterprise resource planning (ERP) system was also enhanced for better performance. The IT team also upgraded the following systems in 2014: Hyperion budgeting and planning, engineering inventory management, Trax (engineering) and AIMS (operations management). The airline safety management system was also replaced with a new solution, which is both more functional and cost effective.

We continued to develop systems implemented for the airline's Electronic Flight Bag (EFB) technology. EFB replaces the paper documentation in the cockpit of the aircraft and is a breakthrough that will change how flight and ground crew communicate and exchange information. EFB was implemented for Airbus fleet and should be rolled out to the other aircraft types in 2015.

We also deployed AIRMAN software from Airbus allowing us to monitor the health of the Airbus fleet in real time. The system TC MAX was

implemented to provide better control on the issuing of engineering tools for aircraft maintenance in Astana hangers. A new solution was also implemented for management of technical documentation.

The updated Station Control System, which manages and monitors the operational activities of aircraft on the ground, represents one of the key in-house developments of 2014. The Company Certification Authorisation was developed for engineering and quality control, significantly improving the management of operational employees' industry certifications.

The incident management system, the emergency response website and the crew performance evaluation system were developed in-house and deployed in 2014, replacing previous third party products. Enhancements were also made to the sales management system, special request processing system and technical supplies management system.

Reliable IT infrastructure facilities are also needed for supporting the business. Significant improvements were made on the data communication channels that did not incur additional costs. The software platform used for handling user requests, remote user support, change management and asset management was enhanced, and several new implementations in the departure control system were also carried out in 2014.

■ OUTLOOK FOR 2015

Key plans and outlook for the IT and E-Business department include:

- Continued rollout of the EFB in our fleet.
- Ongoing development of ERP systems across the airline.
- Rollout of the Station Control System in Almaty and Astana following development and testing in 2014.
- Further development of the website look and functionality in line with ongoing rebranding.
- Continued roll-out of Techpubs flight operations system.



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY

We anticipate and respond to the needs of customers and colleagues. We do things to the very best of our ability and are always looking for ways to improve.

RISK MANAGEMENT



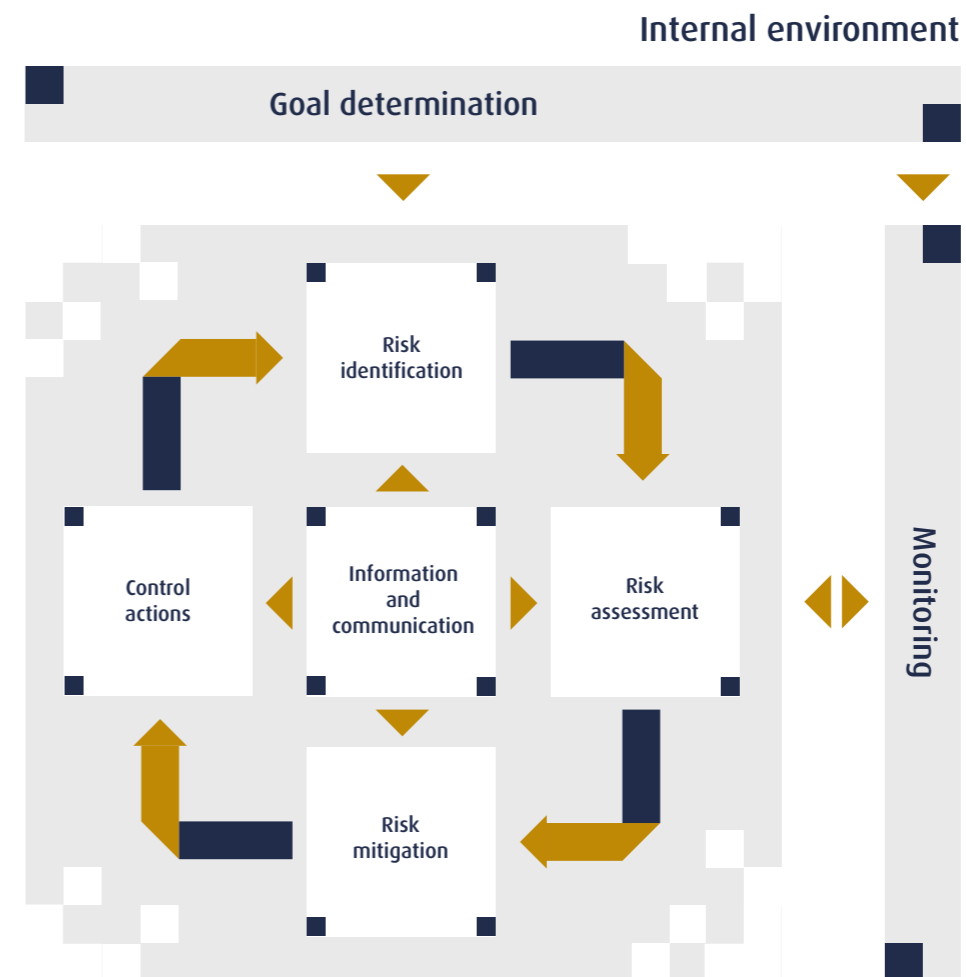
AIZHAN OMAR
VICE PRESIDENT,
MANAGEMENT ACCOUNTS AND RISK MANAGEMENT

Air Astana, like other airlines, is exposed to a range of operational, business, legal and financial risks that could impact its activities, financial performance and reputation. Air Astana acknowledges the importance of risk management as the Company's corporate management system's key component aimed at the timely identification of risks potentially affecting the Company's value and reputation in a negative way and undertaking actions mitigating these risks.

■ Corporate Risk Management System

Air Astana has implemented a corporate risk management system, which is continually optimised in accordance with global best practices. The corporate risk management system is a set of interrelated elements united within a single process involving the Board of Directors, the management and employees, each responsible for their own level, in the detection of any events potentially affecting the Company's

activities, as well as in the control of such events within the level of risk acceptable for the shareholders. This approach helps to ensure that the Company identifies and mitigates risks at an early stage wherever possible.



■ Risk Management Structure

Air Astana's risk management structure operates on three levels. The first level is the Board of Directors, which sets out the strategy and principles of the corporate risk management system, as well as addresses risk appetite, risk tolerance levels and factors that could threaten the Company's strategic objectives. Risk appetite determines the upper limit of the key risks. It also influences the distribution of

resources, arrangement of processes, and creation of the organisational infrastructure necessary for the efficient monitoring and response to risks. Activities performed within the boundaries set by the tolerance levels to the risks make the management more confident that the Company will not exceed the level of risk appetite, and will help secure the Company's goals.

The second level is the Risk Committee, which takes responsibility for implementing an effective and up-to-date risk management system and ensuring compliance with corporate policies. The Committee ensures that airline's risks are continuously and correctly identified and evaluated across all functions and processes. It is chaired by the President & CEO and includes all members of the senior executive management.

The third level is a special unit responsible for coordinating the risk management process and identifying, evaluating and monitoring threats in accordance with the policies, practices and procedures established by the Board of Directors.

Alongside these specific structures, all members of the Air Astana team practice risk awareness on a daily basis and understand the importance of their role in the risk management system. It is the responsibility of every employee, as well as the "risk owners" in each department, to manage threats and understand the potential impact on his or her department and the airline as a whole.

As part of the risk management process, Air Astana has created a risk register listing all of the potential threats to the business using an impact and probability scale. It allows the estimation of the relative weight of each risk and highlights those that require priority responses. The register is aligned with the risk management system as a whole, and is updated on a regular basis. Management teams discuss and take ownership of the risks on the register, as well as the review of probability, potential impact and mitigation measures. The risk management unit reports on key risks to the Audit Committee and Board of Directors twice a year.

Since mitigation is an essential element of the overall process of risk management, Air Astana applies methods like risk reduction and control, retention, financing and avoidance.

Risks Related to the Company

Below is a list of risks that the management has identified as the primary ones to Air Astana's business. It is not exhaustive, and future unforeseen events and/or factors could negatively affect performance. Many remain outside the Company's control such as government regulation, terrorism, pandemics, adverse weather and natural events (earthquakes, volcanic eruptions, floods, etc.), and availability of funding from the financial markets.

Name	Description	Mitigation
<p>Risk of aircraft loss and aviation accident</p>	<p>Air Astana is exposed to high impact losses that may be incurred in the event of aircraft damage or aviation accident. The resulting effects from such events would have an adverse impact on the financial and operational performance due to product damage, personnel and customers death/injury, third party liability, loss of confidence by the customers, widespread media attention affecting reputation, court fines and material financial cost such as increase in insurance premium and security costs.</p>	<p>Air Astana 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 safety of passengers and staff. The management judges that the Company is in compliance with European and international safety regulations and have appropriate safety resources and procedures in place, as also verified by IOSA.</p> <p>In addition, Air Astana maintains comprehensive insurance coverage, which includes aircraft insurance, passenger liability insurance, compulsory insurance of employees and other aviation risks related insurance according to best practice and industry standards.</p> <p>In the event of an incident, an emergency response centre has been established to manage swift actions and coordinate with any external authorities.</p>

Name	Description	Mitigation
Risk of fuel price increase	<p>Air Astana is exposed to the high volatility of fuel prices and related costs. Higher fuel prices will result in increased overall expenses and, consequently, increase the probability of an adverse impact on the Company's profitability. This could be reflected in increased ticket prices and loss of customers.</p> <p>Air Astana uses around 2.45 million barrels of jet fuel annually. Fuel is a major cost item, making up over 30% of operating expenses. Hence, volatility in fuel prices can have a material impact on its results.</p>	<p>For fuel sourced locally, the airline negotiates prices on a competitive basis with Kazakhstani suppliers by concluding stable contracts.</p> <p>For fuel bought outside Kazakhstan, the price risk is partly hedged using financial derivatives in the oil and petroleum market under the guidance of the Fuel Hedging Policy. Air Astana uses standard market instruments for fuel hedging and only for insurance means. The main purpose of fuel hedging is to reduce cost volatility and provide protection against higher fuel prices.</p> <p>Air Astana also applies a fuel surcharge on domestic routes and on international routes where the Company doesn't face restrictions as an additional tool of risk reduction. Regulation of the surcharge depends on fuel prices and market conditions.</p> <p>To reduce overall consumption of fuel the Company implements new technologies such as winglets on aircrafts and conducts training for pilots on effective fuel consumption.</p>
Currency risk	<p>Air Astana reports in Kazakhstani tenge (KZT), meaning that earnings and net assets are affected by any volatility in the currency.</p> <p>The devaluation of the tenge on February 11, 2014 has led to an adjustment of the tenge exchange rate against the US Dollar with a decrease of 17%, which presented considerable difficulties for Air Astana, as the Company receives 73% of its revenues in KZT, while 49% of its expenses are denominated in foreign currency.</p> <p>In addition, the Company has debt liabilities that are denominated in foreign currency. In addition to these items the Company has a number of cross currency risks as a result of the jurisdictions of the operating business including non-KZT revenues, fuel costs, spare parts, maintenance and aviation insurance costs.</p>	<p>Air Astana takes a number of measures to reduce the impact of currency risk, such as the placement of free funds on deposit in foreign currency, works consistently to increase the share of revenues in foreign currencies and to reduce the proportion of imports in overall purchases, and so forth.</p>

Name	Description	Mitigation
Counterparty/credit risk	<p>In its operations, Air Astana has counterparties – such as ticket sales agents, suppliers of goods and services, banks and financial institutions – in several countries. Should any of these parties experience any business issues affecting their ability to meet their financial obligations, or cease to operate, it could have an adverse effect on the Company's financial and operational performance.</p>	<p>To minimise its exposure to this risk, Air Astana has taken preventive measures which have been developed by the Company based on the credit risk management methods, including:</p> <ul style="list-style-type: none"> ▪ Calculating and setting limits on deposits with commercial banks where free funds are stored; ▪ 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; ▪ Improving control over suppliers and assessment of their credibility. <p>Air Astana constantly monitors the financial situation of counterparties and established limits in order to ensure the efficiency of the management of the risk.</p>
Risk of insufficient number of qualified pilots	<p>Air Astana's operational performance and flight planning depends on many factors, one of which is the sufficient number of qualified pilots. Loss/shortage of pilots can lead either to employing more expensive expat pilots to fill the gaps in the schedule or to flight delays and cancellations due to the absence of pilots. Competition for qualified personnel is intense, and the loss of pilots without adequate replacement or the inability to attract new pilots will result in decrease of the Company's revenue and shortfall of its budget.</p>	<p>In order to mitigate the risk, the Company improves motivation programmes for local pilots (changes in salary scheme, state/Company pension project, etc.), introduced the Ab-initio pilot training programme in 2008 on training of own pilots and recruits pilots from domestic and international labour markets.</p> <p>Having highly qualified staff is the decisive factor success in competition and provision of safety and high quality service. Air Astana makes good use of its programmes for attracting personnel and staff development to meet its qualitative and quantitative human resources targets.</p>

Name	Description	Mitigation
<p>Risk of non-provision of high quality in-flight services and reduction of Skytrax rating</p>	<p>Product and service consistency and maintenance of quality are the keys to ensure customer satisfaction and expectations. Non-provision of the high quality in-flight services might lead to the damage of reputation and loss of customers and also can bring to the reduction of the Skytrax rating. Erosion of the quality level, through either a single event or series of events, may adversely impact the Company's position with customers on the market and could ultimately affect future revenue and profitability.</p>	<p>Air Astana has extensive training programmes, which help to support the level of cabin crew skills. Along with the training the in-flight department has been restructured in the way that brings more mechanisms of control over the work of cabin crew. The Quality & Standards division regularly monitors customer satisfaction through proper procedures (e.g. feedback from passengers via on-board coaches) and issues standards for the cabin crew for maintaining high quality services. The Performance division is constantly working with the cabin crew to ensure they are all motivated. The Operations division supports the operational handling of day-to-day issues, which allows cabin crew to concentrate on their main duties – provision of a high level of on-board service.</p>
<p>Risk of deterioration in economic conditions and loss of revenue</p>	<p>Air Astana's revenue streams are highly sensitive to the economic conditions of the local, regional and international markets in which it operates. In particular, any deterioration in the global and/or the Kazakhstani economy may cause a drop in demand for the services, such like tourism and business travel, instability on the financial markets and on the commodities markets, which can cause devaluation of domestic currency and may drive the price of fuel up. During such periods, it may also prove difficult to obtain acceptable financing terms for new aircrafts.</p>	<p>Air Astana's management regularly reviews revenue forecasts and takes appropriate steps, including optimisation of the route network, monthly monitoring of network results, implementing innovations, strong cost controls and on-going cost reduction initiatives. At the same time, the Company focuses attention on investment in the fleet expansion and its modernisation, improvement of in-flight services to meet high standards and establishment of an effective business processes.</p>

Insurance

As one of the main methods of response within the risk management system, insurance enables Air Astana to transfer parts of risks to other counterparties by paying an advance premium. The Company applies consistently high standards regarding the quality and transparency of insurance companies when arranging the coverage. The types of insurance coverage that are maintained divided between aviation and non-aviation risks:

1) Aviation insurance

Air Astana commits substantial resources to maintaining insurance coverage for its flight operations, thus placing aviation risks in the world's leading insurance markets through internationally reputable brokers. The types of policies that it obtains, involving different levels of coverage, are:

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 Hull and Spares "War and Allied Perils"
4. Aviation War, Hijacking and Other Perils Excess Liability

2) Non-aviation insurance

Apart from aviation insurance coverage, Air Astana regularly purchases non-aviation insurance policies to reduce the financial risk of damage to property, interruption to business and general liability, as well as to cover employees for accidents and medical expenses. The types of policies with different levels of cover are as follows:

- Medical insurance for employees
- Directors, officers and corporate liability insurance
- Property insurance
- Comprehensive vehicle insurance
- Compulsory insurance for employees covering accidents on the job
- Commercial general liability insurance (public liability)
- Insurance of civil liability to customs authorities
- Loss of Pilot's license insurance

Not all risks can be insured or transferred to third parties. As the risks by nature are divided to internal and external ones, the monitoring and effective control over internal uninsured risks is the responsibility of the risk owners, the external risks are beyond the Company's control and represent the greatest challenge, thus management focuses on their identification and treats them with caution.



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY

We produce reliable and consistent quality in all of our activities. We always keep our promises.

SUSTAINABILITY REPORT

OUR PEOPLE



YEVGENIYA NI

VICE PRESIDENT, HR AND ADMINISTRATION

At Air Astana, we work in international marketplace focused on the highest standards of safety and customer service. Our company has seen rapid growth in recent years and we have needed to recruit, train, motivate and retain qualified staff in a tight labour market. Our Human Resources (HR) department fulfils a vital corporate social responsibility role in terms of providing our employees with the tools and opportunities to achieve their full potential within the airline. HR also oversees our workforce as a strategic part of our business, overseeing our more than 4,000 employees.

A central project for the HR team in 2014 was the development and rollout of the HEART (Hospitable, Efficient, Active, Reliable and Trustworthy) programme, which renews and clearly defines our corporate

mission, values and goals for the entire airline. The project recognised the enormous growth and development of the airline in recent years and aims to ensure that the corporate culture that has made us so effective continues as our company grows in the coming years. HEART has enjoyed the strong support of our top management from its inception and enthusiastically embraced across the Company, both in Kazakhstan and our international offices and stations. It is a crucial and timely programme for the airline's continuing success by clearly defining the common set of values and goals shared by managers and staff at all levels of the airline. It is no exaggeration to say that HEART will be a key, driving force behind our future success.

■ New Management Structure

By constantly looking at our processes and our partners, we are ensuring that we are adapting rapidly to the requirements of the business. As a result of these efforts, we have maintained a low level of employee turnover, which stood at 9.3% in 2014. We are very proud of our achievement on this front, as we work hard to retain our employees, and believe that low turnover in technical areas is vital for safety and efficiency.

In early 2014, in order to strengthen our HR function still further, we changed the structure of the department to increase efficiency and work in line with the team's new mission. This resulted in the creation of new positions known as "HR business partners". These roles bring together all HR functions devoted to expert support and consulting for the other departments within Air Astana.

HR business partners work on all HR-related tasks within their relevant departments, including staff recruitment, staff planning, appraisals, rewards and reprimands, performance bonuses and dismissals. We also formed a Service Centre to provide operations service throughout the Company and a Centre of Expertise to provide consultation on labour legislation and compensation practices.

■ HEART Programme

In 2014, acknowledging that Air Astana's mission statement, goals and values had remained unchanged since 2007, we felt it was time to update our vision and mission to reflect the growth and other important changes that had taken place in our business over the previous seven years. Having developed the project during the year, in August 2014, our senior management presented the HEART programme to our employees in a series of Town Hall meetings held in Kazakhstan for our domestic

employees and in Frankfurt, Moscow, Dubai and Bangkok for staff of our foreign offices and stations.

The fundamental purpose of the HEART programme was to introduce the new mission, goals and values of Air Astana to our employees as well as our ticketing and business service partners. The HEART programme, which aligns perfectly with our existing motto, "From the Heart of Eurasia," applies to everyone working at Air Astana, from senior managers to junior staff. It defines the way we behave with our customers and external contacts, and, as importantly, the way we behave with our colleagues, whether they are our managers or subordinates.

We have launched initiatives in nearly all departments to promote the new HEART values. We have conducted a major and innovatively designed internal communications campaign, from seminars to workplace posters to reference cards, to put help raise awareness and recognition of these values. In the years ahead, we will be helping every member of our team to live and work up to these values every day, because we believe the quality of our people represent our unique strength and make us a flagship among Kazakhstani companies.

The launch of HEART formed the core of our annual management conference in 2014, with the theme "Leading from the HEART". More than 200 line managers and senior executives attended this event. In the future, we hope that the conference will develop into a key venue for the development of our management team. We continue to work to incorporate HEART values into our management curriculum as well as our appraisal systems.

■ Occupational Health and Safety

In 2014, Air Astana has successfully passed the annual external audit of the Occupational Health and Safety Management System (OHSAS 18001:2007). This management system audit is an external audit by the British Standards Institute (BSI), which verifies our processes and procedures in regards to occupational health and safety. Passing the audit is a key objective for the company and the HR team.

In addition, we designed and launched a common notification system for reporting incidents and accidents. As well as defining a single set of procedures and recording workplace injuries, it also promotes staff education about dangers in the workplace.

In order to promote greater staff involvement in the Company's occupational health and safety systems, we have started recruiting auditors internally. Selected employees have passed through the OHSAS Induction and OHSAS Internal Auditor training and have now successfully conducted internal health and safety audits in Almaty, Astana, Atyrau and Aktau.

We also launched an online educational system for health and safety training. The system allows staff to log on to educational modules when it is convenient for them, so they can easily refresh their knowledge and take the exam on occupational health and safety.

In 2015, company management will participate in a BSI audit in Almaty, Astana, Atyrau and Aktau, which will confirm existing certification.

■ Recruitment

In 2014, our recruitment division was actively involved in selecting candidates for our Ab-initio pilot training programme. They also analysed the processes and results in order to provide recommendations for improving the system.

Our team also worked to promote interest among young Kazakhstani students studying mathematics and physics in our Ab-initio pilot training programme. We also held an "Aviation Breakfast" in cooperation with the PR department to introduce journalists and others to the Ab-initio programme in order to raise awareness about the programme.

In 2014, the Company began publishing personal success stories, "How I Became a Pilot" and "How I Became a Cabin Crew Member" about our employees on social media networks and on our in-flight magazine Tengri. This drastically increased interest in the Ab-initio programme and the number of applications for cabin crew positions.

In addition, Air Astana continues to collaborate with the Civil Aviation Academy on schooling fourth year students on aviation mechanics. Some 10 students are proceeding through a study course with the Engineering and Maintenance department in order to gain the practical skills and knowledge necessary to deal with equipment produced by Western manufacturers.

Air Astana remains focused on increasing the popularity of civil aviation professions among young Kazakhstanis. We ran introductory meetings with fourth year students from Kazakhstan's leading universities, which gave them basic information about the airline and its career opportunities,

as well as telling them about submitting resumes and the selection process for upcoming positions.

In 2014, more than 55 students attended on-the-job training in Air Astana. On the basis of training, we offered 13 graduates employment within company.

Air Astana has agreements for on-the-job training for students with the following 12 universities:

- Kazakhstan Institute of Management, Economics and Strategic Research
- T. Ryskulov Kazakh Economic University
- Kazakh Ablai Khan University of International Relations and World Languages
- Academy of Civil Aviation
- Gumilev Eurasian National University
- Almaty Institute of Power Engineering and Telecommunications
- Suleyman Demirel University
- International University of Information Technology
- Nazarbayev University
- International Academy of Business
- University of International Business
- Al-Farabi Kazakh National University (Engineering and Physics departments)

We participated in two job fairs, the “Bolashak: Potential in Action”, held by the International Programmes Centre in both Astana and Almaty.

■ Corporate training and staff development

The corporate Learning and Development department continues to provide a stable and self-developing corporate education system, which responds to the company’s evolving requirements. Last year, we focused on creating a team of trainers from our employees. This team are now part of the corporate brand and in 2014 they worked on rolling out a series of training programmes.

Training was attended by line managers and covered staff management issues. These covered everything from providing feedback, to coaching, to conducting interviews and time management.

■ Employee Relations

Air Astana enjoys good relations with its employees and the organisations that represent them. We continue to work closely with them for our mutual benefit. We were pleased to extend the Collective Agreement for another next three years in its original edition. In addition, in response to the February devaluation, we provided an extra 10% salary to all employees up to the rank of manager, on top of a 5% salary increase. We also had a minimal headcount reduction as a result of reductions in our network, balanced by new hires during the years.

■ Employee Benefits

Employee benefits include performance bonuses, annual profit share participation, private health and dental insurance, discounted airfares on Air Astana and partner airlines, emergency financial aid, access to low interest bank loans, shuttle buses for commuting to work, in addition to social activities for employees and their families.

Air Astana employees also have the opportunity to pursue sport and fitness. We offer discount rates at fitness clubs and sports facilities. In 2014, we extended our contracts with our fitness club partners. We also extended rent on a football field available for our employees.

OUR COMMUNITIES



BELLA TORMYSHEVA

VICE PRESIDENT, CORPORATE COMMUNICATIONS

Since our founding in 2001, Air Astana has been committed to philanthropy and giving back to the communities where we live and work. Giving back to our communities is an integral part of our corporate citizenship and, as Kazakhstan's flag carrier, there is both an expectation and an opportunity to take the lead in this area.

Over the past 12 years, we have designed our charitable programmes to be maximally effective and consistent in order to make the greatest impact in key areas, including children's health, supporting veterans and promoting culture. We have designed these programmes to involve a significant number of our employees at all levels and across geographies, as voluntary work in our communities provides an additional source of meaning and job satisfaction. In 2014, Air Astana has once again taken a very active role supporting charitable groups and promoting social and cultural events.

■ Supporting Our Veterans

Every year since our founding, on the eve of Victory Day (9 May), we have honoured Kazakhstani veterans of World War II. We provide them with free tickets for flights within Kazakhstan and the CIS countries until the end of the year. Nearly 300 veterans took part in the programme in 2014.

■ Working with Children

During 2014, we continued our long-standing relationship with the Mercy Volunteer Society, which helps ill children requiring specialist medical care abroad. Last year, we provided 110 children and their parents with complimentary air tickets allowing them to travel from all different parts of Kazakhstan to receive cardiac and cancer treatment at medical facilities outside of Kazakhstan.

We also supported the Ayala Charity Foundation in its "Breathe Life" project. Under the project, the foundation uses funds to provide infectious disease clinics with resuscitation equipment for children. We placed collection boxes for the foundation at Air Astana ticket offices in Almaty, Astana and Atyrau and gathered donations totalling more than KZT 1.4 million.

Other charity projects supported by Air Astana in 2014 included a charity football match featuring Kazakhstani and Russian celebrities to help seriously ill children, and the donation of special equipment for an orphanage in Almaty.

■ Support for Culture and Sport

Last year, Air Astana supported several major cultural events. These included the Toykazan Kazakhstan Peoples National Cuisines Festival, Jamilya Serkebayeva's "Fifth element" music show, a gala concert at the Centre of Indian Classical Dance, marked Her Royal Highness Queen Elizabeth's birthday with a celebration and hosted an art exhibition. In addition, we have used The Shanyrak, our new lounge for Nomad Club gold and silver members and business travellers in Astana, as venue to display art by Kazakhstani artists.

We sponsored a Rafael Nadal versus Jo-Wilfried Tsonga exhibition tennis match in cooperation with the Kazakhstan Tennis Federation and Republic of Kazakhstan President's Cup equestrian competition.

OUR ENVIRONMENT

At Air Astana, we are acutely aware of our responsibility towards society and future generations and our duty to take care of the environment. We continue to work across our business to reduce carbon emissions and waste generation, the main components of our environmental footprint. In 2014, we continued to make key inroads in upgrading our already young fleet, laid the groundwork for new “green training” programmes aimed at reducing fuel consumption and obtained regulator approval for Extended-range Twin-engine Operations (EDTO) allowing more direct routing and reduced fuel consumption, among many other initiatives.

■ Our Carbon Footprint

According to IATA, the global airline industry is estimated to produce less than 2% of worldwide manmade CO₂ emissions. While the industry is not a major contributor to carbon emissions, it has set itself some ambitious goals for the years ahead: to improve fuel efficiency by 1.5% per year until 2020, to have carbon neutral growth after 2020, and by 2050 to lower emission levels to 50% of 2005 levels.

In addition, the ICAO Assembly in October 2013 agreed a deadline for introducing a global market-based mechanism addressing international aviation emissions by 2016 and applying it by 2020.

While these goals appear ambitious, new generation airplanes and engines together with improved flight management by airlines, air traffic control and airports, combine to make these goals fully achievable. In addition, these steps should also help reduce air and noise pollution near airports, two additional externalities of the aviation business.

We estimate that 99% of Air Astana’s carbon emissions come from the combustion of aviation fuel, and the rest from secondary sources, like motor vehicles and ground fleet and facilities. While the International Air Transport Association (IATA) has calculated that the airline industry is a minimal contributor to global environmental pollution, we are committed to reducing our carbon footprint.

Like other airlines, Air Astana seeks to reduce emissions through three main 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, while recognising that such alternatives are not available or commercially viable at present.

Air Astana also participates in the EU Emissions Trading System (EU-ETS) and its emissions monitoring plan was approved by the German Emissions Trading Authority. Verification covered the following:

- Completeness of flight and emissions data and compliance 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 volumes
- Consistency between aggregated fuel consumption and purchase records

The EU-ETS included flights to and from non-European Economic Area (EEA) countries from 2012, but suspended the enforcement on flights to and from non-EU countries in April 2013. Under interim legislation until the ICAO global mechanism is introduced in 2016, the legislation has also been amended so that only emissions from flights within the EEA fall under the EU-ETS.

One of the most important ways in which Air Astana reduces its environmental impact is by maintaining a young and fuel-efficient fleet. In 2014, the average operating age of our 30-plane fleet was 5.5 years. Of these, 21 aircraft were supplied to the airline between April 2011 and June 2014 from leading global aircraft manufacturers.

Our fleet renewal process has included the complete replacement of our Fokker-50 turboprop fleet with Embraer-190 jet aircraft, as well as the introduction of new Airbus A320/A321 and Boeing 767-300ER obtained directly from the manufacturer. During 2014, as part of the airline’s long-term strategy for renewing its fleet, Air Astana acquired a new Embraer-190, three Airbus A320s and one Boeing 767.

■ Winglets and Weight

In order to further improve fuel efficiency and reduce our carbon footprint, all of our aircraft are equipped with curved wingtips, called “winglets”. Winglets improve the aerodynamic characteristics of our aircraft. Typically, they increase fuel efficiency by 5%.

We also have an ongoing programme to reduce weight on our aircraft. Examples include using lighter facilities for on-board services and moving to paperless documentation through systems such as the Electronic Flight Bag for pilots and Crew Pad for cabin crew.

■ Efficient Routing

Air Astana is also trying to lower unit fuel consumption through “green” flight crew decisions on flight planning, flight speed, take-off and landing trajectories, and weight of fuel on board. Pilot decisions are supported by advanced systems to ensure safety is the overriding factor when decisions are made.

In addition to upgrading and improving the aerodynamics of its aircraft, Air Astana is also reducing emissions by flying the shortest routes. We have improved our flight planning system, which optimises flights and hence cuts fuel use. The new navigation system also enhances landing effectiveness and reduces the number of flights cancelled due to weather conditions. In addition, in 2015, we are launching our “green training” programme for flight crew as part of our continued effort to promote a fuel-conscious culture by promoting more efficient flying and manoeuvring.

■ De-icing

Aircraft anti-icing has a significant impact on the environment. Our employees and subcontractors who work with chemical products at airports take mandatory annual training on environmental protection. Air Astana uses fluid for de-icing, which is recognised worldwide for being safe for people and the environment. All of our de-icing and anti-icing procedures meet international aviation regulations and requirements, such as EU OPS-1, as well as the standards and recommended practices published by IATA, ICAO, EASA, FAA, Transport Canada, AEA and SAE.

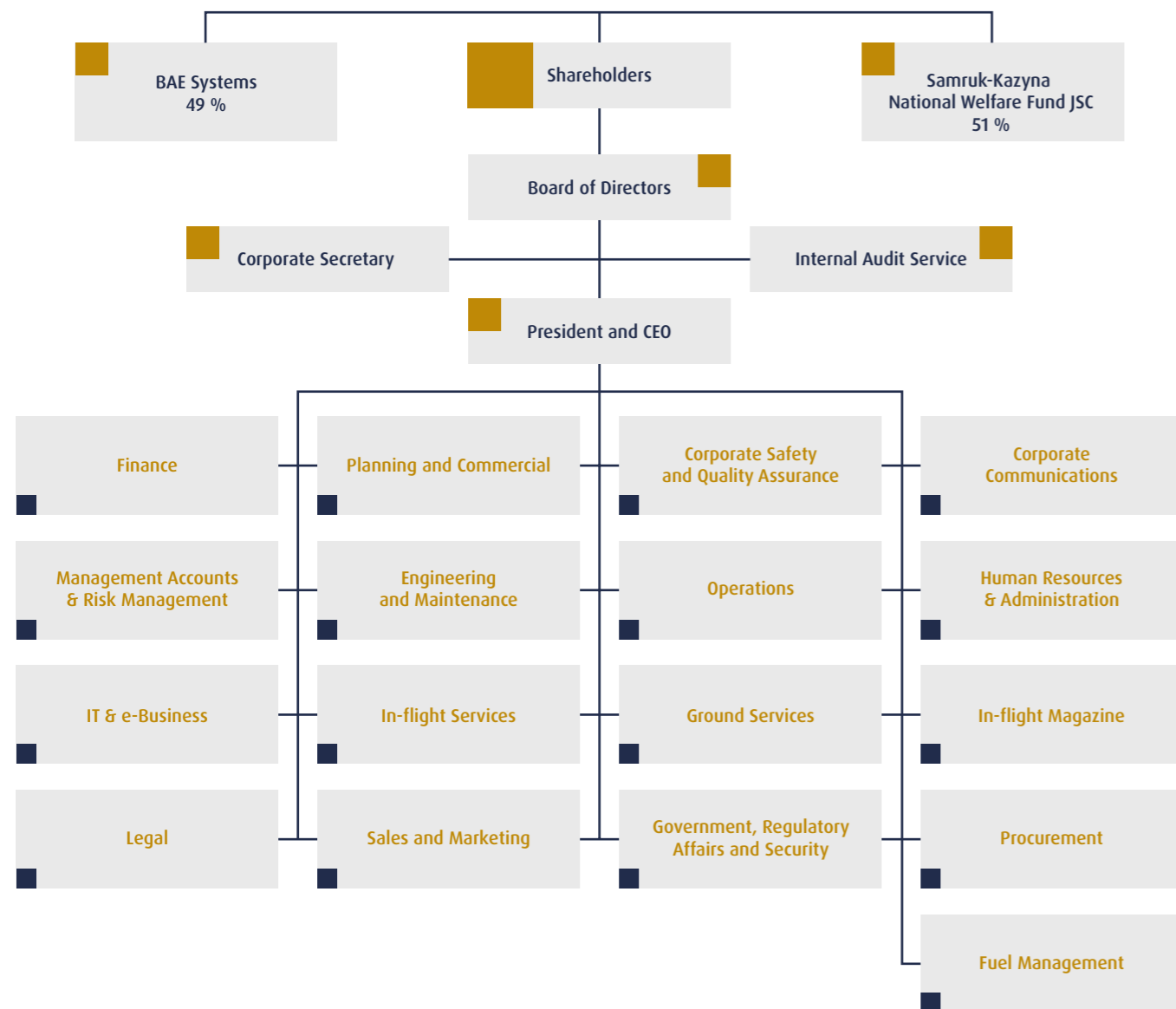
■ Reducing waste generation

While reducing CO₂ emissions is a critical part of Air Astana’s environmental policy, another priority across all areas of our business is reducing waste generation.

One example is the use of e-tickets and online registration, which reduces the amount of paper tickets. In addition, we continue to reduce the overall volume of printed material, and current IT initiatives are designed to create paper-free systems throughout the business. Looking ahead, we are considering procurement policies that will introduce sustainability criteria for products and services.

In addition, each month our station managers collect information about the amount of loaded food and the number of transported passengers. The analysis of this information allows more effective planning for catering and minimises waste. We take a similar approach to provision flights with equipment and other supplies.

CORPORATE STRUCTURE



MANAGEMENT TEAM

PETER FOSTER

PRESIDENT & CEO

Peter entered the airline industry immediately after graduating from Cambridge University in 1982, as a management trainee of John Swire and Sons (HK), the owner of Cathay Pacific Airways (CPA). From 1982-99, he served in various management and senior management positions with CPA in Hong Kong, Asia, Australia and Europe, and underwent business management training at INSEAD, France. In 1999, he left CPA to head the rehabilitation team of Philippine Airlines. From 2002 to 2005, he served as Chief Executive Officer of Royal Brunei Airlines, before becoming President of Air Astana.

ALMA ALIGUZHINOVA

SENIOR VICE PRESIDENT, STRATEGIC AND COMMERCIAL PLANNING

Alma was among the first employees to join Air Astana at its initial stage of development in 2001, before the start of commercial operations. She began as Corporate Development Manager, before progressing to the position of Corporate Development Director, Vice President, Planning, and now Senior Vice President, Strategic and Commercial Planning. Alma is a Bolashak alumnus and holds an MBA from East Carolina University, US.

YERBOL OSPANOV

SENIOR VICE PRESIDENT, GOVERNMENT, REGULATORY AFFAIRS AND SECURITY

Yerbol brings with him over 35 years of unique experience and education in the aviation industry. In 1985, he earned an aviation business management qualification, following graduation from the Officers Training faculty of the Civil Aviation Academy in Leningrad, Russia. In

2002, he obtained a Bachelor of Law degree from the law school of Kazakh National University. Since 1992, he has served as Chief Pilot for the fleet of the President of the Republic of Kazakhstan. Yerbol joined Air Astana in 2005 and is currently a Senior Vice President, as well as a pilot-instructor on Boeing 757/767s. He holds FAA ATPL and Transport Canada ATPL certificates following flight training at the Sheffield School of Aeronautics (Florida, US) and Canadian Airlines (Vancouver, Canada).

IBRAHIM CANLIEL

SENIOR VICE PRESIDENT, MARKETING AND SALES

Ibrahim started his career in tourism, where he had several roles over nine years, ending as a manager of a major tour operator in Turkey. In 1998, he joined KLM, and after a brief appointment in the Middle East, he took a regional management role for Central Asia and the Caucasus. In 2003, he joined Air Astana, working in the Commercial Planning, Marketing and Sales departments. Ibrahim holds a bachelor's degree in Economics from Marmara University and an MBA from 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.

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 with qualifications in (Aviation) Safety Programme management from various institutions including University of Southern California. He holds a Bachelor's degree in Commerce and an Honours degree in Transport Economics from University of South Africa. He has been actively involved in flight safety for the past 25 years including as Staff Officer Flight Safety in the South African Air Force and Managing Consultant with BAE Systems.

ANTHONY REGAN

SENIOR VICE PRESIDENT, OPERATIONS

Anthony has over 35 years of experience in aviation. He was Head of Flight Operations and OPS post holder at Air France/KLM subsidiary Cityjet from 2001 to 2012, where he was responsible for all aspects of Flight and Cabin operations. Prior to that, he was a Director at Parc Aviation. His early career was as a pilot with the Irish Air Corps where he held a number of operational appointments, including Chief Flying Instructor retiring with the rank of Commandant. He holds a current JAA and FAA Air Transport Pilot Licence. He is a graduate of University College Dublin in Mathematics and Mathematical Physics.

JOHN WAINWRIGHT

SENIOR VICE PRESIDENT, ENGINEERING GROUP

John has over 35 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 immigrate to Australia, he held the position of Head of Maintenance. John joined Air Astana in 2006 as the Maintenance Manager. He is a holder of an EASA B1 and C category Maintenance Engineers License.

ALIMA ZAMANBEKOVA

CHIEF ACCOUNTANT

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

MICHAEL MCDONAGH

SENIOR FINANCIAL ADVISER

Michael has over 40 years of aviation experience, having started his career at Aer Lingus where he held various financial management positions including secondment on overseas airline management contracts, mainly in Africa. He left Aer Lingus in 1994 and, before joining Air Astana, he participated in various airline financial management and consultancy projects in Africa, Canada, the Caribbean, South America and Eastern Europe. He is a graduate of University College Dublin with a Bachelor of Commerce Degree. He is a member of the Chartered Institute of Logistics and Transport.

YEVGENIYA NI

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 law. She joined Air Astana in October 2002, as Executive Assistant to the President. Since September 2005, she has been the head of the HR Department, which also oversees the Health and Safety, Administration and Transport divisions. Under her leadership, a transparent system of recruitment and corporate training was created and a performance evaluation and reward system was introduced. Yevgeniya regularly participates in professional conferences and congresses as an expert, moderator and speaker. She has numerous diplomas and certificates in management and personnel management.

GALINA UMAROVA

VICE PRESIDENT, FUEL MANAGEMENT

Galina has extensive experience in the airline industry. Before joining Air Astana, she was Director of Finance at Astana International Airport JSC. Galina graduated from Aktobe State University named after K. Zhubanov and holds a master's degree in Public Administration from KIMEP in Almaty.

AIDAR KASHKARBAYEV

VICE PRESIDENT, LEGAL AFFAIRS

Aidar has over 15 years of experience in jurisprudence. He started practicing law at the Ministry of Foreign Affairs of the Republic of Kazakhstan in 1993. Prior to joining Air Astana, Aidar worked for Denton Wilde Sapte law firm and KPMG. He also worked as a manager of the legal department at Karachaganak Petroleum Operating B.V. based in Karachaganak oilfield, Western Kazakhstan. Aidar graduated from Kazakh National University and completed a study placement at Southern Illinois University, US, under the visiting scholar programme.

CHAMINDRA LENAWA

VICE PRESIDENT IT AND E-BUSINESS

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

BELLA TORMYSHEVA

VICE PRESIDENT, CORPORATE COMMUNICATIONS

Bella has over 15 years of experience in public relations, information and cultural activity. Before joining Air Astana, she worked as part of the delegation of the European Commission covering Kazakhstan, Kyrgyzstan and Tajikistan. She holds a master's degree in International Relations. Bella has attended numerous training activities abroad.

DILYARA KUNKHOZHAYEVA

VICE PRESIDENT, PROCUREMENT

Dilyara joined Air Astana in early 2006 as Financial Analyst. She holds a Bachelor's and a Master's degree in Business Administration and Accounting from KIMEP (Almaty), where she majored in management and finance. After graduating, she worked at Ernst and Young and KIMEP in Almaty. After becoming Head of Management Accounts in 2008, Dilyara was appointed Director of Procurement in June 2012 and became Vice President, Procurement, in 2013.

MERGALI ALZHANOV

VICE PRESIDENT, FLIGHT OPERATIONS

Mergali has extensive experience in the aviation industry. Educated at Aktobe Civil Aviation Flight School in 1980, he began his career as a co-pilot on the Yak-40 in the Kokchetav aviation squadron, and in 1991, he transferred to the Almaty squadron. After working for several airlines, Mergali joined Air Astana in 2004 as a captain on Boeing 757s.

AIMAN TILEUBAYEVA

VICE PRESIDENT, NETWORK AND REVENUE MANAGEMENT

Aiman joined Air Astana in November 2003 as Commercial Planning Manager, responsible for schedule and network planning. Before that, she worked at Air Kazakhstan for five years. Aiman graduated from the Kazakh National University and has a PhD in Applied Mathematics. She was appointed Director, Network and Revenue Management, at Air Astana in February 2009, and became Vice President Network and Revenue Management in January 2013.

AIZHAN OMAR

VICE PRESIDENT, MANAGEMENT ACCOUNTS AND RISK MANAGEMENT

Aizhan is a graduate of Taraz State University named after M. Kh. Dulaty and holds Diploma in International Economic Relations, also she holds an MBA from KIMEP (Almaty) with major in management and finance. She joined Air Astana in August 2006 as Financial Analyst. From June 2012 to January 2014 she was a Head of Management Accounts. Since January 2014, she has held the position of the Vice President Management Accounts and Risk Management.

RUSSEL ELLIS

VICE PRESIDENT, OPERATIONS CONTROL

Russel has nearly three decades of aviation experience, and he 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 holds an MBA from the University of Liverpool, UK. He is responsible for the day-to-day operational control of the airline and emergency response readiness.

RICHARD LEDGER

VICE PRESIDENT, WORLDWIDE SALES

Richard joined Air Astana in March 2006 as Regional General Manager for the EU, US and Canada. Based in London, he was primarily responsible for the creation of a sales network throughout the region. Before joining Air Astana, he 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 in Geography. Richard relocated to Almaty in February 2009, assuming the position of Director Sales Worldwide and was promoted to Vice President, Worldwide Sales, in January 2014.

GRIGORIY ZYRYANOV

DIRECTOR, COMMERCIAL ENGINEERING

Grigoriy entered the airline industry immediately after graduating from the Civil Aviation Academy of Kazakhstan in 2001, as a Senior Engineer and Technologist at Aircraft Repair Plant 405. He then served as Deputy Chief of Production Planning and Control Department at Air Kazakhstan, before becoming Maintenance Programme Engineer in the Maintenance Planning department of Air Astana in 2004. Later, he was promoted to Maintenance Planning Manager. In 2010, Grigoriy was responsible for launching Air Astana's Base Maintenance team, as well as obtaining EASA certification for its workshops in April 2011. He was appointed Director of Commercial Engineering in April 2012 to deal with the technical aspects of fleet management.

AZAMAT OSPANOV

DIRECTOR, ENGINEERING FINANCE

Azamat studied economy, accounting and audit at Suleyman Demirel University. He started his professional career with Ernst and Young and became an experienced audit manager with KPMG. Azamat joined Air Astana in April 2009 as a finance manager specialising in accounting and finance processes. As a senior finance manager, he was the head of airline-specific revenue accounting and was responsible for the banking and treasury functions. In January 2013, Azamat was appointed Director of the Finance department within the Engineering and Maintenance group.

TIMUR YAKUPOV

DIRECTOR, NATIONAL DEVELOPMENT

Timur is an aeronautical engineer with more than 20 years of experience. After receiving a classic aviation education in the former Soviet Union, he 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 as a technician for the Tu-154, and further mastered the maintenance of the main types of passenger and

cargo aircraft in the former Soviet Union. Timur has worked in Air Astana since its creation, having started as a shift supervisor. He holds an engineering licence and can service more than 11 types of aircraft and their modifications.

PAOLO RICCIOTTI

DIRECTOR, GROUND SERVICES

Paolo has more than 35 years of experience in the aviation industry, from the perspective of both airlines and airports. He became General Manager for Airports at Cathay Pacific Airways, before progressing through several management and senior management positions in Europe, Asia and Hong Kong, including System Reservation Manager, Manager for On Time Performance and Manager at Kai Tak Airport (Hong Kong). In August 2000, he joined SEA Milan Airports to manage both the Linate and Malpensa airports and later the commercial activities of SEA Handling. He also has years of experience in cargo handling. Paolo holds a Diploma of V. Engineer in Telecommunications and has completed business management training at both INSEAD and Ashridge business schools.

MARGARET PHELAN

DIRECTOR, IN-FLIGHT SERVICE DELIVERY

Margaret has nearly two decades of experience in the aviation industry. Educated at the College of Commerce Ireland, Margaret held the positions of Head of Cabin Crew Training and Standards and Head of Cabin Services while at the Air France/KLM subsidiary CityJet from 1995-2012. Margaret has also completed a number of EU OPS, management and instructor training courses.

MARAT SEKERBEKOV

DIRECTOR, FLIGHT OPERATIONS SUPPORT

Marat has worked in the aviation industry for more than 30 years with various Kazakhstani and international airlines. After graduating from

Kirovograd Flight Academy of the National Aviation University of Ukraine, he began his career with the USSR's Aeroflot. In 1994, he entered the Kazakhstani airline industry. In 2005, Marat joined Air Astana as a co-pilot in the Fokker 50 fleet and progressed in the flight operations management team from co-pilot to chief pilot. In 2013 Marat was appointed as Director, Flight Operations Support.

ADRIAAN JAN MEIJER

DIRECTOR, STANDARDS

Adriaan commenced his career as a pilot at KLM Cityhopper in 1978, initially as a first officer on the DC-9 and later as a captain on the Fokker 50, later becoming a training captain and standardisation officer, before progressing to the rank of Chief Pilot. He moved to the Boeing fleet with KLM and flew the Boeing 767 as a training captain. On retiring from KLM, he joined Dutchbird, who operated B757 and A320 aircraft, as Director of Operations, where he implemented ETOPS and CATIIB operations in addition to acting as the JAR-EU Operations postholder for operations. Apart from his wide-ranging training, operational and standards experience, he has worked with IATA as Deputy Director Flight Operations and Head of Safety and was a member of the ICAO panel who implemented the ICAO fuel SARP and Extended Diversion Time Operations (EDTO). Adriaan is also a medical doctor.

FILIPPOS SIAKKAS

DIRECTOR, OPERATIONAL TRAINING

Prior to joining Air Astana, Filippas was a Training Postholder at Olympic Air, responsible for managing all activities related to crew initial and recurrent training and for the integration of cadet pilots into the company. He has also held a number of management positions in the area of Flight Operations Support including the Director of Flight Standards. Filippas started his career in 1989, when he joined Olympic Airways as a first officer. During his career as a pilot, he has flown B737, A300 B4, A300-600 as a First Officer and B737, A320 as a Captain before progressing to Pilot Instructor and Examiner.

AIGUL OMURZAKOVA

DIRECTOR, BUSINESS PLANNING AND FLEET PORTFOLIO

Aigul joined Air Astana in 2004 as Junior Revenue Accountant. From 2005, Aigul held the position of Deputy Head of Revenue Accounts. She holds a Bachelor's degree in Business Administration and Accounting from KIMEP (Almaty) with major in accounting and management. She was appointed as Director, Business Planning and Fleet Portfolio in January 2014.

RAFAEL TAIZHANOV

DIRECTOR, COMMERCIAL PLANNING

Rafael was among the first employees to join Air Astana at its initial stage of development. His career in aviation began in 1998 in the scheduling department of Air Kazakhstan. Rafael graduated with distinction from the Physics Department of the Kazakh State University. He holds a SMART MBA Diploma from the Samruk-Kazyna Corporate University and IATA diploma in Sales and Marketing. He was appointed as Director, Commercial Planning at Air Astana in 2014.

SERIK RYS-ULY

DIRECTOR, SALES CIS

Serik has worked at Air Astana since 2009 when he joined the Sales Department team in Kazakhstan. After the opening of the Almaty-Tashkent route in 2010, he became the head of Air Astana's representative office in Uzbekistan. From 2013 to 2014, Serik was the head of the sales department in the Russian Federation. Before Serik joined Air Astana, he worked at Talgo Kazakhstan and Prime Aviation airlines. He graduated from Kazakh State Academy of Management with a specialisation in International Economic Relations.

KEITH WARDLE

DIRECTOR, ENGINEERING

Keith has 30 years of aviation engineering experience. He studied at Kingston University, London, UK and gained an honour's degree in Aircraft Engineering and a master's degree in Professional Engineering. He began his aviation career as an aircraft engineering apprentice in the Royal Air Force, followed by several years supporting military fast jet aircraft. Later, Keith became a licensed aircraft engineer and gained a vast experience of commercial aircraft. He has taken assignments all over the world, including Chile, Alaska, Belgium, Saudi Arabia, China and New Zealand. Previously, as a member of the DHL management team, he supported their aircraft fleet, and helped to launch two new airlines based in the UK and Germany. Keith joined Air Astana in November 2013 as Engineering Manager.

ZHANAR BIMENDINA

DIRECTOR, HUMAN RESOURCES

Zhanar joined Air Astana as Procurement Specialist in 2003 with previous HR experience at Intercontinental Hotel. In 2005, she joined Air Astana's HR department as Senior HR Adviser, later becoming HR Manager. In 2013, she became HR Manager, Compliance. In the beginning of 2015, after the reporting period, she became Director, Human Resources. Zhanar holds diplomas in English language, Finance and Legal. In 2012, she obtained an IATA Diploma in Human Capital Management.

ZHANAR ZHAILAUOVA

DIRECTOR, ASIA SALES

Zhanar joined Air Astana in 2007 as a sales specialist. From 2009 to 2011, she worked as regional Marketing and Sales Manager based in the UK, Kazakhstan and Dubai. In 2014, she became Director, Reservations and Ticketing. Later in the year, she was appointed Director, Passenger Sales Kazakhstan. In January 2015, after the reporting period, she was appointed Director, Sales Asia.

IGOR SEGEDIN

CHIEF PILOT

Igor has an extensive experience in aviation. After graduating with honours from Aktobe High Civil Aviation School in 1991, he was assigned as a first officer of Tupolev 134s at Almaty flight division. He joined Air Astana in 2002, initially as first officer, then he flew as a captain and a flight instructor of Boeing 737NG. In 2006, after successful type rating training on Airbus, he was assigned as a chief instructor of Airbus 320 fleet where he has been closely involved in the development and establishment of this new fleet for the airline. After 11 years with Air Astana, Igor rose from first officer to senior manager of flight training. In 2013, he was appointed Chief Pilot.



HOSPITABLE
EFFICIENT
ACTIVE
RELIABLE
TRUSTWORTHY

We are honest people who never compromise our integrity. Customers and colleagues can trust us.



CORPORATE GOVERNANCE REPORT

INTRODUCTION AND KEY PRINCIPLES

■ Introduction

At Air Astana, we view best practices in corporate governance as playing a crucial role in running our company efficiently. Such an approach reduces the cost of raising capital, and contributes to the strong reputation and trust enjoyed among all of our stakeholders. In addition, as Kazakhstan's flag carrier, we believe we are a standard bearer for world-class corporate governance in our home country. We are committed to meeting the highest corporate governance standards through the continual improvement of our corporate governance system, for which we have established fundamental principles outlined in this report.

■ Our Key Principles of Corporate Governance

Shareholders' rights and interests must be protected: We pledge to protect and respect the rights and interests of all shareholders as stipulated by law. We are committed to efficient management, asset growth, financial stability and profitability.

The Board of Directors must manage effectively: In doing its duties, the Board of Directors undertakes to ensure that the interests of all shareholders are fully observed, its own deliberations and actions are carried out openly, and it takes responsibility for the Company's actions.

The Executive Body must fulfil its role effectively: Responsible for the day-to-day management of the Company, the Executive Body is tasked with implementing strategy while always adhering to the highest ethical standards.

The Company must conduct its activities independently: Air Astana will conduct its activities in the best interests of its shareholders and in accordance with the provisions of the Corporate Governance Code, provided that it is in compliance with the Charter. At all times, the Company will conduct its activities independently.

Information about activities must be disclosed in a transparent and objective manner: Air Astana is committed to providing shareholders with the necessary information to make informed decisions. It undertakes to distribute information about its activities to interested parties and ensure timely disclosure to shareholders and interested parties of reliable information about the Company. This includes information about our financial situation, results of activities, ownership and management structure.

The Company and its employees must behave legally and ethically: Air Astana and all of its employees adhere to the legislation of the Republic of Kazakhstan. Relations among the shareholders and members of the Board of Directors and Executive Body will be based on mutual trust, respect, accountability and control.

Air Astana must maintain an effective dividend policy: Regarding dividends, we follow the rules set forth in legislation and our internal regulations. We seek to ensure a simple and transparent mechanism for setting the amount of dividends and terms of their payment. Our dividend policy will be sufficiently transparent and available to shareholders, potential investors and the general public of Kazakhstan.

The Company must maintain effective human resources policies: We are committed to protecting the rights of our employees as stipulated by legislation and engaging with them to solve social issues and manage working conditions.

Air Astana is committed to protecting the environment: In our day-to-day operations and long-term strategy, we are committed to environmentally sustainable growth. We follow the principles of maximum environmental friendliness and a rational attitude to the environment, as prescribed by legislation and generally accepted business standards.

Policy for settling corporate conflicts and conflicts of interest: All employees will behave in a way that prevents conflicts of interest involving either themselves (or related parties) or others. If corporate conflicts arise, those involved will find a way to settle them amicably to ensure the effective protection of both shareholders' rights and the reputation of Air Astana.

Principle of responsibility: The Company will recognise and respect the rights of all interested parties and strive to cooperate with them to further development and ensure financial sustainability.

GOVERNANCE BODIES AND SHAREHOLDERS

■ Governance Bodies



■ Shareholders

Samruk-Kazyna National Welfare Fund JSC owns 51% of Air Astana.

Samruk-Kazyna was created on 3 November 2008 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 competitiveness of the national economy and mitigate external risks to domestic economic growth.

Registered address:

23 Kabanbai Batyr Avenue
Astana 010000
Kazakhstan

BAE Systems (Kazakhstan) Limited owns 49% of Air Astana.

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

Registered address:

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

GENERAL MEETING OF SHAREHOLDERS

Air Astana's senior corporate governance body is the General Meeting of Shareholders. It makes decisions on all key issues concerning the Company's business. The legislation of the Republic of Kazakhstan, Air Astana's Charter and other internal documents define the functions and regulate the activities of the General Meeting of Shareholders.

■ Responsibilities

The General Meeting of Shareholders has exclusive responsibility, without limitation, for the following matters:

- Election of members of the Board of Directors, as well as determination of the number of directors and their terms in office
- Election, determination of the term in office and dismissal of the President, Vice President for Flight Operations, and Vice President for Engineering and Maintenance
- Approval of the long-term development strategy
- Approval of the short-term and medium-term business plans (development plan and annual budget)
- Approval of the annual financial reports
- Approval of major and interested-party transactions, as well as other transactions requiring the approval of the General Meeting of Shareholders in accordance with the law
- Purchase or financial lease of any aircraft

■ Issues considered at the General Meetings of Shareholders in 2014

In 2014, 11 General Meetings of Shareholders were held, and the following issues were considered:

Strategic Development

- Approval of the Business Plan (Development Plan) of the Company for 2014-2018
- Consideration of the Business Plan (Development Plan) of the Company for 2015-2019

Governance and Remuneration

- Election 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 & CEO of the Company following the results of work for the year 2013
- Approval of the Regulations of the Internal Audit Service of the Company
- Decision on the determination of composition and terms of office of the Audit, Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees of the Board of Directors of the Company
- Approval of the amendments to the Regulations of the Audit, Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees of the Board of Directors of the Company
- Determination of KPMG Audit LLP as the auditing organisation performing the audit of the annual financial statements and review of the interim financial statements of the Company for 2014-2016

Financial and Operational Activity

- Approval of the annual report of the Company for 2013
- Approval of the annual financial statements of the Company for 2013
- Approval of the Annual Budget of the Company for 2014
- Approval of the Annual Budget of the Company for 2015
- Approval of the procedure for distribution of the net income of the Company for the year 2013, decision on payment of dividends on common stocks and approval of the amount of the dividend for the year 2013 per one common stock of the Company
- Approval of the decision on entering by the Company into related major transactions with Halyk Bank JSC on extension of the agreement on provision of a credit line for the amount of more than US\$1,000,000. Deciding on a money pledge for the amount of more than US\$1,000,000.

Deciding on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital of the Company in connection with entering by the Company into the related major transactions

- Approval of the decision on entering by the Company into a major transaction with Taikoo (Xiamen) Aircraft Engineering Co. Ltd. on the purchase of C-check and D-check maintenance services with regard to Airbus A320 family aircraft and Boeing 757 type aircraft
- Approval of the decision on entering by the Company into a major transaction with AJ Walter Aviation Limited on the purchase of components and spare parts lease services and access to spare parts pool with regard to Airbus A320 family aircraft and Boeing 757/Boeing 767 types aircraft
- Approval of the decision on entering by the Company into a major transaction with HSBC Bank Kazakhstan SB JSC for the issue of an unsecured Letter of Credit for an amount of more than US\$1,000,000
- Approval of the decision on entering by the Company into a major transaction with RBS (Kazakhstan) SB JSC for the issue of an unsecured Letter of Credit for an amount of more than US\$1,000,000
- Approval of the decision on entering by the Company into a major transaction with HSBC Bank Kazakhstan SB JSC on prolongation of the credit facility for issue of unsecured Letters of Credit and guarantees by means of concluding a supplementary agreement to the Framework Trade Financing Agreement, subject to conditions
- Approval of the decision on entering by the Company into a transaction with RBS (Kazakhstan) SB JSC for the issue of an unsecured Standby Letter of Credit for an amount of more than US\$1,000,000, subject to conditions and approval of the decision on entering by the Company into a transaction with RBS (Kazakhstan) SB JSC for the issue of an unsecured Letter of Credit for an amount of more than US\$1,000,000 in relation to Embraer 190 aircraft
- Approval of the decision on entering by the Company into a transaction with RBS (Kazakhstan) SB JSC on the issue of 100% cash covered Standby Letter of Credit for an amount of more than US\$1,000,000
- Approval of the decision on entering by the Company into a major transaction with Halyk Bank of Kazakhstan JSC for the issue of the Letters of Credit on unsecured basis under certain conditions. Decision on

increasing the Company's liabilities by an amount of more than US\$5,000,000 in connection with entering by the Company into the major transaction

- Approval of the decision on entering by the Company into major transactions with Petrosun LLP, Kuwait Petroleum International Aviation Co Ltd, Air BP Limited, ADNOC Distribution, Chevron Products Company, Petrol Ofisi A.S., China National Aviation Fuel Supply Co. Ltd, CJSC TZK Sheremetyevo, Triumph 2003 Ltd and Astana Petroleum Oil Ltd for the procurement of jet fuel. Decision on increasing the Company's liabilities by an amount of more than US\$5,000,000 in connection with entering by the Company into the major transactions
- Approval of the decision by the Company to take into operating lease two Airbus A321 type aircraft
- Approval of the decision on entering by the Company into the major transaction on extension of the operating lease of one Airbus A321 type aircraft Decision on increasing the Company's liabilities by an amount of more than US\$5,000,000 in connection with entering by the Company into the major transaction
- Approval of the decision on entering by the Company into a major transaction with AMECO Beijing for repair and overhaul services of RB211 series engines for Boeing 757 aircraft. Decision on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital of the Company in connection with entering by the Company into the major transaction
- Approval of the decision on entering by the Company into major transactions with Parc Aviation Limited, Sigma Aviation Services LTD and Direct Personnel International B.V. for the provision of the services on assessment, selection and management of qualified and experienced pilots (captains and first officers with international ratings), type rating examiners, type rating instructors, line training captains. Decision on increasing the Company's liabilities by an amount of more than US\$5,000,000 in connection with entering by the Company into the major transactions

BOARD OF DIRECTORS

The Board of Directors is the governing body of Air Astana responsible for developing the Company's strategy, general management of its activities and overseeing the activity of the Executive Body. The Board of Directors performs its functions in accordance with the Charter, the Corporate Governance Code and other internal documents of the Company.

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

■ Composition of the Board of Directors as at 31 December 2014:

Chairman of the Board of Directors

NURZHAN BAIDAULETOV

Nurzhan Baidautov has been the Chairman of the Board of Directors at Air Astana since 2008. He is a member of the Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees. He is currently Chief Director for Asset Management of the Samruk-Kazyna National Welfare Fund. Since 2012, he has been the Chairman of the Board of Directors at National Company Kazakhstan Temir Zholy JSC, and since May 2012, the Chairman of the Board of Directors of Kazakhtelecom JSC. His distinguished career in the Kazakhstan transportation industry spans about three decades. Mr Baidautov is a recipient of the Kurmet Medal.

Professional experience:

2014 to present – Chief Director for Asset Management of the Samruk-Kazyna National Welfare Fund JSC
 2008–2014 – Managing Director of the 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 – Deputy Minister of Transport and Communications of the Republic of Kazakhstan
 1998–2003 – Head of the Rail Transport 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 at Ekibastuz Station (Tselinnaya Railways)

Members of the Board of Directors

MARAT URAZBEKOV

Marat Urazbekov has a distinguished career spanning about 30 years of experience in the Kazakhstani transportation industry. He is currently Deputy Chief Director for Asset Management of the Samruk-Kazyna National Fund, a post he has held since 2014. Prior to this, he was Director of the Transport Asset Management Department of the Samruk-Kazyna National Fund from 2008 to 2014. Prior to this he worked for 14 years in the Ministry of Transport of the Republic of Kazakhstan in a variety of senior roles. He began his professional career in the railway sector.

Professional experience:

2014 to present – Deputy Head of the Asset Management Department of the Samruk-Kazyna National Fund
 2008 to 2014 – Director of the Transport Asset Management Department of the Samruk-Kazyna National Fund
 2006 to 2008 – Chairman of the Railway Committee of the Ministry of Transport and Communications
 2005 to 2006 – Deputy Chairman of the Railway Committee of the Ministry of Transport and Communications
 2004 to 2005 – Director of Railway Transportation Department of the Ministry of Transport
 1997 to 2003 – Deputy Director of Railway Transportation Department of the Ministry of Transport
 1994 to 1997 – Division Head, Railway Transportation Department of the Ministry of Transport
 1991 to 1994 – Chief Engineer, Arys Locomotive Depot of Almaty Railways
 1989 to 1991 – Senior Adviser, Arys City Committee of People's Deputies
 1986 to 1989 – Master, Senior Master, Chief Technologist, Arys Locomotive Depot of Almaty Railways

NIGEL BRADLEY

Nigel Bradley has been a member of the Board of Directors since 2001. He is a member of the Nomination and Remuneration and the Strategic Planning Committees.

Mr Bradley is Commercial and Procurement Director, Programmes and Support (BAE Systems) and Chairman of the Commercial and Procurement Functional Councils (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 COLE

David Cole has worked for BAE Systems for more than 25 years. He is a qualified accountant (ACMA) and is Finance Director of BAE Systems International Operating Group. He has held a number of senior finance posts across BAE Systems UK businesses, including in the Land, Maritime and Air sectors. David is a Board member of the BAE Systems Main Pension Scheme and MBDA (European Missile Company).

David completed his professional CIMA qualifications at Southampton Solent University in 1987 and started his accounting career as a trainee accountant with Plessey Naval Systems in Addlestone, Surrey.

Professional experience:

2012-2014 – Finance Director, BAE Systems International Operating Group
 2008-2011 – Finance Director, BAE Systems Military Air and Information
 2004-2007 – Finance and Commercial Director, BAE Systems Submarines
 2000-2003 – Finance Director, BAE Systems Maritime Operations
 1998-1999 – Finance Director, Vickers Shipbuilding and Engineering Ltd
 1995-1997 – Finance Director, GEC Marconi AsuteClass Ltd

DMITRIY LARIONOV

INDEPENDENT DIRECTOR

Dmitriy Larionov has been an Independent Director since 2008. He is Chairman of the Audit, Nomination and Remuneration, and Strategic Planning Committees, and a member of the Corporate Social Responsibility Committee. He is International Liaison Partner at BDO Kazakhstanaudit. He is a leading expert on accountancy and financial reporting.

Professional experience:

2013 to present – Independent Director of the National Company Astana EXPO-2017
 2009 to present – member of the Consultative Board on Accounting and Auditing under the Ministry of Finance of the Republic of Kazakhstan
 2008 to present – Independent Director of Kazakhtelecom, Chairman of the Audit Committee, member of the Remuneration and Nomination and the Strategic Planning Committees
 2008-2010 – member of the Developing Nations Committee, International Federation of Accountants
 2003-2010 – Deputy Chair, member of the Board, Chamber of Professional Accountants of the Republic of Kazakhstan
 2004-2005 – Local Accounting Expert, Regional Financial Sector Development Project, Asian Development Bank
 2001-2004 – Consultant in Accounting, Accounting Reform Department, USAID Enterprise Development Project, Pragma Corporation
 1999-2001 – Lecturer in Accounting, Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP)
 2013 – Certificate in Company Direction (Cert IoD), the Institute of Directors, UK
 2013 – Certified Corporate Governance Director (CCGD), the Kazakhstani Independent Directors Association

LORD THOMAS ALEXANDER HESKETH

INDEPENDENT DIRECTOR

Lord Thomas Alexander Hesketh has been an Independent Director since 2007. He is the Chairman of the Corporate Social Responsibility Committee and a member of the Audit Committee. Lord Hesketh has had a long and

distinguished career in public service and international business. In 1997, he 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
- 1991–1993 – Government Chief Whip in the House of Lords, Privy Councillor
- 1991–1993 – Captain of the Honourable Corps, Gentlemen at Arms
- 1990–1991 – Minister of Industry, Department of Trade and Industry

■ Responsibilities of the Board of Directors

The competence of the Board of Directors includes, without limitation, the following actions:

- Determine Air Astana's development priorities, preliminarily approve and propose the long-term development strategy for approval by the General Meeting of Shareholders
- Provide preliminary approval of the annual financial statements
- Submit matters for consideration and resolution by the General Meeting of Shareholders pursuant to the law and/or the Charter
- Approve internal regulatory documents, including procedures for the sale and/or subscription of securities, except where this is under the purview of the President for the purposes of running the business
- Decide on entering into major transactions in the manner prescribed by legislation and the Charter
- Elect and decide on the termination of an agreement with the Company's registrar
- Define procedures for the work of the Internal Audit Service (IAS), determine the remuneration of IAS staff based on recommendations by the President, award bonuses to IAS staff based on recommendations by the Audit Committee and the President, and approve the qualification requirements for IAS employees
- Provide preliminary approval and submit the short-term and medium-term business plans (the development plan and annual budget) for final

approval by the General Meeting of Shareholders, as well as any amendments to it, including capital expenditure not provided for in previously approved business plans

■ Issues considered by meetings of the Board of Directors in 2014

The Board of Directors held 15 meetings during 2014, four in presentia, and considered the following issues:

Strategic Development

- Report on implementation of the strategy and major investment projects of the Company
- Consideration of the report on implementation of the major investment projects of the Company. Decision on delaying delivery of two Boeing 787 aircraft from 2017 to 2019
- Preliminary approval of the Business Plan (Development Plan) of the Company for 2015–2019

Financial and Operational Activity

- Annual report of the President & CEO of the Company on the results of financial and operational activities of the Company for 2013
- Report of the President & CEO of the Company on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 2 months of 2014
- Consideration of the report on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 8 months of 2014
- Consideration of the report on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 10 months of 2014
- Operational Safety Review of the Company for the previous 12 months (ending 31 December 2013). Update on regulatory situation with regards to the ICAO and EU Aviation Safety Committee

- Operational Safety Review of the Company for the recent 12 months (ending 31 March 2014). Update on regulatory situation with regards to the ICAO and EU Aviation Safety Committee
- Consideration of the operational safety review of the Company for the recent 12 months (ending 30 September 2014) and update on regulatory situation with regards to the ICAO and EU Aviation Safety Committee
- Consideration of the operational safety review of the Company for the recent 12 months (ending 31 October 2014) and update on regulatory situation with regards to the ICAO and EU Aviation Safety Committee
- Preliminary approval of the decision on entering by the Company into a major transaction with HSBC Bank Kazakhstan SB JSC for the issue of an unsecured Letter of Credit for an amount of more than US\$ 1,000,000
- Preliminary approval of the decision on entering by the Company into a major transaction with RBS (Kazakhstan) SB JSC for the issue of an unsecured Letter of Credit for an amount of more than US\$ 1,000,000
- Decision on entering by the Company into a major transaction with Taikoo (Xiamen) Aircraft Engineering Co. Ltd. on the purchase of C-check and D-check maintenance services with regard to Airbus A320 family aircraft and Boeing 757 type aircraft
- Decision on entering by the Company into a major transaction with AJ Walter Aviation Limited for the purchase of components and spare parts lease services and access to spare parts pool with regard to Airbus A320 family aircraft and Boeing 757/Boeing 767 types aircraft
- Decision on entering by the Company into major transactions with Petrosun LLP, Kuwait Petroleum International Aviation Co Ltd, Air BP Limited, ADNOC Distribution, Chevron Products Company, Petrol Ofisi A.S., China National Aviation Fuel Supply Co. Ltd, CJSC TZK Sheremetyevo, Triumph 2003 Ltd and Astana Petroleum Oil Ltd for the procurement of jet fuel. Decision on increasing the Company's liabilities by an amount of more than US\$ 5,000,000 in connection with entering by the Company into the major transactions
- Approval of the amended Regulations of the Representative Office of the Company in Baku (the Republic of Azerbaijan)
- Approval of the main parameters of the Treasury Portfolio of the Company

- Preliminary approval of the annual financial statements of the Company for 2013
- Proposals to the Annual General Meeting of Stockholders of the Company on the procedure for distribution of the net income of the Company for 2013 and the amount of the dividend for 2013 per one common stock of the Company
- Approval of the Procurement Rules of the Company
- Approval of the Guidelines on procedure for the Company's single-source procurement of goods, works and services required for maintaining aircraft fleet, as well as goods, works and services supplied, consumed and used in a foreign state
- Proposals to the Annual General Meeting of Stockholders of the Company on the procedure for distribution of the net income of the Company for 2013 and the amount of the dividend for 2013 per one common stock of the Company
- Decision on entering by the Company into related major transactions with Halyk Bank JSC on extension of the agreement on provision of a credit line for the amount of more than US\$ 1,000,000. Decision on a money pledge for the amount of more than US\$ 1,000,000. Preliminary decision on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital of the Company in connection with entering by the Company into the related major transactions
- Approval of Barcelona (Spain), Heraklion (Greece) and Paris (France) as the Company's new flight destinations outside Kazakhstan
- Proposal of the management of the Company on extension of the operating lease agreements for two Airbus A321 type aircraft
- Decision on entering by the Company into the major transaction on extension of the operating lease of one Airbus A321 type aircraft. Preliminary decision on increasing the Company's liabilities by an amount of more than US\$ 5,000,000 in connection with entering by the Company into the major transaction
- Amending the decision of the Board of Directors of the Company dated 1 August 2014 on the first issue "Proposal of the management of the Company on extension of the operating lease agreements for two Airbus A321 type aircraft"

- Decision on entering by the Company into major transactions with Parc Aviation Limited, Sigma Aviation Services LTD and Direct Personnel International B.V. for the provision of the services on assessment, selection and management of qualified and experienced pilots (captains and first officers with international ratings), type rating examiners, type rating instructors, line training captains for the years 2014-2017. Preliminary decision on increasing the Company's liabilities by an amount of more than US\$5,000,000 in connection with entering by the Company into the major transactions
- Preliminary approval of the Annual Budget of the Company for 2015
- Decision on entering by the Company into a major transaction with AMECO Beijing for repair and overhaul services of RB211 series engines for Boeing 757 aircraft for the period 2014-2018. Preliminary decision on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital of the Company in connection with entering by the Company into the major transaction
- Consideration of the issue of the diversification over limit on current bank accounts opened in Kazakhstan and the report on the status of the Company's deposits placed as at 30 September 2014
- Approval of the amendments to the Procurement Rules of the Company
- Decision on entering by the Company into a major transaction with Halyk Bank of Kazakhstan JSC for the issue of the Letters of Credit on unsecured basis. Preliminary decision on increasing the Company's liabilities by an amount constituting 10% or more of the equity capital of the Company in connection with entering by the Company into the major transaction
- 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
- Proposal by the management of the Company for the extension of the operating lease agreement for one Airbus A319 type aircraft

- Decision on entering by the Company into a major with International Lease Finance Corporation for extension of the operating lease agreement for one Airbus A319 aircraft
- Preliminary decision on increasing the Company's liabilities by an amount of more than \$5,000,000 in connection with entering by the Company into a major transaction on extension of the operating lease agreement for one Airbus A319 type aircraft
- Decision on entering by the Company into the Lease Novation and Amendment Agreements in relation of one Embraer 190-100LR aircraft and one Airbus A320-200 aircraft
- Approval of the decision of the President & CEO of the Company on opening bank accounts at Bank of China group, Natixis (France), Barclays, Sberbank of Russia OJSC (Russia) and Alfa Bank JSC SB (Kazakhstan)

Internal Control and Audit

- Determination of the fee to be paid for the services of an auditing organisation
- Annual report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for 2013
- Report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the second half of 2013
- Performance evaluation of the Internal Audit Service of the Company for the 4th quarter of 2013
- Approval of the amendments to the Annual Audit Plan of the Internal Audit Service of the Company for 2014
- Report on the results of the review of the corporate governance system of the Company conducted by the Internal Audit Service of the Company
- Information on the use of related services rendered by the External Auditor of the Company, Deloitte LLP

- Report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the 1st half of 2014
- Report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for the 1st quarter of 2014
- Report of the Head of the Internal Audit Service of the Company on the evaluation of the effectiveness of the internal control system of the Company
- Performance evaluation of the Internal Audit Service of the Company for the 1st quarter of 2014
- Issues of the Internal Audit Service of the Company
- Preliminary approval of the Regulations of the Internal Audit Service of the Company
- Approval of the appointment of PricewaterhouseCoopers as an external consultant to conduct diagnostics of the corporate governance system of the Company
- Consideration of the report on the results of diagnostics of the corporate governance system of the Company for 2013 and the first five months of 2014 conducted by PWC
- Report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for the 2nd quarter of 2014
- Performance evaluation of the Internal Audit Service of the Company for the 2nd quarter of 2014
- Approval of the Budget of the Internal Audit Service of the Company for 2015
- Consideration of the report on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the 3rd quarter of 2014
- Consideration of the report on the activity of the Internal Audit Service of the Company for the 3rd quarter of 2014

- Performance evaluation of the Internal Audit Service of the Company for the 3rd quarter of 2014
- Approval of the updated Map of the Key Performance Indicators of the Internal Audit Service of the Company and its Head
- Approval of the Annual Audit Plan of the Internal Audit Service of the Company for 2015
- Approval of the Strategic plan of the Internal Audit Service of the Company for the years 2015–2017

Risk Management

- Consideration of the updated Risk Map and Key Risk Register of the Company for the 1st half of 2014 (as at 30 June 2014)
- Approval of the updated Risk Register, Key Risk Register and Risk Map of the Company for the second half of 2014. Approval of the Risk Appetite of the Company. Consideration of the report on realized risks of the Company
- Approval of the amended Risk Management Policy of the Company
- Approval of the amended Methodology for evaluation of effectiveness of the Corporate Risk Management System of the Company

Governance and Remuneration

- Preliminary determination of composition and terms of office of the Audit, Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees of the Board of Directors of the Company
- Preliminary approval of the amendments to the Regulations of the Audit, Nomination and Remuneration, Strategic Planning and Corporate Social Responsibility Committees of the Board of Directors of the Company
- Review of the amount of remuneration to the employees of the Internal Audit Service of the Company
- Recommendations to the General Stockholders' Meeting of the Company with respect to the annual bonus payment to the President & CEO of the Company following the results of work for the year 2013

- Report on the activities of the Board of Directors of the Company and the Committees of the Board of Directors of the Company for 2013
- Approval of changes to the labour contract with the President & CEO of the Company
- Consideration of the issue of the 2014 bonus payment to the Company's employees
- Consideration of the report on the status of the Implementation of the decisions of the Board of Directors of the Company for the period January–November 2014
- Approval of the plan of work and the schedule of the meetings of the Board of Directors of the Company for 2015
- Annual review of remuneration and proposals for 2015 salary of the employees of the Company whose remuneration shall be determined by the Board of Directors of the Company
- Review of the amount and terms of remuneration and compensation of the President & CEO of the Company
- Annual approval of the remuneration system and provision of incentives and the scheme of labour remuneration of the Company's employees

■ Selection criteria for the Board of Directors

Air Astana has established the following criteria for nominees and members of the Board of Directors:

- Nominees and members of the Board of Directors may be of any citizenship and nationality
- Candidates for election as directors should have the appropriate work experience, knowledge, qualifications, track record of achievements and an impeccable reputation in both the industry and broader business world, required for the performance of their duties and contribution to the effective work of the Board of Directors in the interests of Air Astana and its shareholders

The members of the Board of Directors should not:

- Have any current convictions under the law

- Be a person who previously served as Chairman of the Board of Directors, Chief Executive Officer (Chairman of the Management Board), Deputy Chief Executive Officer, or Chief Accountant of another legal entity for no more than one year before its forced liquidation or forced redemption of shares, or of another legal entity recognised as bankrupt and put into temporary closure; this requirement is applied for a five-year period following the date of forced liquidation, forced redemption of shares, or a legal entity being recognised as bankrupt and put into temporary closure

Qualification requirements for independent members of the Board of Directors include:

- Compliance with the definition of independent director as set out by the Law of the Republic of Kazakhstan "On Joint-Stock Companies": an independent director is a member of the Board of Directors who is not affiliated with the company and has not been affiliated with it for three years preceding his or her election (except as an independent director); is not affiliated with any affiliates; is not subordinated to any officers of the company or its affiliates; is not a civil servant; is not an auditor of the company; and was not its auditor for three years preceding election
- Advanced educational qualifications, preferably in a field directly related to Air Astana's primary business activities
- At least five years of leadership experience, preferably in a field directly related to Air Astana's primary business activities

■ Remuneration of members of the Board of Directors and the Executive Body

Directors who represent the shareholders do not receive remuneration for their work. Independent directors are remunerated, and the General Meeting of Shareholders determines the amount based on the recommendations of the Board of Directors and the Nomination and Remuneration Committee. The General Meeting of Shareholders also determines the amount paid to the Executive Body, based on the recommendations of the Nomination and Remuneration Committee.

In 2014, the total remuneration paid to independent directors and the Executive Body stood at KZT 46,504 thousand, including taxes.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has committees with the responsibility for oversight over specific issues for the company, to analyse these issues and to present proposals to the full Board of Directors for approval. During 2014, the four committees were: the Strategic Planning Committee, the Nomination and Remuneration Committee, the Audit Committee and the Corporate Social Responsibility Committee.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee has been created to assist the effective performance of the Board of Directors and develop recommendations to the board regarding issues of strategic development. The committee was created in October 2012.

Composition of the Strategic Planning Committee:

- Chairman: Dmitriy Larionov (independent director)
- Members: Nurzhan Baidautov, Nigel Bradley

■ Responsibilities of the Strategic Planning Committee

The responsibilities of the Strategic Planning Committee include:

- Developing recommendations for the Board of Directors for determining priority areas of business activity and development for Air Astana
- Developing recommendations for the Board of Directors regarding the preliminary approval and potential amendments to the Company's long-term development strategy
- Reviewing the management report on the implementation of the long-term development strategy and the medium-term business plan (development plan), as well as the achievements of strategic key performance indicator targets
- Developing recommendations for the Board of Directors on corporate governance issues

- Developing recommendations for the Board of Directors for reviewing the Company's strategy in view of changes in the economic, political, social and competitive environment
- Developing recommendations for the Board of Directors to improve the effectiveness of the Company's long-term performance and competitiveness in the aviation transportation market

■ Issues considered by the Strategic Planning Committee in 2014:

- Consideration of the report of the management of the Company on the preliminary results of financial and operational activity of the Company for 2013.
- Consideration of the report of the management of the Company on implementation of the strategy and major investment projects of the Company
- Consideration of the report on the results of the review of the corporate governance system of the Company conducted by the Internal Audit Service of the Company
- Consideration of the annual report of the President & CEO of the Company on the results of financial and operational activities of the Company for 2013
- Consideration of the report of the President & CEO of the Company on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 2 months 2014
- Consideration of the report on implementation of the major investment projects of the Company
- Consideration of the proposals of the management of the Company on the procedure for distribution of the net profit of the Company for 2013 and the amount of the dividend for 2013 per one common stock of the Company
- Recommendations with regards to the procedure for distribution of the net income of the Company for 2013 and the amount of the dividend for 2013 per one common stock of the Company

- Consideration of the report of the management of the Company on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 8 months 2014
- Consideration of the report of the management of the Company on implementation of the major investment projects of the Company
- Consideration of the Annual Budget of the Company for 2015
- Consideration of the Business Plan (Development Plan) of the Company for 2015-2019
- Consideration of the draft report issued by PWC on the results of diagnostics of the corporate governance system of the Company for 2013 and the first 5 months of 2014
- Consideration of the report of the management of the Company on the results of financial and operational activity (implementation of the budget and development plan) of the Company for 10 months 2014
- Approval of the annual plan of work of the Strategic Planning Committee for 2015
- Consideration of the plan of work and the schedule of the meetings of the Board of Directors of the Company for 2015

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee develops recommendations for the Board of Directors regarding the recruitment and selection of members of the Board of Directors, Executive Body, head of the IAS, Corporate Secretary and other employees whose appointment requires the approval of the Board of Directors or shareholders. The committee also makes recommendations regarding the remuneration of those employees.

The committee was formed in October 2012 through the merger of the previously separate Nomination and Remuneration Committees.

Composition of the Nomination and Remuneration Committee:

- Chairman: Dmitriy Larionov (independent director)
- Members: Nurzhan Baidautov, Nigel Bradley

■ Responsibilities of the Nomination and Remuneration Committee

The following issues fall within the competence of the Nomination and Remuneration Committee:

- Developing qualification requirements for candidates for independent directors, the Executive Body, the Corporate Secretary, and the head and employees of the IAS
- Making recommendations for electing or nominating candidates for independent directors, the Executive Body, the Corporate Secretary, and the head and employees of the IAS
- Developing the succession planning policy for members of the Board of Directors and its Committees, the Executive Body, the Corporate Secretary and the head and employees of the IAS
- Providing recommendations on the policy and structure for remunerating members of the Board of Directors, the Executive Body, the head of the IAS, the Corporate Secretary and other employees whose remuneration shall be agreed by the Board of Directors or shareholders
- Making recommendations regarding the annual individual remuneration of members of the Board of Directors, the Executive Body, the head of the IAS, the Corporate Secretary and other employees whose remuneration shall be agreed by the Board of Directors or shareholders
- Making proposals to the Board of Directors regarding changing the remuneration of members of the Board of Directors, the Executive Body, the head of the IAS, the Corporate Secretary and other employees whose remuneration shall be agreed by the Board of Directors or shareholders

- Considering payment of remuneration following the results of the year to employees whose remuneration shall be agreed by the Board of Directors or shareholders

- Conducting comparative analysis of salary levels and remuneration policies for members of the Board of Directors, the Executive Body, the head of the IAS, the Corporate Secretary and other employees whose remuneration shall be agreed by the Board of Directors or shareholders

■ Issues considered by the Nomination and Remuneration Committee in 2014:

- Recommendations with regards to the annual bonus payment to the President & CEO of the Company following the results of work for the year 2013

- Recommendations with regards to review of the amount of remuneration of the employees of the Internal Audit Service of the Company

- Recommendations with regards to termination of authorities of the Internal Auditor of the Internal Audit Service of the Company

- Recommendations with regards to the issue of the 2014 bonus payment to the Company's employees

- Approval of the annual plan of work of the Nomination and Remuneration Committee for 2015

- Preliminary approval of the Regulations of the Labour Remuneration System of the Company

- Proposals with regard to review of the remuneration and determination of 2015 salaries of the employees of the Company whose remuneration shall be determined by the Board of Directors of the Company

- Recommendations with regards to the candidates to the members of the Board of Directors of the Company and the amount and terms of remuneration and compensations to the Independent Directors of the Company

AUDIT COMMITTEE

The Audit Committee reports to the Board of Directors, which grants the committee certain authorities. It helps to support the Board of Directors in supervising the Company's financial and economic activities; the reliability and efficiency of the internal control and risk management system; the implementation of corporate governance documents; the independence of the external and internal audit process; and compliance with the laws and regulations of the Republic of Kazakhstan. The Audit Committee was created in March 2008.

Composition of the Audit Committee:

- Chairman: Dmitriy Larionov (independent director)

- Member: Lord Thomas Alexander Hesketh (independent director)

■ Responsibilities of the Audit Committee

The following issues fall within the competence of the Audit Committee:

- Developing recommendations for the Board of Directors on the appointment and change of the external auditor; determining the amount paid to the external auditor; evaluating the quality of services rendered by the external auditor; and obtaining related services from the external auditor

- Developing recommendations for the Board of Directors on the appointment and dismissal of the head of the Internal Audit Service (IAS)

- Holding meetings with external and internal auditors without the presence of members of Air Astana's management

- Investigating any issues under the supervision of the committee

■ Issues considered by the Audit Committee in 2014

Financial statements

- Information of the External Auditor of the Company on the status of the audit of the financial statements of the Company for 2013
- Recommendations to the Board of Directors of the Company with regards to the preliminary approval of the annual financial statements of the Company for 2013
- Consideration of the Management Letter following the results of the audit of the annual financial statements of the Company for 2013
- The External Auditor's update on the results of the review of the interim condensed financial statements of the Company for the 6 months ending 30 June 2014
- The External Auditor's update on the status of the audit of the annual financial statements of the Company for 2014

Internal Audit

- Hearing the annual report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for 2013
- Hearing the report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the 2nd half of 2013
- Performance evaluation of the Internal Audit Service of the Company for the 4th quarter of 2013
- Preliminary approval of the amendment to the Annual Audit Plan of the Internal Audit Service of the Company for 2014
- Hearing of the report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for H1 2014

- Hearing of the report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for the Q1 2014
- Performance evaluation of the Internal Audit Service of the Company for the 1st quarter of 2014
- Recommendations to the Board of Directors of the Company with regards to the review of the amount of remuneration of the employees of the Internal Audit Service of the Company
- Recommendations to the Board of Directors of the Company with regards to the termination of authorities of the Internal Auditor of the Company
- Recommendations to the Board of Directors of the Company with regards to the approval of the amendments to the Annual Audit Plan of the Internal Audit Service of the Company for 2014
- Recommendations to the Board of Directors of the Company with regards to the preliminary approval of the Regulations of the Internal Audit Service of the Company
- Hearing of the report of the Head of the Internal Audit Service of the Company on the evaluation of the effectiveness of the internal control system of the Company
- Hearing of the report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the 1st half of 2014
- Hearing of the report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for the 2nd quarter of 2014
- Performance evaluation of the Internal Audit Service of the Company for the 2nd quarter of 2014
- Hearing of the report of the Head of the Internal Audit Service of the Company on the recommendations issued by the Internal Audit Service of the Company which were not accepted by the management of the Company

- Preliminary approval of the Budget of the Internal Audit Service of the Company for 2015
- Proposal of the Head of the Internal Audit Service of the Company on the staff changes in the Internal Audit Service of the Company
- Recommendations to the Board of Directors of the Company with regard to the 2014 bonus payment to the employees of the Internal Audit Service of the Company
- Hearing the report of the Head of the Internal Audit Service of the Company on the status of execution of the Action Plan for Implementation of the Strategic Plan of the Internal Audit Service of the Company for the 3rd quarter of 2014
- Hearing the report of the Head of the Internal Audit Service of the Company on the activity of the Internal Audit Service of the Company for the 3rd quarter of 2014. Hearing of the report on the recommendations issued by the Internal Audit Service of the Company in the 3rd quarter of 2014 which were not accepted by the management of the Company
- Performance evaluation of the Internal Audit Service of the Company for the 3rd quarter of 2014
- Preliminary approval of the updated Map of the Key Performance Indicators of the Internal Audit Service of the Company and its Head
- Preliminary approval of the Annual Audit Plan of the Internal Audit Service of the Company for 2015
- Preliminary approval of the Strategic plan of the Internal Audit Service of the Company for the years 2015-2017
- Proposal of the Head of the Internal Audit Service of the Company on the staff changes. Preliminary approval of the amount of the 2015 salaries of the Head and Employees of the Internal Audit Service of the Company

Internal Control and Risk Management

- Preliminary approval of the updated Key Risk Register of the Company for the 1st half of 2014 (as at 30 June 2014)
- Preliminary approval of the updated Risk Register, Key Risk Register and Risk Map of the Company for the 2nd half of 2014. Consideration of the Risk Appetite of the Company. Consideration of the report on realized risks of the Company
- Preliminary approval of the amended Risk Management Policy of the Company
- Preliminary approval of the amended Methodology for evaluation of effectiveness of the Corporate Risk Management System of the Company

Other issues

- Discussion of the issue of KZT devaluation
- Consideration of the draft report issued by PWC on the results of diagnostics of the corporate governance system of the Company for 2013 and the first 5 months of 2014
- Consideration of the issue of diversification over limit on bank accounts opened in Kazakhstan and the report on the status of the Company's deposits placed as at 30 September 2014
- Hearing the report on the status of litigations and results of state inspections and audits
- Approval of the annual plan of work of the Audit Committee for 2015

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee was established to assist the effective performance of the Board of Directors and to develop recommendations to the board regarding issues of social responsibility, including occupational safety, health and environmental protection. The committee was created in October 2012.

Composition of the Corporate Social Responsibility Committee:

- Chairman: Lord Thomas Alexander Hesketh (independent director)
- Members: Dmitriy Larionov (independent director), Nurzhan Baidauletov

■ Responsibilities of the Corporate Social Responsibility Committee

The responsibilities of the Corporate Social Responsibility Committee include:

- Developing recommendations for the Board of Directors regarding the Company's corporate social responsibility strategy and analysing the effectiveness of its implementation
- Developing policies and taking action in the areas of occupational health and safety, social responsibility and environmental protection

- Monitoring the Company's performance in the areas of occupational health and safety, social responsibility and environmental protection in line with relevant legislation and regulations
- Making recommendations to the Board of Directors regarding the approval of internal documentation covering social and charitable policies
- Consideration of major CSR risks and plans for mitigating their impact
- Making recommendations to the Board of Directors regarding the approval of Company social responsibility and sustainability report

■ Issue considered by the Corporate Social Responsibility Committee:

- Consideration of the report on the social and charity activity of the Company in 2013.

INTERNAL AUDIT SERVICE

The mission of the Internal Audit Service is to provide assistance to the Board of Directors and the President in performing their duties to achieve the strategic goals of the Company through the provision of independent and objective assurance and consulting activity designed to add value and improve the effectiveness of the following areas:

- risk management
- internal control
- corporate governance processes

The Service is a Corporate Body that provides the organisation and implementation of internal audit in the Company and reporting directly to the Board of Directors. The Audit Committee carries out the supervision of the Service's functions.

The present head of the Service is Valentina Khegay. She was appointed by a resolution passed at a General Meeting of Shareholders on 7 December 2007.

■ Objectives and functions

The Service according to the objectives imposed on it performs the following functions in a prescribed manner:

- Evaluation of the adequacy and effectiveness of internal controls in corporate governance, operational (production and financial) activity of the Company and its information systems with regards to:
 - Achievement of the Company's strategic objectives
 - Reliability and completeness of information on the Company's activity
 - Efficiency and effectiveness of the Company's activity and adopted programmes
 - Rationality and efficiency of use of the Company's resources and methods (means) of safeguarding the Company's assets
 - Compliance of established control systems with the requirements of legislation, normative documents, internal documents and resolutions of authorised bodies and bodies of the Company (compliance control)

- Evaluation of adequacy and effectiveness of the Company's internal control system
- Evaluation of the Company's corporate governance system
- Evaluation of fraud risk and effectiveness of fraud risk management in the Company³
- Evaluation of completeness of implementation and efficiency of the risk management methodologies and risk management procedures in the Company
- Evaluation of corporate governance system including implementation and compliance of accepted corporate governance principles with ethical standards and values of the Company
- Audit of the Company's information systems
- Verification of compliance with the legislation of the Republic of Kazakhstan, international agreements, the Company's internal documents and implementation of instructions of authorized bodies, resolutions of the Company's bodies and evaluation of systems developed to follow these requirements
- Evaluation of adequacy of the measures applied by the Company's structural divisions to ensure achievement of the Performance objectives within the framework of the strategic objectives of the Company
- Development of internal documents governing the Service activity in accordance with the Standards and decisions/recommendations of the General Meeting of Stockholders
- Provision of consulting services to the Board of Directors, Executive body, structural bodies of the Company regarding improvement of the internal control, risk management, corporate governance and organisation of internal audit function
- Conduct of unplanned audit engagement
- Monitoring over implementation of the external auditor's recommendations

³ Identification and investigation of fraud cases are not a primary function of the Service. Service staff may be brought into the investigation of fraud cases as consultants or observers and do not carry responsibility for management decisions made as a result of the investigation.

- Follow-up oversight over implementation of recommendations issued by the Service
- Exchange of information and coordination of activity with other internal and external parties of the Company that provide assurance and consulting services
- Other functions assigned to the Service within the limits of its competence

As a result of the evaluations and audits it conducts, the Service issues appropriate recommendations (including those directed to improvement of internal control system, risk management system, processes and principles of activity) and comments on any issues within the limits of its competence.

HEAD OF THE SERVICE



VALENTINA KHEGAY

Valentina joined Air Astana in 2006 with more than 20 years experience in audit and accounting. She graduated from the Institute of National Economy in Almaty and holds a PhD degree in economics. Her previous positions include Chief Accountant and Chief Financial Officer at several companies. In 1996, she began practicing audit. Prior to Air Astana she worked at KPMG. Valentina has been a certified auditor since 2002 and a full member of Chamber of auditors of the Republic of Kazakhstan. She also holds professional accountant certificates for CAP and CIPA.

CORPORATE SECRETARY

The position of Corporate Secretary was established through a resolution of the Board of Directors on 6 December 2007. The Corporate Secretary plays a key role in facilitating an open dialog among the Company's different governing bodies and ensuring their adherence to legislative and company requirements.

The Corporate Secretary ensures that the rights of all shareholders are observed, shareholder communications are given due consideration by the relevant body, and any dispute involving shareholders' rights are resolved.

The Corporate Secretary's duties also include ensuring a proper flow of information among the Board of Directors and its committees and the Executive Body, as well as facilitating the orientation process for new directors. The Board of Directors is responsible for the appointment and dismissal of the Corporate Secretary.

YELENA KONDACHKOVA

The current Corporate Secretary, Yelena Kondachkova, has been with Air Astana since its early days and has worked as a specialist and manager in the Strategic Planning Department. In 2011, she was one of the first graduates to complete a certification programme for corporate secretaries of companies within the Samruk-Kazyna holding.

DIVIDEND POLICY

At Air Astana, we have developed our dividend policy in accordance with the legislation of Kazakhstan, our Charter and our internal documents. It defines a transparent process for determining both the size of the dividend and the conditions under which it is paid, while seeking to achieve the appropriate balance between returning value to shareholders and financing Air Astana's continued growth. In our view, this helps to ensure both short-term and long-term returns on investment for shareholders.

According to the policy, Air Astana allocates 25% of net income, as calculated in accordance with International Financial Reporting Standards (IFRS), unless otherwise decided by the General Meeting of Shareholders. There are 17,000 common shares, a number that is unchanged in all the years presented below.

	2010	2011	2012	2013	2014	2015
KZT per share*	145,722	167,064	158,504	187,496	91,930	102,525
Previous Year Net Profit (KZT 000)	7,077,948	11,360,369	8,981,894	9,106,980	7,814,029	3,485,835
Previous Year Net Profit (US\$ 000)	47,985	77,116	61,260	61,076	51,364	19,453
Dividend pay-out ratio	35 %	25 %	30 %	35 %	20 %	50 %

* Dividend amount is calculated on the basis of and paid out of the profits of the previous year

FINANCIAL CALENDAR FOR 2015

Event	Date
Report from the Head of the Internal Audit Service (IAS) on its activity in 2014	12 February
Independent auditor's report on financial statements for 2014	March
Preliminary approval of financial statements for 2014 by the Board of Directors	March–April
Annual report from the President & CEO on the Company's financial and operational results for 2014	30 April
Report from the Head of the IAS on its activity in 1Q15	30 April
Proposals of the Board of Directors to the Annual General Meeting of Shareholders on the procedure for distribution of the net profit of Air Astana JSC for 2014 and the amount of the dividend for 2014 per one common share of the Company	30 April
Annual General Meeting of Shareholders	29 May
Approval of financial statements for 2014 by the Annual General Meeting of Shareholders	29 May
Annual Report of Air Astana JSC for 2014	29 May
Decision on payment and approval of the amount of the dividend per common share for 2014 by the Annual General Meeting of Shareholders	29 May
Publication of the 2014 financial statements on the Company's website	June
Announcement of dividends for 2014	June
Publication of the financial statements for 1H15 on the Company's website	August
Report of the Head of the IAS on its activity in 2Q15	3 September
Report of the Head of the IAS on its activity in 3Q15	3 December
Approval of the Board of Directors' work plan for 2016	3 December
Approval of the IAS' annual audit plan for 2016	3 December
Preliminary approval of the five-year business plan for 2016–20	3 December
Preliminary approval of the budget for 2016	October–December

EXTERNAL AUDITOR

Air Astana hires an external auditor to ensure that its accounting practices are in line with international financial reporting standards, transparent and independently verified.

As a result of an open tender for the services of auditing the annual financial statements and reviewing the interim financial statements for the years 2014–2016, held on 3 December 2013, Air Astana signed a contract with KPMG Audit LLP for the purchase of the services of auditing financial statements for the years ended 31 December 2014, 2015 and 2016 prepared in accordance with IFRS; and auditing the interim financial statements for the six months ended 30 June 2014, 2015 and 2016, prepared in accordance with IAS 34.

Since its creation, the audit of Air Astana's financial statements has been provided by the following audit firms: Ernst & Young Kazakhstan LLP (2002–2003), KPMG Janat LLP (2004–2006) and Deloitte LLP (2007–2013).

The cost of services provided by the external auditors is available on the website at www.procurement.airastana.com

Contact information:

KPMG Audit LLP
 Dostyk Avenue 180,
 Almaty, 050051, Kazakhstan
 Tel: +7 (727) 298 0898
 Fax: +7 (727) 298 0708
www.kpmg.com

INDEPENDENT REGISTRAR

Integrated Securities Registrar maintains the shareholders' register of Air Astana. The Integrated Securities Registrar was established on 1 December 2011 by the National Bank of the Republic of Kazakhstan (its sole founder) and registered on 11 January 2012 by the Ministry of Justice of Almaty. Its main activity is providing shareholder registry services.

Contact information:

Integrated Securities Registrar
141 Abylai Khan Ave.,
Almaty, 050000, Kazakhstan
Tel: +7 (727) 272 47 60
www.tisr.kz

JOINT STOCK COMPANY AIR ASTANA

Financial Statements

For the year ended 31 December 2014

JOINT STOCK COMPANY AIR ASTANA

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Management is responsible for the preparation of the financial statements that present fairly the financial position of JSC Air Astana (the "Company") as at 31 December 2014, 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 2014 were authorised for issue on 27 February 2015 by management of the Company.

On behalf of management of the Company:



Peter Foster
President

27 February 2015
Almaty, Republic of Kazakhstan



Alima Zamanbekova
Chief Accountant

27 February 2015
Almaty, Republic of Kazakhstan



«КПМГ Аудит» жауапкершілігі
шектелген серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Shareholders and Board of Directors of JSC Air Astana

We have audited the accompanying financial statements of JSC Air Astana (the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 auditor's 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.

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген; Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Independent Auditors' Report
Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2013 were audited by other auditors whose report dated 14 March 2014 expressed an unmodified opinion on those statements.



Sergey Dementyev
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
№ MF0000086 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan



Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter


27 February 2015

JOINT STOCK COMPANY AIR ASTANA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of USD)

	Notes	2014	2013
Revenue			
Passenger revenue	5	888,180	917,070
Cargo and mail revenue	5	26,443	29,423
Other revenue	5	20,157	20,411
Total revenue		934,780	966,904
Operating expenses			
Fuel		(252,108)	(280,007)
Handling, landing fees and route charges	6	(110,077)	(118,037)
Employee costs	6	(103,728)	(99,080)
Passenger service	6	(87,384)	(92,692)
Engineering and maintenance	6	(76,883)	(79,944)
Aircraft operating lease costs	6	(67,065)	(78,243)
Depreciation and amortisation	11	(45,891)	(29,282)
Selling costs	6	(39,736)	(48,211)
Aircraft crew costs	6	(26,642)	(39,486)
Insurance	6	(5,543)	(5,949)
Property lease cost		(5,441)	(5,752)
Information technology		(3,345)	(3,073)
Consultancy, legal and professional services		(2,488)	(1,728)
Taxes, other than income tax		(1,532)	(7,138)
Other		(8,426)	(6,068)
Total operating expenses		(836,289)	(894,690)
Operating profit		98,491	72,214
Finance income	7	1,762	1,688
Finance expenses	7	(24,980)	(7,651)
Foreign exchange loss, net		(47,840)	(1,326)
Profit before tax		27,433	64,925
Income tax expense	8	(7,980)	(13,561)
Profit for the year		19,453	51,364
Other comprehensive loss, net of income tax:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Foreign currency translation loss		(48,857)	(5,615)
Income tax		-	208
Other comprehensive loss for the year, net of income tax		(48,857)	(5,407)
(Loss)/profit and total comprehensive (loss)/income for the year		(29,404)	45,957
Basic and diluted earnings per share (in USD)	20	1,144	3,021

On behalf of the Company's management:


 Peter Foster
 President

 27 February 2015
 Almaty, Republic of Kazakhstan


 Alima Zamanbekova
 Chief Accountant
 27 February 2015
 Almaty, Republic of Kazakhstan


The notes on pages 9 to 51 form an integral part of these financial statements. The independent auditor's report on the financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in thousands of USD)

	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9	536,737	562,856
Intangible assets	10	1,388	2,139
Prepayments for non-current assets	14	11,401	23,798
Guarantee deposits	12	10,861	12,799
Trade and other receivables	15	3,270	5,448
		563,657	607,040
Current assets			
Inventories	13	48,890	55,247
Prepayments	14	26,254	49,214
Income tax prepaid		4,024	5,510
Trade and other receivables	15	42,045	32,706
Other taxes prepaid	17	12,540	7,768
Guarantee deposits	12	1,034	5,146
Bank deposits	18	114,747	114,372
Cash and bank balances	19	70,866	13,725
Financial assets at fair value through profit or loss	16	5,465	331
		325,865	284,019
Total assets		889,522	891,059
EQUITY AND LIABILITIES			
Equity			
Share capital	20	17,000	17,000
Foreign currency translation reserve		(73,859)	(25,002)
Retained earnings		326,456	315,520
Total equity		269,597	307,518
Non-current liabilities			
Finance lease liabilities	25	415,358	382,887
Deferred tax liability	8	23,104	18,120
Provision for aircraft maintenance	22	16,982	7,098
		455,444	408,105
Current liabilities			
Loans	24	-	9,282
Finance lease liabilities	25	40,069	36,470
Deferred revenue	21	51,818	63,240
Provision for aircraft maintenance	22	6,092	16,049
Trade and other payables	23	56,202	50,129
Financial liabilities at fair value through profit or loss	16	10,300	266
		164,481	175,436
Total liabilities		619,925	583,541
Total equity and liabilities		889,522	891,059

On behalf of the Company's management:


 Peter Foster
 President

 27 February 2015
 Almaty, Republic of Kazakhstan


 Alima Zamanbekova
 Chief Accountant
 27 February 2015
 Almaty, Republic of Kazakhstan

The notes on pages 9 to 51 form an integral part of these financial statements. The independent auditor's report on the financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)

	Notes	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2013		17,000	(19,595)	285,276	282,681
Profit for the year		-	-	51,364	51,364
Other comprehensive loss for the year		-	(5,407)	-	(5,407)
Total comprehensive income for the year		-	(5,407)	51,364	45,957
Dividends declared	20	-	-	(21,120)	(21,120)
At 31 December 2013		17,000	(25,002)	315,520	307,518
Profit for the year		-	-	19,453	19,453
Other comprehensive loss for the year		-	(48,857)	-	(48,857)
Total comprehensive income for the year		-	(48,857)	19,453	(29,404)
Dividends declared	20	-	-	(8,517)	(8,517)
At 31 December 2014		17,000	(73,859)	326,456	269,597

On behalf of the Company's management:


Peter Foster
President

 27 February 2015
Almaty, Republic of Kazakhstan



Alima Zamanbekova
Chief Accountant
 27 February 2015
Almaty, Republic of Kazakhstan

The notes on pages 9 to 51 form an integral part of these financial statements. The independent auditor's report on the financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)


	Notes	2014	2013
OPERATING ACTIVITIES:			
Profit before tax		27,433	64,925
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	11	45,891	29,282
Gain on disposal of property, plant and equipment		(237)	(580)
Change in allowance for doubtful debts	14, 15	820	907
Change in allowance for obsolete and slow-moving inventories	13	1,474	(302)
Change in vacation reserve		1,445	700
Change in provision for aircraft maintenance		17,448	11,273
Reversal of customer loyalty program		(3,412)	95
Foreign exchange loss		47,840	1,326
Finance income	7	(1,762)	(1,688)
Interest expense on finance lease	7	13,670	6,544
Interest expense from revaluation of fair value of guarantee deposits	7	8	-
Net unrealised loss on financial assets and liabilities at fair value through profit or loss	7	8,967	13
Net realised loss on financial assets and liabilities at fair value through profit or loss	7	1,255	-
Operating cash flow before movements in working capital		160,840	112,495
Change in trade and other accounts receivables		(16,255)	4,748
Change in prepaid expenses		3,964	(32,962)
Change in inventories		(3,867)	(12,799)
Change in financial assets and liabilities at fair value through profit or loss		(5,427)	-
Change in trade and other payables and other current liabilities		5,491	(14,555)
Change in deferred revenue		1,931	6,846
Cash generated from operations		146,676	63,773
Income tax paid		-	(2,446)
Interest paid		(14,302)	(7,334)
Net cash generated by operating activities		132,374	53,993
INVESTING ACTIVITIES:			
Pre-delivery payments		-	(11,233)
Refund of pre-delivery payments		11,808	22,376
Purchase of property, plant and equipment		(25,671)	(9,818)
Proceeds from disposal of property, plant and equipment		538	862
Purchase of intangible assets	10	(438)	(547)
Bank and guarantee deposits placed		(202,454)	(192,097)
Bank and guarantee deposits withdrawn		198,437	155,243
Interest received		761	5,613
Net cash used in investing activities		(17,019)	(29,601)

JOINT STOCK COMPANY AIR ASTANA

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of USD)

	Notes	2014	2013
FINANCING ACTIVITIES:			
Dividends paid	20	(8,517)	(21,120)
Proceeds from borrowings		-	2,735
Repayment of borrowings		(9,498)	(18,300)
Repayment of finance lease		(37,012)	(16,470)
Net cash used in financing activities		(55,027)	(53,155)
NET INCREASE / (DECREASE) IN CASH AND BANK BALANCES			
Effect of exchange rate changes on cash and bank balances held in foreign currencies		60,329	(28,763)
		225	(201)
CASH AND BANK BALANCES, at the beginning of the year	19	13,725	43,051
Foreign currency loss due to translation to presentation currency		(3,413)	(362)
CASH AND BANK BALANCES, at the end of the year	19	70,866	13,725

On behalf of the Company's management:


 Peter Foster
 President

 27 February 2015
 Almaty, Republic of Kazakhstan


 Alima Zamanbekova
 Chief Accountant
 27 February 2015
 Almaty, Republic of Kazakhstan

The notes on pages 9 to 51 form an integral part of these financial statements. The independent auditor's report on the financial statements is on pages 2 and 3.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of USD)
1. NATURE OF ACTIVITIES

JSC Air Astana (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 2014 the Company operated 30 turbojet aircraft, of which 9 short-haul and 21 long-haul aircraft representing 11 aircraft acquired under finance lease and 19 aircraft leased under operating lease (2013: 29 turbojet aircraft, of which 8 short-haul and 21 long-haul aircraft representing 10 aircraft acquired under finance lease and 19 aircraft leased under operating lease).

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 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**New and revised IFRSs in issue but not yet effective**

As of the date of approval of this financial statement the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact of the Company's financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.

New standards or amendments for 2014

There are lists of new standards, amendments to or interpretations of standards which are first effective for periods beginning on 1 January 2014 and therefore are considered when preparing IFRS financial statements for an annual period beginning on 1 January 2014.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- IFRIC 21 Levies

The changes related to listed pronouncements did not have significant effect on disclosures and amounts in the financial statements of the Company.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at 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. As requested by shareholders, the Company prepared two sets of financial statements with presentation currency US Dollar ("USD") and Kazakhstan Tenge as shareholders believe that both currencies are useful for the users of these financial statements. This financial statements has been presented in USD. All financial information presented in USD has been rounded to the nearest thousand.

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

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.

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

- a) assets and liabilities for each reporting date presented (i.e. including comparatives) are translated at the closing rate at the reporting date;
- b) income and expenses for the reporting period (i.e., including comparatives) are translated at average exchange rates during the year; and
- c) all resulting exchange differences are recognised as foreign currency translation reserve within other comprehensive loss/income.

JOINT STOCK COMPANY AIR ASTANA
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)

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.

JOINT STOCK COMPANY AIR ASTANA
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
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. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Some of operating lease payments (subject to certain conditions) are replaced by Letter of Credit as security for Lessors to cover any unfulfilled maintenance liabilities on the return of the aircraft. 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.

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 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 0.84% (2013: 4.5%). At initial recognition the Company recognizes discount and deferred asset simultaneously. The discount is amortised over the lease term using the effective interest method, and deferred asset is amortised by equal amounts over the deposit term.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 following table summarises tenge exchange rates at 31 December and for the years then ended:

	Average rate		Reporting date spot-rate	
	2014	2013	2014	2013
US Dollar (USD)	179.19	152.13	182.35	153.61
Euro (EUR)	238.10	202.09	221.97	211.17
British Pound (GBP)	295.30	237.96	283.34	253.29

Finance income and expenses

Finance income comprises interest income on bank deposits and gain on financial instruments through profit and loss.

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 carrying value 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, losses on financial instruments through profit and loss 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 profit or loss 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 temporary 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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial interest attributed to pre-delivery payments made on account of aircraft and other significant assets under construction is capitalised and added to the cost of the asset concerned.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalised (e.g. maintenance on airframes and engines).

Aircraft

The purchase price of aircraft is denominated in foreign currencies. It is recognised at the exchange rate prevailing at the date of the transaction. Manufacturers' discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life of 20 years, assuming no residual value. During the operating cycle, the Company reviews whether the depreciable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

Repairs for major airframes and engines of all aircraft are treated as a separate asset component with the cost capitalised and depreciated over the period between the date of acquisition and the next major overhaul.

Major overhaul expenditure, including replacement spares and labour costs, are capitalised and amortised over the average expected life between major overhauls based on flight hours and cycles.

All other replacement spares and other costs relating to maintenance of an aircraft are charged to the profit or loss upon consumption or as incurred respectively.

Rotable spare parts

Rotable spare parts are carried in 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.

Other property, plant and equipment

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

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 (excluding separate asset components)	20 years
• Rotable spare parts	10 years
• Office equipment and furniture	4-7 years
• Vehicles	7-9 years
• Other	5-10 years

Depreciation is recognised so as to write off the cost of assets (other than freehold land, properties under construction and separate asset component of the aircraft) less their residual values over their useful lives, using the straight-line method. Separate asset component of the aircraft is amortised over the average expected life between major overhauls which is based on flight hours or cycles.

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.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Fuel is written off upon actual consumption. 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.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for aircraft maintenance under operating lease

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, D-check and redelivery preparation program) and engines. The C-check program takes place the earliest of every 18 months or 5,000 to 6,000 flying hours according to aircraft type. The D-check program takes place the earliest of every 72 months or 12,000 flying cycles according to aircraft type. Engine overhaul occurs after specified flight hours or cycles occur. Some of 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. In the case of other operating lease agreements variable lease payments are replaced (subject to certain conditions) by Letter of Credit as security for Lessors to cover any unfulfilled maintenance liabilities on the return of the aircraft, and amounts corresponding to the applicable variable lease amounts are included in provisions. 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.

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.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not met and the related assets and liabilities are presented gross in the statement of financial position.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Fair value is determined in the manner described in Note 26.

Loans and 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.

Amounts due from Ab-initio pilot trainees in respect of 50% of their initial training costs are classified as interest free loans. The remaining costs are classified by the Company as a prepayment of its expenses and are amortised over a period of seven years, during which period the Company has a right to oblige these expenses also to become payable by the pilot trainees should such pilot trainees terminate his/her employment.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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
- 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.

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.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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 profit or loss 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.

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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in the profit or loss incorporates any interest paid on the financial liability and is included in the 'finance expenses' line item in the profit or loss. Fair value is determined in the manner described in Note 26.

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 26.

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 of 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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

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, auxiliary power units and major airframe checks. Such amounts are reimbursable by lessors upon occurrence of the maintenance event (APU and engine overhaul, replacement of the limited life parts and major airframe checks). 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 2014 contributions of variable lease payments of USD 81,726 thousand (2013: USD 109,274 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. Unanticipated maintenance costs are expensed in profit or loss as incurred.

Compliance with tax legislation

Tax, currency and customs legislation of Kazakhstan are 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.

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of USD)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 16 – Financial assets and liabilities at fair value through profit or loss
- Note 26 – 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 2014 and 2013, allowances for doubtful accounts were equal to USD 2,461 thousand and USD 6,776 thousand, respectively (Notes 14, 15).

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (CONTINUED)**
Allowances (continued)

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 2014, the Company accrued an allowance for obsolete and slow-moving inventories in the amount of USD 1,757 thousand (2013: USD 366 thousand) (Note 13).

Customer loyalty program

While calculating customer loyalty program the Company uses its own critical judgements and estimates in regard to cost of value per point by Nomad club members.

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

	2014	2013
Passenger revenue		
Passenger transport	710,221	720,819
Fuel surcharge	127,872	141,158
Airport services	43,525	46,193
Excess baggage	6,562	8,900
	<u>888,180</u>	<u>917,070</u>
Cargo and mail revenue		
Cargo	24,400	27,300
Mail	2,043	2,123
	<u>26,443</u>	<u>29,423</u>
Other revenue		
Penalties on agency contracts	9,369	8,764
Advertising revenue	2,062	2,078
Income from government subsidies	1,351	305
Spare parts received free of charge	1,195	346
Income from ground services	1,083	905
Gain on disposal of spare parts and other assets	584	763
Other	4,513	7,250
	<u>20,157</u>	<u>20,411</u>

In accordance with Kazakhstan legislation the Government provides subsidies to companies rendering air passenger services on unprofitable domestic routes from Astana.

During 2013 and 2014, the subsidies were provided for the routes from Astana to Zhezkazgan and Pavlodar (in 2014 the flights to Pavlodar were subsidised for six months).

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)

5. REVENUE (CONTINUED)

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

	2014	2013
Europe	379,119	391,367
Domestic	317,132	346,137
Asia	218,372	208,989
	<u>914,623</u>	<u>946,493</u>
Total passenger, cargo and mail revenue		

6. OPERATING EXPENSES

	2014	2013
Handling, landing fees and route charges		
Aero navigation	39,630	43,568
Handling charge	34,790	35,689
Landing fees	31,972	35,282
Meteorological services	1,902	2,129
Other	1,783	1,369
	<u>110,077</u>	<u>118,037</u>

	2014	2013
Employee costs		
Wages and salaries of operational personnel	67,414	64,667
Wages and salaries of administrative personnel	15,913	14,427
Social tax	10,109	8,706
Wages and salaries of sales personnel	5,757	6,220
Other	4,535	5,060
	<u>103,728</u>	<u>99,080</u>

The average number of employees during 2014 was 4,356 (2013: 4,069).

	2014	2013
Passenger service		
Airport charges	41,539	41,324
Catering	30,923	37,507
Security	3,260	3,293
In-flight entertainment	3,121	2,448
Other	8,541	8,120
	<u>87,384</u>	<u>92,692</u>

	2014	2013
Engineering and maintenance		
Maintenance – variable lease payments	28,468	44,487
Maintenance – components	18,946	9,194
Maintenance – provisions (Note 22)	17,448	11,273
Spare parts	9,057	12,470
Technical inspection	2,964	2,520
	<u>76,883</u>	<u>79,944</u>

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
6. OPERATING EXPENSES (CONTINUED)

	2014	2013
Aircraft operating lease costs		
Fixed lease charges	65,520	72,161
Lease of engines and rotatable spare parts	1,122	1,201
Operating lease return costs	423	4,881
	<u>67,065</u>	<u>78,243</u>
Selling costs		
Commissions	17,335	25,190
Reservation costs	15,375	15,145
Advertising	5,392	6,054
Interline commissions	986	1,179
Other	648	643
	<u>39,736</u>	<u>48,211</u>
Aircraft crew costs		
Accommodation and allowances	15,170	16,802
Contract crew	10,594	12,878
Training	878	9,806
	<u>26,642</u>	<u>39,486</u>
Insurance		
Hull insurance	2,380	2,352
Legal liability insurance	1,964	2,372
Medical insurance	863	939
Other	336	286
	<u>5,543</u>	<u>5,949</u>

7. FINANCE INCOME AND EXPENSES

	2014	2013
Finance income		
Interest income on bank deposits	1,231	1,396
Other	531	292
	<u>1,762</u>	<u>1,688</u>
Finance expenses		
Interest expense on finance lease	13,670	6,544
Net unrealised loss on financial assets and liabilities at fair value through profit or loss (Note 16)	8,966	13
Net realised loss on financial assets and liabilities at fair value through profit or loss (Note 16)	1,255	-
Bank commissions	1,081	987
Interest expense from revaluation of fair value of guarantee deposits	8	-
Other	-	107
	<u>24,980</u>	<u>7,651</u>

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
8. INCOME TAX EXPENSE

The Company's income tax expense for the years ended 31 December was as follows:

	2014	2013
Adjustment for income tax related to prior year	(546)	(1,252)
Deferred income tax expense	8,526	14,813
	<u>7,980</u>	<u>13,561</u>

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 2014 and 2013 is presented below:

	2014	2013
Deferred tax assets		
Trade and other payables	6,224	3,139
Carried forward CIT losses	5,771	3,410
Provision for aircraft maintenance	4,615	4,629
Trade and other receivables	328	1,355
Intangible assets	183	163
Loans	-	201
Total	<u>17,121</u>	<u>12,897</u>
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(39,378)	(30,951)
Deferred expenses	(792)	-
Prepaid expenses	(55)	(66)
Total	<u>(40,225)</u>	<u>(31,017)</u>
Net deferred tax liabilities	<u>(23,104)</u>	<u>(18,120)</u>

The income tax rate in the Republic of Kazakhstan, where the Company is located, in 2014 and 2013 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% (2013: 20%) to the actual income tax expense recorded in the Company's statement of profit or loss and other comprehensive income:

	2014	2013
Profit before tax	27,433	64,925
Income tax at statutory rate	5,487	12,985
Tax effect of non-deductible expenses	2,493	576
Income tax expense	<u>7,980</u>	<u>13,561</u>

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of USD)

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Rotable spare parts	Office equipment and furniture	Building, premises and land	Vehicles	Aircraft under finance lease	In transit	Total
At 1 January 2013	47,206	9,877	5,800	3,364	182,464	6,470	255,181
Additions	-	-	-	-	-	310,445	310,445
Disposals	(1,010)	(510)	-	(81)	-	-	(1,601)
Transfers from prepayments	(314)	-	-	-	59,012	-	59,012
Transfers to inventory	7,592	1,800	3	423	295,861	(305,679)	(314)
Foreign currency translation difference	(942)	(197)	(109)	(67)	(6,829)	(166)	(8,310)
At 31 December 2013	52,532	10,970	5,694	3,639	530,508	11,070	614,413
Additions	-	-	-	-	-	99,210	99,210
Disposals	(2,722)	(669)	-	(188)	(706)	-	(4,285)
Transfers from prepayments	-	-	-	-	9,820	-	9,820
Transfers	14,217	1,007	620	310	84,564	(100,718)	-
Foreign currency translation difference	(8,478)	(1,735)	(908)	(576)	(85,236)	(1,720)	(98,653)
At 31 December 2014	55,549	9,573	5,406	3,185	538,950	7,842	620,505
Accumulated depreciation							
At 1 January 2013	16,146	5,567	1,075	1,784	712	-	25,284
Charge for the year (Note 11)	5,886	1,675	180	456	20,128	-	28,325
Disposals	(741)	(497)	-	(81)	-	-	(1,319)
Transfers	118	(1)	-	(117)	-	-	-
Foreign currency translation difference	(353)	(115)	(21)	(35)	(209)	-	(733)
At 31 December 2013	21,056	6,629	1,234	2,007	20,631	-	51,557
Charge for the year (Note 11)	5,763	1,373	225	347	37,324	-	45,032
Disposals	(2,711)	(639)	-	(183)	(452)	-	(3,985)
Foreign currency translation difference	(3,370)	(1,058)	(199)	(319)	(3,890)	-	(8,836)
At 31 December 2014	20,738	6,305	1,260	1,852	53,613	-	83,768
Net book value							
At 31 December 2014	34,811	3,268	4,146	1,333	485,337	7,842	536,737
At 31 December 2013	31,476	4,341	4,460	1,632	509,877	11,070	562,856

JOINT STOCK COMPANY AIR ASTANA

NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of USD 485,337 thousand (2013: USD 509,877 thousand) (Note 25).

Rotable spare parts include aircraft modifications.

For the year ended 31 December 2014 interest of the loan in the amount of USD 331 thousand was capitalised into property, plant and equipment (2013: USD 674 thousand) (Note 24).

10. INTANGIBLE ASSETS

	Software
<i>Cost</i>	
At 1 January 2013	6,118
Additions	547
Foreign currency translation difference	(119)
At 31 December 2013	6,546
Additions	438
Foreign currency translation difference	(1,039)
At 31 December 2014	5,945
<i>Accumulated amortisation</i>	
At 1 January 2013	3,525
Charge for the year (Note 11)	957
Foreign currency translation difference	(75)
At 31 December 2013	4,407
Charge for the year (Note 11)	859
Foreign currency translation difference	(709)
At 31 December 2014	4,557
<i>Net book value</i>	
At 31 December 2014	1,388
At 31 December 2013	2,139

11. DEPRECIATION AND AMORTISATION

	2014	2013
Depreciation of property, plant and equipment (Note 9)	45,032	28,325
Amortisation of intangible assets (Note 10)	859	957
Total	45,891	29,282

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
12. GUARANTEE DEPOSITS

	31 December 2014	31 December 2013
<i>Non-current</i>		
Guarantee deposits for leased aircraft	10,555	12,147
Other guarantee deposits	306	652
	10,861	12,799
<i>Current</i>		
Guarantee deposits for leased aircraft	351	4,394
Other guarantee deposits	683	752
	1,034	5,146
	11,895	17,945

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 for leased aircraft are receivable as follows:

	31 December 2014	31 December 2013
Within one year	351	4,394
After one year but not more than five years	6,940	5,957
More than five years	3,683	6,251
	10,974	16,602
Fair value adjustment	(68)	(61)
	10,906	16,541

13. INVENTORIES

	31 December 2014	31 December 2013
Spare parts	31,065	34,723
Goods in transit	6,776	6,028
Fuel	6,592	7,660
Crockery	1,880	2,026
Promotional materials	1,442	983
De-icing liquid	878	1,490
Uniforms	441	806
Blank forms	380	585
Other	1,193	1,312
	50,647	55,613
Less: allowance for obsolete and slow-moving inventories	(1,757)	(366)
	48,890	55,247

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
13. INVENTORIES (CONTINUED)

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

	2014	2013
Allowance for obsolete and slow-moving inventories at the beginning of the year	(366)	(677)
Accrued for the year	(1,474)	(369)
Reversed for the year	-	671
Foreign currency translation difference	83	9
Allowance for obsolete and slow-moving inventories at the end of the year	(1,757)	(366)

14. PREPAYMENTS

	31 December 2014	31 December 2013
<i>Non-current</i>		
Prepayments for non-current assets	2,911	22,908
Advances paid for services	8,490	890
	11,401	23,798
<i>Current</i>		
Advances paid for services	10,790	32,191
Advances paid for goods	6,236	14,348
Prepayments for finance lease	5,874	3,982
Prepayments for operating leases	4,174	4,246
	27,074	54,767
Less: allowance for non-recovery	(820)	(5,553)
	26,254	49,214

As at 31 December 2014 prepayments for non-current assets were made to Boeing as pre-delivery payment for the remaining third aircraft (Note 27).

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

	2014	2013
At the beginning of the year	(5,553)	(5,510)
Accrued during the year	(9)	(289)
Reversed during the year	103	109
Written-off against previously created allowance	3,832	33
Foreign currency translation difference	807	104
At the end of the year	(820)	(5,553)

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.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
15. TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
<i>Non current</i>		
Due from employees and Ab-initio pilot trainees	3,270	5,448
	<u>3,270</u>	<u>5,448</u>
<i>Current</i>		
Trade receivables	24,251	26,884
Receivable from lessors – variable lease reimbursement	16,541	4,437
Due from employees and Ab-initio pilot trainees	2,809	2,364
Subsidies receivable (Note 28)	85	244
	<u>43,686</u>	<u>33,929</u>
Less: allowance for doubtful debts	(1,641)	(1,223)
	<u>42,045</u>	<u>32,706</u>

At 31 December 2014, eight debtors including IATA Bank Settlement Plans (BSPs) as collecting agencies from the worldwide travel agencies comprised 25% of the Company's trade and other receivables (2013: eight debtors comprised 33%).

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.

Amounts due from Ab-initio pilot trainees in respect of 50% of their initial training costs are classified as interest free loans. The remaining costs are classified by the Company as a prepayment of its expenses and are amortised over a period of seven years, during which period the Company has a right to oblige these expenses also to become payable by the pilot trainees should such pilot trainees terminate his/her employment.

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

	31 December 2014	31 December 2013
US Dollar	23,599	10,447
Tenge	15,955	18,817
Euro	2,038	2,880
Russian Rouble	1,093	1,697
Other	4,271	5,536
	<u>46,956</u>	<u>39,377</u>

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
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15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2014	2013
At the beginning of the year	(1,223)	(513)
Accrued during the year	(951)	(730)
Reversed during the year	37	3
Written-off against previously created allowance	292	-
Foreign currency translation difference	204	17
	<u>(1,641)</u>	<u>(1,223)</u>
At the end of the year	(1,641)	(1,223)

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 (purchase)	Put option (sale)	Put option (purchase)	Net
At 1 January 2013	361	(280)	-	81
First-time valuation of options	-	-	-	-
Foreign currency translation gain	6	(6)	-	-
Net unrealised (loss)/gain on financial assets and liabilities at fair value through profit or loss (Note 7)	(28)	15	-	(13)
Foreign currency translation difference	(8)	5	-	(3)
	<u>331</u>	<u>(266)</u>	<u>-</u>	<u>65</u>
At 31 December 2013	331	(266)	-	65
Acquisition	281	-	3,756	4,037
Foreign currency translation gain/(loss)	32	(92)	13	(47)
Net unrealised (loss)/gain on financial assets and liabilities at fair value through profit or loss (Note 7)	(359)	(10,161)	1,554	(8,966)
Net realised (loss)/gain on financial assets and liabilities at fair value through profit or loss (Note 7)	-	(1,255)	-	(1,255)
Payments on exercised contracts	-	1,255	-	1,255
Foreign currency translation difference	(50)	219	(93)	76
	<u>235</u>	<u>(10,300)</u>	<u>5,230</u>	<u>(4,835)</u>
At 31 December 2014	235	(10,300)	5,230	(4,835)

The terms of the options are described in Note 26.

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(in thousands of USD)
17. OTHER TAXES PREPAID

	31 December 2014	31 December 2013
Value added tax recoverable	9,346	7,227
Prepayment for environment tax	2,526	-
Prepayment for personal income tax for non-residents	250	66
Other taxes prepaid	418	475
	<u>12,540</u>	<u>7,768</u>

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

18. BANK DEPOSITS

	31 December 2014	31 December 2013
<i>Current</i>		
Term deposits with local banks	114,130	114,186
Guarantee deposits	19	23
Interest receivable	598	163
	<u>114,747</u>	<u>114,372</u>

Term deposits with local banks (with an original maturity of more than three months and less than one year) earn interest in the range from 0.15% to 4.5% per annum (2013: 0.5% to 1.5%). 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 from 0% to 4.5% per annum (2013: 0% to 4.5%).

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

	2014	2013
US Dollar	105,573	108,140
Euro	9,157	6,186
Tenge	17	46
	<u>114,747</u>	<u>114,372</u>

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
19. CASH AND BANK BALANCES

	31 December 2014	31 December 2013
Term deposits with local banks with original maturity less than 3 months	46,269	-
Current accounts with local banks	20,868	9,385
Current accounts with foreign banks	3,596	4,201
Cash on hand	133	139
	<u>70,866</u>	<u>13,725</u>

As at 31 December 2014 current accounts with banks earn interest in the range of 0.1% to 2.5% per annum (2013: 0.5% to 2.5%). As at 31 December 2014 short-term deposits (over-night) with banks earn interest of up to 15% per annum.

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

	2014	2013
US Dollar	53,695	6,717
Tenge	9,235	1,100
Euro	4,799	2,537
Uzbek Soms	985	267
Russian Rouble	750	1,302
Chinese Yuan	461	433
Indian Rupee	349	566
GBP	74	106
Other	518	697
	<u>70,866</u>	<u>13,725</u>

20. EQUITY

As at 31 December 2014 and 2013, share capital comprised of 17,000 authorised, issued and fully paid ordinary shares with a par value of KZT 147,150 thousand (equivalent to USD 1,000 per share at the time of purchase).

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS. A distribution cannot be made when equity is negative or if distribution would result in negative equity or the Company's insolvency. As at 31 December 2014 the Company had retained earnings, including the profit for the current year, of USD 326,456 thousand (2013: USD 315,520 thousand).

In May 2014, the shareholders declared a dividend payment equivalent to 20% of profit for 2013. The total amount of the dividend was KZT 1,562,806 thousand (USD 8,517 thousand equivalent as of announcement date). In May 2013, the shareholders declared a dividend payment equivalent to 35% of profit for 2012. The total amount of the dividend was KZT 3,187,443 thousand (USD 21,120 thousand equivalent as of announcement date), which was distributed and paid to each shareholder in accordance with their shareholdings. Dividends per share in 2014 were 91.9 tenge (2013: 187.5 tenge).

JOINT STOCK COMPANY AIR ASTANA

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20. EQUITY (CONTINUED)

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 (2013: 17,000). The Company has no instruments with potential dilutive effect.

	2014	2013
Profit:		
Profit for the year	19,453	51,364
Number of ordinary shares	17,000	17,000
Earnings per share – basic and diluted (USD)	1,144	3,021

21. DEFERRED REVENUE

	31 December 2014	31 December 2013
Unearned transportation revenue	49,062	55,988
Customer loyalty program	2,756	7,252
	51,818	63,240

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 Club program.

22. PROVISION FOR AIRCRAFT MAINTENANCE

	31 December 2014	31 December 2013
Engines	17,951	17,976
C-Check	2,177	2,267
Provision for redelivery of aircraft	1,329	2,904
D-Check	836	-
Auxiliary Power unit	500	-
Landing gear	281	-
	23,074	23,147

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

	2014	2013
At 1 January	23,147	20,844
Accrued during the year (Note 6)	20,343	15,423
Reversed during the year (Note 6)	(2,895)	(4,150)
Used during the year	(13,810)	(8,554)
Foreign currency translation difference	(3,711)	(416)
At 31 December	23,074	23,147

JOINT STOCK COMPANY AIR ASTANA

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22. PROVISION FOR AIRCRAFT MAINTENANCE (CONTINUED)

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 2014	31 December 2013
Within one year	6,092	16,049
During the second year	2,363	2,000
During the third year	3,051	1,084
After the third year	11,568	4,014
Total provision for aircraft maintenance	23,074	23,147
Less: current portion	(6,092)	(16,049)
Non-current portion	16,982	7,098

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 and actual usage;
- 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 2014	31 December 2013
Trade payables	35,576	38,280
Wages and salaries payable to employees	9,749	713
Employee unused vacation	3,963	3,019
Taxes payable	2,661	2,960
Advances received	1,404	1,310
Operating lease payables	1,948	2,921
Deposits received	712	709
Other	189	217
	56,202	50,129

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23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	31 December 2014	31 December 2013
Tenge	22,010	32,220
US Dollar	21,215	10,819
Euro	7,273	3,623
GBP	1,138	401
Russian roubles	1,116	1,514
Other	3,450	1,552
	56,202	50,129

24. LOANS

	31 December 2014	31 December 2013
<i>Current</i>		
Current portion of non-secured non-bank loans	-	9,223
Interest payable	-	59
	-	9,282

On 21 August 2012 the Company concluded a loan agreement of USD 27,304 thousand for financing of pre-delivery payments for three Boeing B767-300ER which have been delivered during 2013 and 2014. The outstanding amount on this loan was fully repaid in June 2014.

On 16 March 2012, the Company entered into a renewable credit line agreement with JSC Halyk Bank for the amount of USD 45,000 thousand for the purpose of replenishment of working capital in order to meet current liabilities and not to incur interest penalties on early termination of bank deposits. Interest rate was fixed depending on loan terms from 4.5% to 7.25% per annum. The loan was secured by cash kept on the Company's current accounts and was fully repaid during August 2012. The extension period has not been used and the availability period has been renewed till 30 June 2014 with a new fixed interest rate from 4% to 6% per annum depending on loan terms. Approvals have been agreed to extend this credit line for a further 3-year period.

25. FINANCE LEASE LIABILITIES

For the years from 2012 to 2014 the Company acquired eleven aircraft under the fixed interest finance lease agreement. The lease term for each aircraft is twelve years. The Company has an option to purchase each aircraft for a nominal amount at the end of the lease (Note 27). Loans provided by financial institutions to the lessors in respect of six new Airbus which were delivered during 2012 and 2013 were guaranteed by European Export Credit Agencies while three Boeing 767 aircraft which were delivered in 2013 and 2014 were guaranteed by US Export Import Bank. Two Embraer aircraft that were delivered in 2012 and 2013 were guaranteed by Brazilian Development Bank. The Company's obligations under finance leases are secured by the lessors' title to the leased assets. These assets have a carrying value of USD 485,337 thousand (2013: USD 509,877 thousand) (Note 9).

JOINT STOCK COMPANY AIR ASTANA

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25. FINANCE LEASE LIABILITIES (CONTINUED)

The Company's finance leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain finance lease agreements include covenants as regards to change of ownership of the Company. These requirements have been met during 2014.

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Not later than one year	53,756	46,198	40,069	36,470
Later than one year and not later than five years	205,212	176,453	162,318	143,321
Later than five years	276,797	277,380	253,040	239,566
	535,765	500,031	455,427	419,357
Less: future finance charges	(80,338)	(80,674)	-	-
Present value of minimum lease payments	455,427	419,357	455,427	419,357
Included in the financial statements as:				
- current portion of finance lease obligations			40,069	36,470
- non-current portion of finance lease obligations			415,358	382,887
			455,427	419,357

The Company's finance lease obligations are denominated in US Dollars.

26. 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 2013.

The capital structure of the Company consists of net debt (comprising loans and finance lease obligations in Note 24 and 25) and equity of the Company (comprising issued capital, foreign currency translation reserve and retained earnings as detailed in Note 20).

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

The Company reviews the capital structure on a semi-annual basis. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital. The Company does not have a target gearing ratio.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
26. FINANCIAL INSTRUMENTS (CONTINUED)*Gearing ratio*

The gearing ratio at end of the reporting period was as follows.

	31 December 2014	31 December 2013
Loans and finance lease liabilities (Note 24, 25)	455,427	428,639
Cash and bank balances, bank deposits (Note 18, 19)	(185,613)	(128,097)
Net debt	269,814	300,542
Equity	269,597	307,518
Net debt to equity ratio	100.08%	97.73%

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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The maximum exposure to credit risk related to financial instruments, such as cash and accounts receivable, is calculated basing on their book value.

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 2014, there was no significant concentration of credit risk in respect of trade accounts receivable (Note 15).

The Company uses reputable banks and has established a cash investment policy which would limit the credit risk related to bank accounts and deposits.

Interest rate risk

The Company is not exposed to interest rate risk because the Company borrows funds at fixed interest rates.

Commodity price risk

The following summarises sensitivity analysis of changes in the valuation of the derivative instruments and resultant effect on profit before tax. For the purpose of this disclosure, the sensitivity analysis assumes a 20 percent increase and 10% decrease in the future price of Brent oil. This analysis also assumes that all other variables remain constant. A negative number below indicates a decrease in profit before tax and positive numbers have opposite effect.

	2014		2013	
	Brent +20%	Brent -10%	Brent +10%	Brent -10%
Purchased fuel call option	441	(74)	3,938	(3,938)
Written fuel put option (included in zero cost collars)	5,001	(3,146)	(1,936)	1,936
Purchased fuel put option (to protect some floors in zero cost collars)	(2,500)	1,439	-	-

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
26. FINANCIAL INSTRUMENTS (CONTINUED)**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 USD and Euro. For amounts of assets and liabilities denominated in foreign currency refer to Notes 12, 15, 18, 19, 23, 24 and 25.

On 11 February 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the KZT exchange rate. As a result, the official exchange rate of KZT to US Dollar fell to KZT 184.55 per US Dollar as at 12 February 2014, i.e. by approximately 19%. To prevent the destabilisation of the financial market and economy as a whole, the National Bank set an exchange corridor for the KZT against the US Dollar at KZT 182-188 per US Dollar. As of 31 December 2014, the KZT to US Dollar official exchange rate is 182.35 KZT per US Dollar.

The Company management believes that it has taken appropriate measures to support the sustainability of the Company business under the current circumstances.

Foreign currency sensitivity analysis

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

The carrying value of the Company's monetary assets and liabilities denominated 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	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets					
Guarantee deposits	12	11,426	17,631	75	107
Trade and other receivables	15	23,599	10,447	2,038	2,880
Bank deposits	18	105,573	108,140	9,157	6,186
Cash and bank balances	19	53,695	6,717	4,799	2,537
Financial assets at fair value through profit or loss	16	5,465	331	-	-
Total		199,758	143,266	16,069	11,710
Liabilities					
Loans	24	-	9,282	-	-
Finance lease liabilities	25	455,427	419,357	-	-
Trade and other payables	23	21,215	10,819	7,273	3,623
Financial liabilities at fair value through profit or loss	16	10,300	266	-	-
Total		486,942	439,724	7,273	3,623
Net position		(287,184)	(296,458)	8,796	8,087

The following table details the Company's sensitivity to 17.37% weakening of the tenge against US Dollar and 18.36% against Euro in 2014 and 20% for both in 2013. Mentioned sensitivity rates used when reporting foreign currency risk internally to key management personnel.

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(in thousands of USD)
26. FINANCIAL INSTRUMENTS (CONTINUED)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 17.37% change in rates of US Dollar and 18.36% in rates of Euro as at 31 December 2014 and 20% for both currencies as at 31 December 2013. The sensitivity analysis includes trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, loans and finance lease liabilities.

A negative number below indicates a decrease in profit and equity where the tenge weakens by 17.37% against US Dollar, and, in the case of Euro with 17.37% change the net position is positive (2013: 20%). For a 17.37% strengthening of the tenge against US Dollar and 18.36% for Euro in 2014 and 20% for both in 2013, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	Currency US Dollar impact		Currency Euro impact	
	2014 17.37%	2013 20%	2014 18.36%	2013 20%
(Loss)/profit	(39,907)	(47,433)	1,292	1,294

The Company limits the currency risk by monitoring changes in exchange rates of foreign currencies in which trade and other receivables, cash and bank balances, bank deposits, guarantee deposits, trade and other payables, loans and finance lease liabilities 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 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	Over 5 years	Total
2014						
Financial liabilities						
<i>Interest free</i>						
Trade and other payables	-	44,216	1,097	-	-	45,313
Financial liabilities at fair value through profit or loss	-	-	10,300	-	-	10,300
<i>Fixed rate</i>						
Finance lease liabilities	-	13,167	40,589	205,212	276,797	535,765
2013						
Financial liabilities						
<i>Interest free</i>						
Trade and other payables	-	-	47,110	-	-	47,110
Financial liabilities at fair value through profit or loss	-	-	266	-	-	266
<i>Fixed rate</i>						
Non-secured non-bank loans	-	59	9,362	-	-	9,421
Finance lease liabilities	-	11,270	34,928	176,453	277,380	500,031

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**NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS (CONTINUED)

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 month	3 months to 1 year	1-5 years	Over 5 years	Total
2014						
Financial assets						
<i>Interest free</i>						
Trade and other receivables	-	39,919	2,125	2,336	937	45,317
Financial assets at fair value through profit or loss	-	-	5,465	-	-	5,465
Guarantee deposits	-	306	728	6,947	3,914	11,895
Cash and bank balances	-	70,866	-	-	-	70,866
<i>Fixed rate</i>						
Bank deposits	1.32	21	114,726	-	-	114,747
2013						
Financial assets						
<i>Interest free</i>						
Trade and other receivables	-	-	32,706	3,820	1,628	38,154
Financial assets at fair value through profit or loss	-	-	331	-	-	331
Guarantee deposits	-	401	4,745	6,595	6,204	17,945
Cash and bank balances	-	13,725	-	-	-	13,725
<i>Fixed rate</i>						
Bank deposits	0.79	27,204	87,466	-	-	114,670

Fair values

The Company uses options to economically hedge the risk of jet fuel price movement. The Company uses standard market instruments for fuel hedging purposes, such as "call option" (where the premium is paid in advance by the Company to cover the risk of increases of commodity price above the predetermined level) and zero cost collar (where the premium is equal to zero, and where the Company simultaneously buys the "call option" and sells the "put option"). Since there is no possibility to hedge the risk of changes in jet fuel prices purchased from local suppliers, the Company hedges only the amount of fuel purchased outside the Republic of Kazakhstan signing the general agreement with several international banks on the conclusion of derivative transactions. The management of the Company determines the volume of jet fuel that will be hedged before executing the deal. Hedging is carried out according to the Fuel hedging policy approved by the directors and shareholders of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
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(in thousands of USD)
26. FINANCIAL INSTRUMENTS (CONTINUED)

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.

Level 3 fair values for financial assets and liabilities at fair value through profit or loss have been generally derived using the Black Scholes Merton pricing formula. The most significant input into this valuation approach are volatility, forward and spot prices of crude oil.

The Company has no other financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of fair value hierarchy.

During the year ended 31 December 2014 and 2013 the Company did not make any transfer between levels.

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

31 December 2014	Carrying amount	Valuation techniques	Unobservable input	Range (weighted average)
Derivative financial assets/liabilities				Volatility changes from 10% to -10% would lead to decrease in the FV by USD 148 thousand and USD 6 thousand
Purchased fuel call option	235	Black Scholes Merton Formula	Historical volatility of fuel prices	Volatility changes from 10% to -10% would lead to increase in the FV by USD 363,784 and decrease USD 178,395
Written fuel put option (included in zero cost collars)	(10,300)	Black Scholes Merton Formula	Historical volatility of fuel prices	Changes from 10% to -10% would lead to increase in the FV by USD 87,239 and USD 175,624
Purchased fuel put option (to protect some floors in zero cost collars)	5,230	Black Scholes Merton Formula	Historical volatility of fuel prices	

As at 31 December 2013 no fair value measurements were classified as Level 3.

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.

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 not all significant inputs are observable, either directly or indirectly and valuations are based on one or more non-observable inputs. Such valuations represent Level 3 of the fair value hierarchy.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS (CONTINUED)*Guarantee Deposits*

Guarantee Deposits are recognised at amortised cost and accordingly it approximates their fair value.

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. Ab-initio receivables recorded at fair value at initial recognition and subsequently measured at amortised cost.

Loans

No significant changes in fair value of loans took place since their initial recognition dates. Accordingly their amortised cost approximates to their fair value.

Finance lease liabilities

Finance lease liabilities are recognized at lower of fair value of assets received under finance lease and present value of minimum lease payments and accordingly it approximates their fair values.

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.

27. COMMITMENTS AND CONTINGENCIES**Capital commitments**

During 2008 the Company signed an agreement with Airbus to purchase six Airbus narrow-body aircraft. The Company was committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2008 and the last payment was made in 2013. During 2012 and 2013, the Company entered into fixed interest finance lease agreements for these six Airbus aircraft. These leases are denominated in US Dollars, with a repayment term of twelve years. Loans provided by financial institutions to the lessor are guaranteed by European Export Credit Agencies.

During 2011 the Company signed an agreement with Embraer to purchase two Embraer-190 narrow-body aircraft. The Company was committed to pre-delivery payments from 2011 in accordance with an agreed payment schedule, with first aircraft delivered in 2012 and the second in 2013, both on a fixed interest US Dollar finance lease, with a repayment term of twelve years.

During 2012, the Company finalised an agreement with Boeing to purchase three Boeing 767s and three Boeing 787s aircraft. The Company is committed to pre-delivery payments in accordance with the agreed payment schedule. In respect of the Boeing 767s aircraft, 50% of pre-delivery payments were paid from own resources and 50% were financed by the borrowings (Note 24). The amounts borrowed in respect of the three Boeing 767s were repaid by the Company on delivery date of each aircraft in 2013 and 2014 years. Final pre-delivery payments for the third Boeing 767s aircraft were made in 2013. Two Boeing 767s were delivered in 2013 and the third one was delivered in mid 2014. Delivery of Boeing 787s are now deferred to 2019 with last pre-delivery payments expected in 2018.

In June 2013 the Company signed a term sheet with a US financing corporation to finance purchase of up to three Boeing-767 aircraft for the amount guaranteed by US Export-Import Bank. This facility has been used to finance the Boeing-767s delivered in 2013 and 2014.

The terms of the Company's contracts with the above suppliers precludes it from disclosing information on the purchase cost of the aircraft.

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(in thousands of USD)
27. COMMITMENTS AND CONTINGENCIES (CONTINUED)**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 2014	31 December 2013
Within one year	73,818	94,727
After one year but not more than five years	229,640	336,345
More than five years	72,175	25,764
	<u>375,633</u>	<u>456,836</u>

Unsecured stand-by Letters of Credit facility were obtained in March and September 2013 for the total amount of USD 5,000 thousand which were prolonged in 2014. In addition in February and March 2014 four new unsecured stand-by Letters of Credit were obtained for the total amount of USD 7,600 thousand. These Letters of Credit were obtained as security for Lessors to cover any unfulfilled maintenance liabilities on the return of three Embraer E190 and three Airbus to Lessor, with further annual reissuance.

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.

Operating lease agreements for another two engines, part of which were prolonged, will expire by the end of February 2015.

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 2014	31 December 2013
Within one year	1,571	2,464
After one year but not more than five years	5,348	5,671
More than five years	-	940
	<u>6,919</u>	<u>9,075</u>

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
27. COMMITMENTS AND CONTINGENCIES (CONTINUED)**Insurance***Aviation insurance*

The Company puts substantial attention in conducting insurance coverage for its aircraft operations and hence places aviation risks in major international insurance markets (e.g. Lloyd's) having high rating of financial stability through a service of international reputable broker. Types of insurance coverage are stated below:

- Aviation Hull, Total Loss Only and Spares All risks and Airline Liability including Passenger Liability;
- Aircraft Hull and Spare Engine Deductible;
- Aviation Hull and Spares "War and Allied Perils";
- Aviation War, Hi-Jacking and Other Perils Excess Liability;

Non – Aviation Insurance

Apart from aviation insurance coverage the airline constantly purchase non-aviation insurance policies to reduce the financial risk of damage to property and general liability, as well as covering employees from accidents and medical expenses, as follows:

- Medical insurance of employees;
- Directors, Officers and Corporate liability insurance;
- Property insurance;
- Comprehensive vehicle insurance;
- Compulsory insurance of employee from accidents during execution of labor (service) duties;
- Commercial general liability insurance (Public Liability);
- Civil liability insurance to customs authorities;
- Pilot's loss of license insurance
- Insurance of goods at warehouse.

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.

In 2012, Tax authorities performed tax audit for five-year period from 2006 to 2010 inclusive. During 2013 based on their final assessment, a total amount of USD 2,885 thousand was accrued including taxes, interest and penalties which were fully paid in 2013 including the appealed amount mentioned below. In January 2013 the Company appealed to Tax Authorities for USD 1,827 thousand. The Tax Authorities rejected the appeal of the Company and the Company appealed to the Ministry of Finance. Ministry of Finance left the decision of tax authorities without changes. Further in January 2014 the Company continued to appeal to Interregional Court of Almaty, then to Almaty city court, where decision was also left without changes. Appeal was sent to the Supreme Court in November 2014 and the decision was also left without changes. Therefore a decision was made to appeal to the Prosecutor's office and this was filed in December 2014. As at the date of approval of these financial statements the Company has not received any response on the last appeal.

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
27. COMMITMENTS AND CONTINGENCIES (CONTINUED)**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. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

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.

28. 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 2014 to independent directors was USD 89 thousand (2013: USD 55 thousand).

Management remuneration

Key management that have authority and responsibility regarding management, control and planning of Company’s activity received the following remuneration during the year, which is included in personnel costs (Note 6):

	2014	2013
Salaries and bonuses	4,526	4,244
Termination benefits	-	1
Social tax	481	450
	<u>5,007</u>	<u>4,695</u>

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.

The Government subsidies for 2014 amounted to USD 1,351 thousand (2013: USD 305 thousand) (Note 5). As at 31 December 2014 the outstanding amount due to the Company for subsidies was USD 85 thousand (2013: USD 244 thousand) (Note 15).

JOINT STOCK COMPANY AIR ASTANA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in thousands of USD)
28. RELATED PARTY TRANSACTIONS (CONTINUED)

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:

	2014		2013	
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services received				
State-owned companies	42,946	(3,362)	49,200	(4,226)
Shareholders and their subsidiaries	8,428	(282)	14,914	(484)
	<u>51,374</u>	<u>(3,644)</u>	<u>64,114</u>	<u>(4,710)</u>

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

	2014		2013	
	Transaction value	Outstanding balance	Transaction value	Outstanding balance
Services provided by the Company				
Shareholders and their subsidiaries	1,263	160	1,252	304
	<u>1,263</u>	<u>160</u>	<u>1,252</u>	<u>304</u>

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.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by management of the Company and authorised for issue on 27 February 2015.

GLOSSARY

ASK – Available Seat Kilometres. This is a measure of available capacity, and it takes into consideration aircraft passenger capacity and distance travelled. It can be used to measure total capacity of an airline, or can be used for the industry, specific aircraft, routes and regions served. It is not a perfect metric, as longer distance flights tend to have lower revenues and costs per unit, as there are costs that are incurred once per flight, however long the flight (landing fees, handling fees, etc.). Revenues can be skewed by the amount of business compared to economy travellers on a flight, which can vary by route, or even with seasonality. However imperfect, it is a widely available metric and allows for comparisons through time and with peers.

ASK Yield – The ASK yield is a revenue metric based on available capacity that takes revenue divided by ASK. It is usually measured in US cents per kilometre for comparability. If it is being compared to costs per ASK, total revenues may be used. Different components of revenue may be excluded (fuel surcharges, cargo and mail revenues, excess baggage fees, and other ancillary revenues) when comparing specific routes between airlines, or when analysing the composition of revenues.

Block hours – This is the amount of time that the aircraft is operating, including all times from when it leaves the gate (or parking location), to when it reaches its gate at destination (or parking location).

Capital expenditures – This is the investment in Property Plant and Equipment (PP&E). In the 5-Year Financial And Operating Summary, we have included the additions to PP&E and the transfers to PP&E from note 9 of the Audited Financial Statements, so it is a gross number that does not net out disposals or currency translation differences.

Code-share agreement – Aviation business arrangement, whereby two or more airlines share the same flights. One is an operator that sells tickets for its own operating flights, while the other(s) is a marketing partner that sells seats on the flights of operator.

Cost per ASK – The cost per ASK is the operating cost per ASK, expressed as US cents per ASK. Internally, airline management also looks at different components of operating costs to analyse route profitability.

EASA (Part 66) – The EASA's standard requirements for certifying aircraft crew.

EASA (Part 145) – The EASA's standard requirements for airlines that maintain aircraft and components.

EASA (Part 147) – The EASA's standard requirements for a company that provides theoretical and practical training for operating staff.

EBITDAR – Earnings Before Interest, Tax, Depreciation, Amortisation and Rental costs. This is essentially the cash margin before costs of ownership or rental of aircraft. This is a margin that can be used to compare airlines that have different proportions of owned aircraft relative to aircraft under operational leases. It can also be used to compare performance of a single airline where the proportion of owned aircraft is changing, such as Air Astana. We calculate it by taking Operating Profit and adding back Depreciation and Amortisation and Fixed Operating Lease Charges. This last number is found in the notes to the financial statements.

EDTO (Extended Diversion Time Operation) – Any operation by an aeroplane with two or more turbine engines where the diversion time to an en-route alternate aerodrome is greater than the threshold time established by the State of the Operator.

European Aviation Safety Agency (EASA) – The agency is responsible for developing all flight safety regulations for independent confirmation or submission to the European Commission (or Parliament/Council) and performing inspections to determine compliance with them.

FAA (Federal Aviation Administration) – The Federal Aviation Administration is the national aviation authority of the United States of America. An agency of the United States Department of Transportation, it has authority to regulate and oversee all aspects of civil aviation in the U.S.

Financial lease – A financial lease is a form of long-term debt that finances the acquisition of an asset. At the end of a financial lease there is usually an option to buy the aircraft for a nominal value, as the lease payments amount to more than the value of the aircraft. Air Astana started to buy aircraft of its own in 2012, and these have been financed with financial leases.

Flight hours – This is the amount of time that aircraft actually spend in the air.

IATA Operational Safety Audit (IOSA) – IOSA covers the following functional areas of an airline: company management, flight operations, flight control and monitoring, aircraft maintenance, on-board operations, aircraft ground operations, cargo transportation, and flight safety.

International Air Transport Association (IATA) – The IATA was formed in 1945 to develop cooperation between airlines and provide safe, secure and efficient flights to passengers.

International Civil Aviation Organisation (ICAO) – The ICAO was founded in 1944 under the Chicago Convention on International Civil Aviation. A specialised agency of the United Nations, it is responsible for setting international

standards, recommended practices and rules in technical, economic and legal areas of international civil aviation.

Invested Capital – The Invested Capital can be calculated by looking at the working capital and fixed assets required for the business net of the cash and cash equivalents, or by looking at the net debt and equity of the company. For Air Astana we have calculated Invested Capital through the assets and net working capital net of cash.

Joint Aviation Authorities (JAA) – The JAA unites the civil aviation regulatory authorities of numerous European states that develop and implement common safety regulatory standards and procedures.

Kazakhstan Civil Aviation Committee (CAC) – The CAC is the official regulator of the civil aviation sector in Kazakhstan. It is under the authority of the Ministry of Investments and Development of the Republic of Kazakhstan.

Net Debt or Net Cash – This is the long and short-term financial liabilities of the company (debt and financial leases), less cash and cash equivalents. Net Cash is when the Cash and cash equivalents exceed the financial liabilities.

Net Debt/Equity ratio – This is the ratio of net debt to shareholder equity. It is sometimes taken as a metric of the risk of a company's balance sheet structure, and clearly companies with higher Net Debt/Equity ratios can have higher, but more volatile returns to shareholders. The metric can be more challenging to interpret for airlines, as Operating Leases are not included, but often represent long-term commitments by the airline.

Operating lease – An operating lease is essentially a rental agreement. Normally the lease payments over the term of the lease are less than the value of the aircraft, and there is no option to buy the aircraft at the end of the lease period. Historically, Air Astana's fleet comprised only of aircraft under operational leases until the end of 2011.

PLF – Passenger Load Factor. It is the percentage of seats filled on a per kilometre flown basis. It is calculated by taking the Revenue Passenger Kilometres (RPK) divided by the Available Seat Kilometres (ASK). Airlines measure things on an RPK and ASK basis to be able to compare efficiency of flights with different distance travelled and seating capacity. One can then analyse revenues and costs on this same basis.

RPK – Revenue Passenger Kilometres. This is a measure of paying passenger utilisation of the ASK. So it takes the number of passengers multiplied by the distance travelled in kilometres. Like ASK, it can be measured for an airline, for the industry, for specific aircraft types, for specific routes, or regions served.

RPK Yield – This is a similar measure to ASK Yield. It is a revenue metric based on RPK and measures revenues in terms of utilised capacity.

RTK – Revenue Tonne Kilometres. This is a measure of weight capacity utilisation. It takes the tonnes carried multiplied by the distance travelled in kilometres. This is a useful measure when comparing airlines with significant cargo volumes, and is sometimes the metric used for fuel consumption.

RoE – Return on Equity is a percentage-based measure of shareholder returns. It takes the net profit for a specific year, divided by the average shareholder equity during that year. It is sometimes called RoAE, to be clear about the use of Average Equity as the nominator. It is known as a geared ratio, as it does not take into consideration the capital structure of a company, only the equity.

RoIC – Return on Invested Capital. This is a measure of returns on the whole capital structure of the company that is needed for the business. It divides the Operating Profit by the Average Invested Capital during the year. By using Operating Profit as the numerator, it makes it an operational efficiency metric that is agnostic on the funding of the operational invested capital – debt or equity. It is sometimes calculated on a post tax basis, by applying the company effective tax rate to the Operating Profit. We have presented the standard pre-tax measure. Airlines do not account Operating Leases as part of their liabilities under IFRS accounting, or in their Invested Capital. Some airlines present RoIC adjusted for an estimate of the implicit liability of the operating leases, this is not based on current IFRS standards.

Segments – This is a technical name for flights, though if a passenger has a flight that stops at an intermediate point, this counts as more than one segment.

Skytrax – Skytrax is an internationally recognised consulting company that specialises in analysing services provided by airlines and airports. It was formed in 1989 and provides independent information on more than 210 airlines and 65 airports based on various passenger surveys.

Working Capital – This is a measure of the short-term assets and liabilities that are necessary to operate the business. The key elements that management can influence are usually Trade Receivables, Trade Payables and Inventories. At airlines, Deferred Revenues is also an important element, as it mostly represents tickets sold, and paid for, that have not been used. We have used the standard metric, which is to take Current Assets and subtract Current Liabilities.

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