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CHAIRMAN'S STATEMENT

LEADING THE MARKET IN CENTRAL ASIA

In 2017, we continued our track record of operational growth, achieving our targets across all strategic areas.

Taking advantage of the growth opportunities that opened up following improvements in the macroeconomic environment, we increased both passenger and cargo traffic (up 12% and 20%, respectively), including a significant surge in transit traffic (up 58% year-on-year).

We were the official carrier for major international forums such as EXPO 2017 and the Winter Universiade 2017, which were attended by representatives of more than a hundred countries. Apart from boosting passenger traffic, these events also boosted the profile of our brand as a reliable air carrier – we continue to be one of the top airlines in Central Asia in terms of service excellence.

We focused on upgrading and expanding our fleet in 2017, having received the second of 11 advanced A320/321 NEO eco-aircraft on order from international lessors. We also signed agreements in 2017 for three more Airbus A320 NEOs, three Airbus A321 NEOs, and five Embraer E190-E2s as part of our fleet expansion and upgrade strategy.

We have been expanding our route network in recent years, which currently comprises over 60 international and domestic services from hubs in Almaty and Astana. In 2007, we launched flights between Astana and Delhi, Astana and Kiev and Uralsk and Frankfurt, while also increasing flight frequencies for over 20 international routes to build up a presence in our target markets of Europe and Asia. Our international traffic rose 23% year-on-year.

Among the more important decisions we made in 2017, I would like to highlight the approval of our new strategy for the coming decade. The strategy focuses on strengthening our position as a leading airline in the Eurasian market. To this end, we are putting in place an ambitious programme for fleet expansion by adding the latest Airbus, Embraer and Boeing aircraft. We will also continue to support the expansion of our key hubs. In 2017, we completed the construction of our new maintenance centre in Astana, which is going to be one of the largest aircraft maintenance centres in Central Asia.

We are also making significant investments in selecting, training, and providing career planning advice for bright individuals from Kazakhstan. Driven by our urgent need to attract more talented young people to our workforce, we launched a large-scale recruitment initiative in 2017 called Try on a Dream. While addressing our own recruitment needs, we are also acting in a socially responsible way by training young Kazakh men and women for attractive careers. In addition, we continue recruiting and training our future pilots through an Ab Initio programme at two major European schools, both of which meet the highest international standards. All these steps will help us successfully implement our strategy, which focuses on expanding our network with a particular focus on transit traffic, which already accounts for 24% of our international passengers.

As a commercial company, our high degree of efficiency is driven by our customer focus, operating reliability, safety and ability to effectively manage costs. With every employee focusing on delivering an excellent customer experience, we are proactive in identifying our customers' needs. In 2017, we were named the best airline in Central Asia and India for the sixth year in a row. We also retained our leading position in the Onboard Product and Staff Service category across Central Asia and India in the rating by Skytrax, a UK advisory whose awards are referred to as the "Oscars of the aviation industry". Its service quality scores are informed by surveys of millions of air passengers using about 50 different service-level metrics. We appreciate the enormous support from our customers, and we will only keep improving our in-flight service offering.

This recognition is the result of the collective effort of our entire close-knit team. I am confident that together we will be able to achieve the even more inspiring and ambitious goals that we have set for ourselves.

Yours faithfully,
Nurzhan Baidaletov

