

2.4

STRATEGY REVIEW

IN 2017, OUR BOARD OF DIRECTORS APPROVED A 10-YEAR STRATEGIC PLAN IN LINE WITH OUR STRATEGIC PRIORITIES. OUR STRATEGY DEFINES OUR MISSION, VISION, STRATEGIC GOAL AND STRATEGIC DIRECTIONS FOR DEVELOPMENT, WHICH CORRESPOND TO THE CURRENT STATE AND PROSPECTS OF THE AVIATION INDUSTRY.

Our new 10-year strategy (2017-2026) is aimed at ushering in a new phase of growth by accelerating expansion while leveraging our low-cost structure and strong position as a hub between Europe and Asia. In an effort to become the leading regional network carrier in Central Asia, we aim to double the size of our fleet over the next decade.

In the long term, the further development of the Company will be accomplished in the context of the following strategic directions:



4

Personnel development

5

Innovation and technology

Outlook

Kazakhstan's economy showed encouraging signs of recovery in 2017, driven mainly by better-than-expected performance in the oil sector and supported by a recovery in global oil prices. This, in turn, had a positive impact on the local currency, the tenge, which has been increasing in value since the crisis.

Against this encouraging macroeconomic backdrop, passenger traffic increased by 12% year-on-year in 2017. We made considerable progress in all our strategic priorities during the year and we began a number of initiatives aimed at

reducing costs and increasing operational efficiency across all areas. While growth is expected to continue in 2018, costs, including fuel, airport and other user charges and staff costs, are under pressure. We anticipate that our key challenge in the near future will be controlling costs while simultaneously maintaining quality standards.

In 2017, we continued implementation of a variety of projects aimed at improving the Company's business processes and cost optimisation.

Growth

Strategic initiatives



Increasing the size of our fleet from 32 to 64 aircraft, thus significantly expanding capacity

In 2017, we received our first A321 NEO.

We signed an operating lease for six A320 NEO family aircraft with deliveries in 2019-2020.

Confirming an order for five next-generation Embraer E2 regional jets (operating lease), with deliveries commencing in 2018.



Increase in passenger traffic, including transit traffic (sixth freedom traffic)

Total passenger numbers increased by 12%, or close to half a million passengers, exceeding 4,000,000 annual passengers for the first time.

Our measured in available seat-kilometres (ASKs) grew by 6.9% to 13.59 billion ASKs, mainly due to an increase in international take-offs.

Sixth freedom traffic increased by 58% year-on-year.

The Novosibirsk and Yekaterinburg routes are now served by daily flights.

We increased frequencies on flights to Bangkok, Beijing, Dubai, Istanbul, London, Moscow, Omsk, Seoul, St Petersburg, Tashkent, Tbilisi and Urumqi.



Network expansion

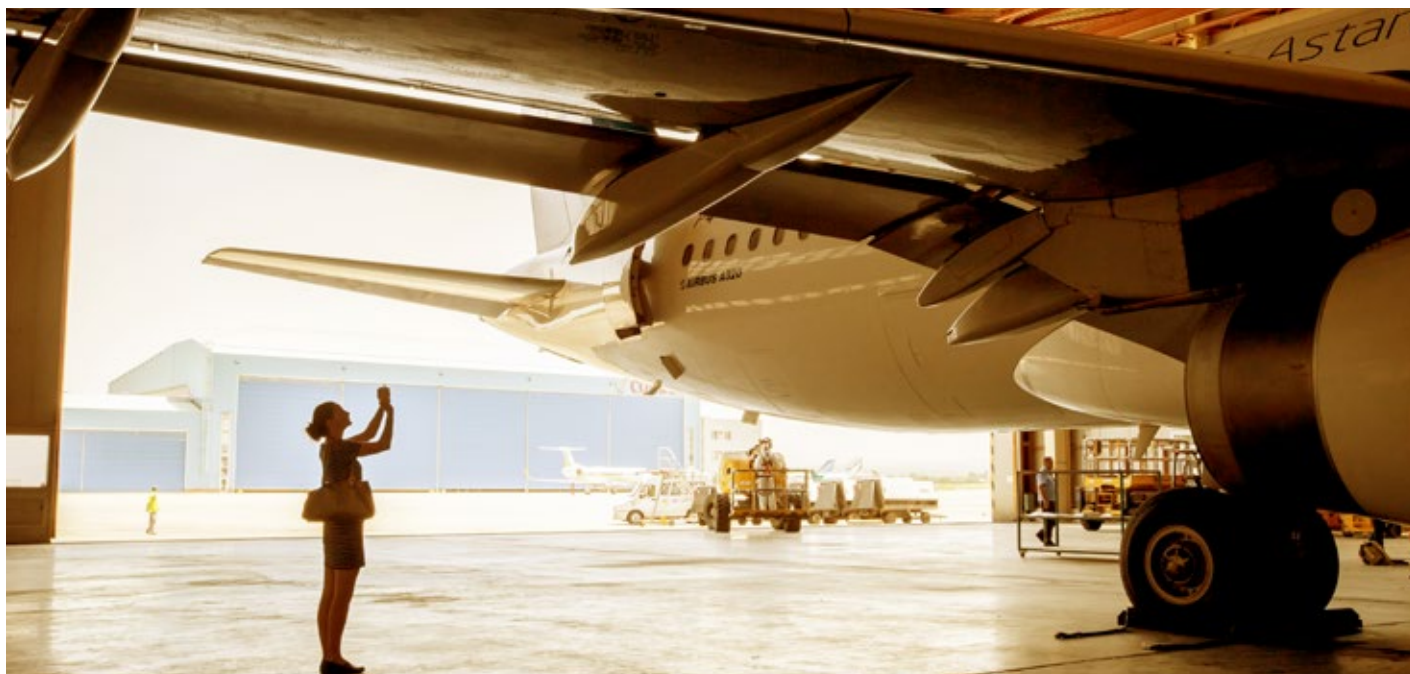
In 2017, we opened three new routes (Astana-Delhi, Astana-Kiev, Oral-Frankfurt), two of which are operated from Astana Airport.

Frequencies have been increased on 25 routes, with the majority from Astana, by 27% in total.

We promoted two major international events—EXPO 2017 and Universiade—that provided the airline with a golden opportunity to stamp its brand not only on an enthusiastic domestic market, but also on a wider, international visiting audience.

Ground support capabilities

Strategic initiatives



Continue the development of our two major hubs in Astana and Almaty, with the majority of growth taking place in Astana

Astana Airport opened a new terminal in 2017, making it the biggest airport in Central Asia with a capacity of up to 8.2 million passengers a year and an area of 47,000 square metres.

Since October 2017, the Shanyrak business lounge has been open to passengers travelling on domestic flights.



Development of our engineering capacity and our technical centre in Astana

We completed construction of our own technical centre at Astana Airport in 2017, and operations are expected to get under way in Q1 2018.

Customer focus

Strategic initiatives



On-board service

Sixteen aircraft have been fitted with RAVE IFE systems (streaming capability), providing both domestic and international passengers with access to a wide variety of in-flight entertainment.

Launch of Internet connectivity on three Boeing 767s

Redesigned blankets, headrest covers and pillow cases that incorporate a traditional Kazakh design

Personnel development

Strategic initiatives



The creation of an attractive brand to recruit talented young professionals

We launched our Try on a Dream campaign in 2017 to find, recruit and train applicants from across the country.



Improvement of staff appraisals in order to evaluate and develop employees' skills

Eight more pilots who started their training during the first Ab Initio programme in 2008 were promoted to captain.



Improvement of corporate culture and the introduction of high professional standards

In line with our policy to develop the skills and knowledge of our employees, we continued to deliver corporate training programmes such as Induction and Orientation and management seminars.

We determined the exact competencies and skills that would be required of Air Astana pilots to match the best international standards.

A new performance assessment process has been established.

We established our corporate Training Academy, which now trains aviation professionals across the board, including pilots, flight attendants, engineers and other civil aviation professionals at a level compliant with EASA standards.

Innovation and technology

Strategic initiatives



Evolution as the best airline in the region in terms of information technology

We installed Rockwell Collins/Inmarsat GX Aviation systems on our Boeing 767 fleet, designed for in-flight broadband, offering unprecedented speed, reliability and consistency.

IFE streaming modifications for 16 aircraft in 2017, which now makes up to 22 aircraft in total

Digitalisation of HR processes (including KCAApp, a new learning management system, a new electronic database, a performance appraisal system and others)

A mobile boarding pass service was made available for all flights (including international) from our Astana and Almaty hubs.



Development of our distribution technology

In 2017, digital sales grew by 29% compared to 2016 and now account for 12% of total passenger sales network-wide. This increase was the result of a combination of improvements in site usability, advertising, affiliated programmes and customers' spending habits.

Enhancements were made on many modules of our corporate website, including the Nomad Club.

The sale of preferred seating (MySeat) was implemented across multiple channels, via our ticket offices, check-in desks, online and travel agents.

The frequent flyer system was upgraded to a modern platform offering further improvements to the service.