

# AIR ASTANA

## THE NATIONAL CARRIER OF KAZAKHSTAN



**6 May 2005**

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# Kazakhstan

- Fast growing economy - during 2004 the GDP increased by 9.3%
- Great potential for transit traffic due to the favorable geographic location along the great circle route
- Significant oil and mineral resources – 59.2 millions tons of oil exported in 2004
- Kazakhstan is the first CIS state which received the investment grading from major rating agencies Moody's, Standard & Poor's and Fitch Rating
- Kazakhstan is considered as one of the most politically stable countries in the region
- Total foreign investments in Kazakhstan – U.S. \$34.5 billion

# National Carriers of Kazakhstan

- Before 1991 (before independence of Kazakhstan)  
- **“Aeroflot”** (Civil Aviation System of the USSR)
- 1993 - **“Kazakhstan Aue Zholy”** was established based on the assets of “Aeroflot” in Kazakhstan, including aircraft fleet, all domestic airports, navigation. Bankrupted in 1996
- 1996 - **“Air Kazakhstan”** was created based on the assets of bankrupted “Kazakhstan Aue Zholy”
- 1999 - “Air Kazakhstan” was consolidated with other domestic carriers, airports and navigation into **“Air Kazakhstan Group”**, which was liquidated in 2000
- 2004 - **“Air Kazakhstan”** having the obsolete fleet and being insolvent was bankrupted
- 2001 - **“Air Astana”** was established as a new airline totally unrelated to the previous national carriers



# Shareholders in Air Astana CJSC

- Government of RK: 51%.      \$8 670 000
  - BAE SYSTEMS: 49%.      \$8 330 000
- Total capital invested:      \$17 000 000





# Official Presentation of Air Astana



10 June 2002 – official presentation of  
Air Astana at International Astana  
Airport



# Fleet

Type of Aircraft	Number
Boeing 737-800	1
Boeing 737-700	2
Boeing 757-200	3
Fokker 50	5
<b>Total Fleet</b>	<b>11</b>







## Domestic Routes within Kazakhstan





# Personnel

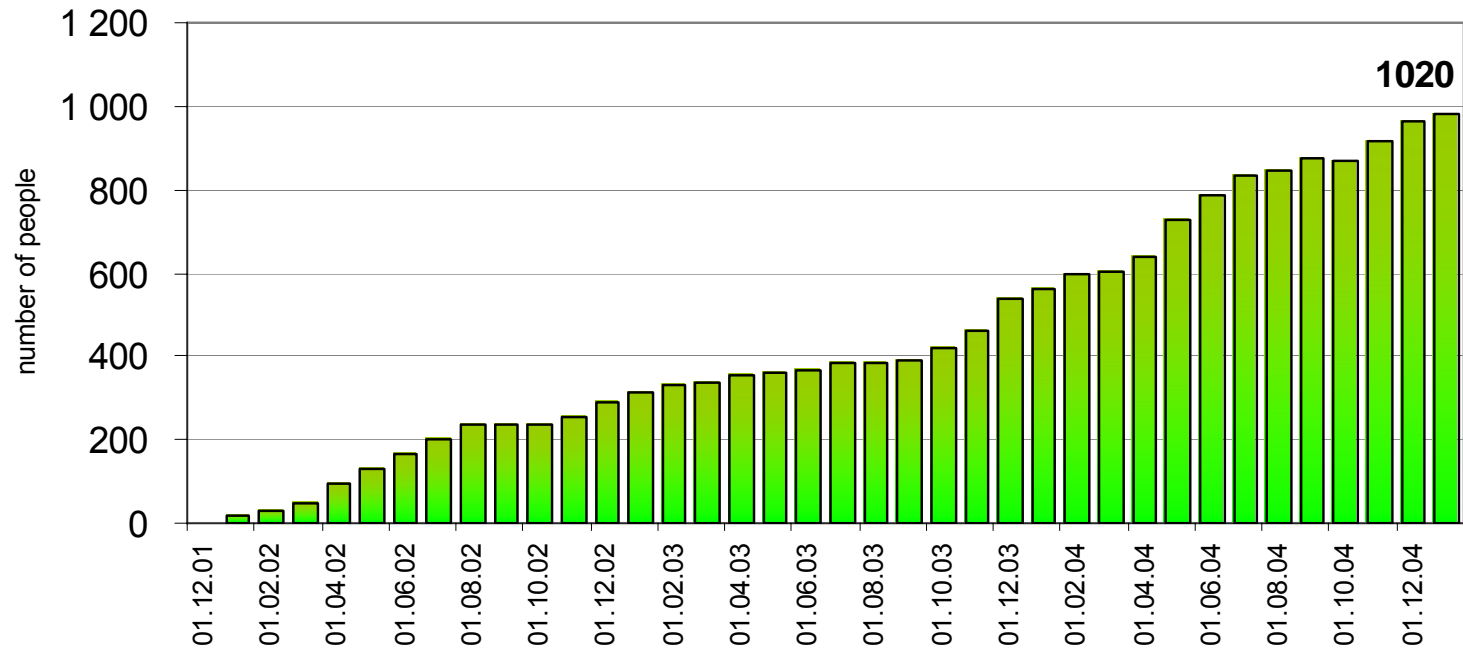
## As of 5 April 2005:

Pilots	147
Cabin Crew	286
Engineers and Technicians	116
<b>Total Employees</b>	<b>1020</b>
Including foreign managers and specialists	8



# Personnel

Employees of Air Astana, 2001-2005



# Personnel and Training

Flight and Cabin Crews and Engineers have been trained by the best international professional training centers:

## ■ Pilots and Cabin Crews:

- Boeing Training Center, Seattle, USA – B737
- Turkish Airlines, Istanbul – B737
- British Airways, London – B757
- CAE Emirates, Dubai – B737
- CAE Maastricht, Netherlands – Fokker50

## ■ Engineers:

- Boeing Training Center, Seattle, USA – 737NG and 757
- KLM UK – Fokker 50
- CFM/SNECMA, France – CFM56 Engine
- Turkish Airlines, Istanbul – CFM56 Engine run-up

# Maintenance

- Aircraft maintenance program is developed based on manufacturer's programs and compliant with the EASA (JAR) and FAA requirements
- C-checks and mandatory modifications of B737 aircraft have been completed at the base of KLM in Amsterdam; reconfiguration and modifications of B757 aircraft have been completed at BASCO Maintenance Center, UK; C-Checks of B757 aircraft operated by Air Astana will be completed in the second quarter of 2005 by ATC Lasham in the UK
- Line maintenance is undertaken by Air Astana
- Air Astana has the largest store of spare parts for western aircraft in Kazakhstan
- Air Astana has been certified for maintaining aircraft to EASA (JAR) 145 standards



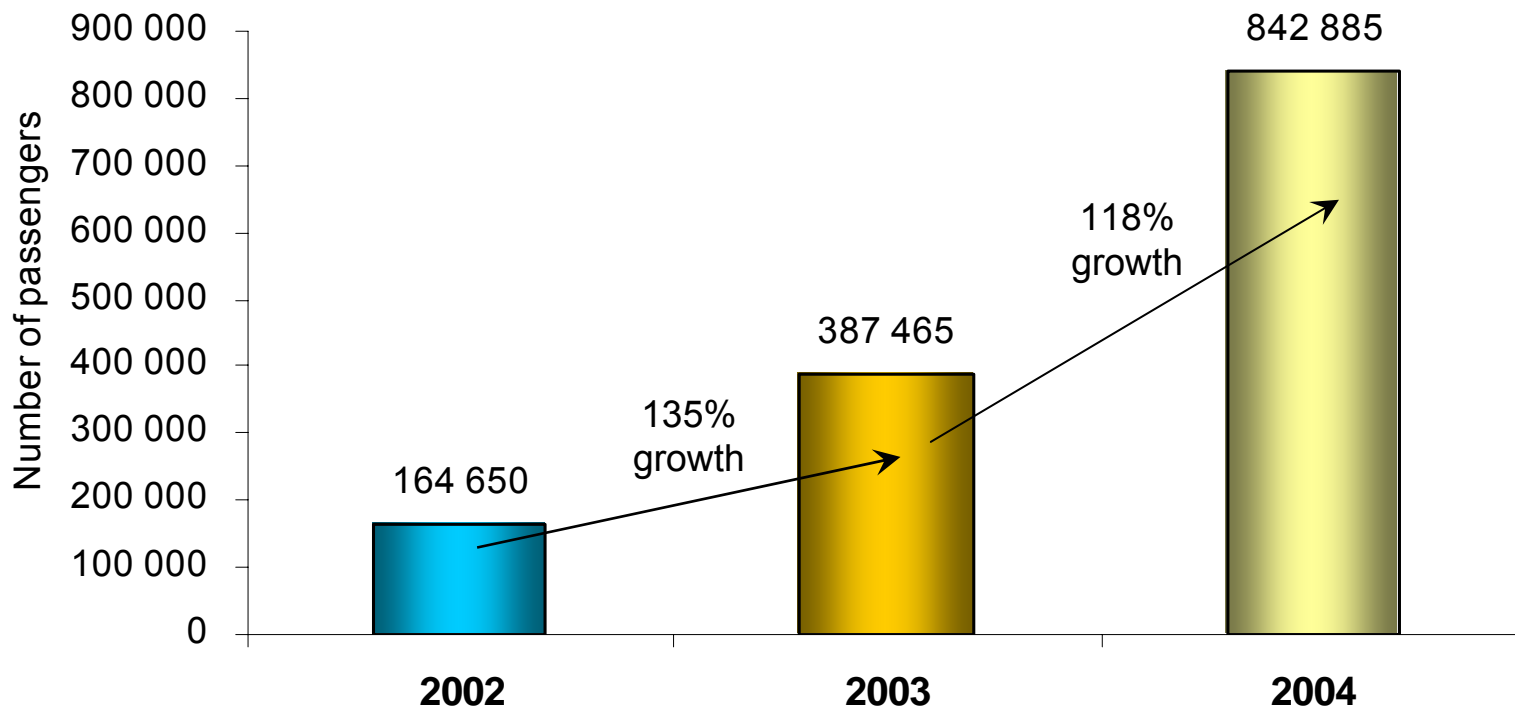


# Commercial Activity

- IATA active membership obtained in August 2003
- Active membership of MITA/ICH
- Lufthansa/Amadeus Multi-host System as Inventory System
- Membership of BSP IATA (distributive systems for sales) in China, Turkey, South Korea, Germany, Great Britain and Netherlands
- Concluded 47 interline agreements, including:
  - ✓ KLM/Northwest
  - ✓ Lufthansa
  - ✓ Emirates
  - ✓ British Airways
  - ✓ Turkish Airlines
  - ✓ United Airlines
  - ✓ JAL

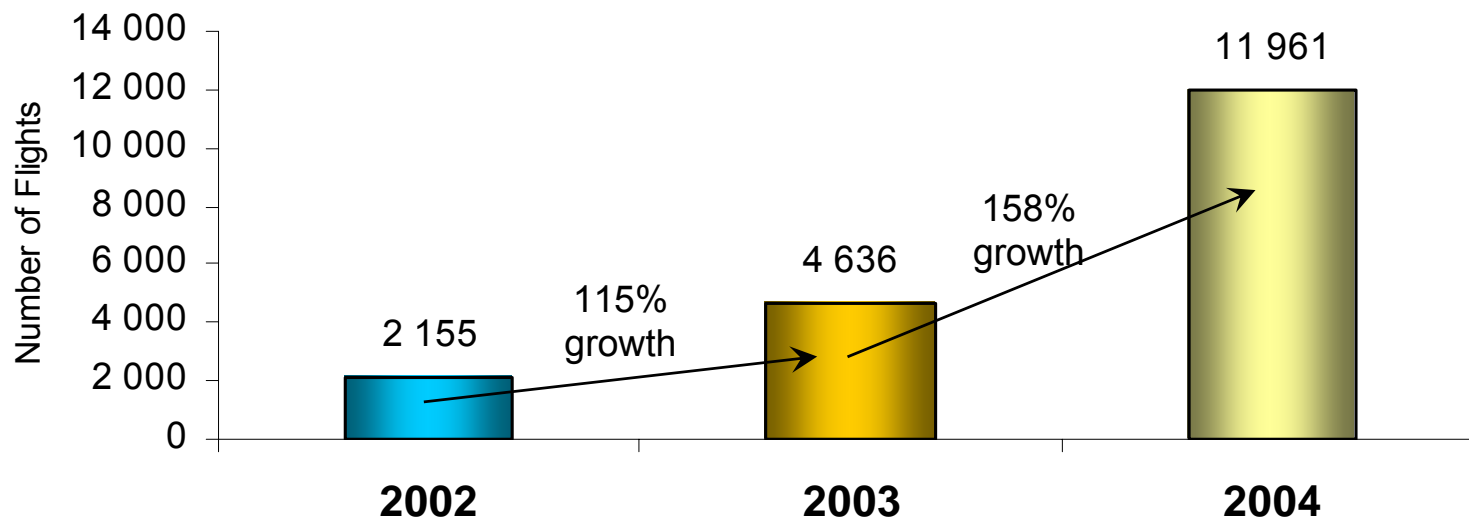
# Operational Results

**Growth of Number of Passengers  
on Flights of Air Astana, 2002-2004**



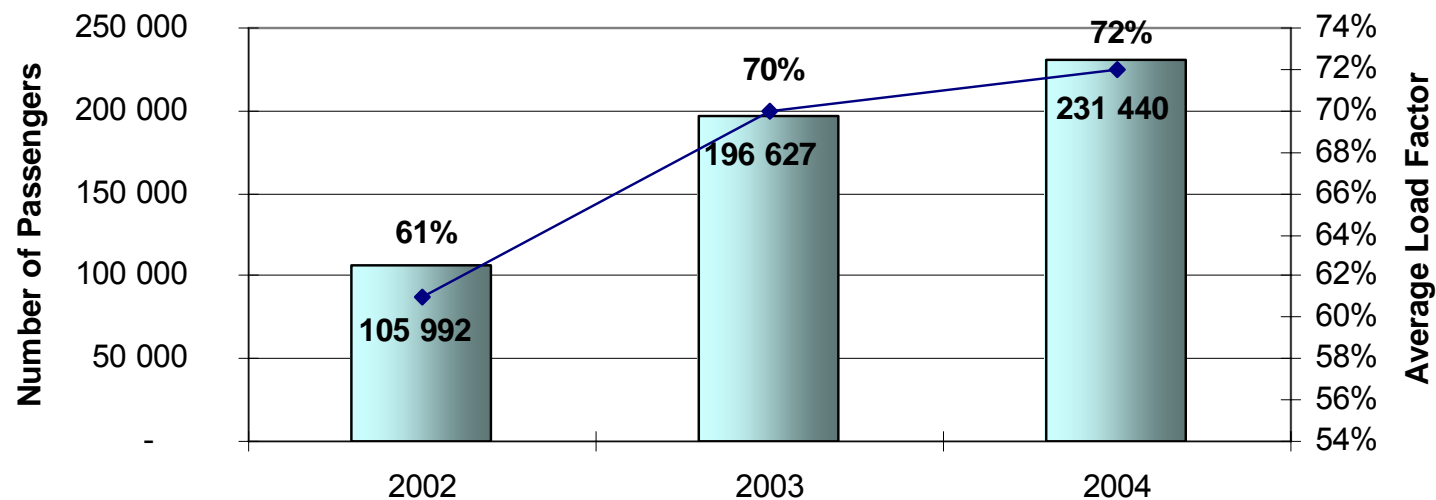
# Operational Results

**Growth of Number of Flights  
of Air Astana, 2002-2004**



# Traffic Growth

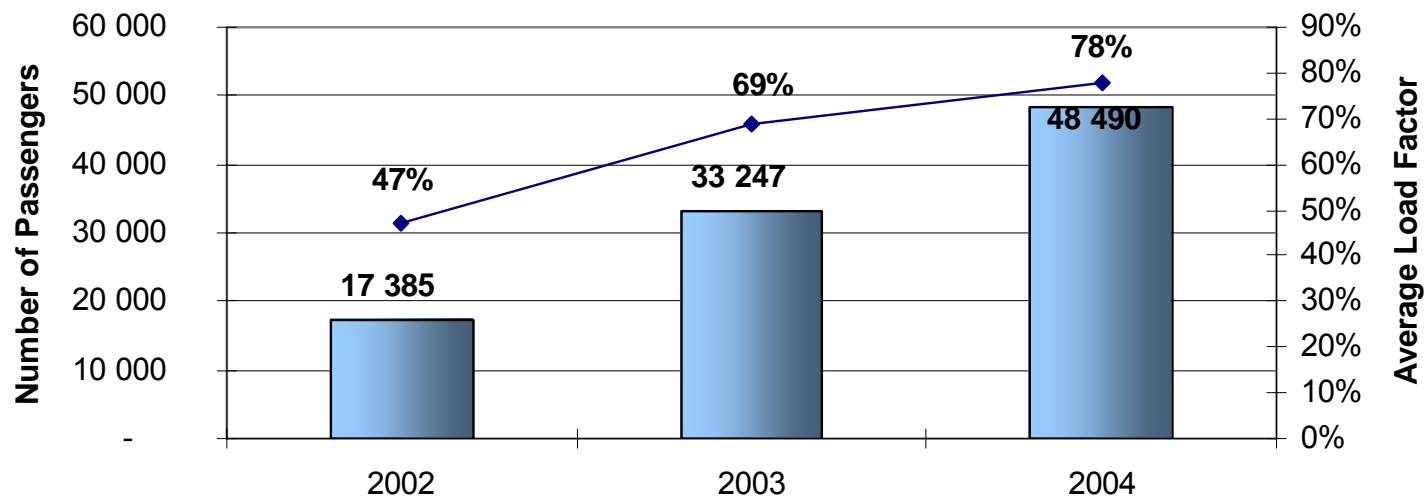
## Almaty - Astana (operated from May 2002)





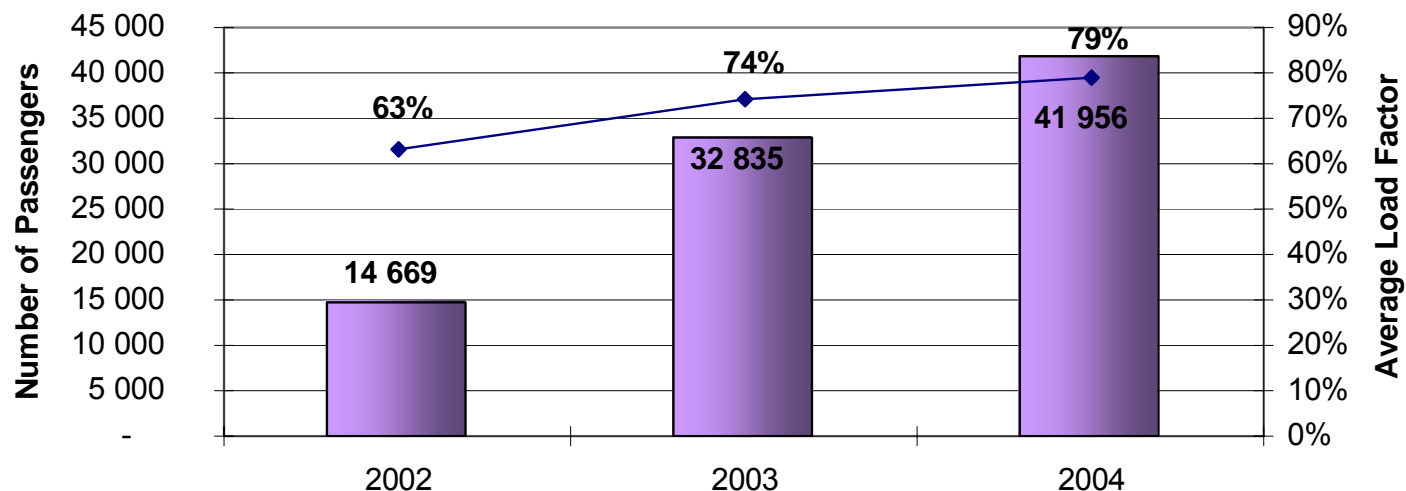
# Traffic Growth

## Almaty - Aktau (operated from May 2002)



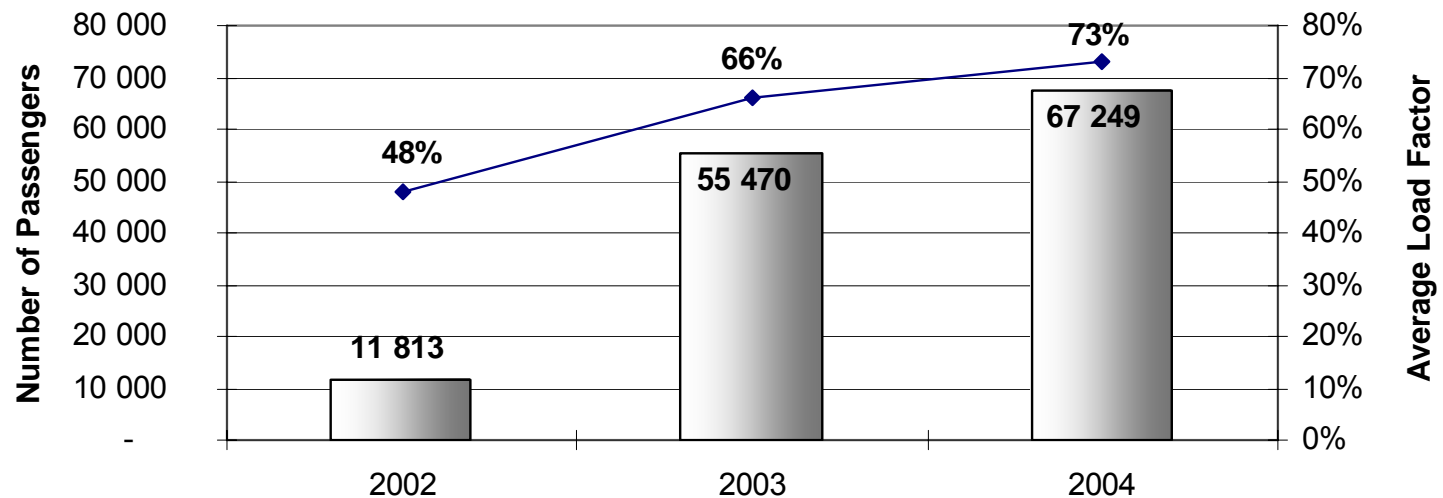
# Traffic Growth

## Almaty - Aktobe (operated from May 2002)



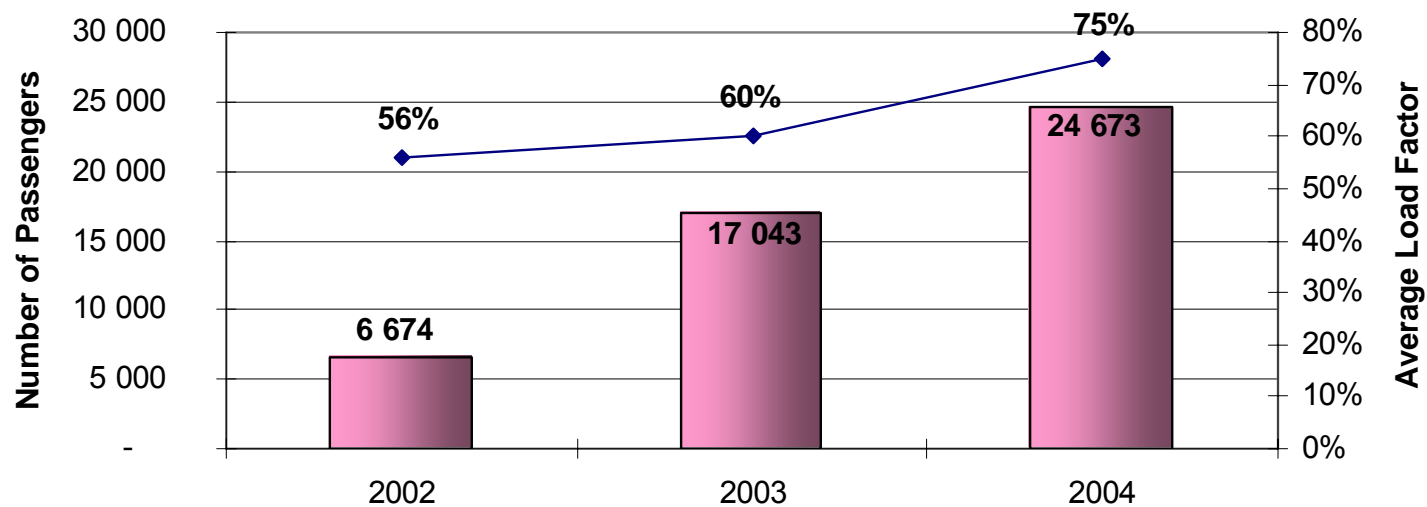
# Traffic Growth

## Almaty - Moscow (operated from September 2002)



# Traffic Growth

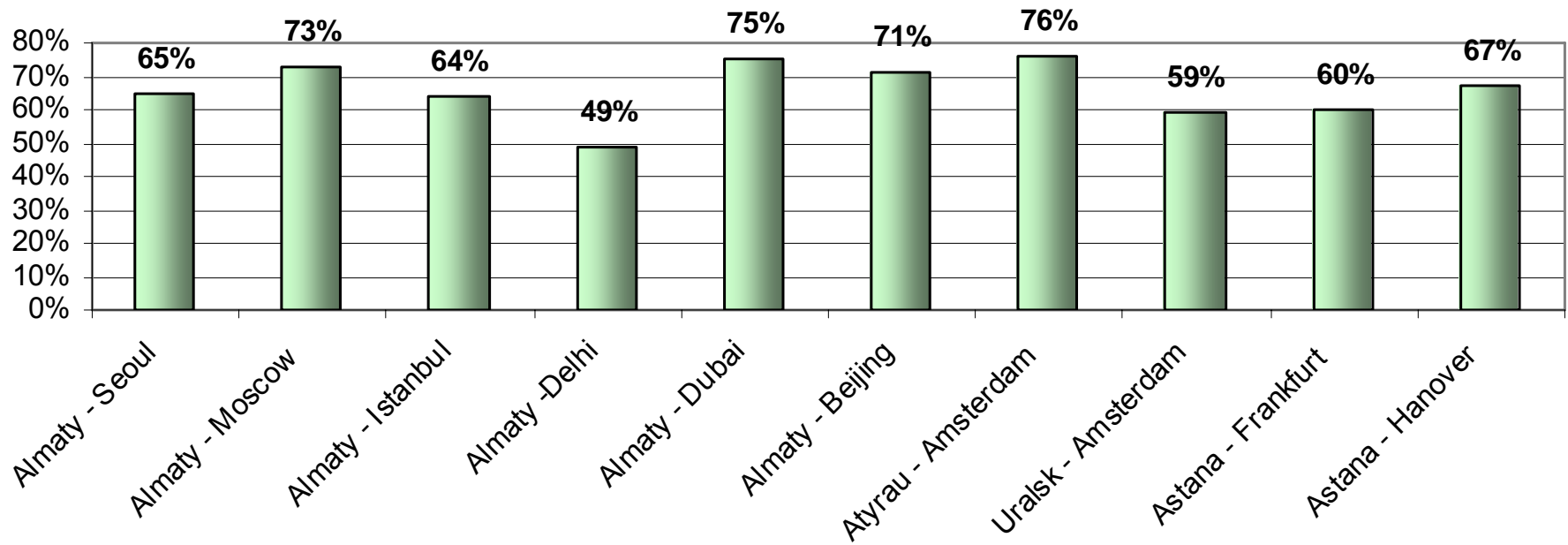
## Almaty - Dubai (operated from August 2002)





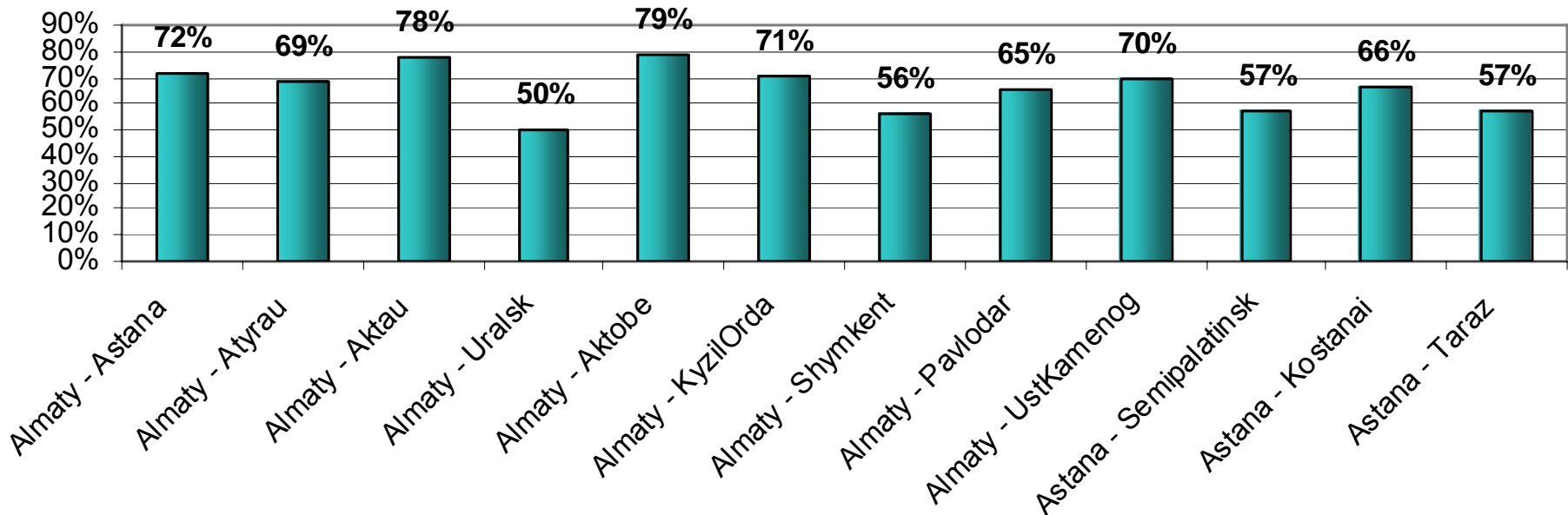
# Average Load Factors

Average Load Factors for 2004 - International Routes (Selective)



# Average Load Factors

Average Load Factors for 2004 - Domestic Routes (Selective)



# Profit and Loss Account for 2004

Thousand US\$	Total for 2004	Budget for 2004
Operating Revenues	206 748	153 038
Operating Expenses	187 904	160 867
Other Revenues/Expenses	309	(75)
<b>Income Before Taxes</b>	<b>19 153</b>	<b>(7 904)</b>
Corporate Income Tax	(9 836)	(1 200)
State Subsidies	2 409	2 625
<b>Profit (Loss) After Taxes</b>	<b>11 725</b>	<b>(6 479)</b>

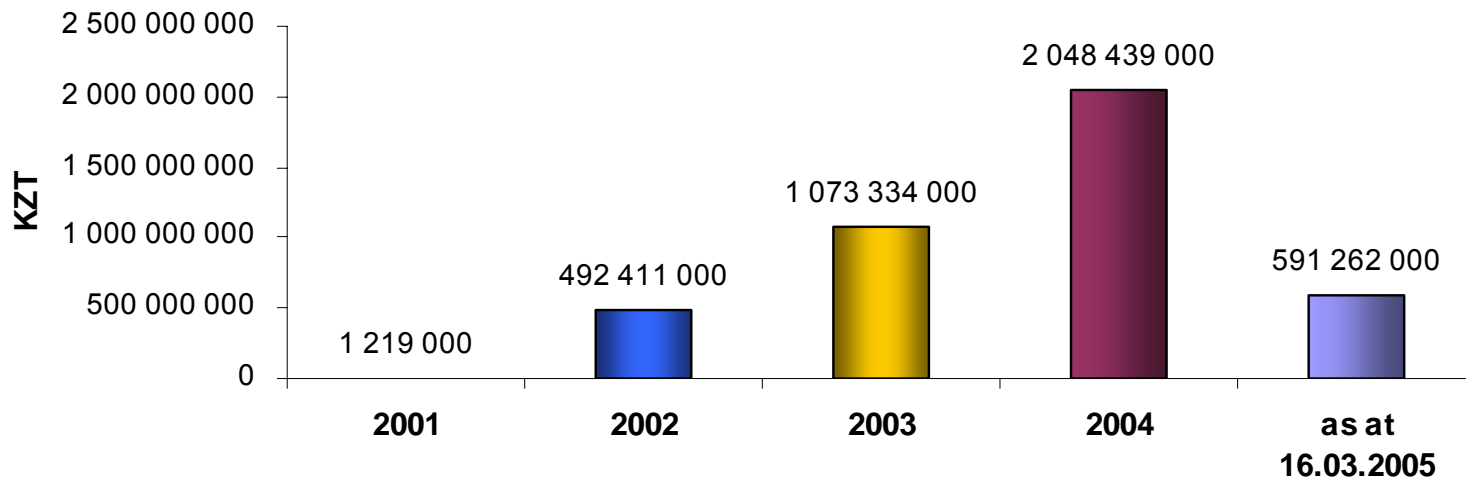
# Balance Sheet as of 01.01.2005

Thousand US\$	Actual	Budget
Fixed Assets	13,344	8,203
Current Assets, including:	45,055	31,219
<i>Cash and Equivalents</i>	22,484	10,812
Current Liabilities	30,909	31,288
Net Current Assets	14,146	(70)
<b>Total Net Assets</b>	<b>27,490</b>	<b>8,133</b>
Initial Shareholders Capital	17,000	17,000
Re-evaluation of Capital/Reserves (Exchange Rate Difference)	2,620	1,006
Retained Profit (Loss)	7,870	(9,873)
<b>Total Shareholders' Equity</b>	<b>27,490</b>	<b>8,133</b>

# Payments to State Budget

- Kazakhstan has invested the amount equal to US\$8,6 million to the charter capital of Air Astana
- Less than in 3 years of operations the airline has paid to the state budget 4 billion 207 million KZT (over US\$30 million)

**Payments to the state budget during 2001 - 2005**  
(Total 4 billion 207 mln KZT)

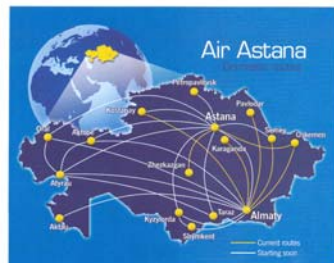


# Air Astana Today

- Modern aircraft fleet
- Maintenance according to EASA (JAR) international standards
- Professional management
- Training of personnel in the best training centres
- Recognition by the international organizations
- Cooperation with the world's largest airlines
- Self-financed expansion of the airline – during less than three years of operations the airline has not used any external borrowings or raised any additional funds from the shareholders
- Financial stability
- Perfect reputation of meeting its financial obligations
- Total payments to budget - over US\$30 million as compared to the initial investments of the Government of US\$8,6 million

# Air Astana

## Success of the young Kazakhstan airline brings attention of foreign mass media



to turn up for work. Lloyd made drained aviation fuel from the B707's available to use for domestic cooking and heating. When the tanks went dry, Lloyd took the "banger" home - in one particular night they amounted to \$100,000. With the arrival of Ayatollah Khomeini, the flights had plummeted from 17 international services per week to only three shuttle flights. Sackings became inevitable, but the remaining staff showed Lloyd intense loyalty and support, a tribute to the man and to his management and motivational skills.

On September 22, 1980, all further plans to maintain services evaporated as Iraq's Air Force weapons bombed the airport. Lloyd's fortunes that night's flight from London was cancelled. Lloyd spent two weeks closing down the operation, organizing final payments for staff and terminating contracts before embarking on a marathon 78-hour journey back to London. Employees who had just been made redundant insisted on escorting him safely to the border in a blacked-out minibus, driving for six hours over

Boeing 737-263 PH-163, on 2948R, based from Paphos, was destroyed in the collision in December 2003.



teeming revolution, day-to-day operations were less than ideal. "BA's Tehran operation always had a bad reputation for being one of the world's worst," he recalls. "It rarely achieved the planned turn-round time, and discipline and staff morale were poor. It never won a BA service award."

As station manager in Tehran, Lloyd had responsibility for all BA's ground operations, which involved over 200 employees and servicing 17 flights a week. Agitated and discontent were rife, he says, and badly-dressed and untidy staff manned the check-in desks. Orders to wear the airline's uniform and name badges were issued, and those who refused to shake or comply with the dress code were sent home by taxi - an operation funded by Paston himself - with orders to return only when they were correctly dressed. All the airline's vehicles were requisitioned and the offices redecorated.

Morale slowly started to improve, as did customer service and satisfaction, but revolution was brewing. Strikes and protests became daily occurrences and material and fuel shortages began to be experienced, along with growing hostility towards foreign businessmen and employees. The BA office in the city was ransacked and the British Embassy came under siege. An attack on uniformed staff on an airline bus on its way to the airport was the final straw.

The wearing of uniforms was scrapped, all BA employees were removed from vehicles and sharing was no longer mandatory. Lloyd abandoned his Blackie for a rusted old Fiat and turned up for work in faded jeans and sweater. Self-survival became a fundamental objective.

His biggest problem was maintaining ground handling capability for BA's Boeing 747-200, as servicing such a sophisticated aircraft was becoming almost impossible. "These flights were suspended and Lloyd introduced a shuttle flight to Kuwait from where the BA aircraft were operating, using B707s with a single-class interior which increased the seating to 174 passengers. The airline flew its own 50 gallon drums of oil, and as an incentive for staff

FLEET			
Type	Registration	UK	Delivery
Boeing 747-200	PH-163	1982	Apr 1982
Boeing 747-200	PH-164	1982	Apr 1982
Boeing 747-200	PH-165	1982	Apr 1982
Boeing 747-200	PH-166	1982	Apr 1982
Boeing 747-200	PH-167	1982	Apr 1982
Boeing 747-200	PH-168	1982	Apr 1982
Boeing 747-200	PH-169	1982	Apr 1982
Boeing 747-200	PH-170	1982	Apr 1982
Boeing 747-200	PH-171	1982	Apr 1982
Boeing 747-200	PH-172	1982	Apr 1982
Boeing 747-200	PH-173	1982	Apr 1982
Boeing 747-200	PH-174	1982	Apr 1982
Boeing 747-200	PH-175	1982	Apr 1982
Boeing 747-200	PH-176	1982	Apr 1982
Boeing 747-200	PH-177	1982	Apr 1982
Boeing 747-200	PH-178	1982	Apr 1982
Boeing 747-200	PH-179	1982	Apr 1982
Boeing 747-200	PH-180	1982	Apr 1982
Boeing 747-200	PH-181	1982	Apr 1982
Boeing 747-200	PH-182	1982	Apr 1982
Boeing 747-200	PH-183	1982	Apr 1982
Boeing 747-200	PH-184	1982	Apr 1982
Boeing 747-200	PH-185	1982	Apr 1982
Boeing 747-200	PH-186	1982	Apr 1982
Boeing 747-200	PH-187	1982	Apr 1982
Boeing 747-200	PH-188	1982	Apr 1982
Boeing 747-200	PH-189	1982	Apr 1982
Boeing 747-200	PH-190	1982	Apr 1982
Boeing 747-200	PH-191	1982	Apr 1982
Boeing 747-200	PH-192	1982	Apr 1982
Boeing 747-200	PH-193	1982	Apr 1982
Boeing 747-200	PH-194	1982	Apr 1982
Boeing 747-200	PH-195	1982	Apr 1982
Boeing 747-200	PH-196	1982	Apr 1982
Boeing 747-200	PH-197	1982	Apr 1982
Boeing 747-200	PH-198	1982	Apr 1982
Boeing 747-200	PH-199	1982	Apr 1982
Boeing 747-200	PH-200	1982	Apr 1982

**THE AIRLINE**  
Air Astana is a closed joint stock company registered with the Ministry of Justice of the Republic of Kazakhstan in September 2001. The registered head office address is the

## Air Astana

### Spreading its Wings in Kazakhstan

Steve Kinder visits Kazakhstan and speaks to the President of Air Astana, Englishman Lloyd Paston, about his career and plans.



Boeing 737-700 PH-165, seen in the company of Lloyd.

A airline from one of the States of the former Soviet Union operating westbound aircraft must be counted a rarity, but for that airline to be led by an Englishman with a 'volunteer' career in British aviation is unique.

Kazakhstan, in the former Soviet Union, has a land area equal to the size of Western Europe, and it is not only a leading economic power in the region but also a major potential world destination, as its huge size means it can have a wide variety of climates. As with all the other ex-Soviet states, aviation in Kazakhstan became independent in 1992, the year after the collapse of the Soviet Union.

The aircraft of Kazakhstan Airlines, the new national carrier, were the country's flag on the wings and Kazakhstan Airlines titles, though its color scheme was still mainly that of the Soviet operator, the Russian national carrier Aeroflot, which continued to provide some airframe and personnel support. The airline at Astana - An-24s, Ilyushin 8-80s and Ilyushin 76s - was to fly to 15 cities in an attempt to establish an international network. Following financial difficulties, was rebranded, and its name changed to Air Astana in 1996. However, these problems 1st engine and in February 2004 it was closed bankrupt.

A collaboration between the country's government and Bile Systems of the UK resulted in the formation of Air Astana, which made its

first commercial flight using a western-built aircraft - a Boeing 737-700. In May 1992, the carrier joined the International Air Transport Association (IATA) the following year.

**THE MAN**  
It comes as a surprise to find that the President of Air Astana, Englishman Lloyd Paston, is English, with a wealth of experience within the United Kingdom aviation world - Lloyd Paston, Lloyd was born in Visakhapatnam, India, in July 1943, when his father was flying for the British Overseas Airways Corporation (BOAC) in Burma. His first recollection of aircraft is of watching BOAC flying boats at the age of four, and aviation has been part of his life ever since.

Education in the UK, in 1960 he followed his father into BOAC which became British Airways (BA) as an apprentice, starting his

career in sales/reservations at London's Victoria Terminal. From here he progressed to become Training Station Officer, and in 1966 left the BA for the first of 21 different countries, holding 25 overseas airport postings with the airline which took him to Karachi, Calcutta, Nanded and Tehran.

This was not the first time he had left in a hurry. In 1967, he had been in Aden when British troops and civilians were evacuated from the civil war there, and he was at Entebbe Airport, Uganda in 1976, when Israeli citizens were being expelled from the country by the dictator General Idi Amin. Other world events also caught him up - he was at Abidjan Airport, Ivory Coast, during the coup which deposed Emperor Houphouët Boigny in 1974, at Beirut Airport during the 1978 civil war, and at Bangkok Airport, Thailand, when during a 29-month strike he witnessed three coups d'état.

In fact, it seemed that the toughest assignments always came his way. Lloyd vividly recalls his days in Tehran - even without the

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# The Future of the Airline – Fleet Options

- Bringing additional aircraft of Boeing 757-200 type
- Operating jet aircraft on longer domestic routes
- In long-term possibly Boeing 787 or Airbus A350



# Boeing 787 – Range Capabilities

## DUAL CLASS

### 7E7-3

287 Passengers  
MTOW = 163,750 kg (361,000 lb)

### 7E7-8

240 Passengers  
MTOW = 215,910 kg (476,000 lb)

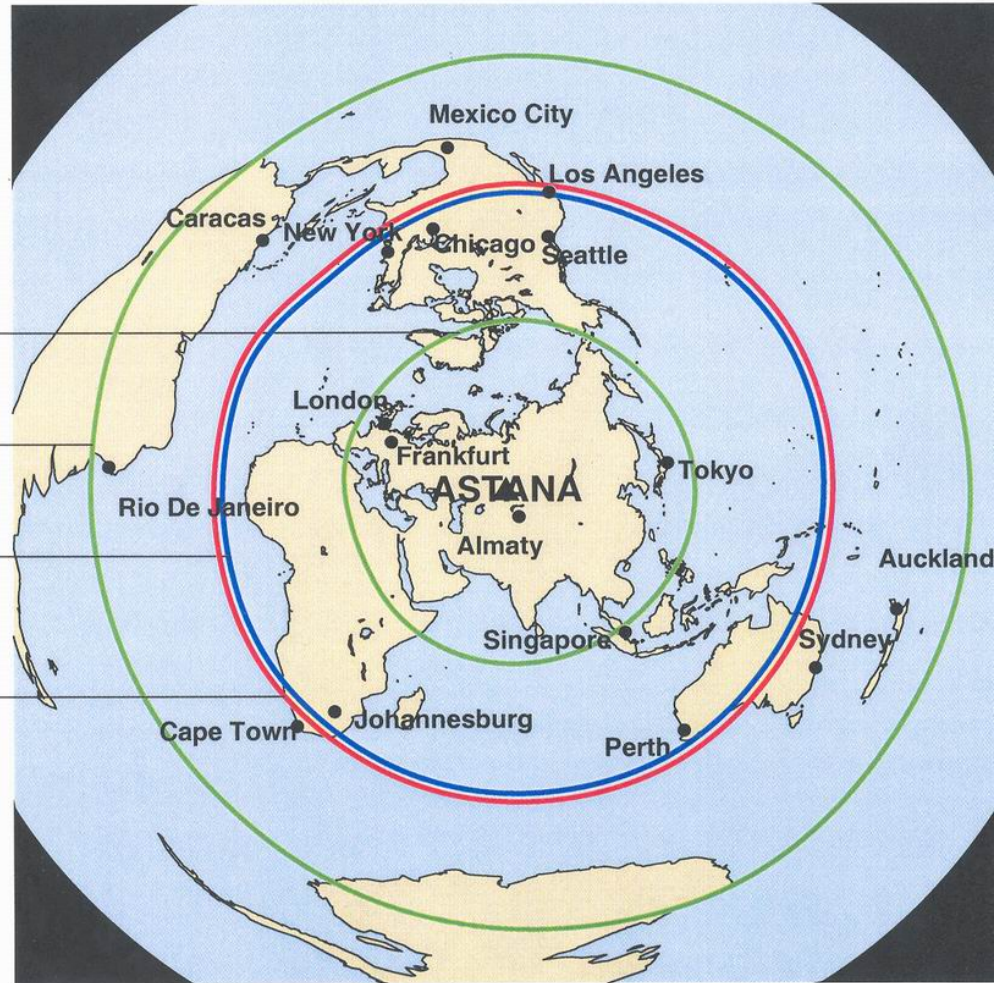
### 767-300ER

PW4062 Engines  
269 Passengers  
MTOW = 186,880 kg (412,000 lb)

### A330-200

PW4168 Engines  
306 Passengers  
MTOW = 233,000 kg (513,700 lb)

Typical Mission Rules  
Standard Day  
85% Annual Winds  
200 lb / Passenger Allowance



# The Future of the Airline – Route Development Option

- Transit traffic – development of the “sixth freedom” airline carrying passengers from Europe to South-East Asia and Far East through Kazakhstan





April 2005