

## **FY 2023 Earnings Call**

### **Company Participants**

- Peter Foster, Chief Executive Officer
- Ibrahim Canliel, Chief Financial Office
- Irina Martinez, Head of Investor Relations

### **Presentation**

#### **Irina Martinez**

Good afternoon, ladies and gentlemen. Welcome to Air Astana Group Full Year 2023 Presentation. Thank you for joining us. My name is Irina Martinez, the Head of Investor Relations at Air Astana Group.

I'm joined today by our CEO, Peter Foster; and our CFO, Ibrahim Canliel. They will take us through the company performance in the year. After the presentation, we will conduct a question-and-answer session. Participants can submit questions through the webcast page using the Ask a Question button. We hope to get through as much as possible today, but if you have any follow-up questions or clarifications, please email us. The presentation and all relevant materials are also available on our website.

With that, I will hand over to Peter. Peter, please go ahead.

#### **Peter Foster**

Thank you, Irina, and a very good afternoon, a very good morning to all of you, wherever you may happen to be. It's a great pleasure for us to be able to host this afternoon session. We are very pleased to report our first set of results as a public company following our successful IPO across three stock exchanges last month. Air Astana has delivered another strong year of growth in 2023 with record passenger numbers and increased capacity. All of our markets continue to perform well and we have demonstrated our ability to grow the business and maintain sector-leading margins while managing cost headwinds across the industry.

As a result, the Group EBITDAR, excluding an extraordinary market event and a fuel hedging gain, has continued to expand by a further 16% in 2023. The Group continues to scale its operations across both the full service and load carrier markets to gain market share and further develop our leadership position in our extended home market of Central Asia and the Caucasus, which is characterized continued to be so today by low air travel penetration.

Our international customer base continues to evolve with an expanded network of destinations as we capitalize on our strategic location between air travel mega markets. This is underpinned by our young modern fuel efficient fleet which increased during 2023 with a net addition of six new aircraft to close the year with a fleet size of 49. That number has risen to 50 post period end and will increase to at least 56 by the end of 2024. The IPO proceeds will enable us to further expand our operations and increase our carrying capacity. We are well positioned to capture the growth opportunities from developing the underserved aviation market in Kazakhstan and this region and to improve international connectivity.

So with that opening statement, I'd now like to proceed to the formal presentation. We can go to the next slide, please. I'm very pleased to be joined by my colleague to my left, Ibrahim Canliel, our Chief Financial Officer.

Next slide, please. And so the initial public offering, as I have said, has taken place across three exchanges, the London Stock Exchange, the Astana International Exchange and the Kazakhstan Stock Exchange. The IPO size was USD370 million. The GDR price of USD9.50 and the local share price equivalent to USD2.38. The IPO was upsized by approximately 23% given strong demand locally and internationally, in fact, three times oversubscribed. The free float is 42%.

Perhaps, we'll go on to the next slide. And we'll go on to the next slide, please, as we go through this presentation. Next slide. So total revenue of USD1.174 billion was an increase year-on-year of 14%. EBITDAR of USD300.8 million is up by 4% year-on-year or 16% up on 2022 year-on-year when we take into account the extraordinary market event and the fuel hedging gain both of which we will go into some detail later on in this presentation.

Our revenue per ASK was up by 2% or again, 4% adjusted. And our cost per ASK was up by 6% or 4%, again adjusted. Our cash at the end the year was USD274 million. And our cash to sales ratio of 23% excluded unutilized facilities of USD163.7 million, 40% of revenue, and post year-end net IPO proceeds of USD107.5 million, 9% of revenue. And, as I've mentioned, a net addition of six new aircraft into the fleet in 2023, two of which were deployed to Air Astana and four to our low-cost airline, FlyArystan.

On the -- just one or two other points on this, our capacity grew by 11%. Our passengers carried grew by 10%. Our seat factor remained at a high level of 82.8%, marginally higher than 2022. Our on-time performance improved from 72.5% in 2022 to 79.5% in '23. Our net promoter score, this is the score by which we measure passenger satisfaction. In fact, there are two measurements of this net promoter score and customer satisfaction. In terms of NPS, Air Astana improved by 10 percentage points to 46%, FlyArystan by 5 to 37 and in terms of customer satisfaction that increased Air Astana by 4.79 and FlyArystan by 2 points to 84.

In terms of key financial highlights by brand, Air Astana recorded revenue of USD1.175 million. The group, I beg your pardon, as I've reported, registered 1.175

million passengers, of which nine -- passenger revenue, of which USD985 million of that was Air Astana and USD278 million was FlyArystan.

Next slide, please. Sorry, we went to the next slide. Yeah, here we are. In terms of EBITDAR, as I mentioned, the EBITDAR number was divided between Air Astana at USD282 million and FlyArystan at USD72 million. And the adjusted EBITDAR margin of 25.6% was divided 28.6% to Air Astana and 25.8% to FlyArystan. And our revenue per ASK USD0.079 per ASK per Air Astana, USD0.053 for our low cost airline FlyArystan, and the comparative cost figures - unit cost figures, USD0.069 for Air Astana and USD0.048 for FlyArystan.

We have the next slide please. Thank you. Some business highlights, in 2023, we commissioned a new full flight training simulator at Air Astana base. We successfully completed the first six-year C-Check at our own engineering and technical center in Astana. And as I think many people are aware, the proceeds of the IPO of USD120 million will be partially deployed in expanding both of those facilities as we go forward. We paid dividends in 2022 for the amount of USD16.8 million. We successfully completed our 9th IATA Operational Safety Audit and we signed a memorandum of strategic partnership with PetroChina International Kazakhstan for the production of sustainable aviation fuel.

And without going into all of the boxes on the right hand side, as you can see in terms of network and fleet, we continued to expand the number of routes, and as I've mentioned, to expand the number of aircraft. Both airlines received their respective Skytrax awards as the best airline in Central Asia and CIS for Air Astana for the 11th year running and FlyArystan for the first time achieved best low cost airline in Central Asia and CIS by the same organization, Skytrax.

We are presently developing a new website to be launched in the first half of 2024 and we continued to be regarded as the leading employer in transport and indeed the second best employer across all industries in Kazakhstan. And our Employee Engagement Index increased by 5% during the course of 2023. Also, there are several continued developments and innovations by FlyArystan that are listed on that page.

We go to the next slide please. The networks continued to grow and I'd particularly like to draw your attention to the FlyArystan network growth. FlyArystan, as I think many of you will know, was founded and started operations on the 1st of May 2019. And at the end of 2019, as you can see from the top map there on the left-hand side of your screens, that was FlyArystan's network at the end of 2019. And as you can see at the end of 2023, that has become a very much denser network, both of domestic flights and also an increasing number of international flights as FlyArystan continues to grow in line with the expected growth of a very successful low-cost airline, the first homegrown, low-cost airline in Central Asia and the Caucasus.

We can go to the next slide, please. Again, we -- this is a slide that I think many of you are familiar with, as it constituted very important, a key slide of the presentations

that we made to all of you during and prior to the IPO. And we continue to point out that in terms of propensity to travel, Kazakhstan, although the growth has been robust, extremely robust during the course of the last four years, notwithstanding the COVID-19 pandemic in 2020, notwithstanding that we have continued to grow very strongly. But I think perhaps more importantly the propensity to travel - notwithstanding the fact that propensity to travel has increased, it remains, as you can see, by the three benchmarked countries on the top left of this particular slide, the propensity to travel of citizens of Kazakhstan remains comparatively very low in comparison to peer countries with similar levels of GDP per capita.

If we can just go forward, I think this slide continues to demonstrate that we remain, and indeed continue to enhance our position as a home market and near home market leader with a very high level of market share here in Kazakhstan, which, as you can see from that slide, has significantly increased by the introduction of FlyArystan in 2019. So the Group, as a whole, Air Astana and FlyArystan, continues to enjoy a very strong position here in Kazakhstan, with 67% market share on domestic routes. And regionally as well with a group market share of 40% and expanding, we continue to enjoy a very strong market share across our extended home market.

If we go to the next slide, please. And here again, as we have stated on several occasions prior to today's presentation, we are fortunate in terms of the proximity to mega markets, particularly the very large mega markets of the Indian subcontinent, China and the rest of East Asia, and we continue to develop our market share in these key markets. And of course, obviously, these are not the only markets with significant potential, although they happen to be the largest, we also continue to enjoy an excellent share of traffic and good growth on markets to the Gulf and Saudi Arabia, to Turkey and Southern Europe, and also to Western Europe, notwithstanding the complexities of operating to the northern parts of Western Europe at this time.

And if we can go forward. Again, we've touched on these figures already, but as we can see, not only the growth of both brands, of course, particularly FlyArystan, which continues to be in its early growth phase, but the growth overall of both airlines has continued to be robust, including that of Air Astana, which of course is a more mature brand. And the margin remains at levels that are extremely favorable in comparison to our peers in the airline industry.

And if we go forward to the next slide, please. Again, I think this continues to demonstrate that FlyArystan is in a process of very high growth in terms of fleet, in terms of destinations, in terms of passengers carried, and in terms of generated revenue.

We go to the next slide. Again, I'd just like to draw your attention again to this slide about which we talked quite considerably during the process leading up to the IPO.

There have been shocks, of course, geopolitical shocks, and shocks, of course, still resulting from the COVID pandemic. So we've had very shocks that taken place over the last -- course of the last four years. And again, just to remind ourselves and those of you who are able to watch today, how we have successfully compensated for the loss of all of the traffic from the Russian Federation and Ukraine since March 2022, and a significant loss from routes to and from China, which is returning now, but probably, I think, is fairly well known at a relatively modest pace and perhaps slightly less than expected. But notwithstanding those complexities and shocks, we have been able very successfully to switch our traffic and our market and our passengers carried onto routes that have at the end of 2023, entirely compensated for the loss or partial loss of traffic from those large adjacent markets.

Next slide, please. We continue to be extremely competitive in our home market and, of course, by our home market, as you'll be aware, we refer to our extended home market of Central Asia and the Caucasus. And I think we'd particularly like to again draw your attention to the low cost airline, the growth of the low cost airline, FlyArystan. We talked about FlyArystan's growth profile, but again, we'd just like to point out that whilst there are many low cost airlines, many successful low cost airlines in the world today, and many of those airlines indeed are and have been flying to and from Kazakhstan for some time, FlyArystan is in fact the only what we call homegrown low cost airline in this entire region. And therefore, whilst the external carriers are able to fly into and out of the region, they do not have the ability to fly within the region as we do. And that, of course, as we have stressed on several occasions during the course of the last few months is an absolute key strength.

If we can go on to the next slide, please. Again, the very significant structural change that has taken place since 2018, 2019, prior to COVID has been this significant increase in load factors, and this has resulted from the reorientation of our -- particularly our international markets since 2020, the COVID pandemic, we rebuilt the network pretty much from scratch on the basis of setting a network and defining a market positioning that structurally altered our load factors, which for most of the life of the airline from 2002 right until the pre pandemic period, had on average registered between 65% and 70%, really at the maximum.

Since 2021, in fact, late 2020, when we started to rebuild our international network, really about a year or so ahead of most other airlines, we have restructured the network to focus on routes on which we've been able to generate very high load factors, much higher structurally than before. Of course, FlyArystan has played its part in that. But Air Astana as well has gone from being an airline operating, generally speaking, at sub-70% load factor to one that now consistently operates over 80%. And we have been able as well to reduce the fleet age over this period. That's primarily because we took the opportunity of the pandemic to early retire some of the older aircraft, the Boeing 757s and the Embraer 190s, and replace them with the A321, primarily the A321 long-range aircraft, as well as the Embraer E2s. And this has brought down the average fleet age, which of course has reduced both maintenance costs and reduced emissions and has been able to save on the unit fuel costs.

If we go forward, please, to the next slide. There has been much talk about the Pratt & Whitney issue revolving around and driven by the so-called powder metal problem that has affected a significant number of critical components on the Pratt & Whitney 1100 engine, which is the engine which is deployed on the Airbus neo fleet. We talked a lot during the pre-IPO period about the mitigation -- the mitigation factors or the mitigants that we are putting into place. That includes resting engines during low season periods in order to have those aircraft available during peaks. It includes the addition of five older A320ceo aircraft. Now, they operate using IAE V2500 engines which are not affected by the powder metal problem. We are, of course, bringing in new Airbus, new aircraft as well, and we have - - we are in the process of acquiring three more spare Pratt & Whitney 1100 engines on top of the existing five in order to, as I say, mitigate the problems of the powder metal issue. And I am able to report that the company is at a very advanced stage in its discussions with Pratt & Whitney for a compensation agreement that is close to finalization. It is not absolutely finalized yet, and we'll be putting out further statements on that once that has happened.

I might just go on to the next slide, please. And this is very specific. I've touched on this, of course, already laterally through the discussion of the higher load factors and the younger aircraft, by virtue of the retirement of the older aircraft and their replacement with younger new generation aircraft. And this, of course, has had the effect of reducing our CO2 emissions per passenger. This is a very important measure because it's quite clear, as we have on several -- to which we have referred on several occasions, that the -- that governments are increasingly introducing legislation and taxation on CO2 emissions. And therefore, if you like, the starting point or the relative positioning of our CO2 emissions per passenger is inevitably going to become an increasingly competitive, or an element of competitive positioning. And our positioning, as you can see from the bar chart on the top -- on the bottom right hand of that slide, is consistent with our peers.

So I'd now like to -- can we go to the next slide, please? I'd now like to hand over the analysis of the financial results to Ibrahim. Thank you.

## Ibrahim Canliel

Thanks, Peter. Good morning, and good afternoon to all participants. If we can move on to the next slide, please? Peter has touched upon that we were one of the first airlines to recover in 2021. 2022 was, notwithstanding the double crisis, a record year for the Air Astana Group, both from operational as well as from financial metrics, and 2023 has been a continuation of the growth and strong margins for both of the businesses of the Air Astana Group.

We'll start with the Group level. The ASKs during 2023 have continued to grow at 11%, RPKs have grown at 11%, slightly more at 11.4%, and as a result of which the passenger load factor continued to increase by 0.1% during the year. We also mentioned about the extraordinary market event and we'll explain that graphically in the next slide as well as the few hedge effect that we will be going into detail to the -- with the growth of 4% excluding the EME or close to

16% including the EME, a continued strong growth of the EBITDAR was seen during 2023.

Between the two brands, Air Astana grew its ASKs by 10%, the RPKs by 8%. The passenger load factor remained strong at 80.1% during the year. The revenue per ASK was up by 2% for the Air Astana brand while the cost per ASK was up by 5%. However, in terms of absolute numbers, these are close to balancing each other. With a 10% ASK growth, the revenues have grown by 12% during 2023, and as a result of that, the EBITDAR, excluding the EME has grown by 16% for the Air Astana brand.

As you would expect, the growth on FlyArystan has been stronger. We have been touching upon this in the presentations running up to the IPO and that is reflected again in the full year results as well. The ASK for FlyArystan has grown by 15% and the RPKs by 18%, as a result of which the load factor for FlyArystan has increased from 86.7% to 89.2% by 2.5 percentage points. And I'd like to remind that this is on a level of flown passengers. While typically if you would benchmark this to LCCs, FlyArystan's load factor was at 93% in 2023.

The revenue per ASK has grown by double-digit at 11% or by \$0.53 cost per ASK growth is at a very similar level at \$0.63 cent growth compared to 2022. In terms of EBITDAR, it was up by 21.2% with a margin of 31.6% excluding the EME for 25.8%, if we would do it on the statutory numbers.

I would like with that to move to the next slide where we will talk about the impact of the EME. Many of you will be familiar firstly that we stopped flying to the Russian Federation back in March of 2022. However, notwithstanding that with the partial mobilization that was announced by the Russian Federation on the 21st of September of '22, we did see that a high number of people when came across the border to Kazakhstan in the excess of 200,000 people that crossed the borders of Kazakhstan. Some of those people flew domestically to Almaty to Astana, some flew onwards using the network to the UAE, to Turkey, Georgia as well as Thailand. And that brought an additional revenue as an extraordinary market event in the magnitude of \$31.6 million during September till December of 2022. During the same period of '23, that was at a level of \$15.4 million. So the delta of that is \$16.2 million. And many of you will be familiar about the few hedge gains that we had obtained as a result of the very early positions we had taken in early 2021 for 2022 in the amount of \$12.1 million.

So when we talk about the EBITDAR adjusted by the extraordinary market event as well as by the few hedge gains, we thought would be helpful to graphically illustrate that adjusted EBITDAR would come to USD260.1 million, a USD40.7 million growth in the amount of 16% to USD300.8 million in 2023.

If we can move on to the next slide, we we'd like to provide the benchmark of the Air Astana Group, both brands Air Astana and FlyArystan. Many of you will be familiar with these slides. We have updated them for the 12 months of 2023 where

FlyArystan is again comfortably competitively positioned against its peers in terms of cost per ASK and the same comes for Air Astana that is in a very comfortable position compared to the mainstream carriers, the full service carriers, and particularly with some of those who are operating in and out of the region. When we look at the EBITDAR margin, Peter already touched upon that we continued to grow in 2023. We didn't only grow the production however maintained top level EBITDAR margins at 28.6% for Air Astana and 25.8% for FlyArystan.

If we can move on to the next slide, please. A quick overview about the capacity. Peter touched upon the additional aircraft that came in in 2023, making the fleet size at 49 aircraft, and that we are targeting an additional seven aircraft to be added to the fleet in 2024, which is excluding the optional CEO capacity that we are looking at in relation to the engine challenges that we are facing.

In terms of the ASK growth, the total ASK of the Group has grown by 11% during the year. However, with the differentiation between the domestic and the international market, the international ASK has grown by 15.5% versus the 5.9% of the domestic ASK growth.

In terms of the split between the two brands, we do see that the competition between the two brands continues as a result of which both grew strongly, Air Astana close to 10% at 9.6% growth with FlyArystan growing 14.8% during the year.

In terms of international splits, both brands grew double-digits on International, Air Astana at 13.6% and FlyArystan grew 30.6% on the international network in 2023. We touched upon the load factor earlier with a marginal increase of 0.1% and that FlyArystan's growth was 2.5%, notwithstanding the strong ASK growth that it had during the year.

If we can move on to the next slide, we would like to talk about the unit revenue movements. Overall, the revenue per ASK of the Group has grown by 2.4% in 2022. That is a continuation of the trend that we've been seeing for three consecutive years, notwithstanding the challenges that we faced in the earlier years, 2020 with COVID and 2022 with the Russian-Ukraine conflict. And if we would exclude the EME and the EME impact, the revenue per ASK growth in 2023 was at the level of 4%. We mentioned about FlyArystan's double-digit growth at 11% for revenue per ASK. That again illustrates the ability of FlyArystan to optimize network and to improve upon the revenue per ASK contributing to the margin. While more established, Air Astana continued to grow its revenue per ASK as well, with 2.4% growth during 2023, and that is 26% up since the pre-COVID 2019 period, and the revenue is growing even at a faster level than that.

If we move on to the next slide, I'd like to dive into the cost factors. The cost per ASK for the Group, as with all other airlines in the industry, was under cost pressure. The cost per ASK, excluding fuel, has grown by 4.9%. The reason why we put the slide for the benchmarking earlier was to illustrate that we are coming to this from a much



more competitive position compared to our peers, and again, a relatively better position in terms of the CASK growth.

The fuel component itself grew by 8.4% per ASK, which was largely impacted by the non-recurring gain that we had in 2022, and excluding that, it would have been on a flat level and the fuel burn per ASK was down by 2%. The D&A largely driven by the aircraft ownership cost that grew in terms of CASK by 7.9% or in terms of absolute dollar values by USD26.8 million. A significant part of that, almost two-thirds was offset by the drop of the engineering and maintenance costs in the amount of USD17.7 million.

The third factor on the CASK was the airport handling and passenger fees, which is largely driven by the faster expansion on the international network. And as you know, airports do charge higher tariffs for the international traffic. However, this is also accompanied with a higher revenue per ASK by almost 50% compared to the domestic routes that we have on the network.

We talked about the fuel already. The one point I want to mention is about the first half and our hedge positions. We talked in length about the domestic uplift during the presentations before and we are in a comfortable position for the international uplift during the first half of the year. We are fully hedged at positions that are at USD80 and USD85 and these are all call options so we don't have any downside in case there were to be a drop of the oil price going forward.

If we can move on to the next slide, please. In terms of the balance sheet, you will recall that even before the IPO, we were in a very comfortable position and that continued to be the case for the end of 2023. The net adjusted debt to EBITDAR has further reduced from 1.7 in 2022 to 1.5 in 2023. That remains very comfortably in line with the target of being less than 3 times. And you will note that the total debt of the company has reduced - the net debt has reduced by USD47 million, which is a combination of the complete clearance of any loans that we had. The voluntary early payment of EXIM deferrals in the amount of USD21.6 million initiated by the company, and by an increase of the cash in the amount of USD21.1 million.

And also you will note that the lease liabilities largely driven by the early -- the voluntary early repayment was also reduced during 2023.

If we can move on to the next slide. Next, please. As we're coming towards the end of the presentation, I'd like to touch upon the medium-term guidance that we had provided. We are on track on reaching the 80 aircraft target by 2028, and we are looking at double-digit growth for both brands, Air Astana and FlyArystan, in the next years. In terms of profitability, we are extremely happy that we have moved from the 15% to 20% EBITDAR margin to the mid to higher 20s EBITDAR margins for the last three years, and we are targeting that for the mid-term going forward, and in terms of the prudent capital structure, which is yet to improve, which is not reflected in these numbers with the IPO proceeds that we received last month, very

comfortable above the 25% target for the liquidity ratio and very comfortably again within target for the leverage as well.

And of course, we look forward to the growth of EPS in the coming years, as well as the dividend guidance that we had provided of not having a payment in the first year, but going up to 20% in the midterm going forward, returning part of the earnings to the shareholders.

So with that, I will hand back to Peter. Over to you Peter.

## Peter Foster

Thank you. Can we go the next slide, please? So we just want to talk about some near-term strategic priorities. As we have mentioned, the fleet will continue to expand, 56 aircraft by the end of this year, up to 80 aircraft by the end of 2028. But it's not just a question of expanding the fleet, it's also fleet simplification. We have already reduced the fleet by several fleet types, as I mentioned earlier. That process continues. The Embraer E2 fleet is in the process of being phased out as we speak, and those aircraft will be replaced again by A320 family aircraft, and thereby simplifying the fleet and the various elements that go into that, primarily maintenance and flight operations, pilot training and so on and so forth.

In terms of cost leadership, as we have -- we think we've been able to demonstrate, we have been and continue to be a cost leader. Of course, managing costs in what continues to be an inflationary environment, in many if not all, of the markets to which we operate and in which we work, continues to be a challenge. But we continue to manage that, to manage that as best we can.

In terms of the very heavy costs incurred in maintenance and engineering and pilot training, as we have already mentioned, the fact that we are able now to perform a number of our C-Checks, our heavy checks for aircraft in-house, of course, is a significant saving. And we -- this year, we will be expanding that maintenance capability to include 12-year checks for the Airbus fleet, which is a significant expense, and therefore, a significant opportunity for cost saving.

The same applies to the flight simulator. The simulator, when one undergoes pilot training or conducts pilot training in simulators in foreign countries, there is not only the basic cost of hiring that simulator capacity, there's also the travel to and from that location. That is, of course, travel cost, but it's also removing pilots from the roster for the period of time that they are traveling to and from. And obviously, that is obviated when we have, as we now do, and as I mentioned, will continue to expand the capacity for that simulator, recurrent training to take place here in Kazakhstan.

And on maintenance, as I've already mentioned, we will soon commence investment in a second hangar at Almaty airport to expand the internal capability. At present, all of the heavy maintenance checks, the C-Checks are done at our facility in Astana.

In terms of profitability, we continue to maintain high load factors on all of our flights to maximize revenue and minimize spill across all of our routes. It's important that FlyArystan moves into higher margin international markets. FlyArystan, as you saw from the chart and map that I put up earlier during this presentation, has already expanded significantly into points of the Caucasus, into Turkey, into the Gulf, into the Indian subcontinent, and into China. And all of that development will continue on those higher margin, higher value international routes. And similarly, FlyArystan presently produces approximately 17% of its revenue from ancillary revenue. That is an area for improvement when we benchmark that against other low-cost airlines, and that's something that we continue to work on.

In terms of operational excellence, a particular highlight there will be the separate AOC for FlyArystan, which we expect to be delivered to FlyArystan on the 2nd of April of this year. There will be a new international terminal at Almaty Airport that is scheduled and indeed on track to meet that schedule for an opening in early summer, in fact, in June of 2024, which will be an extremely significant development at Almaty, our main hub. It's worth noting that in the 22 years that Air Astana has been flying, there has been no capacity increase whatsoever at Almaty. That is set to change significantly with the opening of the new international terminal in just a few months time.

So I think we could probably go on to the next slide for now, and I think that's going to be guidance. My apologies. Sorry.

## Questions And Answers

### **A - Irina Martinez**

Thank you, Peter and Ibrahim, for the presentation. We will now open the floor for the questions. Participants can submit questions through the webcast page using the Ask a Question button. Please ask your questions. I believe we have already some questions.

### **A - Peter Foster**

Yeah. How are we going to do this? Irina, how are we going to do this?

### **A - Irina Martinez**

You can read those and answer.

### **A - Peter Foster**

I think the first question is from Daniel Timibayev. The question is, what impact do Boeing's problems have on Air Astana's operations and how many Boeing aircraft are planned to be leased in the coming years?

Yes. Thank you, Daniel, for that question. At this time, there is no impact. We operate three Boeing 767s. They're extremely reliable. They've been in the fleet now for 10 or

11 years, depending on the date of the introduction of those aircraft. They've been extremely reliable up to this point. Yes, we will be introducing three 787 Dreamliners in 2025. We do not expect any delays of those aircraft. The 787 has been flying for many airlines for many years, very successfully, and we look forward to its entry into service into the fleet. So that's, I think, all we have to say on that point.

And the second question, Ibrahim, you've seen these questions here. This is a question here from (inaudible).

## **A - Ibrahim Canliel**

Sure. One question of -- that we see here is about the margins and whether we would be paying a dividend in the next year. Yes, provided that we meet our targets, we do intend, as we provided the guidance for - to start paying a dividend not in the immediate term, which was for this year, but going forward in the midterm, we do expect to pay a dividend in the amount of up to 20% of the profit after tax. There are a number of questions on Q1, which we have already announced the date when we will be releasing the Q1 numbers. Because we have been having many meetings with several of you in the run-up to the IPO in Autumn of last year, as well as the early part of this year, we are cautious of providing the guidance and starting narrowing it partly when we make the announcement for Q1 for the remainder of the year and then further narrowing it when we come to the second quarter.

There was also a similar question about that from Jacob. So I think I will have responded to that. Then there was one question about -- also from Jacob, about the slowing of the utilization. Peter, partly touched upon that. It is part of the mitigating actions that we intentionally reduce the production during the low season in order to provide for the maximum capacity during the high season. And without being able to go into detail, we mentioned that we are in advanced discussions for with Pratt & Whitney to overcome those challenges. There's a question from Victor, about the Kazakhstan and China announced Visa free travel and the increase of demands from China. Would you like to take that one?

## **A - Peter Foster**

Yes. I mean, obviously, we are extremely pleased. It's something that we had been hoping for and indeed lobbying for a long time. The Kazakhstan government was extremely helpful in its approach to those discussions and, of course, the discussions with China took some time. China at the time, of course, was still emerging from its somewhat related COVID -- extended COVID restrictions, but that is now in place.

We're delighted that both governments were able to sign off on that.

As we mentioned, the China market -- the China international outbound market recovery has been probably slower than expected. Now we were less exposed to that by virtue of the fact, as we mentioned earlier in this presentation, that we have been able to switch our traffic flows obviously away from China and other affected markets for other reasons, to new markets. And so it was not, if you like, as difficult for us to manage that as it was perhaps for some airlines, particularly other airlines in East Asia and Southeast Asia.

So the fact that we've now got a Visa free regime is obviously positive. We have increased our services to China. FlyArystan also has significant plans for growth into China. Of course, the Chinese carriers themselves have come back into the market as expected. And we hope that as China takes measures to improve economic performance that those international traffic flows will start again and will reach the level to which I think the entire industry had become accustomed into the pre- COVID period, I have to say, it's difficult for us to absolutely predict when that will take place. But we continue to see the outbound market from China growing, albeit as I mentioned, at a slightly lower than expected pace in this, what remains effectively the first year after the COVID restrictions were lifted by the Chinese government.

### **A - Ibrahim Canliel**

There is one question with regard to the revenue per ASK in the fourth quarter from second. It's quite typical for airlines to have -- Northern Hemisphere airlines to have a lower revenue per ASK during the fourth quarter. It's -- typically, it's the low quarter -- the second lowest quarter of the year after the first quarter. So we don't see anything atypical there. And therefore, I hope that that responds to your question. I won't be able to respond to your question on our plans for whether we will increase or not increase the fares.

### **A - Ibrahim Canliel**

Yeah. There is one question about the phase-out of the E2s in 2024 and onwards.

### **A - Peter Foster**

Yes, I'm just thinking that question. That's from Maxime. Yeah. The leases are scheduled to expire in - or across '24 and '25. So we have five aircraft at the moment. They're all on scheduled lease expiry in '24 and '25. I mean, we are -- I think I can say this, we are in discussion about pre-termination of those leases. Again, those discussions are taking place as we speak, and therefore, we're not able to give a definitive response to the exact date that will happen. But if that was to happen, that would happen in the course of 2024, which obviously releases a lot of capacity in terms of pilots presently flying the E2 fleet, in terms of spare parts, in terms of maintenance capability, it'll no longer be required, of course. And of course, we will have the benefit of replacing those aircraft with effectively more efficient, higher volume A320s. So we can't be absolutely sure as to the exact date, but in a worst case scenario, it will be by appointed 2025 in accordance with the scheduled expiry of those leases.

### **A - Ibrahim Canliel**

A question about unit costs where I won't be able to go into much detail for 2024, but I just wanted to talk through the main items that we talked through about the cost. So we -- initially, we talked about the fuel cost, where the fuel

burn has come down by 2%, and there was an average fuel price increase of 4% in 2023. And the fact that we are fully hedged for the first half of this year for the international uplift at below the current or at current prices for the first and the second quarter.

In terms of personnel, the large cost driver in 2023 was the adjustment that was made to the pilots. The total staff increased by 4.6%, with ASK growing 11%, so, in fact, with an improved efficiency in 2023. For the large parts, the pilot salary adjustment has been normalized. It was introduced in May of last year, so we don't expect a significant surge there. And the third element we talked about was the depreciation, which in fact, was largely offset by the engineering and maintenance score. So I thought of at least giving a bit of color, Jacob, to your question by touching upon the key factors of 2023, enabling you to update your assumptions going forward. Also, in the context of what Peter mentioned about the mitigating actions we've been taking in view of the engine challenges.

## **A - Peter Foster**

Thanks, Ibrahim. There's a question from Sultan from BCC Invest. Could you please share your predictions for fuel prices in 2024, 2025?

I think, Sultan, if I was in a position to predict the oil and fuel prices for 2024, 2025, we would be oil traders as opposed to airline managers. But all I would again, just reiterate is that for the fuel that we buy from foreign airports, we are fully hedged up until and including the end of first half 2024. We continue to watch very carefully the market and to opportunistically move into the market for positions as the price dips. And that's the reason why our present positions are at a lower level than today's actual price, which is a positive. That's why, of course, we did so well in 2022. So we'll continue to keep an eye on that.

As we mentioned, in terms of local fuel, I think people are probably aware of this fact. Local fuel is constrained by supply. There is a shortfall of jet fuel in Kazakhstan produced by the three refineries. That's the refineries in Shymkent, Pavlodar and Atyrau. One of the reasons for that is that the fuel that's being produced here is the old Soviet style TS1, which has a lower freezing temperature to Jet A-1, which is standard now really across the industry worldwide. The government has made a clear commitment to shift refining capacity, or to shift the airport storage capacity to at least partially, to Jet A-1. And in fact, we referred earlier to the memorandum that I signed in Autumn of last year with PetroChina Kazakhstan, which is the joint owner of the Shymkent refinery.

Now, we referred in the slide that you saw earlier to the production of sustainable aviation fuel. But in fact, that memorandum had -- was in two parts. One was sustainable aviation fuel, or SAF as we call it. And the other was for the switch in production and purchase by ourselves of Jet A-1. So PetroChina is intending to at least partially switch its production to Jet A-1, which is a positive because Jet A-1, obviously, is so much more prevalent across the world than TS-1. So if TS-1 is in short supply and we switch to Jet A-1, it does enable us to have larger sources of supply and suppliers of Jet A-1 to be brought here into Kazakhstan.

## **A - Ibrahim Canliel**

There was one question about the increase of market share of FlyArystan from 12% to 37% and how it impacted the market share of Air Astana.

## **A - Ibrahim Canliel**

This was a question from Mark. Mark, indeed, the market share of FlyArystan has increased, but in the -- in one of the slides, Peter shared also the market size that was

-- that has grown from 6 million passengers to 9.3 million passengers with FlyArystan entering the market and the fact that the Group total market share in that market that grew by 50% has grown from 52% to 67% combined market share. So what has happened is that the pie has become bigger, and in that bigger pie, the group has now a significantly higher market share, and as a result of that, the Group is carrying not only a bigger share but also a bigger number of passengers compared to 2019.

## **A - Peter Foster**

This is Daniel from Freedom. By the way, Daniel, you've asked a question here, the inconsistency between what we presented earlier today, which was the number of aircraft in service at the end of '23, which is 49 with the slide in the appendix saying 44. Yeah, the difference there is that obviously some aircraft are not flying. Last year we had three aircraft that were permanently on the ground for Pratt & Whitney engine problems and then various other aircraft that were on the ground temporarily, if you like, resting in order to mitigate the Pratt & Whitney powder metal problem to which we have referred in some detail. So that's the inconsistency, Daniel, perhaps we should have pointed that out.

## **A - Ibrahim Canliel**

Daniel's question was since the IPO, that the main liquidity for Air Astana shares has been on Caucasus, not in London, and what the reason for that is. I believe, or our view, Daniel, is that the investor base that we have in London is purely institutional investors, while in Kazakhstan we have a very large base of both institutional and individual investors, some of whom may be taking a shorter term or quicker transactions as compared to the institutional investors.

In terms of liquidity actually, the higher liquidity between KASE and AIX has been on the Astana stock exchange. So that was one comment that I wanted to make between the two exchanges and particularly the different nature of the investors that we have in Kazakhstan versus the investors which are exclusively institutional investors in London. On the other end, we see very high liquidity on both shares and GDRs in AIX.

## **A - Ibrahim Canliel**

There is one more question, Peter, about -- you touched upon it, the expected effect of the -- on Air Astana's operations of the new terminal in Almaty.

## **A - Peter Foster**

I mean, the answer to that question is that we have a plan for 2024 and that plan is a growth plan, of course. It's growth that's in line -- it's a growth plan in line with the budget and expectations. So the new terminal has not caused us to suddenly plan for a large number of extra international flights. I mean, -- and again, we need to point out the fact that the airline, in any case, is constrained by its internal resources, be those aircraft pilots, so on and so forth. So we have a plan that is consistent with the internal resources that we have, not based on the external resources that may be available to us in terms of extra terminal space, for example.

But I think what we can say is that the new terminal, firstly, it'll be a far better passenger experience. It'll also be a far better experience for our own staff, of course, who have to service passengers and the entire check-in and boarding procedures. So that's a huge advantage. There'll be facilities such as new lounges and so on and so forth, which will significantly enhance the passenger experience. And of course, as we go forward, we will be able to take advantage of the new



terminal and indeed the expanded international capacity to plan new international routes as we go forward, because those of you who are familiar with Almaty will know that the problem with Almaty in terms of capacity is not one of runway capacity. It has entirely been in terms of constraints of the passenger terminals. And I think, as I mentioned earlier, in the 22 or so years that we have been in operation, there effectively has been no expansion at all of terminal capacity at our main airport, our lead airport, which is Almaty. So the fact that we now have this new terminal coming on stream does, at a stroke, remove what was becoming an extremely difficult airport in which to operate, both domestic and international services, ever growing, of course, with two vast growing airlines.

### **A - Irina Martinez**

Thank you, Peter. Thank you, Ibrahim. With that, we don't have any further questions. Do you want to say closing remarks?

### **A - Peter Foster**

Well, I'd just like you to know, this is the first time, of course, we've had a presentation of this nature. So we hope we have met your expectations. It's a huge pleasure for Ibrahim, myself, Irina, our entire team that you perhaps can't see off-screen to have had the opportunity to talk to you in this way. We're sure that there will be some questions that would crop up after the presentation that we've just given. And as Irina mentioned earlier today, we look forward to those questions and we'll handle them and answer them as best we can and as quickly as we can when they come forward.

But it's a great pleasure for me and for Ibrahim to address an entirely new audience. We are delighted to have you all as participants now in Air Astana. We look forward to the future with tremendous confidence. We believe we have a terrific airline with two great brands, and we are delighted to have such, not only an expanded, but such a well-informed and engaged shareholder base. And we look forward to many more discussions of this nature in the months and the years to come. So thank you very much indeed for your participation.

### **A - Ibrahim Canliel**

Thank you all.

### **A - Irina Martinez**

Thank you so much. It concludes our today's presentation.

