Air Astana

CONFERENCE CALL ON AIR ASTANA'S RESULTS FOR THE H1 OF 2025

6 August 2025

Moderator:

Good day, ladies and gentlemen. Welcome to Air Astana Group's H1 2025 results presentation. Thank you for joining us today. CEO, Peter Foster; and CFO, Ibrahim Canliel will take you through the group's performance. After the presentation, we will conduct a question-and-answer session.
We hope to get through as much as possible today but if you have any follow-up questions or clarifications, please e-mail the Air Astana Investor Relations team. The presentation, earnings release and other materials, along with the IFRS financial report are available on the company's IR website. With that, I will hand over to Peter. Please go ahead.

Peter Foster:

Thank you very much to all of you. Thank you Assel and Altynay for introducing us. And thank you all of you for coming, those of you who are here in person today and those of you who are joining online. It's a pleasure for Ibrahim and myself to be here. The last time we were in this room, for those of you here, was on February 16 when we announced the IPO.

And this, since that time is the second first half results that we have announced and the sixth quarterly result since the time of the IPO. And I'm delighted to be able to tell you that yet again, we are able to announce strong first half results and a strong quarter. So, with that, we will go on to the presentation.

First of all, just to remind our principles behind the company and behind the way that we manage the company. It's based on the three pillars of continued growth, efficiency of operation and of course, excellence, both in terms of service delivery and most important, of course, in terms of operational safety.

So here are the highlight numbers for the first half of 2025. Revenues increased by 12.1%. EBITDAR has increased by increased by 24.1%. And I think importantly, the EBITDAR margin has increased from 21.6% to 23.9%. That's an increase of 2.3% year on year.

Profit after tax has increased by 132%. Of course, we have to remind ourselves that this is only the first half of the year. And therefore, it is a relatively modest total number given the fact that, of course, as you all know, the first half of the year represents the mostly the low season.

Whilst the revenue per ASK has fallen by 4.9% to $0.0641, that's for a combination of factors. The CASK has fallen by 6.2%. And therefore, the differential, as you can see, between the revenue and the CASK has increased in a favorable way. And that, of course, is the reason why the EBITDAR margin has increased in the way that it has.

For the actual quarter itself, again, all of the numbers are in a positive direction. However, we should just draw your attention to the fact that in quarter two, the revenue per ASK and the cost per ASK fell almost exactly by the same percentage. And the reason for that is that in quarter two, there were some adverse effects from geopolitical developments. And those developments were as follows.

The conflict between India and Pakistan in May resulted in a temporary suspension of the flights between Almaty and Delhi and also the new flights between Almaty and Mumbai. That situation has now been resolved in our favor. And in June, the escalated conflict between Israel and Iran resulted in the closure of some flights to the Gulf and Saudi Arabia and longer routings for flights from Kazakhstan into the Gulf, and again, that situation has been resolved.

As we go forward, the fleet development is on track. We continue to introduce into the fleet new aircraft. The total fleet now stands at 61 aircraft. That includes one Embraer 190, which has left the fleet and is no longer operating. However, it's just waiting for its final redelivery engine shop visit for the final engine. So, the fleet remains on track to meet the target of 63 aircraft in total by the end of this year and 84 aircraft by the end of 2029.

In terms of load factor, there was a very slight drop in load factor for the first half of the year from 82% to 81.7%, which effectively means that the load factor was stable for the first half. Of course, again, seen in the context of a 17.8% increase in ASK growth. That effectively means that the company was able to maintain its load factor, notwithstanding growth at 18%.

We continue to mitigate the issue that we have talked about at some length involving the Pratt & Whitney 1100 engines, which power the Airbus 320 family fleet. We continue to mitigate this using three methods. The first is to rest the engines during the low season, which we have continued to do in order to maximize peak season capacity. The second is in the acquisition of spare engines. We've now secured 13 spare engines, and we look forward to receiving more of those engines in the second half of this year.

And of course, we have, as you know, supplemented the fleet with the A320ceo family aircraft. Those are powered by the V2500 engines, which are not affected by the Pratt & Whitney problems. And the last two of those aircraft were delivered to us in the first half of this year. And again, as we have mentioned before, during these sessions, we have an agreement with Pratt & Whitney for compensation. And we continue to see an off-wing time assumption at approximately 18 months, and that's where we are on the Pratt & Whitney situation.

I'd now like to hand over to Ibrahim to talk you through the detail of the financial review.

Ibrahim Canliel:

Thank you very much, Peter. Good afternoon, good morning to all, including our participants online. We're very pleased that despite the industry supply chain challenges, particularly with Pratt & Whitney, the geopolitical events that Peter referred to in the Middle East and the Indian subcontinent as well as currency movements that we are in position to report our sixth consecutive positive results since the IPO.

Once again, we have successfully grown our business and our margins at the same time. During the first half of the year, we grew capacity by 17.8% and traffic aligned with that growing by 17.3%, resulting in a stable load factor of 81.7%. And as a result of the ongoing efficiency measures and the effectiveness of our natural currency hedge, we have maintained a positive differential between the unit costs and the unit revenues during the first half, which we will be expanding on in the further slides.

As a result of that positive gap, our EBITDAR continued to grow from $126.5 million with an increase of

24.1% to $157 million and a margin improvement of 2.3 percentage points to 23.9% EBITDAR margin. In the second quarter, particularly, we had to mitigate the impact of the region conflicts, India, Pakistan as well as the Gulf flights that were impacted by the Israel-Iran conflict. And we also managed to mitigate the impact of the weakening tenge. This was once again successfully mitigated by the natural hedge that is coming from the internationally priced revenues and costs moving in the same direction, yet this made the commercial team having to roll harder to mitigate the temporary impact on consumer sentiment during this period.

The impact of these events are estimated at a revenue of $3 million and EBITDAR of $2.4 million. These are already reflected in the Q2 numbers. And what I would like to stress, and Peter will be expanding upon later is that this sentiment is actually well behind us, and we see strong demand already returned for both Gulf and India. In the second quarter, we grew capacity by 21.7% and traffic revenue passenger kilometers by 20.4%, maintaining a strong load factor of 81.9%. And with RASK and CASK moving in the same direction, as we have previously guided, our EBITDAR grew by 17.2% and the margin improved by another 0.8 percentage points.

Turning to the breakdown by brands. First, starting with Air Astana. We have talked in the past at length about the commercial way in which we run each brand side by side with both Air Astana and FlyArystan competing for capacity internally.

During both the first and the second quarter, Air Astana's international routes projected a higher margin. And therefore, a larger part of the incremental capacity was allocated accordingly in favor of the Air Astana brand. This dynamic capacity allocation once again highlights the agility and resilience of the business model, which underpins the growth of our strategy.

During the first half, Air Astana grew capacity by 18.9%, almost entirely on the international network, which grew by 27.4% in available seat kilometers or capacity, while the domestic capacity for Air Astana was flat during the first half. With aligned traffic, the load factor stood at 80.4% and with RASK and CASK moving in the same direction despite the geopolitical challenges in the second quarter. Air Astana's EBITDAR, excluding the intra-group revenues, expanded by another 24.3% to $120.1 million, exceeding the high double-digit growth in ASKs and as a result of that, a margin improvement of 1.8 percentage points.

A very similar picture for the second quarter, where the ASKs grew by 20.5% and the shoulder season load factor concluded at 80.6% with the RASK and the CASK moving in the same direction. As a result, revenues improved by 13.4% compared to the same period of last year. And the EBITDAR, excluding the intra-group revenues grew by 17.7% and improving the margin by 0.9 percentage points during this period.

Moving to FlyArystan. In view of the stronger outlook of the premium international markets operated by Air Astana, the growth of FlyArystan was more moderate than originally planned. Even so, growth during the first half was still strong, well into the double digits at 15.5% for our FlyArystan brand. And with the revenue passenger kilometers growing in alignment, our LCC had a strong first half with a load factor of 84.7%. And as you recall from our earlier briefings, the load factor or the sold load factor is more often reported by low-cost airlines, runs about 3 points higher, which would bring the sold load factor of FlyArystan to 88% in comparison to the 84.7% of flown.

By maintaining the positive differential between the RASK and CASK, the EBITDAR margin remained strong for the first half at 20.6%. In Q2, FlyArystan grew by 24.4%. It's important to note that this was on the lower base growth of the second quarter in '24 when FlyArystan grew by 12% and a flown load factor of 84.6%, and the EBITDAR margin stood healthy despite the shoulder season reaching 26% for the first half.

One important thing that I would like to mention before we conclude the financials for the brands is that the two brand EBITDAR or airline EBITDARs of Air Astana and FlyArystan need to be read in conjunction with each other and each other's scale and combined impact in the group as ultimate objective of the internal competition for the group that we have been referring to.

Moving to the ASK and our capacity utilization. We referred before that despite the challenges that we are facing with our suppliers, particularly Airbus and Pratt & Whitney, the proactive approach of the group and the early mover advantage on mitigating actions ahead of our peers continue to pay off.

During the first half of the year, we took delivery of six A320 family aircraft and two of these were amongst the five CEOs that were part of the mitigating plan. Peter mentioned the completion of the fleet simplification with the Embraer’s departing. And as a result, the group managed to grow capacity by 17.8%, which was allocated more or less in proportion to the operations, 70% and 30% between Air Astana and FlyArystan. But it's important to stress that 76% of this was allocated to the international network or entirely to the international in the case of Air Astana.

While the passenger growth to 4.5 million is by 11.6% and split almost equally between domestic and international. In terms of traffic, as you would expect, the picture was different with domestic growing by 9.4% and 25.2% on the international network. An important part is to see the movements between the unit revenue and the unit costs for the group. We continue to balance the movements between our unit revenues and unit costs, particularly with the effectiveness of our natural currency hedge and the ongoing efficiency measures in the group.

Our strong growth is made possible due to the proactive actions to mitigate the Pratt & Whitney challenge, which allowed us to grow both capacity and margin across the Air Astana Group. Capacity growth was largely allocated to Asia and the Gulf, and Peter has a slide that will be going more into detail. And while these are already impressive in isolation, this is despite the suspensions and the temporary impact of the consumer sentiment that was mentioned by Peter at the start of this presentation. We estimate that the impact is about $3 million in terms of revenues, $2.4 million of EBITDAR, but most importantly, that the sentiment is already well behind us.

In view of the weaker tenge, direct mitigating actions were taken with regard to domestic fares, and the commercial team has been able to overcome the consumer sentiment that was relatively short-lived during the regional conflicts. And this once again underlines the importance of growing the international inbound business.

On the cost side, it has been another period when we benefited from the operational efficiency measures across the group. And this helped us to reduce the costs, even excluding the fuel by 4.3% during the first half. While the weaker tenge was a positive contributor to this, I would like to emphasize that it was not the single factor in its entirety.

If we look at the CASK bridge, which is on the left-hand side of this presentation, while growing the capacity by 17.8%, the number of employees grew by 8% only, resulting in an 8% reduction of employee per available seat kilometer produced during the first half. The introduction of the crew pairing optimizers was a contributor to higher pilot and cabin crew efficiency, also serving to optimize the crews during the peak season. We've been growing our in-house maintenance capabilities, which have now further expanded to the heaviest checks. And as a result of these efficiency measures and increased production during the first half, on the maintenance side, we see a 6.7% reduction of the unit cost.

On ground handling, we have stated that 76% of the increased production is on the international network. This, of course, comes with a higher unit cost. However, the total ground handling and navigation costs are flat due to the positive impact of the ground handling and navigation costs with the weaker tenge. Depreciation and amortization that have typically been rising higher in 2024 in the first half are up by much more limited 1.6%. And the fuel cost is down by 11.9%, split as 10.6% reduction domestically and 12.1% reduction of the international uplift of our fuel cost.

We have also taken other proactive actions to reduce our fuel consumption, which is our single biggest cost. For example, the fuel tankering has delivered about $6 million of reduction over the last 12 months. In addition to that, the route optimizer and optimal client contributed to the lower fuel costs, and we are due to launch another AI-driven aircraft performance monitoring system, which is set to have a target of a further 2% reduction of the fuel burn across the network. While the fuel cost is not just driven by price, a point I've been trying to make, our nonfuel costs are also down by another impressive 4.3% as a result of these initiatives combined.

Coming to the last slide of my section, our strong financial position has continued to improve during the first half of this year with CAPEX well on track and well targeted. You will recall that we talked about the CAPEX program, which is carefully planned to support our growth strategy, to improve the group's efficiencies and to create new revenue-generating opportunities. At the time of IPO, when we were looking at the CAPEX, excluding engine refurbishments, that number was running at $250 million. And less than half of that amount, about $120 million was expected to be financed by the IPO proceeds received in 2024. As we stand today, over $100 million of that has been committed.

In pilot training, we already have acquired the second simulator that is due to be commissioned by the year-end. On ground services, we have invested into additional de-icing trucks, and we are further investing into below-the-wing equipment.

And as disclosed during the IPO, there will be further investments into Air Astana Terminal Services that was established also in the first half of this year. We are well advanced in the final preparations for the expansion of the hangars, both in Almaty and Astana, for which the cash outflow is already starting this year. And of course, in light of the Pratt & Whitney engine issue that Peter has briefed you upon, we have accelerated four engines into 2024 from '26, '27, '28. And we've also committed to a spare GE Engine to support the 787 fleet, which will be delivered or expected to be delivered in mid of 2027. All of these investments will support the business as it grows towards 84 aircraft in 2029 and tap into cost efficiency and additional revenue opportunities.

Returning to our balance sheet. Our cash levels at the end of the first half stood at $531.6 million, up 27% or $113 million compared to June 30, 2024 in spite of the investments that we've just talked about and the ordinary and special dividend payment that was made towards the end of June of 2025. The cash level is now at 38.5%, which excludes the 12% available for facilities that the company has not touched. The lease liabilities are up by roughly $170 million to $995.3 million, reflecting the additional liabilities for the 10 aircraft that have joined the fleet in the last one year. What is important to state is that as a result of the combination of the voluntary early repayments of the A320 family finance leases in the third and fourth quarter of last year and the strong cash that is up by $113 million, the net debt is only up by $62.1 million during the first half of this year.

The company has no outstanding loans, bar a very small portion of $5.9 million remaining for the 767 finance leases. Therefore, in the financial statements, all of the $39.97 million or $40 million of finance costs you will see there are the discounted values of the theoretical split of the leases as per IFRS 16. Despite the growth of the fleet significantly by 10 aircraft over the last 12 months, the net adjusted debt-to-EBITDAR is at 1.3, an improvement of 0.1 over the end of June of last year, which places us in a very comfortable position against the balance sheet guidance that we provided at the time of IPO.

I would like to conclude that the strength of our balance sheet and the financial and operational performance reconfirms once again our confidence into our business and into our future.

And with that, I'll hand back to Peter.

Peter Foster:

Thank you, Ibrahim. Thank you very much. So, we'd now like to briefly touch upon the operational review. So here is our route network. Just as a reminder, the group operates 129 air routes at present, 91 international and 38 domestic, and 20 new routes have so far been added in 2025.

I won't go through all of those 20, but if we perhaps go to the next slide. This is where the capacity allocation has been, or the growth of the allocation has been in the first half of the year. Now that's slightly misleading. The India region is showing a negative growth, when we talk about the India region, we talk about also routes to Sri Lanka and the Maldives, which were suspended in the low season.

And as I mentioned, we had to temporarily suspend all flights to India during the India-Pakistan conflict over Kashmir in May. But obviously, that figure will change as we go forward to the second half because, as I mentioned earlier, we inaugurated services between Almaty and Mumbai earlier this year. And we have also increased flights between Almaty and Delhi and expect to further increase those flights. And FlyArystan will be introducing scheduled flights between Kazakhstan and Goa.

But I think that slide really will show and demonstrate where the great growth has come from. It has come from China and the Far East, the Gulf and Saudi Arabia, Central Asia, the Caucasus and Korea, all of which are strong growth markets. And I think as well as most people will know, we inaugurated services a few months ago between Almaty and Guangzhou. So that really is where the main growth has come from. And I'll talk a little bit later about how we are leveraging our position, both here within the Central Asia and Caucasus region and also in relation to what we call the mega markets, China, the Indian subcontinent and the Gulf and Saudi Arabia.

If we go forward, I'd just like to briefly touch upon a theme, of course, that, as you know, runs through the organization of the airline, and that's the theme of operational efficiency. We continue to take these essential services in-house. And the reason we do this is because we can do them better at a lower cost than we would otherwise do. So if we subcontracted or outsourced these services to external service providers, which, as you know, is exactly what we did for most of the history of the airline.

If we look at the technical center, the airline is now capable of all of the heavy C-checks on the Airbus fleet. That's including the most extensive check referred to -- as a C-12 check. And we've just completed the third C-12 check on an Airbus A321 here in our facility at Astana Airport.

And in recognition of two things. Firstly, the expansion of the fleet and therefore, an increased maintenance requirement. And secondly, the opportunity to provide third-party services, maintenance services to other airlines. We will shortly break ground on a new technical center in new hangar adjacent to the existing hangar at Astana Airport, with which many of you are familiar.

On that same piece of land at Astana Airport, we have also established a pilot recurrent training center. That's a simulator, as I think as everybody knows, pilots are required to undergo recurrent training on a regular basis at a fully licensed simulator and training center. We now have that. We've had that for a couple of years. That's operating very well. And we are in the process of building and establishing a second simulator, which has already been acquired for the use primarily, of course, obviously, of Air Astana pilots. But again, this will give us the opportunity in the future to offer these services to third-party carriers.

And finally, and this is something that we had talked about before, and it has now finally happened. We have established a separate company, Air Astana Terminal Services. Air Astana Terminal Services will be a provider of airport services, really all airport services pretty much without restriction, initially at Almaty Airport, but evidently and the intention is to extend the footprint of ATS, as we call it, to other airports in Kazakhstan evidently also, including Astana, from where we are talking to you today.

We've introduced other tools to optimize the operation. I won't go into detail on all of those. But suffice to say that we continue to invest in state-of-the-art aviation service provision tools in-house to enable us to continue to maximize the efficiency in the operation as we grow, as I say, from where we are towards 84 aircraft by the end of 2029. As I've said already, we've added 20 new routes this year so far. We've grown capacity by nearly 18%. And of course, all of this expansion requires that we do this using the best tools available to us to enable us to optimize resources as the airline becomes larger and inevitably more complex.

Of course, as we all know, the twin, if you like, philosophical pillars of the airline's operation are, firstly, and unequivocally aviation safety; and secondly, the provision of high-quality service delivery. And I'm pleased to say that notwithstanding the pressures on the industry and the difficulties caused not least by the geopolitical tensions and restrictions that are now imposed upon the industry. We continue to perform well in this regard. We continue to invest heavily in both our service training and in the hard product onboard the aircraft. And I'm delighted to say this has been reflected yet again by Skytrax, the World Airline Awards, where for the 14th consecutive year, Air Astana was awarded Best Airline in Central Asia and the CIS and FlyArystan was awarded Best Low-Cost Airline in Central Asia and CIS for the third year running.

We continue to make improvements not only onboard and on the ground, but also in terms of the electronic distribution, which is now such an important part, of course, obviously, not only of the airline industry, but any service provision and any retail operation is absolutely important that we are at all times available in a simple form to actual and potential customers through electronic technologies. Of course, that's the reason why we spent a lot of money on the website and the new app, which was launched in Q2 2025.

And we've also updated the benefits and the rewards available to members of the Nomad Club. And also, which is not mentioned there, but we may have mentioned it, I think, in the previous presentation, we now have had six months of operation of the Shanyraq Elite lounge at the international terminal in Almaty Airport, which many of you will have had the chance to experience and has been very well received indeed by our customers.

And I'm also pleased to say that yet again, we completed the IATA Operational Safety Audit, that was in April. This is something that happens every two years. And we have now been on the IATA register since 2007 when we first undertook and passed that audit.

Just talking about our future growth opportunities, of course, these continue to be in Central Asia and the Caucasus. If I just talk a little bit about the domestic market for a second, of course, obviously, I think we're all well aware and Ibrahim has touched upon it earlier in the presentation. The domestic market continues to grow from a low base. The propensity to travel on domestic routes has significantly increased in line with expectations since we launched FlyArystan back in 2019.

Of course, as we all know, airfares on domestic routes are priced in tenge. There has inevitably been a currency effect as one would expect during the course of the last few months. Notwithstanding that, there continues to be a great growth potential in the domestic travel market. And in fact, for those of you who have the presentation, I think you all have the presentation, you'll see in the appendices, some comparative data there with countries of a similar profile in terms of economic output per individual. And you'll see that Kazakhstan, notwithstanding the significant increase in air travel penetration in Kazakhstan that's taken place over these last few years, when one compares with those equivalent countries, there is still a significant potential for further domestic air travel growth.

But really, the company's main focus, obviously, is on the mega markets and on Central Asia and the Caucasus and the two are intrinsically linked, of course. The mega markets in our case, of course, are China, India, the Gulf and Saudi Arabia. Europe, of course, remains important as is Turkey. But as we've seen from the earlier slides, the real growth taking place in the markets really is in Gulf and Saudi Arabia, China and East Asia and Southeast Asia. That's where the real growth is.

And of course, obviously, also Central Asia and the Caucasus is not only a growth opportunity in its own right. But as the network expands, the connectivity that Air Astana is able to offer primarily over Almaty, but also to some extent, over Astana continues to increase. And in fact, this is reflected in the fact that our so-called sixth freedom business, that's the connecting traffic from Central Asia and the Caucasus onto the long-haul network and vice versa.

That network business, as we call it, connecting business has grown by 30% in the first half of 2025. And I repeat, as the network continues to grow and as we are able to offer more flights, both on the long-haul services, but also on the short-haul Central Asian services, the more flights you offer, the better connectivity will become. And therefore, that 30% growth that we have in the first half of the year is undoubtedly going to significantly increase as the network becomes more dense and as the connections, therefore, become more convenient to passengers.

As far as the mega markets are concerned, I think everybody is aware -- is well aware of the opportunity. We are very pleased, of course, to see that the Chinese market has now fully recovered following the very late opening of that market after the COVID pandemic. But that market has well and truly returned. It's doing very well of course, obviously, there is now a visa-free regime between Kazakhstan and China so the citizens of both countries can visit each other without any visa.

We have, as I mentioned earlier, recently started flying between Almaty and Guangzhou. And just last week, you may have read that we were able to convert an MoU that we had signed with China Southern Airlines earlier in the year to a full-blown codeshare on all of the routes that both airlines operate between Kazakhstan and China. That's not only between Almaty and Guangzhou, which, of course, is China Southern's principal base, but also routes to Beijing and to Urumqi. And so that's a major development. I'd just remind everybody that China Southern Airlines is one of the largest airlines in the world with 971 aircraft. And so that's a great milestone in the development of the company.

So I think if we just go on to the final slide before we start the Q&A. As we can see from this slide, the group is well positioned for the peak season with ASK growth of 17.8%, and the new routes, of course, that we've launched in the first half. The big headwind continues to be the Pratt & Whitney engine issue. And as we have discussed earlier today and in previous presentations of this nature, we have a plan to mitigate the effects of that as far as is possible given the constraints of that situation, which, of course, I remind everybody, is a global airline issue and is not specific to Air Astana. But it does, of course, affect us.

So we maintain our medium-term guidance of an EBITDAR margin in the mid- to high 20s with a liquidity ratio above 25% and a leverage below 3 times net debt-to-EBITDAR, as Ibrahim has mentioned before, almost all of that debt now consists of obligations under our operating leases. All of the commercial debt effectively has been eliminated. The fleet will expand to 63 aircraft by the end of 2025 and 84 aircraft by the end of 2029, as previously mentioned. And again, we continue to operate to a high load factor whilst allocating capacity to those routes with the greatest potential, which continues largely to be the addition of capacity to international routes.

So with that, we conclude the formal part of the presentation. Thank you very much for your attention. And I think we now move to the Q&A. Thank you very much.

Q&A.

Operator:
We will take our first question. You have mentioned negative impact of the Israel, Iran and Indian-Pakistan conflicts. Do you still see any impact on your operations?

Peter Foster:

Thank you for the question. Yes, as I mentioned, we were affected by those conflicts in May, in the case of India and Pakistan, and in June and the very beginning of July, in fact, but mostly June by the Israel and Iran. Now both of those situations are stable at present. I should just perhaps qualify.

The airspace between India and Pakistan is now open, but it's only open to foreign airlines. That means that we can now fly between Almaty and Delhi and Almaty and Mumbai, but that Indian carriers are excluded from passing over that border. And what that means is that as this -- as of this particular moment, the competition from IndiGo Airlines on that route is not able to fly those routes.

Now as you can imagine, whilst that's perfectly good for us in the short term, it's an unstable situation. And we can't obviously guarantee that it will not escalate further, should those tensions return to a level that we saw in May, which, of course, was an outright conflict. So we can't absolutely guarantee that, that will not be the case. But as of now, the situation there is stable.

As far as Israel and Iran is concerned, the same logic applies. We are now able to operate our normal routings into the Gulf. That means we are able now to operate without any deviation as we have been required to do so, deviation around Iranian airspace through Pakistan and breaking over the coast just north of Karachi and up the Gulf from the Southeastern end of the Gulf. We don't have to do that now. We can go direct over Iranian airspace. But again, I think we all know that the situation remains fragile in that region and is liable to escalate again.

So as to answer your question, as of now, it is stable. But of course, we will have to wait and see how the conflicts develop as we go forward.

Operator:

Our next question comes from Jakub. Question reads, hi, thanks for the presentation. Three from my side, please. One, can you remind us what are the most important international markets for the group currently and roughly how big share of your ASK do you fly in each?

Number two, roughly what share of the international traffic is booked by Kazakh travelers? And what share by international passengers? How important is the weaker tenge as a factor affecting purchasing power of customers buying the international flight tickets?

And number three, can you expand on the efficiency measures, which drove the wage pass lower? How big part of the lower wage pass was down to efficiency? And how significant was the currency impact?

Peter Foster:

Thanks, Jakub. It was -- the translation came through a little bit unclear, but I think we've got the message. In terms of the split of ASKs, I think we'll go through that in a second. I'll hand over to Ibrahim for that.

But in answer to your question, most routes -- firstly, can we just sort of clarify this point? For all international flights, even flights booked by people based here in Kazakhstan, the underlying denomination of an international flight is in either dollars or indeed in other currencies such as euros and pounds, depending on the market. So there is no tenge currency risk to any of the international routes per se.

Now of course, obviously, there is a demand risk, Jakub, which is driven by the fact that in the event that, of course, the tenge depreciates, of course, even though the airfare -- the underlying price of the airfare on a flight, let's say, from Almaty to Dubai is actually physically paid for in tenge, it's charged in dollars. But of course, there's an underlying demand issue, which is the cost of a person from Kazakhstan going to these countries, not just in terms of the airfare, but in terms of the land arrangements. Obviously, it's more expensive if the currency in which that individual is earning is depreciating.

So there is, if you like, a demand vulnerability in the model, but it is not, if you like, a directly -- it's not a direct financial vulnerability in the same way that domestic airfares are directly, of course, affected, straight off the bat by the currency weakness. That said, of course, obviously, the company's home market is Kazakhstan, of course. And therefore, the principal market is the 20 million citizens of Kazakhstan as opposed to the populations in the surrounding countries.

And that is indeed something which is an issue for us. It continues to be the case that close to 70% of sales of the company are to citizens and residents of Kazakhstan. And it's therefore clear to us. And this is the precise reason why we have been undertaking initiatives such as signing codeshares with airlines such as China Southern to have a greater share of the local markets in these adjacent countries.

And so the overall market remains dominated by Kazakhstan nationals up to, as I said, just shy of 70%. However, the indicators are all moving in the direction of that changing. And I'd particularly like to draw attention to, again, the Indian routes, whereby now well over 60% of passengers traveling on the routes to and from India are, in fact, Indian nationals coming here as tourists and as businessmen. And that, of course, obviously, is a trend that we wish to see accelerate and indeed are seeing so as we develop this greater international footprint through our operations in these countries and of course, through, as I have mentioned, our alliances with airlines in those territories.

The other questions, I might just hand over to Ibrahim.

Ibrahim Canliel:

Thanks, Peter. The two questions that I'll be responding to Jakub are about the ASK and the relative weightings in the network. And the second one was about the costs that I think we touched upon, but I'll just pick a few points on them.

In terms of the international network, the biggest concentration would be around Turkey, as you would expect with the increased number of flights starting from the second quarter, running in excess of 20%. And then the second group that would be running between about 10% to 12% would be China, a leader in that particular group, followed by Europe, again, a relatively low growth market.

And then Gulf and Saudi Arabia, Central Asia and Caucasus would be also falling within that group, where the high growth -- if we separate it by high growth, it would really be in that second group, China, Gulf and Central Asia and Caucasus. And the third group, not necessarily a direct reflection of the number of landings because the distances are shorter. But India would be running roughly about, again, 8% of the total ASK. So a reasonably well-distributed concentration.

And the important point I'd like to make is that the growth has actually been going towards the lower end of the share where you see the high growth that Peter already expanded upon in all of the Asian markets that are growing between double and triple digits.

In terms of the costs, regarding the fuel cost, I had mentioned that the fuel is down both on the domestic and international. The particular initiatives that we referred to, the one area I specified is the 2% that we are expecting, anticipating from the fuel cost with the flight monitoring program. And the other significant item I mentioned in the cost per ASK was the staff cost during the first half that was down by 8%. I think those would be the two most significant items.

And if you need any further clarification, perhaps we can do another follow-up call, Jakub. I hope that answers all three points of the question that you addressed.

Operator:

Our last question comes from the line of Igor Savchenko from Halyk Finance. Question reads, could you please share your guidance on the potential revenue growth and cost deceleration with regards to introducing the new company as well as time lines for your forecast? Besides commercial airlines, are you looking to serve a growing cargo market in Kazakhstan and any international companies that fly into the country?

Peter Foster:

Yes. I mean we're not in a position at this point in time to share details of the AATS, if that's indeed to which the question referred, the Air Astana Terminal Services. We're not, at this point, in a position to share detailed projections for that company.

So the figures that we presented today and the guidance that we presented today does not include the proceeds of the revenues and indeed the efficiencies that will be derived from Air Astana Terminal Services. I think that answers the first question.

Well, Air Astana, as you know, the fleet is primarily a narrow-bodied fleet. I mean, of the 61 aircraft that we're operating today, 58 of those aircraft are narrow-bodied aircraft, are narrow-bodied and just 3 are wide-bodied, that's the 3 - 767s, which I think, as you all know, will be replaced within the next 12 to 18 months by the 787.

So the A320 family aircraft, and that, of course, includes the A321s have quite a limited cargo capacity depending on the route and depending on the commodity. And depending on whether it's a 320 or 321, that capacity is between 2 and 5 tones maximum per aircraft, which obviously is quite low.

The 767 has a greater capacity that can go between sort of 12 to 15 tones. But and of course, therefore, the cargo on the 767s, of course, can be unitized as opposed to on the A320s, where it's generally speaking, loaded as loose cargo.

So as a result of that, of course, cargo makes up a relatively small percentage of Air Astana's revenues. And indeed, most of the growth plans that we have shared with you today and at the past events of a similar nature have been based almost exclusively on passenger business and passenger growth.

Of course, there is always potential for air cargo in the future. It's not something that we ourselves have had the time or the resources to devote to in these last few months and indeed in these years since we're established other than a short period during the COVID pandemic when one aircraft was partially converted into what we call the semi-freighter, but that was primarily for the carriage of personal protective equipment associated with the COVID pandemic, primarily from China into Kazakhstan.

So no, air cargo is not a core product to the Air Astana Group. We will continue, obviously, to monitor developments within the global air cargo industry.

Operator:

There are no further questions. I would now like to hand the call back over to Air Astana team for closing remarks.

Peter Foster:

Thank you very much. I rather get the impression there may be some questions in the room. I'm not sure whether we're going to answer them now in -- we're not – sorry. I will now take some questions from certain people who are in this room, I think perhaps separately.

I'd like to thank all of you who have participated online in today's session. I hope it was helpful and useful to you. Again, as Ibrahim has mentioned earlier, if any of you have additional questions or supplementary questions that you were not able to ask at this particular session or indeed that occurred to you subsequent to closing, which is now, then do feel free to get in touch with us, and we will answer those questions in a short order as possible. Again, sincere thanks to all of you, and thanks to the financial center and the exchange for hosting us here today in this facility. Thank you.