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Q1 2026 Air Astana AO Earnings Call

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PRESENTATION

Simon Wray, *Air Astana JSC – Head of Investor Relations*

A very warm welcome to the Air Astana Q1 results for the period ending March 31, 2026. Our thanks to all of you who have been able to join us today. We hope the following presentation will be both interesting and informative. Please feel free to submit any specific questions you may have by the relevant language link on your invitation.

The call will be recorded. Both the presentation and the recording will be made available on the Air Astana Investor Relations website. If you have any further questions after today's call, please feel free to contact us. And with that said, I'll hand over to Ibrahim, who will take us through the group performance and operational highlights for the quarter.

Ibrahim Canliel, *Air Astana JSC – Chief Executive Officer*

Thanks, Simon. And I'd like to add my own welcome to all who are online today, thanks for joining us. This is my very first set of results as CEO, and I'm delighted to be presenting today and I'm joined with Goncalo Pires, our new CFO, who started on the 1st of March, and we will jointly be presenting the results for the first quarter today.

The first quarter of the year has undoubtedly been very challenging for the entire industry. The conflict in the Middle East is a concerning geopolitical development and it has had material impact on demand conditions in some of the markets we operate and a very visible impact on the energy prices globally.

From a fuel supply perspective, we are in a position of strength with fuel production at our home base in Kazakhstan. And we remain very focused on P&W, which is a priority to us, we continue to demand for the acceleration of inductions. We will be expanding on how that has been moved to the positive in the first month of the year, as well as acquiring more engines to facilitate the growth in the new norm that we will be talking about quite a lot today.

At Air Astana, we had great experience of dealing with the external shocks, and we have developed an operating model built on agility and resilience as a result. In every crisis that we've been through, we have indeed emerged from events such as COVID-19, the Russia-Ukraine conflict, we came out stronger and more profitable than before.

Now, with both of our brands, Air Astana and FlyArystan, we are monetizing the new normal, which has emerged both to the east and to the west. However, I want to emphasize in this presentation that we are a resilient organization that is very well positioned to grow because of the market developments and not just in spite of them.

The recent crisis provided once again the opportunity to demonstrate our strength and anti-cyclical delivery. We will be expanding on the detail of this during our presentation and talk more about the new normal. We are under no illusion that we are immune to global risks. It is vital that we have a clear view of them. At the same time from a demand perspective, we are now in the new normal, and it is the clinical execution of our strategy that will define the outcome.

As a company and management team, we have some very clear priorities, and we are committed to deliver on them in 2026. Goncalo will be sharing more granular detail on our numbers shortly, but I'd like to highlight some of the headline KPI's at this stage.

In the first quarter, we have seen revenues increase 13.2% to \$331 million and unit revenues increase 12.4% during the same period, and that is on the growth of capacity of 0.7%. The passenger RASK was particularly strong in March with a total growth of 28.3%. What is particularly notable is that this was across both of our brands, Air Astana and FlyArystan, that grew the RASK in the month of March by 22.9% and 42.9%, respectively.

Our load factor also increased close to 2 percentage points to 83.3%, reflecting our ability to capitalize on the demand conditions in our network. The load factor in March itself was up by 5 percentage points. This was largely driven by the nature of Air Astana's International business, which was up by 8 percentage points during the month of March.

The cost pressures continue to play a part, and our unit costs have been impacted by the fact that we are still not flying as many aircraft as we would wish to. This has impacted EBITDAR in the first quarter, reducing by 19.6%. However, there is a distinct difference between January, February as opposed to March, a detail that Goncalo will be going into in his part of the presentation and we have an ambition to normalize the RASK and the CASK as we get into the higher peak season where we normally grow our production. Q1 obviously is off-peak and therefore the part of the capacity constraints had been by design as we choose to rest engines and keep resources for the summer peak.

As the year progresses, we are confident that the planned increase in the capacity will mitigate some of the unit costs and supports a recovery of our profitability going forward. We would like further announce the disclosure as we go forward by adding additional disclosures, including the On-time Performance and NPS, which are key metrics to our customers that we serve. The On-time Performance, obviously a strong metric that has become even stronger in the month of April and has a direct correlation on net remote score of the company.

The NPS, as we mentioned, strongly correlated with OTP, but also further enhanced by the strong service

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that we provide, a best in class product which we continue to enhance for customer satisfaction and again the fact that many of you are very familiar with. These strong results are a reflection of the customer experience focus, not only by the customer experience group, but supported by our operational teams as well as our back-office teams and IT team that are contributing to these results that we have on a screen. We are very comfortable, with the numbers that you see a strong performance on NPS for the entire industry.

The most robust indication of our growth aspirations can be seen in the fleet commitment that we have for the forthcoming years, by the end of this year we will be growing to 67 aircraft and we have contracted most of these to get to 86 aircraft by 2030. The data of this on this slide is part of our long-term fleet growth trajectory and not an aspiration.

We received our 63rd aircraft last month, and it's already in service and the new aircraft that we are taking delivery on support the young average fleet age, which is consequently fuel efficient, supporting our environmental and cost objectives.

We're also anticipating towards the end of this year, the arrival of the first two of three 787's in September and November, respectively. That will provide us greater operational flexibility will contribute to the service level that we provide, and will replace the 767 fleet over time, joined by a third one that will be joining towards the middle of next year.

The Pratt & Whitney engine issue has been frustrating, to say the least. It continues to prevent us from flying as much of our fleet as we would like. It constrains our capacity and consequently has an impact on the cost per ASK. On a positive note, we are pleased that the number of inductions during the early part of this year is now similar to what we saw for the whole year of 2025.

We also secured six engines from the beginning of this year. We are aiming for more and we remain in vigorous discussions with Pratt & Whitney to ensure that we accelerate the engine inductions. And also the engine deliveries in both this year and the years going forward, as this is the key facilitator that enables us to act on a counter-cyclical matter and cater for the growth that we are seeing under the new normal.

As it is harder to accurately predicting demand conditions in aviation, which we have seen particularly in the last quarter, we require a bold and flexible approach to our fleet planning. Purchase orders have already been announced for up to 50 Airbus Aircraft and up to 15 Boeing 787's that are due for delivery from 2031 and 2032. This gives us an excellent long-term flexibility to adjust our fleet scale and tilt toward a greater degree of ownership as the company grows. Air Astana will be here well due in 2030, and it is our responsibility to ensure that it is sufficiently resourced at that particular time.

We have been talking about the three pillars of growth in a number of presentations, and I would like to briefly touch upon them again in our presentation today. Domestically, we have played our part in stimulating a three-fold increase in travel penetration over the last seven years, and we see that trend continuing.

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The Q1 number is a reflection of the reallocation of capacity to the higher-margin international routes. That are delivering the positive results for the company. In our near markets of Central Asian Caucasus, we see first-hand evidence of the fastest-growing aviation market in the world. Extending the definition of our home market from Kazakhstan to the region increases the target market by 5 times up to 100 million people in the region.

And internationally, growth opportunities at the nearby mega markets of India and China, those opportunities are enormous. They have been particularly striking in Q1 and we view the same trend going forward, growing from a unique location where we are in the midst of half of the global population around us.

I was recently in Shanghai to open our flights to that city, which boasts a greater population than the entirety of Kazakhstan. We are adding both frequencies across the five Air Astana destinations and adding Astana Guangzhou from June. What is particularly exciting besides Air Astana is that FlyArystan is also joining the growth arena in China, aiming to go to five routes in 2026.

In order to take advantage of these wide-ranged opportunities, we must be agile in operation, hence our focus on both OTP and Pratt & Whitney. We dynamically allocate our capacity to the routes which offer the most attractive returns. Over the last year, this was marked by a shift towards higher-yielding international routes, and we are proud to be connecting Kazakhstan and Central Asia to an ever-growing number of destinations.

Firstly, the conflict in the Middle East created some humanitarian risk, and I'm proud of the actions of our colleagues during that period. This includes the repatriation of over 4,000 passengers and crew, the safety of whom was the top priority during that period.

With constantly evolving demand conditions, our reaction to that must be equally agile. And I'm very pleased that within 48 hours of the conflict breaking out, we were already reallocating capacity to destinations and that process has continued. The graphic that you see on the screen is an indication where we plan to deploy capacity as a representative month of June for summer of 2025.

The new normal that we are referring to in this slide and we will be talking about repeatedly in our presentation today provides unique opportunities of our geographical location amidst Asia, Central Asian Caucasus and Europe. China has always been but is now becoming an increasingly significant destination as mentioned.

It accounts for much of the international increase, which also includes Central Asia, the Caucasus and Southeast Asia. India and Turkey saw a spike in demand at the start of the conflict in the Middle East and on the back of capacity growth is now normalizing. And on the back of a strong base of growth in 2025, that is the reflection that we see particularly for India. What I want to highlight again is the capacity allocations that they are actively happening between both of our brands, Air Astana and FlyArystan.

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It's also important to highlight the huge impact of transit traffic in the month of March. Our relevance as an East-West Transit Hub moved during the crisis the Asia to Central Asian Caucasus, as well as Asia to Europe and vice versa, shifted Northbound moving via Kazakhstan.

We saw a 65% increase of international transit traffic during the first quarter which was driven largely by a 158% increase during the month of March alone. Even when the situation normalizes, we expected a new equilibrium point will be significantly different from what we were seeing three months ago. And as the Air Astana Group we are perfectly positioned for that.

March is worth extrapolating on in particular because it was such a significant month for the first quarter. In the presentation of Goncalo, he will again be looking at the impact of that in more detail but I just want to highlight the impact it has had on the Network during that month. We've broken down the ASK and RASK by region in this slide. And as you can see, there are some significant geographical movements during that period.

It has also become a significant period for FlyArystan, where we saw material uptick in their international expansion, as well as the RASK growth that was particularly strong during the month of March. And we are delighted that the FlyArystan management team has been strengthened with the joining of Johan Eidhagen during the first quarter itself as well.

While during Q1, China capacity was up by 91%, we have seen the revenue growing by close to 140% during this period. Similarly, we saw demand increasing from Delhi as well, where we were maxing the growth of capacity at 63% and revenues growing at the same time by 146%. The rest of Asia was also up by 7%, while revenues were growing by 36% during the same period with a 27% growth of the revenue per ASK.

While we are particularly focused on China and we mentioned that India has grown from the stronger base. And therefore, going forward the reallocation of capacity will be more toward the East to Central Asian Caucasus as well as to Europe.

On a group level, our operations to China will reach up to 50 frequencies per week in summer 2026, up from 23 in summer 2025. This is a combination of both the additional rules that we are introducing across our two brands, Air Astana and FlyArystan, as well as increases across the Board to our operations in China.

Besides Air Astana that was already on the growth trajectory from an Air Astana perspective, we're also pleased that FlyArystan is now back in the growth arena and it is increasing the number of its routes in China to five from this summer. Central Asia and Caucasus remains to be a growth area both of our brands we see strong demand for both point to point traffic as well as connecting traffic to the remaining network. Air Astana continues to add frequencies going up to triple daily to Tashkent, 10 to Bishkek and double daily to Tbilisi.

FlyArystan's expansion into Samarkand adds again strength to the group network and further points that are on the radar. That is in addition to the launch of routes from Astana and Aktau to Batumi, the Black Sea resorts of the Caucasus. On a group level, during the summer, we are looking at operating close to 100 frequencies per week across Central Asian Caucasus or 14 per day across the region, serving point-to-point as well as connecting to the network of the Air Astana Group.

While we have reduced capacity to Turkish resort destinations, this is largely in response to the increasing land arrangement prices in Turkey, we have maintained the number of flights to Istanbul as a strong connecting point for our Eastern flights. FlyArystan, on the other hand, is aiming to address the lower pricing point market in Turkey, starting regular flights to Alanya, to the east of Antalya in the Turkish Riviera.

Westbound, we also continue to grow. We have added capacity to London during the summer, and we maintain the growth on Germany that we started in 2025. We are adding Larnaca to the Lifestyle Network as a new destination in addition to Montenegro, where we are also expanding the number of frequencies in the summer.

The new normal that emerged as a result of unfortunate events. For the Air Astana Group, however, it does provide a new set of opportunities, and we are fully geared up to monetize upon these in a counter-cyclical manner. I would now like to hand over to Goncalo to provide you some more details around the finances in Q1, and I'll be back toward the end of the presentation.

Goncalo Pires, Air Astana JSC – Chief Financial Officer

Thank you, Ibrahim. I'm excited to be here presenting Air Astana financial numbers for the first quarter and looking forward to meeting our investors very soon. In this section, I will briefly touch on the main financial KPI's, and I'll cover the operational KPIs, the revenue, then the CASK margins and finally balance sheet.

As mentioned by Ibrahim, this was a challenging quarter, but with some positive indicators that we believe define the company and the market where we operate and will be important to deliver future performance. As we see, Air Astana drove the ASK growth for the group, compensating the fall in ASKs for FlyArystan, which is strongly affected by the PW for Pratt & Whitney engine challenges.

Also a group -- also a note regarding the intergroup adjustments, as you can see in this slide, we will from now on report excluding intergroup adjustments, both in particular the numbers for RASK and CASK for both airlines as it clearly improves the way we can actually measure the performance of both airlines given the fleet challenges that the company has. We can then adjust for those intergroup adjustments.

But overall, the group delivered basically no growth in ASKs. As we can see, nearly or not just 1% growth for the ASKs for the group, mainly affected by the FlyArystan ASK performance, as I said. In terms of PAX performance, the group is slightly down even compared to the growth of ASKs, and this is driven by the higher international mix, which is a strategic focuss for the group as it delivers a business with higher

margins and improves the quality of our network.

In terms of like load factors, the load factors are very strong and very strong for both numbers and specifically to those numbers until the end of the quarter, as we will see when we'll break down the numbers by month.

The group had a very strong revenue showing for both airlines and driven by yield and RASK, which is always a very strong indicator, highlighting also the very strong performance as mentioned by Ibrahim of the RASK performance of FlyArystan. And if we break down by month, the numbers are even more impressive.

As you can see in March, the RASK performance got through almost 30% growth. And if we want to break down this performance into the main contributors, as also mentioned by Ibrahim, we can easily see that there was underlying trend, which was relatively strong already in January and February that supported part of the growth, but the main component of this growth was due to a calendar effect, a base effect on the Ramadan that came a bit earlier this year, but also the new normal. Which is an expression that you will be seeing from the company more often from now on, which basically describes this reaction demand that we see following the Middle East crisis where, of course, we are benefiting.

Also, the YQ, it's important to highlight the war started in the beginning of March, in the 1st of March, and the YQ still didn't have an impact on those numbers, as we are measuring here, flow revenue. But this was a challenging quarter for some reason, and of course, that reason is costs. As mentioned before, the cost pressures on labor, ownership, engineering, but also traffic though the headline number for costs and also the CASK numbers.

As we can see, the CASK numbers are on the group fairly. The CASK numbers are going up on the regional 20%, and this is also a result of our inability to generate sufficient ASK growth to dilute our costs, which of course, drive those CASK numbers up. We believe, however, that these levels do not reflect the structural cost advantage that the group has in the industry and that we plan to leverage on going forward.

As a result, the margins fell, the airline EBITDAR margin level for the group was down close to 6% this quarter and that is consistency across both brands. Given the EBITDAR performance, it's natural to see negative operating margins on the EBIT level also for both brands going forward as we intensify the ASK production, we believe these margins will recover.

The focus of the management, as will be covered by Ibrahim, will be going forward on securing production and addressing cost and be able to drive these margins higher. An indicator that we cover very frequently is the RASK and CASK spread, which would like also to show again the evolution, even if not positive, it's the first negative showing in more than two years. It's a reflection of our production problem, not because we didn't have a very good RASK performance, which as mentioned was very strong. But because the ability of producing ASK in this first quarter was not enough to drive margins going forward. Addressing the Pratt & Whitney problem will revert this strength.

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Overall, on the Balance Sheet we see slight reduction on the levels of gross debt, mainly because we didn't have phases this quarter and we maintain a strong liquidity and cash-to-sales ratio and this will continue to be a key KPI of our financial performance. Handing over to Ibrahim for our strategic outlook.

Ibrahim Caniel, Air Astana JSC – Chief Executive Officer

Thank you very much, Goncalo. And now I'd like to provide more detail on the strategic outlook and offer some concluding remarks towards the end of the presentation. As a reminder, the channels are open, so if you'd like to provide some questions, please feel free to do so. As we get towards the end of the presentation, we will be responding to your questions as well.

We have been saying before that Kazakhstan is in the middle of everywhere. We are uniquely positioned to connect Central Asia and Caucasus to the rest of the world. We now fly over 100 routes, and we continue to add destinations and frequencies constantly. And it is incumbent on us not to dwell just on our established routes, but to adjust our network and frequencies to satisfy the demand conditions as they evolve.

In addition to the 11 new routes that were launched for sales this year, six for Air Astana and five for FlyArystan. We have three more FlyArystan routes that are in the pipeline to China, planned for announcement in the second quarter.

These complement the frequency increases we have across the board, to the east and to the west. We look at boosting capacity to China, India, Central Asian Caucasus, our extended home market, and are operated by both of our brands, Air Astana and FlyArystan, as well as moving to the west as well.

During Q1, another important development on the shareholder register has been BAE Systems' exit from the stock. Now, that has been a very long and a very rewarding relationship. BAE's contribution for over more than two decades has been immense, and we are thankful for that.

This exit did compound the broader sector sentiment and drove the share price back to the lows of the last summer. We believe that this now creates a compelling opportunity to invest in an anti-cyclical equity story. Most notably, 17% of our share capital has come to the market since December, which means that the free float has increased by almost 50% and subsequently having a positive knock-on effect on the liquidity of the Air Astana stock.

As discussed in length today, our geographical location, the dual brand model, our cost leadership, capital position and operational agility sets the Air Astana Group uniquely positioned to adapt to the new normal, and that is now with enhancement to an already strong team at both at FlyArystan, and Air Astana.

We have discussed the agility and resilience of our airline, and this is embodied in the three pillars of our strategy, namely growth, efficiency and excellence. Our growth is embodied in the fleet expansion commitments which we have made, and we continue to execute across the network.

Our efficiency and cost is again across the Board and enhanced as a continuous improvement process. We continue investing in our future. We do so on the back of a stable fuel supply from local production in Kazakhstan and the dynamic capacity allocation, which governs all of our network decisions.

While we're growing both east and west, Asia and particularly China and our extended home region are taking the lead in that growth. And our excellence in both the quality of the product that we offer, as well as our strong financial position, which many of you are very familiar with, and is illustrated by the strong OTP and NPS performance that we added to our disclosure of this report.

Growth and in particular profitability has been lower than what we would like to in the first quarter of the year. However, this must be read in conjunction with the extent of disruption which the industry has faced. The challenge is to adapt and reposition rather than accept, and I trust you will all agree that this is exactly what the Air Astana Group is doing.

Despite the challenges, we remain confident about our medium-term targets. They provide the flexibility and also the framework for us to operate effectively. I'd like to finish where we started today with the core elements of our earlier Executive Summary.

This has undoubtedly been a challenging start of the year for the Air Astana Group, as it has been for the rest of the industry. However, we have differentiated ourselves once again by reflecting on the situation in the Middle East in the same way we have sailed through crisis before in our history.

We reallocated capacity both promptly, and efficiently in view of the new normal that grants us new opportunities and strengths in comparison to our peers. Our dual brand and dynamic capacity allocation model has proven to be working extremely well, and particularly in crisis because we operate in an environment where we see many growth opportunities.

The risks are real and our cost challenges are tangible at the same time we are seeing very strong demand in many elements of our network, both East and West, and we are fortunate to be in an environment that provides for stable fuel supply, a condition that many in the industry would envy.

Our strategy stands sound in the new normal and it is the execution of it, what would come that is going to be key. We remain very focused on our priorities, and deliverables as we go forward through the challenging year of 2026. Our management team has evolved, our shareholder register has evolved, and we remain very well positioned to capitalize on the development in our new markets in the new normal. Thank you very much.

Simon Wray, Air Astana AO – Head of Investor Relations

Thank you both, Ibrahim and Goncalo. We now have some time for some questions, which can be submitted as mentioned through the language link in your choice on the invitation. We have already received a few, and I will hand over to our moderator to deliver them now.

QUESTIONS AND ANSWERS

Operator

Thank you. Our first question reads “Thank you and congratulations both on your appointments. Can you talk a little more about your fuel pricing and this structure? How sustainable is domestic pricing and do you see any fuel restrictions in your network?”

Ibrahim Canliel, *Air Astana JSC – Chief Executive Officer*

Thanks for the question. This is obviously an area that many airlines are looking at with great caution key risk in operating the network. If I split the supply into two. In Kazakhstan itself, we have access to what we require to roughly about 70% of the domestic uplift. So, from the total fuel that we burn on the network, 70% of that is supplied in Kazakhstan, as an oil-producing country, we are in a fortunate position that we have continuous and stable access to the supply in the country.

We are, of course, not immune to supply challenges that impacts everybody else in the world. If there were to be a fuel shortage in Asia or in Europe, along with others, we would be impacted by that. To the extent that where we are not able to tanker on our network, there are however quite large number of destinations where we could tanker when we fly out of Kazakhstan to also fly back with the fuel that we uplift from here.

And we would expect that when or if such conditions emerge, that there would be a prioritization towards longer haul flights as opposed to the shorter haul flights. And when we fly from six to eight hours away, the normal expectation would be that we would have a priority as a longer haul operator.

The main point we would like to make, though, is that unlike many other operators in Europe or in Asia, we are fortunate to be operating from a country that produces both oil and has refining capacity that enables us to supply fuel for a vast majority of the requirements that we need in order to operate our network.

Operator

Thank you. Our next question is “BAE systems have completely exited their holding in Air Astana. How has that impacted the company and the stock?”

Ibrahim Canliel, *Air Astana JSC – Chief Executive Officer*

Well, we started off saying that the shareholding of BAE has been extremely valuable. We have highly appreciated the strong governance that both of our founding shareholders brought to the company and enhanced over the years as they ran an extremely successful joint venture up and until the IPO.

And again, the founding shareholders made sure that when we were running up to the IPO, that they established a strong governance that was there to stay, that is the independence of the Board, the strong competence of the independent Board members.

The five board seats that were allocated to INET out of a total of nine, provides for a good governance for the company. And with that, we knew that BAE Systems did not view Air Astana as a strategic investment. So, once the blackout expired in August of 2024, we knew that it was a matter of time for BAE Systems to divest from their shares in the Air Astana Group.

So that has materialized. And there are two more points that I'd like to make on this. Firstly, this has taken away the overhang that we had since the IPO. Secondly, the fact that those shares were demanded in a very short window, in a very narrow window, were immediately picked up by new institutional investors, is a reflection of the confidence that our investors have in the growth story, the fact that the company is undervalued and that was even ahead of the new normal where we once again are differentiating from the crowd in the aviation industry.

So on that note, I would like to once again thank BAE Systems for their immense contribution over the years, and for establishing a governance framework that is there to stay and will be succeeded with our remaining shareholders going forward.

Operator

Thank you. "Can you expand on your first Boeing 787 delivery? Please can you give details on what the entry to service will look like, and what is the current thought about potentially flying to the United States with the 787?"

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

The first of the 787s will come in September of this year. And as you would expect, we will be spending some time for the qualification of our pilots, our engineers, so it will do quite a lot of short sector operations in the first months.

And that will be going on perhaps a bit beyond of the delivery of the second aircraft in the later part of this year. The 787 obviously gives greater flexibility than the current 767 it has a longer range. However, it's not only the range that will identify our operations and the network. The 787 will need to be able to fly via a routing that we currently are not able to operate because of sanctions and that is another matter that will need to be resolved before we can start considering a direct operation into the United States.

From a customer perspective, I'm sure that our customers are going to love the new product. In both cabins, it's bringing a significant upgrade to the product offering that we provide to our customers, and it will place our competitiveness at an even stronger place. When we take delivery of the 787s, and offer that product across our network and enabling further growth, both on the medium and the longer haul.

Operator

Thank you. "Net cash from operating activities dropped by more than 50% year on year. Beyond the seasonality factors, does the management see any risk to the company's liquidity position? Or its ability to self-fund the ongoing capital expenditure program for 2026."

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Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

To respond to that in reverse, no, we do not see a risk of the liquidity of the company. We are well within the guidance. The first quarter is a period when you normally would not expect net cash to be generated. However, we are not only comfortably within the guidance with the liquidity that we have, but we also have an additional facility in place that provides another 12% to 13% liquidity over and above the current cash level that is included in the report.

As for the orders going forward, we have shared it actually in the announcements that we made at the end of last year when we placed the orders that we have negotiated the PDPs to be largely loaded towards the closer period towards delivery. So that means that the bigger cash flows, the bigger part of the cash outflows will be in the periods of 2030 and 2031.

And we expect that we would be financing those aircraft with either ECA or EXIM or the equivalents thereof, and from a balance sheet perspective, that liability will come onto the balance sheet at the time of delivery and financing of those aircraft. But in overall terms, this would not be much different than the operating leases.

Under IFRS 16, we are reflecting the full liability of any operating lease on the balance sheet. And typically, the liability coming with the finance lease would not be very different from that. But of course, it will have a very positive impact on the mix of the owned versus operating leases aircraft, as well as the cost benefits of having more owned aircraft in the fleet.

Operator

Thank you. “With the ongoing crisis, is Air Astana expanding its network this year? And if yes, is Southeast Asia, including Malaysia, included in the expansion plan?”

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

Thanks for the question. We are reallocating very effectively and very actively the capacity that has come free from the Middle East. We have shared that a large part of that has gone to Southeast Asia, but particularly to China, as well as to Korea, and in our extended whole market as well as to our European destinations.

We are continuously looking at new destinations in addition to thickening the routes that we are operating. KL is one of them, but it is not part of the list of destinations that we have disclosed at this time.

Operator

Thank you. “How do you anticipate the aerospace closures in the Middle East will affect income for Air Astana going forward?”

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

Well, we already see a positive impact of that in the month of March. We shared those numbers. We, at

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the same time, recognize that this was an immediate rush of travel. However, we expect that the new equilibrium point or the new normal from which we will be operating is actually helping the Air Astana Group with the traffic flows from Asia to Central Asian Caucasus, Europe to Central Asia and Caucasus moving northbound via Kazakhstan rather than further south via the Gulf.

So we see a positive impact of that. We have taken measures to improve the revenue per ASK by making fuel adjustments or fuel surcharge adjustments. And the importance is going to be or the key is going to be about the execution. We are very focused to manage the CASK with an increasing production as we get into the peak and thereby having a better balance reverting profitability, we expect it to be positive.

Operator

Our next question reads “Thank you for the presentation, 3 questions from me: 1. Can you touch upon the benefits of upgrading from the 767 to the Dreamliners (in terms of number of seats, business/premium seats, fuel consumption, etc.)? 2. What instruments do you use for the 30% hedged international fuel? Are you looking to hedge more than the current 25% for q2 and are you thinking of extending the hedges further in the year? 3. Have any of the international airports flagged anything regarding supply shortages that they might face in the near future?”

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

Thanks for that. I'll take questions one and three, and I'll hand the second question to Goncalo. In terms of the benefit for the 787, firstly, it is a great benefit for our customers. The product offering that we will be providing to our customers when the 787 arrives is a significant upgrade, and that goes across both cabins, both in economy and in business.

It also provides for a capacity increase in the range of close to 30%. On the same route, so on slot-constrained airports that would become an advantage. In terms of the operational flexibility, I think we expanded on that before we look at opportunities across the network and beyond for new destinations that we could be serving and obviously with extended range, the 787 does provide further benefits for that.

The third question was about fuel supply and international airports. We have been watching that space very closely since the early days of the crisis, even before that risk was being voiced as loud as it is today. We don't have any indications at this stage, but we believe that there is a significant risk of international airports not being able to supply the entirety of the fuel that is required.

And our anticipation is that when that happens, that they would be prioritizing in the interest of their own country connectivity towards the medium and the longer haul.

Goncalo Pires, Air Astana JSC – Chief Financial Officer

So on the hedging, note that we are 25% hedge on the second quarter on call options at pre-war levels. Going forward and at these levels, we do not consider to hedge, especially seeing the spot markets on jet fuel, dollar per ton at or above 1,500.

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However, we believe that we have a structural advantage in our gas fuel levels that we plan to monetize and continue to improve by measures of efficiency by having a very young fleet. Our average fleet is under seven years, which compares very well with all our major competitors and also want to tankering at being able to uplift domestically the fuel to fly longer.

Operator

Thank you. “Does the current situation, as difficult as it is for the industry, make it easier in any way to access spare parts or engines? Are there any levers to be able to get the aircraft back producing earlier if other airlines fly less?”

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

Well, that's a very good point. I mean, firstly, we do see or we were already seeing positive indications for the year to date, where we've been having an equivalent number of inductions in the first month of this year, equivalent to almost the entire of 2025.

We did secure six more engines this year, and we had four engines secured at the back end of 2025. And yes, with other airlines either going out of business or reducing their capacity significantly, it's very likely that there would be opportunities to get a higher number of inductions going forward, as well as a number of engines becoming available as aircraft or airlines being grounded.

Operator

Thank you. Our final question reads, “Congratulations on your promotion to CEO, and Goncalo on your appointment. How are you settling in as a new management team?”

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

We're loving it. I think we are settling it well. I'm firstly extremely delighted that we have been able to connect with Goncalo as my successor in my previous CFO role. We have also enhanced an already strong team in the group with Johan's arrival as well.

Although it has been just a month for myself and two months for Goncalo since we took our new helms, I think it's been a challenging period, and challenges is something that we like, we enjoy, we see it as opportunity, and it already feels like ages that we have been working together.

Goncalo Pires, Air Astana JSC – Chief Financial Officer

Challenges that core future of aviation and I joined on the day the war started the world which is not a new world for me, but apparently a new world for the world. And I think with this presentation, and with the strategy we are planning to develop going forward we are optimistic to take the anti-cyclical notion that Ibrahim mentioned into future performance.

Operator

Thanks. There are no further questions on the webcast page. I would like to hand back to Air Astana team

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for closing remarks.

Ibrahim Canliel, Air Astana JSC – Chief Executive Officer

Thank you very much to everyone for joining in today, and to the team for all the preparations to get to the point that we presented to you today. It has been a mixed quarter, with the differentiation between January, February and March. The new normal does provide to us a great opportunity, which enables us to look at more confidence as we look into the future. We surely have challenges, and at the same time, we have clear priorities that we have identified. As we execute these, as per the plan, we are confident and comfortable that we will be meeting our targets. I'd like to thank everyone for joining us today, and also to the organizers and the backup team as well.

Operator

Thank you very much. This concludes today's call.

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