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Moderator: **Nermeen Abdel Khalek**

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Operator: Good day everyone and welcome to the Jazeera Airways 4Q18 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Hatem Alaa. Please go ahead.

Hatem Alaa: Hello everyone. This is Hatem Alaa from EFG Hermes, and we are pleased to be hosting Jazeera Airways full year 2018 results conference call. On the line today from Jazeera, we have Rohit Ramachandran, the company's CEO; and Krishnan Balakrishnan, VP Finance. I'd like now to hand over the call to Rohit who will be giving a quick presentation that would be followed by a Q&A session. Rohit, please go ahead.

Rohit Ramachandran: Thank you Hatem. Good afternoon and hi everyone. It gives me great pleasure to welcome you all to our earnings conference call for the financial year ending 2018. The fourth quarter is generally considered one of the tough quarters for airlines in our region as it falls after the usual cycle of the summer rush, which ends in September, but then sees a slight pickup in terms of travelling towards the end of the year during the Christmas and New Year holidays.

The steep drop in fuel prices that took place later in the year was not fully captured by airlines, as there was a lag between the announced prices and the effective implementation by fuel suppliers. This meant that during the year, airlines globally as well as regionally, had to face extra pressure on costs compared to previous years. This, coupled with the continuous aggressive and sometimes irrational regional competition, has signified the main trend of the year despite the improvement witnessed in the fourth quarter of the year.

Throughout our call today, we will discuss Jazeera's performance in 2018 as well as the main drivers that shaped the year. And of course, we will provide you with the latest updates regarding our flagship Jazeera terminal, which is maturing by the day and showing solid operational performance.

Now let's dive into the presentation. If you could open your presentation to slide five, which shows the headline results. Jazeera Airways posted another significant improvement in seat factor in the fourth quarter reaching 71%, up from 69% during the comparable period last year. We also continued our growth in terms of passengers carried with a total of 478,000 passengers, which is an increase of a stunning 52% year on year.

Interestingly, our yield, which is the average fare paid by a passenger, came in at KWD38, reflecting a 12% increase over the same period last year despite the sudden drop of fuel and the subdued nature of the quarter, as we previously mentioned.

Also as mentioned earlier to you during our Q3 conference call, we managed to outlive some of our competitors who were encroaching on our turf, and have succeeded to push back others to a more reasonable frame of operations. This, combined with our focus on achieving the highest returns possible per passenger, have driven our yields higher during the fourth quarter.

Again, as you have seen in the previous quarters, our relentless dedication to achieve the most effective use of our assets meant that the aircraft utilisation increased from 10.5 hours in 2017 to 14.8 hours, just short of 15 hours, in the fourth quarter of 2018.

Moving onto the next slide. On an annual basis, Jazeera managed to increase the number of passengers by a massive 43% to reach the 2 million-passenger milestone. For the year 2018, the combined load factors came in at 75.2% while utilisation moved up by 24.5%, to close the year at 13.6 hours compared to 10.9 hours in 2017.

Yield saw a marginal decline over the whole year in 2018, which, in my opinion, is a reasonable decline given the launch of seven new routes during the year, which went through a promotional phase as well as the regional price pressures that affected our business in general.

Moving onto slide seven. Jazeera Airways posted a very strong revenue result of KWD18.7 million for the fourth quarter, which was 76.3% higher than the same period last year. Reported operational results showed a loss of KWD2.2 million, down 20.8% compared to last year. However, excluding the impact of the irregular disruptions and that of the terminal, the effective adjusted operating profit would show a significant improvement of 30% over Q4 2017. I will touch upon this a little bit later on in the presentation. Similarly, the reported net profit for the company was negative KWD1.8 million, while the adjusted net profit would only be a marginal negative KWD0.9 million.

For the full year, Jazeera reported a 45.5% growth in revenue, which settled at KWD82.4 million up from KWD56.6 million the previous year. Our adjusted operating profit for 2018 is KWD8.8 million dinars, an increase of 14% over 2017. However, due to the adverse impact of the one-off expenses that were in the tune of KWD1.5 million and a negative contribution of just over KWD0.5 million from the terminal during the first few months of operation, the operating profit reported came in at KWD6.8 million.

Below the operating line, we realised a foreign currency loss of KWD300,000 mainly driven by the meltdown of emerging market currencies during the year as we have a significant exposure to markets like India and Turkey, both of which were affected. Last year, this exposure created a profit of KWD152,000. Against all of that, the 2018 reported net profit conveyed a decline of 12% to KWD6.7 million.

I would now like to elaborate on the irregular events that we referred to in the footnotes of this slide and the previous slide. You would have noticed that the reduction of the profit in Q4 and the full year 2018 is explained by one-off expenses due to irregular events. Let me explain this a little bit further. These amounts include operational disruptions in July; an engine-related event in August which also resulted in us having to wet lease an additional aircraft during the summer peak and its consequential costs. And we also suffered due to severe weather-related disruptions in November and December, which included, believe it or not, floods and fog at Kuwait Airport during which time the airport was closed and our flights were diverted to several cities within the GCC. That's why we have termed this as one-off events.

Keeping the impact of fuel, yield and terminal expenses in mind, I am pleased to announce these results and will continue maintaining an optimistic outlook into the future of our business model as we gradually shift gears into 2019. I will elaborate a little bit more about the outlook for 2019 a little bit ahead.

Moving onto the next slide. Two key components that we always highlight as part of our low-cost carrier DNA are e-commerce and ancillary revenue. During 2018, e-commerce and Internet sales grew by 11% while ancillary revenue grew by a significant 57%. Both these elements will continue to be a big focus for the company in the months ahead.

Our next two slides discuss our network, potential for further penetration, and how these dynamics are affected by the market and as well as our growing market share. During 2018, we added seven new destinations, mostly focusing on the underserved Indian subcontinent. As we explained earlier on in the year, and as is now demonstrated by actual numbers, we see the

Indian subcontinent as a game changer for the airline. And we will continue to expand to more destinations in this region, which contributed 13% of our total passenger numbers in 2018, up from less than 1% in the previous year. This view is supported by very strong fundamentals and is further encouraged by the superior performance we are witnessing on these routes.

Our network expansion, combined with the higher utilisation, were the main drivers behind our significant growth in the number of passengers, allowing us to increase our market share to 13% of all passengers travelling to and through Kuwait. This number increases to 18% when considering only the routes that we operate.

Further, our macroeconomic background in terms of the Kuwait travel environment remains very bullish and supportive, encouraging us to add to our fleet and target more destinations. The number of travellers to and from Kuwait increased by 8% in 2018 after a very strong jump of almost 17% in the previous year. We believe this trend will persist and we will continue to exploit it.

A word about our fleet on slide 13. This year, we will be adding three airplanes to our fleet. The first would be delivered to us in May, the second in June, and the third in August, although we have accounted for the possibility of a delay of a couple of months from Airbus. All these three aircraft would be Airbus A320neos. These additions will allow us to target destinations that are further away, markets like London Gatwick to the west, Dhaka to the east, and several new destinations within both the GCC and the Indian subcontinent.

Let me now update you about the terminal. At the Jazeera Terminal T5, we have now successfully served 1.2 million passengers since we started operations in the last week of May. The duty-free opened in October and is now a major attraction and a source of revenue for the terminal. Other food and beverage outlets such as Costa, Slim Chickens, Café Supreme are all now operational in the airside of the terminal, while we continue to work with regulators to secure the needed licences and permits for the other eager retailers on the land side. The business class lounge for Jazeera passengers is progressing and should be open in the coming few weeks.

A motivating development that took place in January of 2019 was the new ministerial resolution that applied a new airport and passenger charge, which will add to the terminal's aeronautical revenue, or what is known in the industry as regulated revenue. We continue to monitor our customer satisfaction and are receiving positive feedback from users of the terminal, as it cuts considerably from the travel time before and after their respective flights. We are also glad to announce that we are already in talks with the Directorate General of Civil Aviation in Kuwait for further expansion of the terminal that will increase our capacity and will enable us to better service our passengers.

I now conclude my part of the presentation. I'll hand you over to our Vice President of Finance, Krishnan, to review the financials in detail, and after that, I will be available to answer any questions. Over to you Krishnan.

Krishnan Balakrishnan: Thank you Rohit and a very warm good afternoon to everybody on the call. I'll take you to the slide number 16. If you see our capacity in terms of aircraft grew by 23%, but our seat availability increased by 44%, primarily because this was helped with the utilisation increase of 25%, as has been already elaborated by Rohit. So we have got a capacity increase just by improving our daily performance of 25% capacity.

Now, on the load factor, yes, we were higher. The yield – I'll not touch upon, it has already been covered by Rohit – for the year was lower, but in the Q4, we saw an increase. We know in the earlier part of year, there were other factors, which unfortunately reduced the yield, but we are already catching up and doing better, as you have seen in the Q4 results.

Some of the major reasons for the variances in the numbers, the P&L is there as part of the package, but I'll just highlight a few adverse factors, which did not help us achieve the profitability we had in the past. One was the fuel price increase. It had an adverse effect of KWD4.4 million. Yield reduction reduced our performance by KWD1.5 million, a one-time cost of KWD1.5 million, which already Rohit touched upon, and the losses from the terminal as well, the KWD500,000, which did not help us in the profitability.

I will take you to slide number 17. Again, the same trend of the utilisation helping us add additional capacity of KWD27 million – 27% for the quarter. Here if you look at the numbers, we had an operating revenue, which was up by 76%. This was helped by the increase in the yield year over year in the quarter four of about 12%, which amounted to KWD2 million additional revenue. The fuel price increase, as compared to the previous year, unfortunately took us down by about KWD1.1 million. The one-time disruption cost and the terminal losses added about KWD1 million additional losses for us. So the net-net, we still performed better than the previous year, and about 32%.

I will now take you to the next slide where, if you look at the balance sheet – because already we have run through the profitability, so I will not repeat what I have already said. If you look at the balance sheet, our cash position has reduced, but that is primarily because we had a dividend payout. I have detailed the explanations, if you wish to see, slide number 20 for the adverse variances.

The dividend pay-out of KWD7 million was done from our own internal resources of course. Then we also funded the entire terminal building construction cost of about KWD10 million. We have not used any loans to construct the building. There was an increase, especially in the quarter four, in the amount of receivables, driven by the fact that we had about eight engines being released from the shop during this quarter from September to December. And all of these shop visits were delayed from 2018 Q1 and even Q4 of 2017.

The reason for the delay was the shortage of parts from CFM, and this was a worldwide phenomenon. And several engines were sitting in the shop for anywhere between six to nine months. The process that we follow, that's contracted, is that we have to pay for the engine shop visit before the engine gets released from the shop; and thereafter we collect the final invoices from the MRO, the shop, which has done the engine repair. And then we have to get the money reimbursed from our lessors, from the maintenance reserves that they hold from us.

So this process is now in – already going on and the invoices we had to pay out in the last quarter as I mentioned for several engines, and the collection process is on. And we hope by end of this quarter, most of these receivables will be cleared up. And this is a one-time scenario where there was a delay in the engine shops and therefore a bunching also of the engines. We do not foresee this to happen in future.

In the – if you look at the non-current assets, it has increased by about KWD10 million, and that is primarily from the terminal building being operational and therefore capitalised. And we have paid some security deposit towards the three aircraft, which Rohit spoke about, that are scheduled to be delivered in 2019.

The trade liabilities have again increased, thereby helping our cash flow. This has primarily increased because of the level of operations, of course; and secondly, by some of the engine invoices which have come towards the end of December and which will get paid out in the first quarter and also recovered from the lessors.

The debt and equity more or less have remained the same as they were in 2017. There is a slide which shows the increase – slide number 19, which shows the increase in the fuel prices year over year and this unfortunately has not been in our favour for the year 2018. Despite that, yes, we have performed well and we are quite optimistic about the future in especially 2019 and onward, as Rohit already mentioned. So I will – with this I will conclude my presentation and we will open the floor for questions, if any.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, it is star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. Our first question comes from Nishit Lakhotia from SICO Bank.

Nishit Lakhotia: Yes hi, thank you for the call. I have a few questions actually on the results. I'll go one by one, one. First one is on this receivables jump, I know Krishnan you mentioned it very in detail how – on the bunch up of engine costs. But it looks like kind of strange that you are first funding, you are doing the repair, you are deploying your cash for this engine and then you are asking for it be paid by your lessors. And does it really happen that way that the lessors then eventually pay you back after you raise the invoices?

And what I am worried about is, is there a chance of any provisions here in case you've raised like a bill of $100 and the lessors finally just give you say $80, $90? Because a couple of – one is this in terms of whether you will receive all the money, it's a huge amount, so it's a – it's a drag on your cash and it's an opportunity to loss as well. So just wanted to understand why it happened – why this was – or does it happen this way? That was my first question.

The second is on the fleet, you said – Rohit, you mentioned that there might be chances of some delay by the Airbus so that means you might miss out on the – if there is a delay, then the third quarter can get impacted if your fleet is not really there for your now – according to your plan. So what's the contingencies or if in case you have for such delays? And in adding to that, what if you don't get more rides between Kuwait and India in terms of the fleets? If the traffic – if the fleets are not increased, what's the status on that and what's your outlook? Do you think there will be any moment therein? If it's not, where all can you – do you have the destinations that you can deploy these aircrafts profitably like you've done in the past where your destinations are giving you 75% to 80% load factor from day one, because these were the Indian destinations with so much of traffic [inaudible]?

And then my third question is on the Kuwaiti regulation on the KWD8, which has come up last month. If you can show us some colour on how that would play out for Jazeera. I mean, it's too early, but then from April it will be implemented. So well, how do you see that working in terms of the dynamics on the terminal revenue and on your overall business, the KWD8 charge that needs to be put in? I think, yeah, that – maybe just these three I have for the time being. Thank you.

Rohit Ramachandran: Right Nishit. Good to hear from you. This is Rohit and I will try and answer all the questions in the order that you've asked them. So the first question is regarding the cash position and how they were impacted by the engine shop visits. So first of all, let me put your mind at rest that the entire process is contractual and standard for the airline industry. And this has been going on not only since day one at Jazeera, but also in every other airline that I am aware of.

So how it works is the airline when it leases an aeroplane makes – is contractually bound to allocate some maintenance reserves for future maintenance events that take place. These maintenance events – the maintenance reserves are held by the lessor. These payments are made monthly by the airline to the lessor. But then the engine goes to the shop for overhaul. When the shop visit is completed, in order for the engine to be released, payment needs to be made by the airline. Once the engine is released and the payment is made, the lessor – the MRO normally has about three months to issue a final invoice. We take that invoice and then the lessor processes it and then reimburses the amount of the invoice from our maintenance reserve that we have paid them in the past.

Normally, this is quite a seamless process. But because we had seven or eight engine maintenance events over the course of the year because of the CFM part shortage that Krishnan had mentioned, all of them came together in Q4, which is why you find a temporary situation with the cash in the balance sheet. I am happy to say that since December right through January and February, Krishnan and his team have been working to reduce this and we are very confident that by March we should be back on an even keel when it comes to this cash.

Coming to your second question regarding the delays from Airbus, we have made provision for a minor delay from Airbus because we have seen the trends in the deliveries to other airlines in the recent past. We expect a maximum delay of one or two months. On one hand, work is ongoing to minimise the delay, if any, with Airbus.

On the other hand, we have made our own contingency plans by leasing aeroplanes, which would overlap with the planned delivery date of these orders. And in case we have to lease aeroplanes to compensate for this delay, we will get Airbus to pay for it, and that is something that Airbus is aware of. In any event, not a single planned route or frequency will be postponed and not a single opportunity for the summer will be missed because of any delay that might or might not occur with Airbus.

Your third question regarding the planned traffic for these aeroplanes and how traffic rights to India might affect the fleet growth in the future. You're absolutely right, all the seven new routes that we have started into the subcontinent have been not only profitable and high seat factor, but also have contributed to the overall health of other routes in the company with what we call sixth freedom traffic. Now we have currently exhausted all existing traffic rights between Kuwait and India, between Kuwaiti carriers as well as Indian carriers. The allocation is 12,000 seats in either direction.

However, for the last two months, there has been an intense lobbying effort with the government of India in order to make them aware of the urgent need to review the bilaterals between the two countries. So I had actually taken a delegation down from Kuwait, including Sheikh Salman, who is the Director General, the President of the DGCA. And we met with Mr. Suresh Prabhu who is the Aviation Minister of India, and Mr Prabhu clearly understood that Kuwait is one of the most underserved markets in the Gulf from India.

So there is clearly a plan in which both countries acknowledged the need to raise the bilateral quota between the two countries. However, they have yet not identified a timeframe for this increase. I am very confident that it will happen in the months ahead. In any event, the three aeroplanes that we have ordered for this year, and which will be delivered this year, are already fully allocated to our network plan, which has absolutely no bearing on any proposed increase into India. The existing three aeroplanes that are bid – that will come in over the course of this year are already fully allocated. So I have no concern about any risk with respect to forthcoming Indian traffic rights on the existing operation for this year and next year. Thank you Nishit.

Nishit Lakhotia: Yeah, and thank you Rohit. And just one more final question was on the new Kuwait regulation on the – which talked about the KWD8 charge...

Rohit Ramachandran: Ah yes, sorry. I missed out that one.

Nishit Lakhotia: Yeah.

Rohit Ramachandran: Yeah. So – so you are right. There has been last month a decision by the cabinet where a new passenger service charge has been implemented. The good news is that they have accepted in principle that this charge needs to be shared with the terminal operator. So that has been accepted. What is now in negotiation and discussion is the quantum of the share. And I don't have a final conclusion to that negotiation yet, but it's ongoing at the highest levels. And I am hopeful of a favourable resolution in the months ahead, which will give us access to most, if not all, of this KWD8 charge.

Nishit Lakhotia: Okay. Thank you Rohit. Appreciated.

Rohit Ramachandran: Welcome. Any other questions?

Operator: Yes, we have a question from Mohammed Thunayan from Jadwa Investments.

Mohammed Thunayan: Yes, hi and thank you for having us on the call. I have two questions. The first one is the yield outlook for next year if you can shed the light on that. And my second question is about the terminal. You mentioned that you are having plans of expanding the terminal, that you are currently in talks with government about that. So can you shed some light on that as well. And when do you expect to break even on the terminal and what's the expected net contribution for the terminal amongst the other airways' financial performance next year? Thank you very much.

Rohit Ramachandran: Thank you very much for your question, Mohammed. Happy to have you with us. I am happy to say since Q4 of last year, we have – as a combination of our own internal yield improvement efforts as well as a general improvement in the marketplace, we have been seeing a slow and steady improvement in Jazeera Airways' yields. What is most important is that we have seen this improvement even continuing into January and February. So certainly compared to the same period last year, we are now seeing a significant improvement on the yield.

Coming to the terminal and the expansion of the capacity. Currently we have a design capacity of about 3 million passengers per year. Now as you can see, in the last two years, we have been showing tremendous growth in passenger numbers. And we want to be sure that even though the terminal still can handle more passengers than we have today, we want to expand the capacity of the terminal to take care of our requirements at least for the next four to five years.

So we are now embarked on a phase 1.5, which is an interim solution to increase capacity before this summer; and a phase two, which will dramatically improve capacity before next summer. Both these phases of expansion are now ongoing.

About the profitability of the terminal, I have no doubt that it will be profitable fully this year, but as our regular listeners know, I do not give any guidance or firm numbers in terms of predictions. All I can tell you is that I am very happy with the progress and very optimistic for 2019.

Mohammed Thunayan: Okay. And one –

Rohit Ramachandran: Any further questions?

Mohammed Thunayan: – additional question regarding – yes, can you hear me?

Rohit Ramachandran: Yeah, sure, go ahead Mohammed.

Mohammed Thunayan: One additional question about the fees charged by the Civil Aviation. Let's assume that Jazeera Airways will not share these fees with the government. Can we know what will be the magnitude of additional expenses there by Jazeera Airways?

Rohit Ramachandran: When it comes to these fees, it is entirely income. I am not sure what expenses you are referring to.

Mohammed Thunayan: So basically I think there were decisions about delays and charging fees that was announced on 29th January that airlines has to pay for the General – Civil Aviation.

Rohit Ramachandran: Yes, it's not the airline that has to pay Civil Aviation, it is the passengers who have to pay this KWD8 passenger service fee. Generally speaking, all around the world, airlines act as an intermediary where they collect the necessary and applicable taxes and charges from the passenger as part of the fare and pass them on to the relevant authority. Now, when it comes to our unique case, the airline will collect this KWD8 from the passenger and it will go to the operator and owner of the terminal through which the passenger departs. Now T5 at Kuwait Airport is owned by Jazeera. So what is now in discussion with the government is the quantum with which this KWD8 needs to be shared between the airline, as in the terminal owner, as well as the government who provides other services on the airside.

Mohammed Thunayan: The reason behind the question is I think that Saudi have introduced such a, let's say, decision back in 2016 - 2017 while airlines were not able to pass all of that, let's say, KWD8 to their passengers, which impacted their net yield in a negative way.

Rohit Ramachandran: Oh no, this is an airport tax, which is very normal all around the world from Europe to the Middle East and the Indian subcontinent. What has been prescribed by the government will be charged in full by all airlines operating to that particular airport. Of that I have no doubt.

Mohammed Thunayan: Okay. Thank you very much.

Rohit Ramachandran: You're most welcome. Any other questions?

Operator: Our next question is from Divye Arora from Daman Investments.

Divye Arora: Hi, thank you for the call. I have a few questions. The first question is linked to because you are highly vulnerable to the fuel prices and we have seen the impact this year of fuel. So is there any plan to hedge yourself because if the fuel prices continue to be higher this year around $75 – taking an average of around $75 per barrel then this might be – this might hit you again. So is there a plan to hedge yourself, number one?

Number two, the new routes you are starting, in general, you have to give some sort of a promotion initially to get the passengers in. So the routes on the Indian subcontinent side were easier because of the demand, as you said. But, in general, when you launch a new route, how much time it takes you to break even on these new routes?

The third question is linked to the yields. So the expansion in the yields that we have seen recently in the last fourth quarter, was that mainly linked to the closure of Wataniya? Or there was an improvement in general across the board and you saw less competition from the Indian carriers and other carriers in the region, and everybody increased the prices and you followed?

The fourth question is linked to the leasing revenue on – in the terminal. So you have around 2,000 square metre of space. How much of that is leased and how much can we expect to be leased in 2019? Any occupancy rate guidance you can give us on that. Thank you.

Rohit Ramachandran: Okay, just one moment while I make a note of your questions. Right. As I recall you have asked four questions. One is regarding our fuel hedging strategy. Second is regarding how long it takes for a route to mature and become profitable. Third is regarding yield and if it was linked the closure of Wataniya Airways. And fourth is regarding the percentage of the terminal that is currently leased. Let me attack it one by one.

Now you are absolutely right. Fuel is an integral and very important part of the cost structure of any airline. It's true that last year we saw for the majority of the year the fuel price was much higher than it has been in the previous few years. We only saw the prices declining towards November. Now some airlines do hedge and we have looked at hedging, and we continue to look at a different hedging and risk mitigation when it comes to fuel price, including on our most recent board meeting. There is a committee and a task force that is actively engaged in exploring this option for Jazeera. Hedging itself is not without its own risks. There have been examples where airlines have benefited and there are also airlines that have burnt their fingers. So we will approach this with extreme caution.

However, when it comes to this particular year and as we see the fuel prices are very volatile, it swings between $55 a barrel and $80 a barrel of brent in a matter of just few weeks. We will look for opportunities, and if we change our approach, which so far has been to not hedge, but if we do decide to change our approach, we will certainly let our investors and analysts know.

When it comes to a new route, you are right, there is a period required for the route to mature and there is a promotional period to increase awareness of any new route. Even for the seven routes that we launched into the Indian subcontinent, we did have a promotional period to let the travelling public know, and we did have promotional pricing during that period as well. Which is one of the reasons why you find yields to be slightly lower during the early part of last year because that was when the new routes were launched. Typically, it takes about six months to a year for a new route to mature. However, in the case of the routes to the subcontinent that I mentioned, we have managed to see those routes maturing much earlier, which is also linked to your next question regarding yield.

It is true that our yield has improved steadily since we went into Q4 of last year and including Q1 of this year. Yes, part of the reason is whenever a competitor exits the market and some more rationality comes into the picture, you do see yields improving. I will say that the yield increases that we are seeing at Jazeera is a combination of two factors. One is external, which includes economic factors and comparative factors. And second is internal, which is the different strategies we have adopted to go after better yield traffic. Not going after just volume to fill the aeroplane and show higher seat factors, but a higher quality of traffic player where we can command higher yields as they are less price sensitive.

We see this also in the mix of passengers that we have been carrying out of India where now we have a more eclectic mix including, for example, leisure travellers from Delhi to Istanbul. We have companies taking their agents on trips in terms of conferences and incentives from Bombay to Baku. So we have quite a good mix of traffic coming out of India and not entirely dependent on labour as is the perception in some quarters.

Lastly your question regarding...

Divye Arora: Can I –?

Rohit Ramachandran: – the – sorry go ahead.

Divye Arora: Sorry. Can I ask a follow-up question? Yeah, so last year what we saw was that oil prices were up around 30% and most of the –

Rohit Ramachandran: Correct.

Divye Arora: – airlines in the region they were not able to pass on the increase in the fuel prices in terms of yields, and yields are rather a little bit down. So let's say the oil prices, they continue to be the same as last year, that was around $70, $72. Do you think that this year you guys will be able to pass it on? Has competition rationalised in the region to a level that everybody understands that they have to increase the prices and pass on this increasing costs, which they have taken over the last one year?

Rohit Ramachandran: Right.

Divye Arora: Or there is still...?

Rohit Ramachandran: So I can speak for Jazeera and I can tell you confidently that the vast majority of the oil price increase has been passed on starting from the third quarter of last year. And that's one of the reasons why you see, in Q4, the yield improvement, even though when you look at previous quarters of the year, the yield was in decline, but in Q4, and you will see in a few weeks' time when we announce Q1, that the yields are higher.

However, you are right. Different airlines adopt this differently. Some of them are not governed by the same P&L focus and business pressures and oversight that we are. So especially government-owned airlines may not be so quick to implement fuel surcharges, but we are used to this. This is not anything new. This is part and parcel of an entrepreneurial-listed airline that battles with government-owned airlines all the time. However, you will see that it's these airlines that are nimble, aggressive, that make it work as compared to large government-owned airlines.

Let me come back to your question regarding the percentage of the terminal that has been [inaudible]. We currently have leased practically 100% of the space that is airside, which means the space that is available for leasing after immigration, customs and security; practically the entire amount has been leased. On the landside, we are still waiting for one or two licences from the municipality. As a result, only about 30% of the landside space has been leased, which means that there is still another 70% of leasing left to be done, which is actively being done in this quarter. I hope that answers your question. And perhaps...

Divye Arora: Can you give us a number? Overall, out by – out of 2,000 square metre is 50% leased or – it will be more simpler for us to understand.

Rohit Ramachandran: Sure. I can give you that number, if you don't mind, after getting the accurate data – because I don't want to give you a number just off the top of my head because these things change on a daily basis, depending on what the team has been able to contract. If you can email me your email address, I will make sure that we reply to you with accurate data in this respect.

Divye Arora: Okay, sure. Thank you for the answers.

Rohit Ramachandran: Yeah. Thank you. Perhaps I'll take the final question now.

Operator: And that question will come from Rajat Bagchi from NBK Capital.

Rohit Ramachandran: Sure.

Rajat Bagchi: So hi, thank you so much for the call. Few questions. One that you have already touched upon the new routes to India. Just wanted to understand how profitable they are since the launch, at least some of the routes, which have had some operating history. In terms of the Dubai-Kuwait route, is it possible for you to share some data on how much does it contribute to the top line or say operating profit, the trend you have seen in the last two years, say for 2018 and 2017? And in terms of – just to understand the competitive space in Kuwait, given the activity we have seen from Kuwait Airways in terms of adding to their fleet size, announcing new routes, how do you see the space shaping up going forward? Thank you so much.

Rohit Ramachandran: Sure. Thank you for your questions. First of all, let me say that one of the things that I am pleased about is not a single Indian route and, for that matter, the vast majority of all the routes that we operate, not a single one of them makes a loss. And that is how in a region full of loss-making airlines, we are one of the very few, perhaps just two airlines that make a profit of the nature that we do. We wouldn't be able to make the profit that we do if we had loss-making routes. You may have one or two routes that occasionally dip below the profitability line, but those are seasonal variations. And if any route consistently makes a loss, it is mercilessly chopped. We don't operate any routes for political reasons. Every single route is operated with hardcore commercial considerations in mind, and that includes all the new Indian routes. That's I believe your first question.

With respect to Dubai, this is one of the most important routes that we have on our network and certainly one with the largest frequency. We have been operating to Dubai for a very long time. We currently operate between three and four flights per day to Dubai, depending on whether it's a weekday or a weekend.

Now the load factors to Dubai are good. It's certainly good when you consider that you have another Dubai-based carrier operating 11 flights a day into Kuwait and you have another Dubai-based legacy carrier operating five wide bodies into Kuwait per day, including an Airbus A380. And of course you have the Kuwait-based national carrier operating between four – three and four flights per day into Dubai. I am very pleased with the way that Dubai is shaping up.

However, Dubai is certainly the most expensive airport in the region that we operate to, and it's an ongoing discussion that we have with them to lower the operating costs including ground handling that we have in Dubai.

In fact, across the board, one of the things that you would find in Jazeera is our fanatical focus on reducing operating costs. Every cost line item is attacked on a monthly basis and we look at ways in which to reduce the cost per passenger ex-fuel, which is the number that we track. So it is certainly one of the biggest priorities that we have in the company is to tackle cost. You would see even from last year's – the full year result the tremendous, tremendous growth on the top line. But I still believe, despite these numbers, we should be focusing more on the cost side, hammer away at each individual cost element, bring down the costs, which I am very confident in 2019, in terms of ratios, will be far better than 2018.

I won't go into the contribution of each individual route to the overall revenue mix because those are numbers that we don't share, but certainly Dubai is the biggest that we have in our network in terms of frequency.

Divye Arora: And a quick update on the competitive space in Kuwait, given what we have seen from Kuwait Airways in terms of fleet addition and announcement of new routes?

Rohit Ramachandran: Sure. It's true that over the last two years, Kuwait Airways has invested heavily in new aircraft as well as interiors, branding and so on. They've also, maybe six months after we did, opened their own terminal in Kuwait International Airport, although that is still owned by DGCA, not the airline. I believe there may be a few routes that we do compete, but in most of the other routes, we deal in different segments. Not only that, in a few areas, we are also customers of Kuwait Airways. For example, we get our catering from Kuwait Airways, we get our engineering done through Kuwait Airways. And so we have conversations with Kuwait Airways and the highest level of the management very frequently and we have friendly relations with them, but we do compete on a handful of routes.

Our preference is to go to smaller airports that are closer to the catchment areas of our passengers, whereas as a legacy airline and a full service airline, Kuwait Airways, I assume, prefers to go to major international gateways. And in that respect, our business models are different and the customers that we target are very different. But I think it's a net positive for the passengers in Kuwait in general to have the choice that they do between a professionally run low-cost carrier offering good value for money and a full-service legacy carrier also at their doorstep.

Divye Arora: Thank you, thank you. Thank you so much.

Rohit Ramachandran: I hand this call now back to Hatem at EFG Hermes.

Hatem Alaa: Thank you very much for your time Rohit and thank you everyone for dialling in. Have a good day.

Rohit Ramachandran: Thank you. Bye-bye.

Hatem Alaa: Bye.

Operator: And that does conclude our conference today.

Krishnan Balakrishnan: Thank you.

Operator: Thank you for your participation. You may now disconnect.