

**Company:** EFG Hermes Holding SAE (EVENT)

**Conference Title:** Jazeera 2Q19 Conference Call

**Date:** Tuesday, 6<sup>th</sup> August 2019

**Time:** 8:00 AM CT

Operator: Please stand by. Good day and welcome to the Jazeera 2Q19 Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Hatem Alaa. Please go ahead.

Hatem Alaa: Hello, everyone. This is Hatem Alaa from EFG Hermes. Welcome to Jazeera Airways 2Q 2019 Results Conference Call. I'm pleased to have on the call today, Rohit Ramachandran, the company CEO, and Krishnan Balakrishnan, VP of Finance. I'll now hand over the call to Rohit Ramachandran for a quick presentation that'll be followed by a Q&A session. Rohit, please go ahead.

Rohit Ramachandran: Thank you, Hatem. Good afternoon, everyone. It gives me great pleasure to welcome you all to our earnings conference call for the second quarter of 2019 during which I'll also cover some details for the first-half of the year.

I've now been hosting these calls for more than two-and-half years. During this time, the team at Jazeera has been hard at work driving sensible expansion, eliminating wasteful expenditure, competing aggressively in the market place and so on.

Every quarter, I've kept you all updated with our initiatives and the health of our business. Occasionally though, hosting these conference calls is extra enjoyable when the results reflect the efforts and initiatives of many people in the company over a long period of time. Today is one such occasion.

As you might have seen from our preliminary results published yesterday, Jazeera posted its strongest performance in many years during the second quarter of 2019 and yet another solid sign of the efficiency of the expansionary strategy that the company is pursuing.

As we will cover along the upcoming slides, we will walk you through the company's financial and commercial performance and also elaborate on how Jazeera managed to achieve these results. Without further ado, let's just jump straight into slide 6 of the presentation if you have it open in front of you.

The airline posted yet another quarter of growth in the number of passengers it carried and it was up by 12% over the same quarter of last year. This was driven by better utilization of our fleet at 14.8 hours per day along with a higher load factor of 77.5% up from 73.5% in the second quarter of last year. Although we only introduced one new destination during the quarter which was Bodrum in Turkey, we continue to streamline our operations on existing and new routes.

Additionally, the second quarter yield or the average fair paid by passenger came in at KD45.6, reflecting a very healthy increase of 12.5% over the same period last year. This was achieved by relentless focus on the specific metric as it has a direct impact on our revenue. We will, of course, continue to keep a close focus on yield movement and plan accordingly.

If you could move to the next slide, slide 7. As a result of these operational achievements, Jazeera's revenue came in at KD26 million which is up from KD20 million in the comparable period last year, reflecting a strong growth of 30% while our operating and net profit for the quarter both soared by 170% to KD4.8 million. These earnings are the result of an aggressive sales strategy and a continuous focus on implementing our cost-optimization program that is progressively improving our financial performance.

Let's now move to slide 8 where we talk about the eCommerce and the ancillary revenue for the airline during this quarter, both showed a very healthy increase and I will cover this slightly later when I talk about the first-half results.

Moving on to slide number 9. In the first-half, these figures show a more upbeat impact when perceived on a year-to-date basis. Compared to the first-half of 2018, Jazeera carried 20% more passengers and improved its load factor by 2.6% while also increasing aircraft utilization by 5.9%. All the while, managing to increase the year-on-year yield by 10%. It's a very rare performance in the industry, having all these things happening together.

Of course, we move to the next slide. These operational achievements translate into an operating revenue of KD47.3 million in the first-half of 2019 versus KD34.5 million last year. Since there were no one-offs or unfavorable events similar to last year, this meant that Jazeera's operating profit increased almost fourfold to KD6.6 million compared to KD1.3 million last year while its net profit more than tripled to KD6.2 million against KD1.4 million last year.

Coming to slide number 11, in line with the growth we have achieved on many fronts, two major pillars that have significant contribution to our results are the advancement in eCommerce engagement as well as the increase in ancillary revenue both of which witnessed a strong year-to-date as the numbers in the slide will testify.

Let's now cover some of the major milestones in the second quarter of the year. If you could move to slide number 13, please. In terms of the key operational highlights, several developments took place in one of our most important destination countries and that is Turkey. During the first-half of the year, flights that previously used to land in other Turks airport have now all moved to the new Istanbul Grand International Airport. Further, as we continue to expand operations in Turkey which represents a major business and holiday destination to GCC

residence, we started flying to Sabiha Gökçen airport in Istanbul, which is a secondary airport on the Asian side of Istanbul and also added a new seasonal service to Bodrum during the summer.

In order to improve our onboard passenger experience, and in line with our reputation for innovation, we launched the first onboard convenience store with Trolley, one of the largest chains based out of Kuwait. Further, and in order to cater to niche passenger's requirements – and this is an example of how Jazeera is quite different from any of the other airlines, we saw demand for passengers who travel to Baku for the Europa League soccer finals, between Chelsea and Arsenal football teams and we immediately put on the extra flight to Baku. The flight was sold out within a few hours. And, actually, the fare sold on those flights very, very attractive yield. But this can only be done by a nimble and aggressive airline like Jazeera, taking advantage of opportunities very quickly.

In June, wet leased aircraft joined our fleet to provide support to the high season operations for the summer. We are glad to announce that it's been operating well and will remain in our fleet until the end of September, which is the end of the summer season and then go back to its lessor.

All of these events and others were positively perceived by the aviation community in the region. And Jazeera received several awards documenting its success, including aviation company of the year and a couple of awards which recognized our technology and information management within the company.

Let's move to slide number 14, which talks a little bit about our market share. You will see that our market share on almost all destinations maintain a healthy position to and from Kuwait. This is even more pronounced on our destinations that were launched since the beginning of 2018 as a steadily maturing and becoming an integral part of our expanding network.

Slide number 15, highlights the evolution of our network as we increase our operations to the Indian subcontinent, and carry more passengers to and from the six destinations in South Asia. During the second quarter of 2019, we witnessed growth in the number of passengers to all of our destinations. But the percentage contributing to the aggregate number will continue to change as we launch new destinations.

For slide number 16, as for our other lines of business, I'm happy to announce that Jazeera Terminal T5 reported its second straight quarter of profit since opening, registering an EBITDA of KD729,000 and a net profit of KD240,000 in the second quarter. All Jazeera passengers flew through T5 were significant improvements in the retail offering and F&B offering can be witnessed. We have – we have the new business loft lounge opening, several new restaurants opening, etc. Our team today has gained significant experience in managing the terminal and we look forward to a busy and successful conclusion of the summer season in the next month-and-a-half ahead.

Let's now talk a little bit about the rest of the year. Move to slide number 18, please. Looking forward to the remaining months of 2019, our plan remains intact as four new destinations will be launched in addition to the ones I already mentioned in Turkey. These are most importantly first on the list London Gatwick that will be launched on the 27<sup>th</sup> October. This will be the first low-cost connection between the GCC and the UK. We also believe it will be the longest schedule service in the world for the A320neo.

In addition to London, we'll be launching flights to Dhaka in Bangladesh, Kathmandu in Nepal, Karachi in Pakistan, as well as at least two additional routes into Saudi Arabia, which include Dammam and Qassim. These routes will offer important additions to our network as they target different market segments for business and leisure and will also reflect the better utilization of the new A320neo aircraft that are joining the fleet starting from the end of September.

To expand on that, we are pleased to confirm that we will be receiving three brand new A320neo aircraft this year. In addition to renaming the services of a short-term dry lease A320 aircraft that we took on in July. This means that by the end of the year, we will have 13 aircraft in our fleet.

On the facilities front, we will continue to share with you the updates of Jazeera terminal as they evolve, but they are a very optimistic view for the year as the positive signs are progressively materializing, more and more retail space being leased out and one or two very key licenses now beginning to come in.

With this, I conclude my section of the presentation and I'll hand you over to our CFO Krishnan for a detailed discussion on the financials. Krishnan, over to you.

Krishnan Balakrishnan: Thank you, Rohit. Good afternoon, ladies and gentlemen. I just – will quickly take you to slide number 20, which shows the three parameters for the second quarter of '19. Everywhere, if you see, there is a growth year-on-year and reasonably a good amount of growth. And I will not dwell too much on this, as already Rohit has covered all the important aspects of the growth.

Further, I want to just highlight to you the qualitative improvement that we have had year-on-year, which have helped us improve the bottom line. One of the increases was in the yield, year-over-year. We grew from 45 – we grew from 40.9 to 45.6 and this impacted of a bottom line by KD2.3 million. The rental revenue from the terminals has also increased by KD600,000 which has also hit the bottom line directly. And the ancillary revenue per pax has gone up year over year and this has also contributed about KD300,000. Besides this, of course, there had been an improvement in the low sector and other area but I just wanted to highlight the major reasons why we have done better than last year.

Then going on to slide number 21, we are showing the balance sheet. You can see there is a growth year over year. This is after a payment of KD7 million of dividend that we did during the second quarter. This is after adjusting it.

If you go to the next slide, we will – that shows the Brent movement which has been favourable for us compared to the previous year. But the more important one is on the 23<sup>rd</sup> slide where we talk about how the balance sheet has moved. The current assets – the cash balance has increased by KD6.3 million since December last year. And the reasons are, of course, the profits have increased, and thus contributed positively. The working capital has also improved because we have been collecting all of our receivables more aggressively.

As you remember, the last time we had a bunching up of engines, now that backlog has been cleared, we are now back to a normal scenario. And we have a dividend payment which has depleted our earnings by KD7 million, but that has not helped – I mean, it has not set us back because we have made enough money during the first half year already.

And we have also purchased a third engine for KD5.2 million. This is a spare engine to support our A320neo aircraft. And we have paid out KD5.2 million towards this particular engine. The receivables as I mentioned earlier have become fairly normal now, except the last couple of engines which are in the shop yet to be collected back from the source. But otherwise, we are back to a normal scenario.

With that, I will conclude my presentation as well and we are very happy to take any questions that you may have.

Operator: If you will like to ask a question, please signal by pressing star one on the 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. Again, it is star one to ask a question. And we'll pause

for just a moment to allow everyone an opportunity to signal. We will take our first question from Nishit Lakhotia with SICO. Please go ahead.

Nishit Lakhotia: Yes, thank you for the call and congratulations, Rohit and your team. It's a fantastic quarter. I think highest ever for second quarter as far as I remember for Jazeera in terms of performance. I have a few questions. First on the delivery schedule. In the presentation, it's mentioned four new aircrafts are going to come. And then you talked about three A320neos and 13 aircrafts towards end of the year. And I understand there is a short-term lease directly that will expire in September 2019. So, basically, there are four aircrafts coming and three Neos are there out of these four aircrafts. How many Neos are there overall right now in your fleet? And when are we expecting these delivery of the four aircraft through the year? What is your tentative schedule right now? That's my first question.

My second question is on the rental for the terminal. If we can see – if we can highlight more on how was the – what the situation on the rental at the landside area. And you talked on – you hinted on some licenses. So, is the situation is resolved now in terms of getting the right civil IDs and are you accruing the rent so for the lease space, and how much have you leased, so more color on the terminal in terms of how much has been leased. Is there any other bottlenecks for you to accrue the income and how terminal income would grow from here, that will be very helpful.

And the final question. On the second quarter, we saw some benefit from flights, by flying less during – to Dubai. So, you must have benefitted from higher yield on that and because of the Jet Airway situation. So, much of that you attribute to this yield increase and how is the market condition? Otherwise, if this wouldn't have happened, you would have seen any major dent in your yield or would that have been materially different or there was a material impact by these factors? So, three questions for now. Thank you.



Rohit Ramachandran: Thank you, Nishit. As usual, you do ask the most pointed questions. I'll try and answer all of them in the order that they were asked. Regarding our delivery schedule, let me begin from – let's say the beginning of this year until end of next year so that you have clarity on our fleet evolution.

Beginning of this year, we had eight airplanes – I'm sorry, beginning of this year, we had nine airplanes. We had nine airplanes including one Neo which we took delivery last year. Now during the course of Q2, we took delivery of one dry lease aircraft which we had leased for one year. This was from ALAFCO that took the fleet up to 11 air – 10 airplanes. Then we also temporarily leased a wet lease airplane from Romania for the summer peak which came in in June and will leave the fleet in October. But that's temporary, so I don't count that as a permanent fleet increase. The fleet is still at ten.

End of September, end of October, end of November, we will be taking delivery of one Neo each. A total of three new Neos coming in in the next months ahead before the end of the year. That will take the fleet up to 13 airplanes by the end of the year. By middle of next year, we will take delivery of one more Neo from ALAFCO which will actually replace the one year lease that I mentioned earlier. So, the total number of airplanes remain unchanged at 13 but an older CEO[?] aircraft swapped out for a brand-new Neo aircraft. Still, the total fleet size will remain 13 in the middle of next year. We are right now on the final stages of finalizing three additional Neos which will, you know, take delivery end of next year. With that, we expect by end of next year, the fleet size to go up to 16. This is the confirmed fleet evolution until the end of next year. Beyond that, we will give more details as we go along. That's regarding the fleet.

Regarding the terminal rentals, you're right. We have now leased out 95% of the airside space available and about half of the landside space available. The licenses I was referring to, which you correctly identified as the PACI which is approval from Kuwait Municipality, have now – it's now been approved and we expect to physically receive the license immediately after the Eid

holidays at which time we have all the paperwork necessary to aggressively go and lease out the remaining space available on the landside. There is demand and this will further tremendously improve the earnings from the terminal.

Your third question, regarding the impact of Jet Airways' suspending operations as well as flight by reducing frequency, I think it has had a mild net positive impact, not a significant one. I mean, let's put things in perspective. Jet Airways used to operate two services per day from Bombay to Kuwait only. That was the total operation into Kuwait. The withdrawal of those two services has not made a dramatic difference to our India operations one way or another because – I mean, irrespective of that, IndiGo, GoAir, Spice, have all increased operations from various parts of India into Kuwait and we're still competing favorably with them. So, I don't think Jet Airways going out of the market to Bombay has made a big difference.

Similarly, Fly Dubai has reduced some frequencies temporarily during Q2. I think they're back now to reasonably healthy frequencies. Yes, on some days, there was a mild benefit, but I don't think it's a significant or measurable benefit. Certainly, not to the extent of the 10% yield improvement we saw in H1.

I hope those – that answers your three questions.

Nishit Lakhota: Yes. Thank you. That's very detailed. And just in terms of the Neo, you're talking about flying to London Gatwick. We're being one of the – given the distance, would you be able to fly full load into Gatwick given the stretch on the aircraft or you would be restricted on your load factors on this aircraft?

Rohit Ramachandran: We would have to curtail a small number of seats, single digits. But what we are doing is actually creating a new subclass called Premium Economy which ensures that the seat next to you is empty. So, we're actually monetizing that payload restriction.

Nishit Lakhota: Okay, that's interesting. Thank you.

Rohit Ramachandran: Most welcome.

Operator: We will take our next question from Jagdish [Inaudible] with Franklin Templeton.

Speaker: Hey, this is Jagdis [Inaudible] here. Thanks, Rohit, for taking my questions. Congratulations in the good set of numbers.

So, on the delivery schedule and the number of flights, just – can you please confirm this? So, by the end of 2019, you will have 13 flights out of which are five Neos. And by the end of 2020, you will have 16 aircrafts and – out of which nine are Neos, is that right?

Rohit Ramachandran: No, that's incorrect. First of all, thank you for your question. End of this year, we will have 13 airplanes of which four are Neos. Yeah? And end of next year, we will have 16 airplanes of which – four plus three – seven, plus one, eight will be Neos.

Speaker: Eight? Okay, great, great.

Rohit Ramachandran: Yeah. Yes.

Speaker: Okay. And the yield front, just to continue what you said. So, can you tell me like what has contributed to this all double-digit yield? Is it the longer distances or anything else? Can you elaborate on that, please? And –

Rohit Ramachandran: Sure.

Speaker: – I read somewhere that Kuwait – oh, just – can I add like one thing? Kuwait Airways is going to add like five to six A320s in the next month. So, I don't know if all this is correct. And how it will impact your yields going forward?

Rohit Ramachandran: Sure. So, this is not overnight. You would have noticed for the last three quarters, a steady sustained improvement in yields. This is a combination of several yield improvement initiatives.

Regulars listeners to this earnings call would know that right from early last year, I have been talking about all the initiatives that we have put in place within the company to improve yield, including, you know, not relying so much on price-sensitive business, not going after very low yield groups. This is actually assigned within our revenue management department where they manage yields using a bit more sophisticated algorithms to forecast demand and supply. You don't sell out vast amounts of inventory too early. You manage it in a more scientific way so that you actually get the benefit of last-minute demand at more expensive prices. You go after corporate business, you go – there are about eight or ten different elements to yield improvement. That's one.

Number two, we make sure that we have robust sales in distribution network in all our destinations. So, rather than just relying purely on travel agents, we're making sure that we invest in having commercial teams in all our destinations so that they drive the business and they go after a better quality of traffic.

Now, when – your question regarding competition, I think it's well-known that Gulf carriers in general as well as the main national legacy carrier in Kuwait, they have access to large amounts of sovereign capital and they place large aircraft orders and you have a large number of airplanes constantly coming into the market within this region. This is also not a new phenomenon. We are used to dealing with it. We have been dealing with it since the day Jazeera was born and we

will continue to deal with it with playing to our strengths. So, our strengths is being nimble, being quick, operating to points that – maybe not busy international gateways, but closer to the home markets of our customers for – I mean, it's very obvious that in many cases, we lead and others follow.

Nobody was flying to Baku, we started flying to Baku and then others started flying to Baku from this country. Nobody was flying to Bodrum, we announced Bodrum and then others. So, this is very normal and we actually get the benefit of being first mover advantage and being aggressive in the market and nimble quite often.

Speaker: Okay. If I can ask you like you were talking about like cost management, can you please elaborate on that?

Rohit Ramachandran: Oh yes. This is another very important aspect of the day-to-day life of all our senior management where we go line by line to every cost element, we renegotiate agreements that we consider to be unfavorable to us, we have very, very tough conversation with suppliers, even the cost at which we acquire aircraft, I'm very confident are among the lowest in the world with the way we approach these things.

Internally, you will find we save – with more efficient practices and pass on the benefits to the customer as lower fares. Even you visit our office, I think you have visited our offices, you will see that unlike most GCC carriers, we don't have a chrome and glass palace, we have very basic open-plan office where everybody sits and we actually spend money on areas that benefit the customer which is aircraft and maintenance and so on.

Maintenance is another area that moving forward I think we've got big plans, because now we are reaching a scale where it benefits the company to in-source quite a few maintenance events. Right now, a large number of maintenance activities are outsourced, which is good when your

airline is small but it's also very expensive. So, as we grow, it begins to make sense to the economies of scale to in-source all these maintenance activities as much as possible in a phased manner. And you then begin to see a dramatic steady reduction in unit cost for maintenance. So, all these things put together I think forms a part of our daily life here in Jazeera.

Speaker: That's great. I'll come back and the queue. Thank you.

Rohit Ramachandran: Sure.

Operator: We'll take our next question from Mohammed Oftunyan[?] with Jero Investments[?].  
Please go ahead.

Mohammed Oftunyan: Yes, hi everyone and thank you for having us on the call and congratulations for the first half results. I have two questions, first if you can kind of shed the light on the passenger fee [inaudible] was issued last year I think by Kuwait's Aviation Authority. Any updates on that? And will Jazeera Terminal will collect basically those passenger fees?

And my second question, I would like to know more about what's the revenues that are being generated from the terminal for the first half. Do we know what approximately will be the full potential of the terminal if we assumed 50% – the 50% plan size the occupancy goes up to 95%? Thank you very much.

Rohit Ramachandran: Thank you, Mohammed, for your question. Let me start with the first one regarding the passenger fee update. Situation is relatively unchanged since the last conference call we had three months ago, which is actually positive. So, you're right, the government announced the fee and thereafter based on some conversations in the country they decided to temporarily suspend the implementation of this fee. So, two points to your question – one I'm 100% sure that Jazeera Terminal T5 will collect the fee.

Now, the question – already they've agreed to us collecting the fee – a portion of the fee. Now, the key to that is how much of the fee would be collected; is it going to be 5% or 95% or something in between, right? That remains to be negotiated. I think there is a sound justification if we look at the merits of the case for the terminal to collect the entirety or the majority of the fee. However, this still requires approval from the relevant government authorities. I'm sure, there will be an outcome – a favorable outcome in the months ahead. When it will be implemented? Again, I think this is pending. It will be implemented, I have no doubt, but I don't yet have a firm date when it will be implemented.

Regarding the revenue from the terminal, we don't generally provide detailed numbers both for revenue and for profit forecast for the terminal. Also, we don't do – we don't release sensitivity analysis of the profit depending on how much lease area is done. I would probably ask you to contact Krishnan offline and we will share as much data as we can as per our policy regarding the terminal. Is that acceptable to you?

Mohammed Oftunyan: Yes, Rohit.

Rohit Ramachandran: Sure.

Mohammed Oftunyan: Thank you very much.

Rohit Ramachandran: Thank you. Are there any further questions?

Operator: Yes. Nishit Lakhotia with SICO. Please go ahead.

Nishit Lakhotia: Yes, just a couple more questions from my side. One on the – first on the Indian subcontinent – more traffic rights has been – I guess this has been one of the areas that Jazeera

is also focusing and let's say at the government level, but any update on what's your outlook on that?

And not just for Indian subcontinent but looking at the way your fleet is expanding, from nine at the beginning of the year to possibly 16, that's by the end of next year, you would need – you know, there are a lot more destinations already planned. So, with Neos coming into your fleet, are you planning to fly more now to the Europe region, cover that, what's your strategy in terms of destinations under Neo? Would you be looking at longer distances and to the European subcontinent? Any more color on that will be very helpful.

And the second. On the dividends, last year you're very generous in your pay out, about 100% plus, so I wanted to know given that most of terminal and other CapEx have done and although you're expanding your fleet, would you be equally generous going forward on your dividends or that won't be the case and we should expect around 60-70% pay out? Any clarity on that front? Any change of policy or anything that will be helpful. Thank you.

Rohit Ramachandran: Sure. Right, Nishit, let me start with the India traffic rights. I think it's no secret that for any Gulf-based airline operating to the subcontinent is a key part of the network mix and the key driver for profitability. We here in Kuwait have a measly 12,000 seats in each direction as the air services agreement between India and Kuwait was signed in 2007. And it's way overdue for renewal and expansion. There are one million Indians in Kuwait and the shocking static is that Indian carriers and Kuwaiti carriers together carry just 45% of traffic between Kuwait and India. Imagine that, 55% of traffic is carried via other points including Emirates, Etihad, Qatar Airways, Air Arabia, Flydubai, Oman Air, Gulf Air. They carry 55% of the traffic from Kuwait. It's – they're stealing our lunch and so, you're absolutely right, the government of Kuwait with Jazeera taking the lead actually, we [inaudible]



Operator: Please standby. Please standby as Rohit rejoins the call. Again, please standby. Again, please standby.

Krishnan Balakrishnan: Okay. While Rohit is trying to rejoin, let me just – maybe fill you in. With you – you were talking about rights between India and Kuwait and how most of the other country airlines are benefiting from the rights when the Indian and the Kuwaiti carriers are able to currently use 45%. So, this matter is being taken up by the highest level between the two countries DGCA as well as the ministry. And we do expect some resolution of this, hopefully some time in 2019. In which case, they will have enough rights which will help us to profitably deploy the additional aircraft as well on – especially India and Pakistan as well.

The other thing that you did question was what happens if – you know, what do we do with these additional aircraft. So, we also have plan B, to operate to various other places where we believe there is an excellent opportunity with the current A320 fleet and we have not yet tapped those markets, many of them being to Europe, the Eastern part as well as to some places in Central Europe. So, we – plus, we have some other routes in the Southeast Asian region where we believe we can deploy. It is too premature for us to be disclosing this for several reasons but trust us, we will not deploy any aircraft on any route unless we are confident that it will start making money.

Hi Rohit, is that you? Hello? I think that addresses the question. Was there any other question that we had to address?

Operator: Yes. We will take our question from Kareem Abdeer[?] with Firm Partners.

Kareem Abdeer: Yes, hi, gentlemen. Thank you very much for the call and congratulations on a set of very strong results. Most of my questions have been answered. I just had one on the ancillary revenue. Although it's seen a strong growth year on year, if you take it as a percentage

of your passenger revenue, it's actually declined compared to the first half of 2018, and if I'm not mistaken, you had set out a target of mid-teens for that number. Can you elaborate more on the strategy for that going forward?

Rohit Ramachandran: Hi, I will take that because I'm back on the line now. I got disconnected out of Kuwait, if you don't mind, Krishnan?

Krishnan Balakrishnan: Please.

Rohit Ramachandran: Right. If I understood your question correctly, it was why we don't seem to have met the metric for ancillary revenue, am I right?

Kareem Abdeer: I mean that it's actually dropped as a percentage of revenue. Not that you've met the mid-teen target but I would imagine the trend would be upward.

Rohit Ramachandran: Sure, you're right. It is a bit of a concern and it is something that we are all working towards. There are a couple of factors that govern this, the most important of which is the metric that you're looking at has a numerator and a denominator and the denominator is the number of passengers, right. So, one of the aspects of our business this year is the huge increase in the number of passengers that have flown through the system. So, that definitely does not help to maintain the ratio at the level we need. It has kept pace more or less with capacity but you are right, it's still below our expectation in terms of where it needs to be.

Kareem Abdeer: Okay, sure. Great, thank you very much.

Rohit Ramachandran: Most welcome.

Operator: I will take our next question from George Briggs[?] with Somerset Capital. Please go ahead.

George Briggs: Sure. Hi here. Thank you for doing the call. I wanted to just talk about the capacity expansion plans in this long-term and you mentioned the – the fact that you'll have 16 aircrafts by the end of next year, potentially. Can you just let us know if you can use – you can still exclusively use your own terminal building for those 16 aircrafts and if not what your plan will be in terms of where to place those – which gates to use within the whole airport in Kuwait?

Rohit Ramachandran: Sure. You're right. With this kind of significant fleet expansion, you do need to keep pace with the infrastructure on the ground. We have already done that during the early part of this year and, for example, this summer now, we have increased one additional aerobridge and one additional ground gate just to keep pace with what we require for the remainder of this year.

When we are already working on phase two of the expansion of the terminal for four additional ground gates, moving forward, we will continue to be in the terminal that we have now, Jazeera terminal T5 but it will look dramatically different than what it does now, vastly bigger in terms of capacity once we are done with phase two.

George Briggs: Okay. And then longer term, am I right in thinking that you may look to build, you know – build a new whole new terminal building if possible? Can you just shed any light on whether that is likely to happen?

Rohit Ramachandran: We're likely to build an annex to the terminal. So, it won't be a whole new terminal building but we will add on additional infrastructure to the existing terminal building to keep pace with our fleet.

George Briggs: Okay –

Rohit Ramachandran: In maturity, I would expect our fleet size to be between 20, 22, 23 airplanes. So, that's what a mature Jazeera would look like.

George Briggs: Okay. And you will hopefully be able to use your own terminal building and that annex expansion to accommodate those – that mature fleet?

Rohit Ramachandran: Correct, correct.

George Briggs: Okay. Thank you very much.

Rohit Ramachandran: Most welcome. Can I take the final question?

Operator: And we'll take our follow-up – yes, follow-up and final question from [inaudible] from Franklin Templeton.

Rohit Ramachandran: Sure.

Speaker: Hey, yeah, thanks a lot. So, what are your eCommerce sales as a percentage of overall sales? And can you throw what was the revenue from the terminal? I saw every time net income but not that revenue number.

Rohit Ramachandran: Okay. eCommerce as a percentage of total revenue is currently 56%. This includes all elements of eCommerce including our website, the mobile website, the mobile app, and online travel aggregators.

Speaker: Okay. So, when compared to what are the industry standards, is it high or low, I mean, no idea?

Speaker: It also needs to be put into geographical context. So, it depends and varies widely route to route. Within this region, I would say we'd probably be the industry leader far in excess of other legacy airlines that operate from this region. Within the European context, I think we'd be below the industry average because there, many low-cost carriers have between 80% and 90% of their business coming through online channels.

For example, our routes to Istanbul or to Cochin in India, we have a large of portion of online sales but to Suhaj or an Asyut in Egypt and prospectively to Kathmandu or Dhaka, likely to have very little in terms of online sales. So, it depends very much on the demographics.

Speaker: Okay. And one last question. What was the revenue from terminal?

Rohit Ramachandran: We don't disclose individual components of revenue within the group at the moment.

Speaker: Okay, great. Thank you.

Rohit Ramachandran: Most welcome. Hatem, if I can hand the call back to you now to close.

Hatem Alaa: Yes, thank you very much Rohit. It's a very successful call and thank you everyone for dialing in. Have a good day.

Operator: That concludes today's call. Thank you for your participation. You may now disconnect.