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1H20 Earnings Conference Call

August 17, 2020



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**1H20 Earnings
Conference Call**

Starting Shortly...

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Agenda

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- ◆ Overview of Group During Covid-19
- ◆ Financial Headlines
- ◆ Operational Initiatives and National Duty
- ◆ Outlook for the Rest of 2020
- ◆ Financial Review
- ◆ Q&A

Photo: Jazeera repatriation flight lands at KWI

The Group During Covid-19

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Kuwait International Airport:

Suspension of all commercial flights from March 13 to July 31, 2020

Previous outlook: +600k passengers in Q2



Supporting Government Efforts:

Operated repatriation and expatriation flights and inaugurated testing center

Repatriating 6,800 Kuwaitis on 60 flights



Full Cargo Operations:

Converted aircraft for full cargo flights operating through the Kuwait hub

Carried over 1,600 tons in cargo



Decisive Measures to Safeguard Financial Position:

Suspended dividends, activated bank facilities, and strict cost controls

Restructure to support continuity

IATA on Industry in ME and Kuwait

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as of June 2020

Impact on Middle East

Passenger
numbers:

-56.1%

Passenger
capacity:

-46.1%

Net
losses:

-US\$4.8 billion

Impact on Kuwait

Passenger
numbers:

-57.0%

Airline
revenue:

-US\$7.7 billion

Employment
affected:

33,100

Operational & Financial Headlines

Photo: Jazeera launched full-cargo operations following suspension of commercial flights because of Covid-19 pandemic

1Q20 Operational Headlines

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Passengers	Load Factor	Utilization	Yield
-6.3%	-3.9%	-30.7%	-5.3%
1Q20: 496.5 k 1Q19: 529.6 k	1Q20: 71.7% 1Q19: 75.6%	1Q20: 9.5 hrs 1Q19: 13.8 hrs	1Q20: KWD36.5 1Q19: KWD38.5

1Q20 Financial Headlines

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**Operating
Revenue**

-10.9%

1Q20: KWD18.9 mn
1Q19: KWD21.3 mn



**Operating
Loss**

-266.3%

1Q20: -KWD3.9 mn
1Q19: KWD2.4 mn



**Net
Loss**

-509.8%

1Q20: -KWD6.0 mn
1Q19: KWD1.5 mn

2Q20 Operational Headlines

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Passengers

-92.0%

2Q20: 43.8 k
2Q19: 549.1 k



Load Factor

-33.3%

2Q20: 44.3%
2Q19: 77.6%



Utilization

-87.3%

2Q20: 1.9 hrs
2Q19: 14.8 hrs



Yield

+283.3%

2Q20: KWD174.8
2Q19: KWD45.6

2Q20 Financial Headlines

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**Operating
Revenue**

-70.3%

2Q20: KWD7.7 mn
2Q19: KWD26.0 mn



**Operating
Loss**

-186.7%

2Q20: -KWD4.2 mn
2Q19: KWD4.8 mn



**Net
Loss**

-182.7%

2Q20: -KWD3.9 mn
2Q19: KWD4.7 mn

1H20 Operational Headlines

▼	▼	▼	▲
Passengers	Load Factor	Utilization	Yield
-49.9%	-8.3%	-58.6%	13.2%
1H20: 540.3 k 1H19: 1.1 m	1H20: 68.3% 1H19: 76.6%	1H20: 5.7 hrs 1H19: 13.7 hrs	1H20: KWD47.7 1H19: KWD42.1

1H20 Financial Headlines

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**Operating
Revenue**

-43.6%

1H20: KWD26.7 mn
1H19: KWD47.3 mn



**Operating
Loss**

-224.3%

1H20: -KWD8.2 mn
1H19: KWD6.6 mn



**Net
Loss**

-260.0%

1H20: -KWD9.9 mn
1H19: KWD6.2 mn

Terminal 5 Performance

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1Q20

KWD865.5 k
Revenue

KWD373.5 k
EBITDA

KWD149.7 k
Net Profit

2Q20

KWD80.5 k
Revenue

-KWD380.2 k
EBITDA

-KWD625.4 k
Net Profit

Operational Initiatives and National Duties

Photo: Jazeera converts its Park & Fly facility into the first Covid-19 drive-thru testing center in Kuwait to be operated by Ministry of Health

Safeguarding our Financial Position

Immediate measures taken

March 13
**Suspension of all commercial flights
at KWI until further notice**

SUSPENDED DIVIDENDS

Suspended previous recommendation to distribute dividends for the financial year ending December 31, 2019

ACTIVATED BANK FACILITIES

Activated the drawdown of bank facilities that were not previously tapped to support Jazeera's ongoing liquidity through the coming months

COST CONTROLS

Reduced number of employees by 37%, voluntary 50% salary reductions for higher management, negotiated waivers with aircraft lessors, and reduced overall overhead bill

Special Expatriation Flights

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One-way charter flights for expats flying out of Kuwait

Operated expatriation flights scheduled under the directive of the Ministry of Foreign Affairs upon request from local embassies.



Supporting Government Efforts

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Repatriation Flights



6,800
citizens flown back home



60
flights



From **19** cities

Including London, Warsaw, Moscow, Yerevan, Riyadh, Manama, Dubai, Doha, Amman, Istanbul, Alexandria, Cairo, Najaf, Tehran, Tbilisi and Sarajevo

Passenger Center

- Jazeera built a Kuwaiti Passenger Reception Centre (KPRC), where tests are performed on all passengers arriving on repatriation flights
- KPRC was managed by the Ministry of Health and Ministry of Interior

Drive-Thru Testing

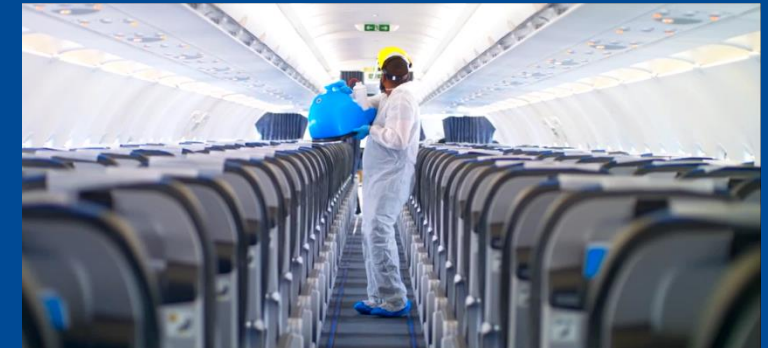
- Jazeera converted its Park & Fly facility for use by the Ministry of Health to perform the first drive-thru virus tests in Kuwait and the largest in the Middle East

50,000 Tickets to Frontlines

- Jazeera offered 50,000 free round-trip tickets to frontline heroes fighting the Covid-19 pandemic in Kuwait
- The free tickets will be redeemable to any destination served by our airline's network until 2021

Precautionary Measures

- Anti-viral disinfection program in which the cabins are sprayed after each flight, as well as fumigates them using anti-viral high pressure disinfection sprays on seats and throughout the cabin.
- Disinfectant chemicals used are internationally approved and safe for all passengers.
- The aircraft's air filters in on-board filtration systems are also replaced frequently, removing dust, allergens, bacteria, viruses and other irritating particles.
- Constant airflow ensures that the cabin air is refreshed every 90 minutes throughout the flight.
- Jazeera Airways' crew full protective gear, which is disinfected before boarding flights. A second disinfection is performed when disembarking.
- Passengers are mandated to wear medical face masks and gloves at all times. Supported by Kuwaiti non-profit organizations, passengers receive a hygiene pack and pre-packed closed food bags to avoid risk of contamination.



Outlook for the Rest of 2020

Photo: Part of the anti-viral disinfection program performed before and after every flight

Revenue and Cost Control

Restructure of leases

- After lengthy negotiations, reached settlements to restructure our aircraft lease agreements with lessors, making significant cash savings until the end of 2020.

Pressure on Yields

- Under pressure due to fierce competition from airlines triggered by a drop in demand.
- Low utilization and high idle capacity are limiting the ability to attract more passengers even with lower yields.

Aircraft Utilization

- Travel restrictions on the demand side are limiting short-term daily utilization of aircraft, which is expected to increase by year-end with the resumption of operations at a larger scale.

Recovery Outlook

- Expectation for gradual recovery.
- Plan to take delivery of 4 new A320neo from Airbus as model is a very successful investment.
- Previous staff members have priority in hiring with recovery.
- Focus on cargo operations.

Challenges: Airports Reopening

KWI Traffic

- Kuwait International Airport (KWI) was expected to resume operations at 30% capacity on August 1, equivalent to 10,000 passengers a day on 100 flights.
- However on the first day of operations, a decision to suspend flights from 31 countries significantly reduced that capacity.

Other Airports

- Azerbaijan, Georgia, Saudi Arabia airports still closed. Bangladesh and Jordan airports closed to passengers arriving from KWI.
- Most airports within our network are not expected to resume full capacity until early 2021.

Safety Restrictions

- All returning passengers to Kuwait are required to provide a PCR test certificate with a negative result valid 72 hours between the test date and arrival date at KWI.
- Mandatory home/institutional quarantine of 14 days for all passengers arriving in Kuwait.

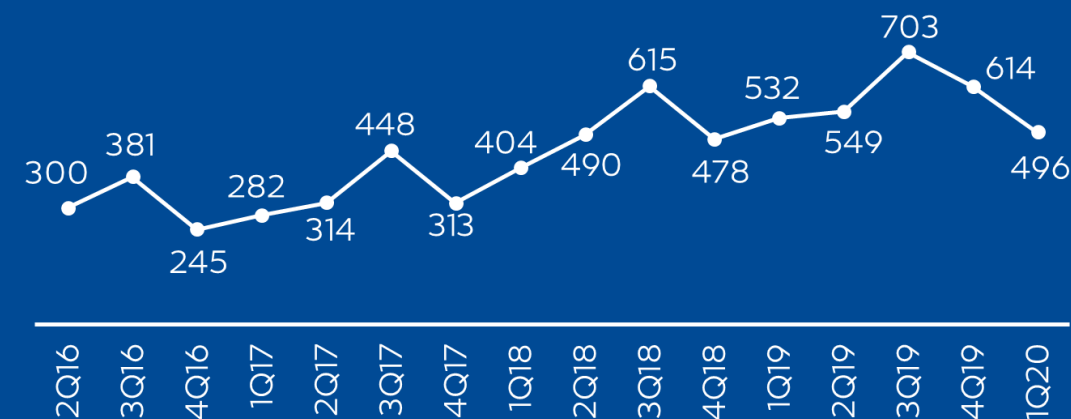
Financial Review

Photo: Jazeera pilots in PPE gear during the repatriation flights

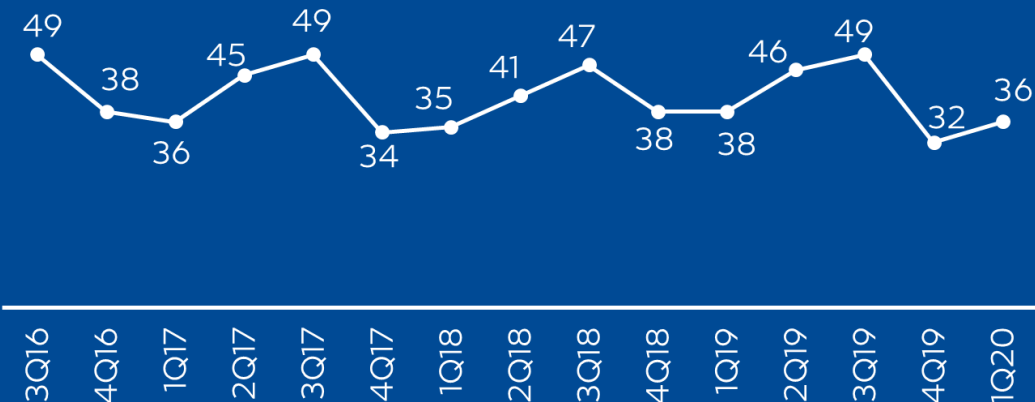
1Q20 Key Parameters

Operating Parameters	1Q19	1Q20	CHANGE
Average Aircraft	9.0	13.7	52.2%
Destination Cities	24	31	29.2%
Revenue Drivers	1Q19	1Q20	CHANGE
Seats	700,777	692,716	-1.2%
Passengers	529,640	496,484	-6.3%
Load Factor	75.6%	71.7%	-3.9%
Net Yield	38.5	36.5	-5.3%
Profitability Drivers	1Q19	1Q20	CHANGE
Sectors	4,292	4,152	-3.3%
Block Hours	11,134	11,852	6.4%
Utilization (BH per Day)	13.8	9.5	-30.7%

YIELD BY QUARTER (KWD)



PASSENGERS BY QUARTER (000)



1Q20 Key Parameters

In KWD

	1Q19	1Q20	CHANGE
Operating Revenue	21,288,274	18,962,737	-10.9%
Operating Expenses	18,905,804	22,925,365	17.2%
Operating Profit	2,382,470	(3,962,628)	-266.3%
Net Profit	1,468,662	(6,018,637)	-509.8%

	1Q19	1Q20	CHANGE
Cash	11,352,179	33,445,387	194.6%
Fixed Assets	21,602,587	21,082,437	-2.4%
Total Assets	120,064,702	180,890,700	50.7%
Total Liabilities	86,539,357	152,120,324	75.8%
Total Equity	33,525,345	28,770,376	-14.2%

Major reasons for unfavorable variances vs. 1Q19

- Yield decrease (primarily due to Covid-19 from mid-Feb) year-on-year impact of **KWD1.0 mn**
- Passenger decrease (primarily due to Covid-19 from mid-Feb) year-on-year impact of **KWD1.21 mn**
- Operations were suspended from March 13 due to Airport closure
- Operating expenses increase of **KWD3.36 mn**

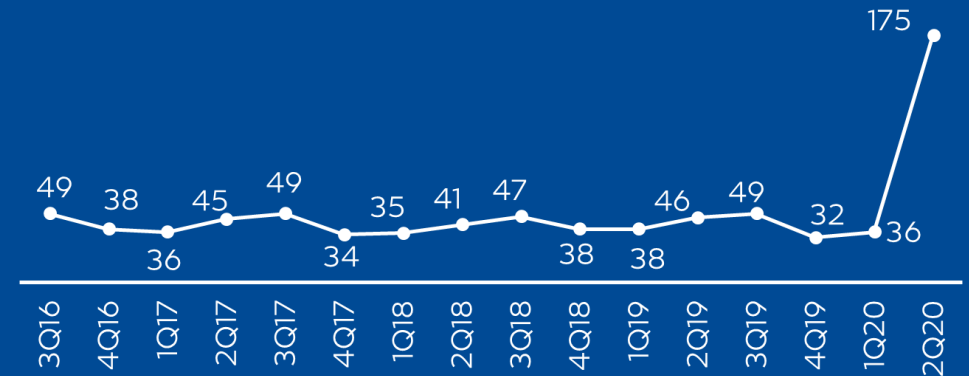
2Q20 Key Parameters

Operating Parameters	2Q19	2Q20	CHANGE
Average Aircraft	9.3	14	50.5%
Destination Cities	29	27	-6.9%

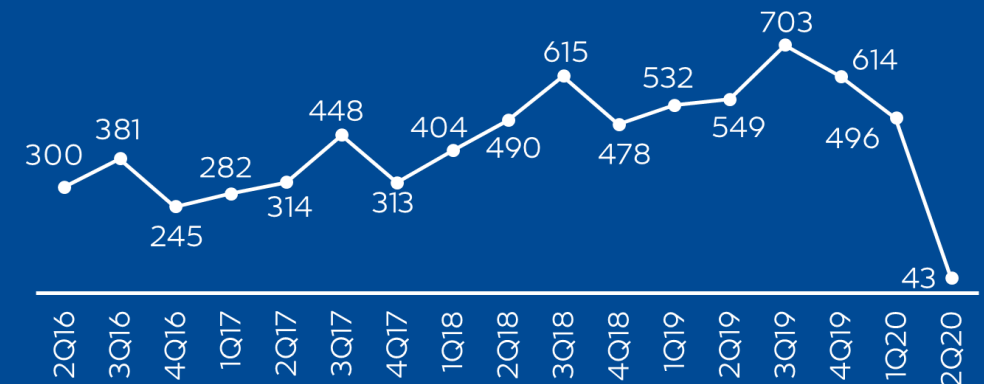
Revenue Drivers	2Q19	2Q20	CHANGE
Seats	707,718	98,844	-86.0%
Passengers	549,055	43,793	-92.0%
Load Factor	77.6%	44.3%	-33.3%
Net Yield	45.6	174.8	283.3%

Profitability Drivers	2Q19	2Q20	CHANGE
Sectors	4,333	690	-84.1%
Block Hours	11,556	2,395	-79.3%
Utilization (BH per Day)	14.8	1.9	-87.3%

YIELD BY QUARTER (KWD)



PASSENGERS BY QUARTER (000)



2Q20 Key Parameters

In KWD

	2Q19	2Q20	CHANGE
Operating Revenue	26,037,856	7,736,065	-70.3%
Operating Expenses	21,192,876	11,937,579	-43.7%
Operating Profit	4,844,980	(4,201,514)	-186.7%
Net Profit	4,746,896	(3,927,428)	-182.7%

	2Q19	2Q20	CHANGE
Cash	12,713,287	27,970,902	120.0%
Fixed Assets	25,745,834	20,558,205	-20.2%
Total Assets	119,297,569	177,375,260	48.7%
Total Liabilities	88,025,328	151,181,288	71.8%
Total Equity	31,272,241	26,193,970	-16.2%

Major reasons for unfavorable variances vs. 2Q19

- Terminal 5 loss of **KWD625 k** versus profit of KWD240 k in 2Q19
- Operating expenses decreased by **KWD9.2 mn** primarily driven by reduced level of operation

1H20 Key Parameters

Operating Parameters	1H19	1H20	CHANGE
Average Aircraft	9.2	13.8	33.3%
Destination Cities	27	31	14.8%

Revenue Drivers	1H19	1H20	CHANGE
Seats	1,408,502	791,560	-43.8%
Passengers	1,078,695	540,277	-49.9%
Load Factor	76.6%	68.3%	-8.3%
Net Yield	42.1	47.7	13.2%

Profitability Drivers	1H19	1H20	CHANGE
Sectors	8,625	4,842	-43.9%
Block Hours	22,690	14,247	-37.2%
Utilization (BH per Day)	13.7	5.7	-58.6

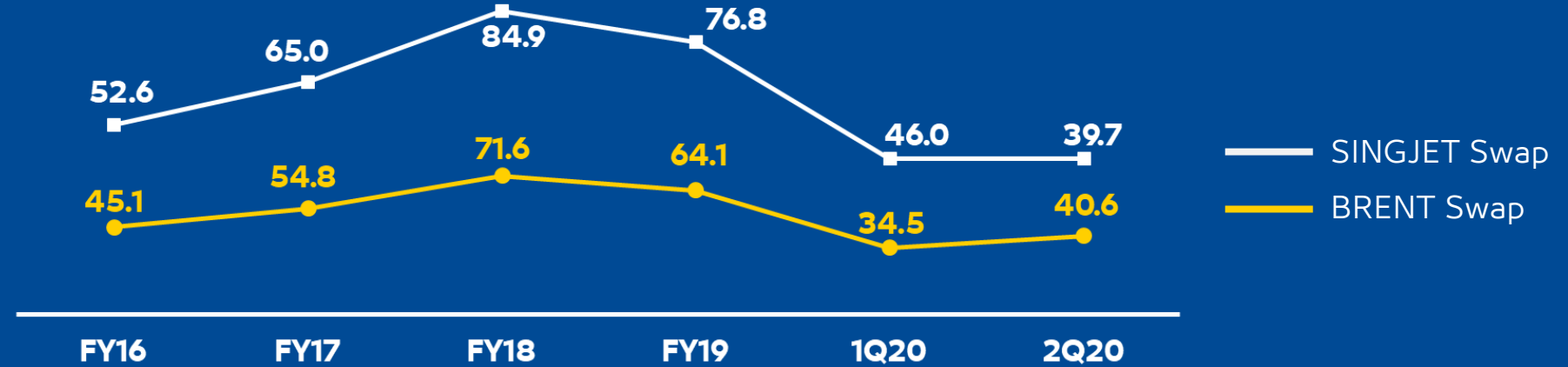
In KWD

	1H19	1H20	CHANGE
Operating Revenue	47,326,130	26,698,802	-43.6%
Operating Expenses	40,756,422	34,862,944	-14.5%
Operating Profit	6,569,708	(8,164,142)	-224.3%
Net Profit	6,215,558	(9,946,066)	-260.0%

	1H19	1H20	CHANGE
Cash	12,713,287	27,970,902	120.0%
Fixed Assets	25,745,834	20,558,205	-20.2%
Total Assets	119,297,569	177,375,260	48.7%
Total Liabilities	88,025,328	151,181,288	71.8%
Total Equity	31,272,241	26,193,970	-16.2%

Fuel Prices

BRENT Swap Vs. SINGJET Swap (USD/BBL)



Fuel as Percent of Revenue



1H20 Balance Sheet Analysis

- Cash balance has increased due to 2019 profitability coupled with the drawdown of overdrafts and loans in 1H20, which was offset by 1H20 cash losses.
- Fixed assets decreased mainly due to the sale and lease back of two engines in 2H19.
- Total assets and total liabilities increased mainly due to impact of IFRS 16 on the back of leasing three additional aircraft in 2H19 and one aircraft in 1Q20.
- Retained earnings decreased due to losses in 1H20.

Q&A

Photo: Jazeera cabin crew and ground operations prepare to disembark passengers during a repatriation flight to Kuwait

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Thank You

