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# 3Q20 Earnings Conference Call

November 04, 2020



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**3Q20 Earnings  
Conference Call**

***Starting Shortly...***



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# Agenda

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- ◆ 3Q Covid-19 Updates
- ◆ Travel Status at Kuwait International Airport
- ◆ Financial Headlines
- ◆ Operational Updates
- ◆ Outlook for the Rest of 2020 and 2021
- ◆ Financial Review
- ◆ Q&A

# 3Q Covid-19 Updates

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## **Kuwait International Airport:**

Flights resumed on August 1, 2020 with limited capacity

**Flights suspended from 34 countries**

Previous outlook: +700k passengers in 3Q



## **Focus on Charter Flights:**

Operated point-to-point and transit charter flights from and through Kuwait

Charter flights between Asia and Europe



## **Launched New Destinations:**

Launched flights to serve demand for "Covid-safe" touristic destinations and to offer transit options to Middle East

Launched flights to Trabzon and Dhaka



## **Decisive Measures to Safeguard Financial Position:**

Continued to maintain strict cost controls

Continued restructure to support continuity

# Travel Status at KWI

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AUGUST 1, 2020

**KWI**  
suspends  
commercial flights  
from 34 countries

**Countries include:**

India  
Pakistan  
Egypt  
Lebanon  
Nepal

5 destinations served

2 destinations served

6 destinations served

Popular summer destination

One of very few services from Middle East



# Financial Headlines



# 3Q20 Operational Headlines

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▼	▼	▼	▲
Passengers	Load Factor	Utilization	Yield
-90.7%	-35.8%	-83.4%	80.0%
3Q20: 65.6 k 3Q19: 703.4 k	3Q20: 51.8% 3Q19: 80.7%	3Q20: 2.4 hrs 3Q19: 14.5 hrs	3Q20: KWD87.9 3Q19: KWD48.8



# 3Q20 Financial Headlines

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**Operating  
Revenue**

**-82.9%**

**3Q20: KWD6.1 mn**  
3Q19: KWD35.5 mn



**Operating  
Loss**

**-162.6%**

**3Q20: -KWD6.5 mn**  
3Q19: KWD10.5 mn



**Net  
Loss**

**-156.5%**

**3Q20: -KWD5.6 mn**  
3Q19: KWD9.9 mn

# 9M20 Operational Headlines



**Passengers**

**Load Factor**

**Utilization**

**Yield**

**-66.0%**

**-15.6%**

**-66.4%**

**15.4%**

**9M20: 605.9 k**  
9M19: 1.8 mn

**9M20: 66.0%**  
9M19: 78.2%

**9M20: 4.6 hrs**  
9M19: 13.7 hrs

**9M20: KWD51.6**  
9M19: KWD44.8

# 9M20 Financial Headlines

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**Operating  
Revenue**

**-60.4%**

**9M20: KWD32.8 mn**  
9M19: KWD82.8 mn



**Operating  
Loss**

**-186.4%**

**9M20: -KWD14.7 mn**  
9M19: KWD17.0 mn



**Net  
Loss**

**-196.4%**

**9M20: -KWD15.5 mn**  
9M19: KWD16.1 mn



# Terminal 5 Performance

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3Q20

KWD206.6 k  
Revenue

-KWD317.1 k  
EBITDA

-KWD567.1 k  
Net Loss

9M20

KWD1.2 mn  
Revenue

-KWD323.8 k  
EBITDA

-KWD1.0 mn  
Net Loss



# Operational Headlines

Photo: First Jazeera flight to Trabzon Airport, Turkey

# Status of Flights

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**1Q**

**31 destinations**

Planned services to

**6 new destinations**

**2Q**

**Suspension of all commercial flights at KWI**

Focus on repatriation and expatriation flights

**3Q**

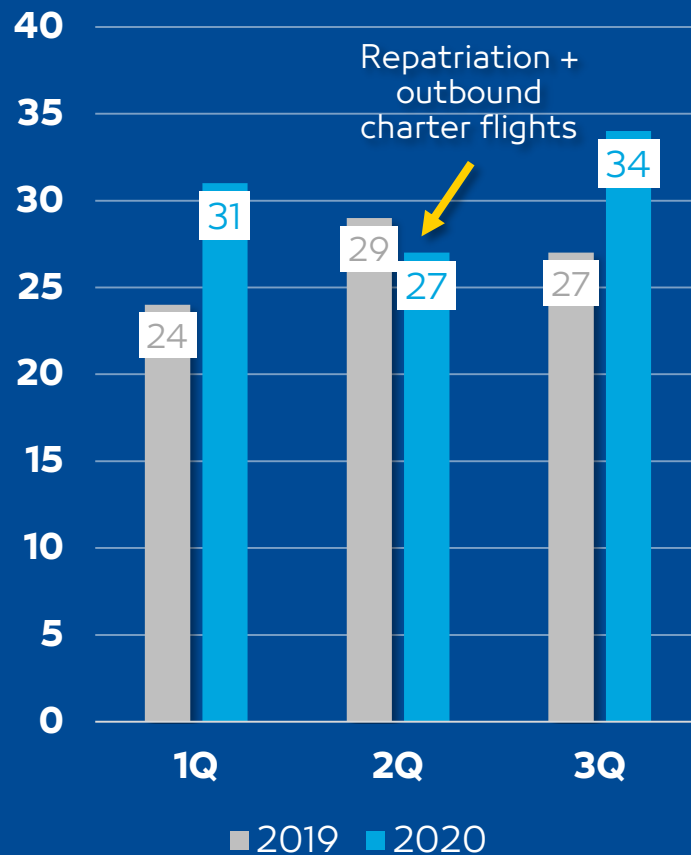
**Limited capacity commercial flights and charters**

- Commercial flights to:
  - Turkey: 4 airports
  - Dubai
  - KSA: 1 destination
- Charters to: India, Bangladesh, Nepal

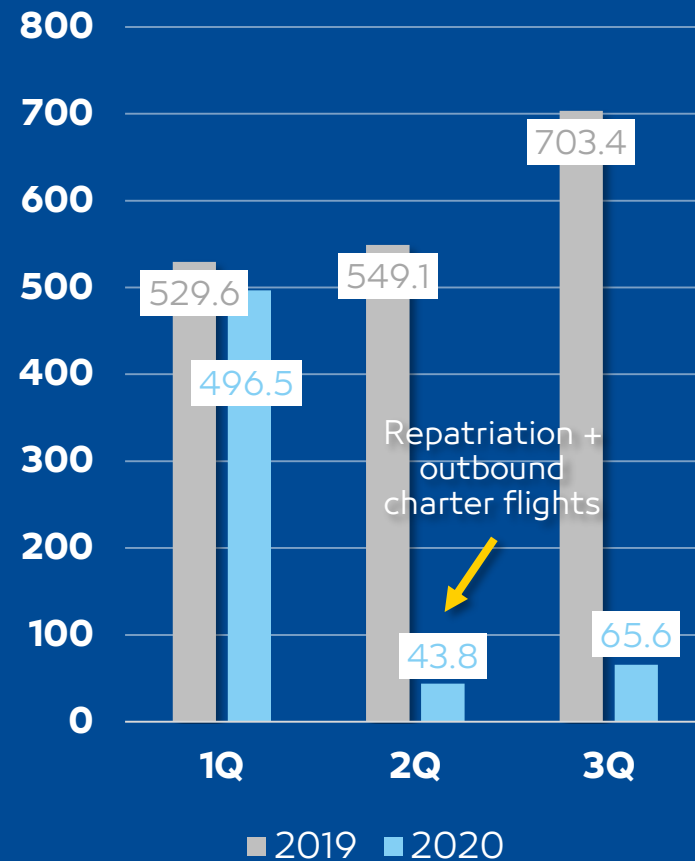


# Travel Stats

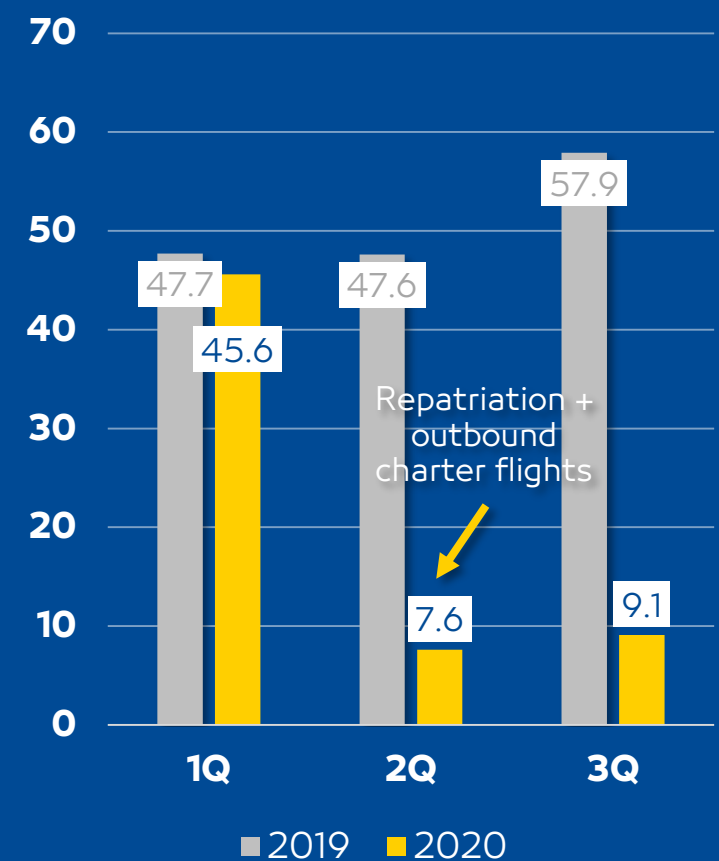
## DESTINATIONS



## PASSENGERS ('000)



## SECTORS/DAY



# Continued Cost Control

## 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 c.40%, voluntary 50% salary reductions for higher management, negotiated waivers with aircraft lessors, and reduced overall overhead bill

# Commercial Flights

Commercial flights at KWI resumed on August 1, 2020

## LIMITED CAPACITY

Preparations to resume  
30% of flights  
on August 1

Kuwait authorities  
announce suspension of  
flights on August 1 at noon,  
including 13 destinations  
previously planned in the  
30% capacity

## DESTINATIONS

Continued to serve  
commercial flights to  
approved destinations:  
Turkey, Dubai and later on  
to KSA

## CONNECTING FLIGHTS

Operated connecting flights  
through KWI including  
flights from London to  
Nepal, Bangladesh and  
other destinations



# New Services

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## TRABZON, TURKEY

First service to the touristic destination of Trabzon started on August 3, with two return flights per week every Monday and Friday.

**11 flights per week**  
to four airports in Turkey

*Istanbul International Airport,  
Sabiha Gokcen International Airport,  
Milas-Bodrum Airport  
and Trabzon Airport*



## UPCOMING SERVICES

### Dhaka, Bangladesh

Service started on October 1, 2020, offering direct flights from Kuwait to Dhaka as well as transit flights to cities in the Middle East.

### Muscat, Oman

Flights started on November 2, 2020 offering direct flights between Kuwait and Muscat once a week every Monday.

# Charter Flights from KWI

One-way charter flights for expats flying out of Kuwait

## ONE-WAY

Operated one-way charter flights from Kuwait for expatriates returning home

## TRANSIT

Charter flights from Europe to Asia through Kuwait to transport expatriates returning home

## DESTINATIONS

India, Bangladesh, Pakistan, Nepal and Kyrgyzstan

# Outlook for the Rest of 2020 and 2021





# Continued Pressures and Challenges

## Revenue and Cost Controls

- Revenue under pressure due to limited capacity available at Kuwait International Airport (KWI).
- Restructure of our aircraft lease agreements with lessors is effective and enables significant savings until 2021.

## Airport Limitations

- Plan for gradual return of capacity at KWI is postponed.
- Limited daily utilization of aircraft.
- Most airports within our network are not expected to resume full capacity until 2021.
- New curfew in Europe expected to affect transit business.

## Travel Restrictions

- Inbound flights from 34 countries are still suspended from Kuwait.
- Passengers must submit a PCR certificate with a negative result valid 96 hours before arrival date at KWI.
- Mandatory home/institutional quarantine of 14 days for all arriving passengers in Kuwait.

## Recovery Outlook

- Expectation for slower but gradual recovery.
- Currently working on plan to ease travel restrictions at KWI.
- Plan to take delivery of 4 new A320neo from Airbus in 2021.
- Cargo operations continue.

# Positive Light Could be Ahead

- On October 22, Kuwait Airways and Jazeera presented a proposal to the Ministry of Health to ease travel while abiding by the safety restrictions mandated by local authorities.
- The proposal provided two procedures for incoming travelers into Kuwait:
  - Passengers from “low-risk” countries must hold a valid PCR test with a negative result before arriving to Kuwait. A second PCR has to be performed upon arrival in addition to a 7-day quarantine that ends should the second PCR test be negative.
  - Passengers from “high-risk” countries must hold a valid PCR test with a negative result before arriving to Kuwait. A second PCR test has to be performed upon arrival in addition to a 7-day quarantine. A third PCR test is performed on the 8th day and quarantine ends should the result be negative.

Approval of  
the proposal  
would help  
increase  
travel traffic  
from and to  
Kuwait

# Financial Review

*Photo: Jazeera pilots in PPE gear during the repatriation flights*

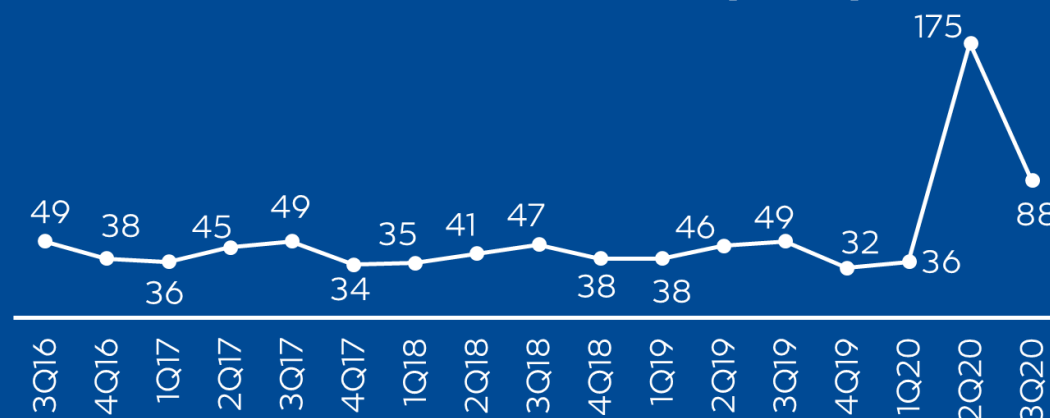
# 3Q20 Key Parameters

Operating Parameters	3Q19	3Q20	CHANGE
Average Aircraft	10.5	13.0	23.8%
Destination Cities	27	34	25.9%

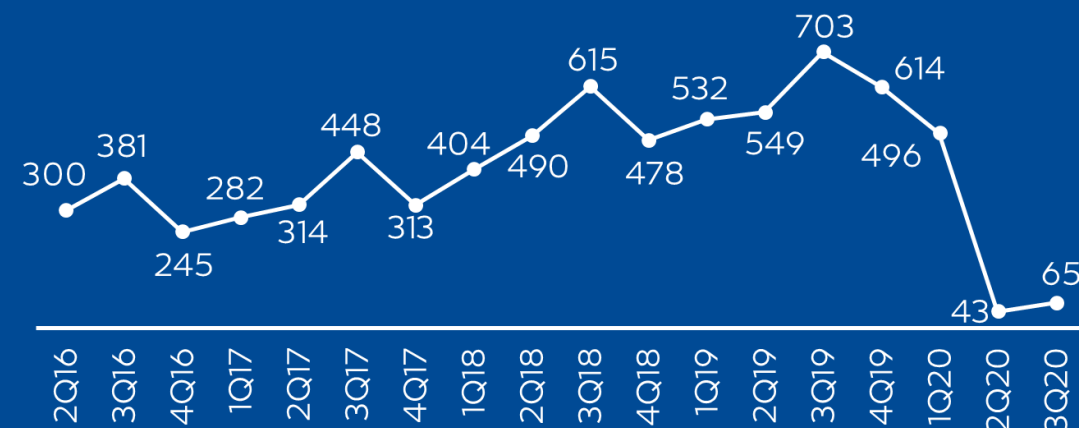
Revenue Drivers	3Q19	3Q20	CHANGE
Seats	871,795	126,626	-85.5%
Passengers	703,378	65,600	-90.7%
Load Factor	80.7%	51.8%	-35.8%
Net Yield	48.8	87.9	80.0%

Profitability Drivers	3Q19	3Q20	CHANGE
Sectors	5,326	838	-84.3%
Block Hours	13,951	2,868	-79.4%
Utilization (BH per Day)	14.5	2.4	-83.4%

## YIELD BY QUARTER (KWD)



## PASSENGERS BY QUARTER (000)





# 3Q20 Key Parameters

*In KWD*

	3Q19	3Q20	CHANGE
<b>Operating Revenue</b>	35,502,324	6,079,357	-82.9%
<b>Operating Expenses</b>	25,035,704	12,633,049	-49.5%
<b>Operating Profit</b>	10,466,620	(6,553,692)	-162.6%
<b>Net Profit</b>	9,905,796	(5,595,980)	-156.5%

	3Q19	3Q20	CHANGE
<b>Cash</b>	18,429,813	23,343,239	26.7%
<b>Fixed Assets</b>	26,579,010	20,157,839	-24.2%
<b>Total Assets</b>	127,243,235	174,716,134	37.3%
<b>Total Liabilities</b>	86,084,026	153,226,403	80.0%
<b>Total Equity</b>	41,159,209	21,489,731	-47.8%

## Major reasons for unfavorable variances vs. 9M19

- Reduced operations in 9M20 primarily due to restrictions imposed by the Covid-19 pandemic from mid-Feb and flights suspended at Kuwait airport on March 13
- Terminal 5 losses of KWD1 mn in 9M20

# 9M20 Key Parameters

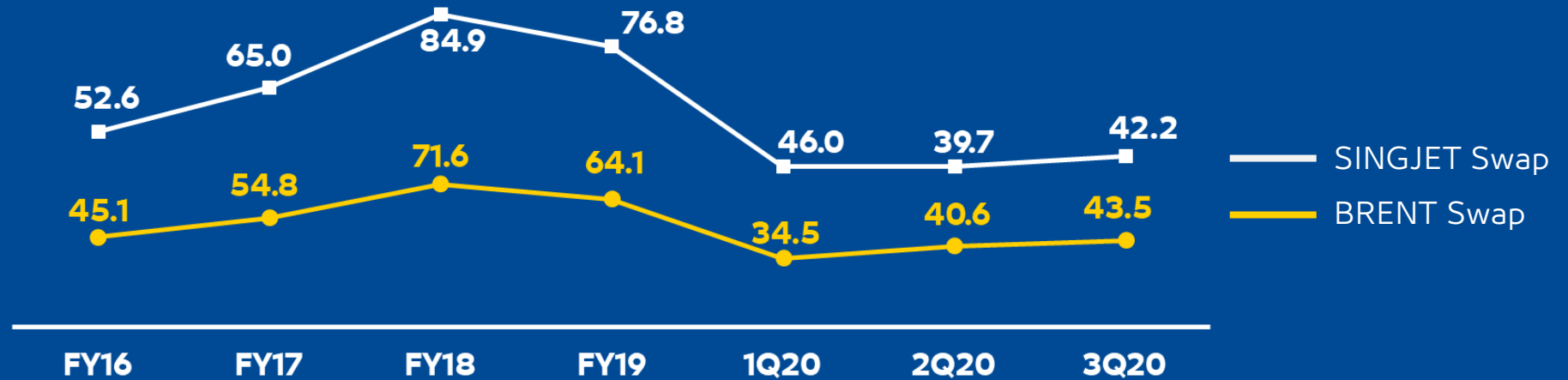
Operating Parameters	9M19	9M20	CHANGE
Average Aircraft	9.8	13.6	38.8%
Destination Cities	29	62	113.8%
Revenue Drivers	9M19	9M20	CHANGE
Seats	2,280,290	918,186	-59.7%
Passengers	1,782,073	605,877	-66.0%
Load Factor	78.2%	66.0%	-15.6%
Net Yield	44.8	51.6	15.4%
Profitability Drivers	9M19	9M20	CHANGE
Sectors	13,951	5,680	-59.3%
Block Hours	36,641	17,116	-53.3%
Utilization (BH per Day)	13.7	4.6	-66.4%

*In KWD*

	9M19	9M20	CHANGE
Operating Revenue	82,828,454	32,778,159	-60.4%
Operating Expenses	60,642,224	42,653,117	-29.7%
Operating Profit	16,885,879	(14,717,833)	-186.4%
Net Profit	16,121,352	(15,542,045)	-196.4%
	9M19	9M20	CHANGE
Cash	18,429,813	23,343,239	26.7%
Fixed Assets	26,579,010	20,157,839	-24.2%
Total Assets	127,243,235	174,716,134	37.3%
Total Liabilities	86,084,026	153,226,403	80.0%
Total Equity	41,159,209	21,489,731	-47.8%

# Fuel Prices

## BRENT Swap Vs. SINGJET Swap (USD/BBL)



## Fuel as Percent of Revenue



# 9M20 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 9M20 cash losses.
- Cash balance will further increase by KWD5 mn in 4Q20 with collections from the Government for charter flights operated in 9M20
- 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 the impact of IFRS 16 on the back of leasing three additional aircraft in 2H19, one aircraft in 1Q20 and the lease extensions for 8 aircraft.
- Retained earnings decreased due to losses in 9M20.

**Q&A**





# Contact

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