

الجزيرة.
Jazeera.

FY20 Earnings Conference Call

February 23, 2021



الجزيرة.
Jazeera.

Starting Shortly...

Disclaimer



The content and information of this document is only intended to provide users with financial and operational information about Jazeera Airways. No warrant or representation is made by Jazeera Airways for the contents of this document and in no way is the material provided in it intended to solicit an investment in the company. Any investments made by the users of this document are made based on their own discretion and analysis and the final decision and responsibility for investments rests solely with the user of this document and its content.

Specific content of this document is provided by third parties. Despite doing its best efforts, Jazeera Airways does not guarantee in any way the accuracy or completeness of the data provided by these third parties and cannot be held responsible for the use of information provided in these sections.

While Jazeera Airways makes all reasonable efforts to make certain that all information on this document is true, accuracy cannot be guaranteed and the company does not undertake any responsibility for the correctness of the information contained in it and its contents. Jazeera Airways as well is not to be held legally responsible under any circumstances for any damages resulting from data falsification by third parties, data download or any other use of the content provided on this document.

Certain sections or material provided on this document might contain forward-looking forecast or statements. Such statements do not guarantee the future financial or operational performance of the company. Furthermore, these statements involve a high degree of uncertainty risks that could cause actual results to be materially at variance from those proposed in the forward-looking statements. Accordingly, these statements should only be used as indicative plans and the responsibility of any decisions based on them lies solely on the user without any involvement from Jazeera Airways.

Information provided in this document is subject to change without prior notice at any time. Jazeera Airways does not assume any responsibility for any troubles, losses, or damages resulting from the use of this document and will not be liable for any inaccuracies, or errors in the content, or for any actions taken in reliance thereon. Jazeera Airways also does not assume any duty of disclosure beyond that imposed by law, and expressly disclaims any duty to update any information set forth herein.

Agenda

- ◆ The Year in Review
- ◆ Travel Restrictions at Kuwait Airport and Worldwide
- ◆ Financial Headlines
- ◆ Operational Review
- ◆ Outlook for 2021 and Beyond
- ◆ Financial Review
- ◆ Business Plan
- ◆ Q&A

A Year Impacted by the Pandemic

الجزيرة
Jazeera.



KWI and World:

Flights suspended on March 13 at KWI and restricted worldwide. Slow return of travel at KWI on August 1. Suspension of flights in last week of December in addition to new restrictions.

Direct flights suspended from 34 countries

Previous outlook: +3mn passengers in FY20



Focus on Charter and Connecting Flights:

Operated point-to-point and transit charter flights from and through KWI, especially between Asia and the Middle East + Europe.

Charter flights between Asia and Europe



Launched New Destinations:

Launched flights to serve demand for "Covid-safe" touristic destinations as well as high demand destinations that are underserved to offer connecting flights.

New service to Trabzon, Muscat and Dhaka



Decisive Measures to Safeguard Financial Position:

Suspended dividends, activated bank drawdown, downsized number of employees.

Continued restructure to support continuity



Travel Restrictions in Kuwait

Started on

AUGUST 1, 2020

KWI
suspends
commercial flights
from 34 countries,
increased to 35 in
December

Countries include:

India

5 destinations served

Pakistan

2 destinations served

Egypt

6 destinations served

Lebanon

Popular summer destination

Nepal

One of very few services from Middle East

UK

A popular destination for leisure and business



Press Release No: 6

Date: 3 February 2021

2020 Worst Year in History for Air Travel Demand



Translations:

[2020 Caída Histórica de Demanda de Viajes Aéreos \(pdf\)](#)

[2020, la pire année de l'histoire pour la demande de voyages aériens \(pdf\)](#)

[国际航协：2020年是航空客运需求史上的至暗时刻 \(pdf\)](#)

[2020: O pior ano da história da aviação para a demanda de viagens aéreas \(pdf\)](#)

Geneva - The International Air Transport Association (IATA) announced full-year global passenger traffic results for 2020 showing that demand (revenue passenger kilometers or RPKs)

fell by 65.9% compared to the full year of 2019, by far the sharpest traffic decline in aviation history. Furthermore, forward bookings have been falling sharply since late December.

Travel Status Worldwide

as of December 31, 2021

WORLD*

Total Losses:
US\$118 billion

Demand down:
-65.9%

Load Factor:
-19.2% points

Revenue Passenger Kilometers:
-65.9%

Available Seat Kilometers:
-56.5%

Load Factor Level:
62.8%

MIDDLE EAST*

Demand down:
-72.9%

Load Factor:
-18.9% points

Revenue Passenger Kilometers:
-65.2%

Available Seat Kilometers:
-63.3%

Load Factor Level:
57.3%

FINANCIAL HEADLINES

4Q20 Operational Headlines



PASSENGERS

4Q20: 90.2 k
4Q19: 614.2 k

-85.3%



LOAD FACTOR

4Q20: 54.9%
4Q19: 75.5%

-20.7%



UTILIZATION

4Q20: 2.9 hrs
4Q19: 13.8 hrs

-79.3%



YIELD

4Q20: KWD92.5
4Q19: KWD32.0

189.3%

FY20 Operational Headlines

الجزيرة
Jazeera.



PASSENGERS

FY20: 696.1 k
FY19: 2.4 mn

-71.0%



LOAD FACTOR

FY20: 64.3%
FY19: 77.5%

-13.2%



UTILIZATION

FY20: 4.2 hrs
FY19: 14.4 hrs

-71.0%



YIELD

FY20: KWD57.4
FY19: KWD41.5

38.4%

4Q20 Financial Headlines

الجزيرة
Jazeera.



OPERATING REVENUE

4Q20: KWD8.6 mn
4Q19: KWD20.9 mn

-58.8%



OPERATING LOSS

4Q20: -KWD8.9 mn
4Q19*: -KWD2.0 mn

-352.1%



NET LOSS

4Q20: -KWD10.9 mn
4Q19: -KWD1.2 mn

-820.1%

** 4Q19 operating expenses regrouped to adjust for finance expenses*

FY20 Financial Headlines

الجزيرة
Jazeera.



OPERATING REVENUE

FY20: KWD41.4 mn
FY19: KWD103.7 mn

-60.1%



OPERATING LOSS

FY20: -KWD20.7 mn
FY19: KWD16.7 mn

-223.5%



NET LOSS

FY20: -KWD26.4 mn
FY19: KWD14.9 mn

-276.6%

** FY20 net loss includes adjustments of KWD15 mn*

FY20 – One-offs

In KWD

One-time impact on FY20 P&L

Fuel Hedge

1.6 mn

Provisions / Write off

2.2 mn

IFRS 16 lease cash waivers not recognized

6.4 mn

Maintenance restructuring

4.8 mn

Total

15.0 mn

Jazeera vs Industry in FY20

	WORLD*	ME*	JAZEERA
DEMAND CHANGE	-65.9%	-72.9%	-71.0%
LOAD FACTOR CHANGE	-19.2%	-18.9%	-13.2%

Terminal 5 Performance

- Limited capacity operations at T5 from March 13 to December 31, 2020
- Some tenants froze lease contracts
- Park & Fly: Converted to first drive-through testing center for Covid-19 in Kuwait

FY20

KWD1.3 mn
Revenue

FY19: KWD4.3 mn

-KWD478.0 k
EBITDA

FY19: KWD2.1 mn

-KWD1.4 mn
Net Profit

FY19: KWD1.2 mn

4Q20

KWD245.2 k
Revenue

FY19: KWD1.2 mn

-KWD104.4 k
EBITDA

FY19: KWD684 k

-KWD355.1 k
Net Profit

FY19: KWD482 k

Terminal 5 Updates

الجزيرة
Jazeera.

NEW DUTY FREE

New duty free shop at T5 to start operating as from April

VIV

VIV served private flights at Kuwait International Airport

SUPPORT BUILDING

Development of support building for Jazeera operations and catering at T5 to start soon

OPERATIONAL HEADLINES



FY20 Developments

1Q

31 destinations

Planned services to

6 new destinations

2Q

Suspension of all commercial flights at KWI

- Focus on repatriation and charter flights
- KWI restricts inbound travel from 34 countries

3Q

Limited capacity commercial flights and charters

- Commercial flights to:
 - Turkey: 4 airports
 - Dubai
 - KSA: 1 destination
- Charters to India, Bangladesh, Nepal
- Continued restriction on inbound travel

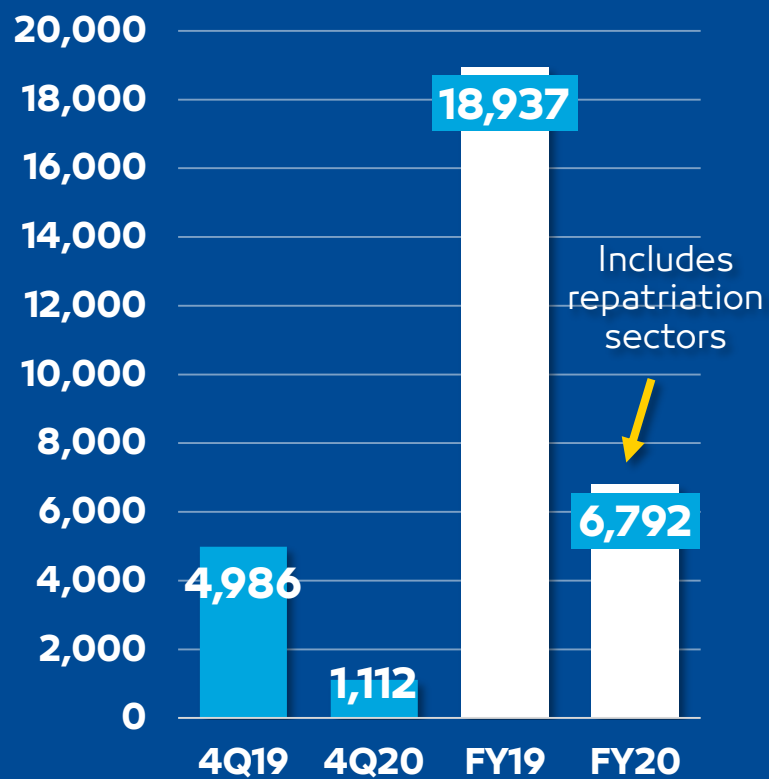
4Q

New destinations + suspension of flights at KWI during peak holidays season

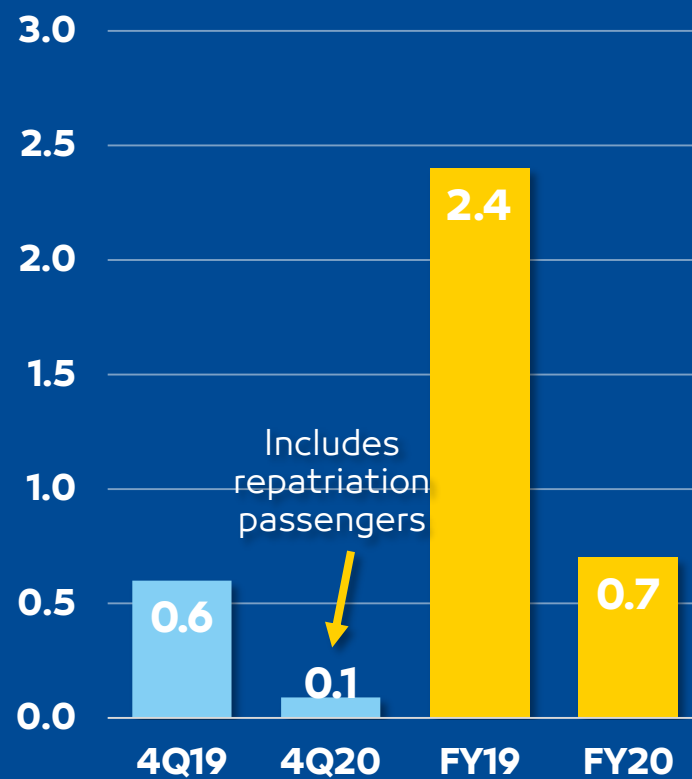
- New routes to Muscat and Dhaka
- End of year demand not served because of final week suspension
- Restriction increased to 35 countries

Travel Status

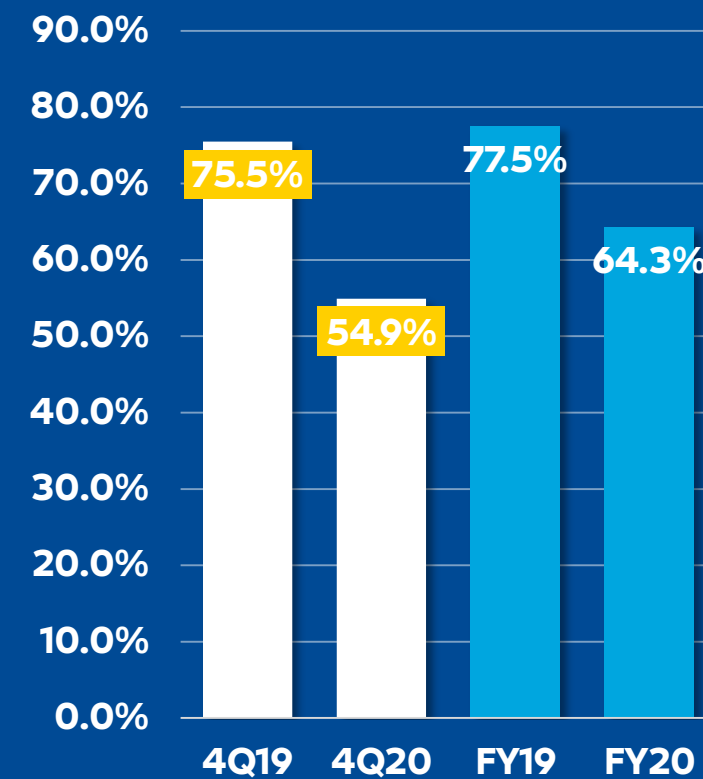
SECTORS



PASSENGERS ('000)



LOAD FACTOR



Commercial and Connecting Flights

Restricted capacity at KWI resumed on August 1, 2020

REOPENING PLAN

Preparations to resume
30% of flights
on August 1

Kuwait authorities
announce suspension of
flights from 34 countries on
August 1 at noon, which
included 13 destinations
previously planned in our
30% capacity

DIRECT FLIGHTS

Continued to serve
scheduled commercial
flights to approved
destinations:

Turkey, Dubai and later and
for a limited time, KSA.

Operated one-way flights to
destinations located up to 6
hours from Kuwait, included
high demand destinations in
the Indian Subcontinent

CONNECTING FLIGHTS

Focus on connecting flights
through KWI including
flights from London to
Nepal, Bangladesh and
other destinations.

New Services

الجزيرة
Jazeera.

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*



DHAKA, BANGLADESH

Service to Dhaka 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 to the capital of the Sultanate of Oman, Muscat, started on November 2, 2020, offering direct flights between Kuwait and Muscat once a week every Monday.

A person wearing a full white protective suit and gloves stands on the stairs of a Jazeeera Neo aircraft. The person is facing away from the camera, looking up towards the aircraft's cabin entrance. The aircraft's name 'Jazeeera' is written in large blue letters on the side, with 'neo' in smaller grey letters below it. The scene is set on an airfield under an overcast sky.

OUTLOOK FOR 2021

Continued Pressures and Challenges

Revenue and Cost Controls

- Revenue under pressure due to limited capacity available at Kuwait International Airport (KWI) as well as competition from airlines triggered by limited demand.
- Restructure of our aircraft lease agreements with lessors is effective and enabled significant cash savings through FY20.

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 2H 2021.
- Roll out of vaccination in Europe and elsewhere expected to soften restrictions.

Travel Restrictions

- KWI still suspends flights from 35 countries.
- Passengers require PCR certificate with a negative result valid 72 hours before arrival date at KWI.
- Mandatory home/institutional quarantine of 14 days for all arriving passengers in Kuwait.

Recovery Outlook

- Expectation for gradual recovery in 2021.
- Expectation for ease of travel at KWI with roll out vaccination and starting PCR testing at airport.
- Plan to take delivery of 4 new A320neo this year. One was delivered in 1Q 2021.
- Expansion of cargo operations.
- Yield to remain high driven by restricted capacity.

Positive Factors to Support Demand

الجزيرة
Jazeera.

VACCINES ROLLING OUT

Vaccines rolled out in Kuwait and worldwide with effectiveness rates of up to 90%.

PCR TEST ON ARRIVAL

PCR on arrival for all passengers and from every destination at Jazeera's T5.



Help ease travel restrictions and increase safety measures against spread of the virus



IATA's Forecast

Geneva - The International Air Transport Association (IATA) announced full-year global passenger traffic results for 2020 showing that demand (revenue passenger kilometers or RPKs) fell by 65.9% compared to the full year of 2019, by far the sharpest traffic decline in aviation history. Furthermore, forward bookings have been falling sharply since late December.

- International passenger demand in 2020 was 75.6% below 2019 levels. Capacity, (measured in available seat kilometers or ASKs) declined 68.1% and load factor fell 19.2 percentage points to 62.8%.
- Domestic demand in 2020 was down 48.8% compared to 2019. Capacity contracted by 35.7% and load factor dropped 17 percentage points to 66.6%.
- December 2020 total traffic was 69.7% below the same month in 2019, little improved from the 70.4% contraction in November. Capacity was down 56.7% and load factor fell 24.6 percentage points to 57.5%.
- Bookings for future travel made in January 2021 were down 70% compared to a year-ago, putting further pressure on airline cash positions and potentially impacting the timing of the expected recovery.
- IATA's baseline forecast for 2021 is for a 50.4% improvement on 2020 demand that would bring the industry to 50.6% of 2019 levels. While this view remains unchanged, there is a severe downside risk if more severe travel restrictions in response to new variants persist. Should such a scenario materialize, demand improvement could be limited to just 13% over 2020 levels, leaving the industry at 38% of 2019 levels.

"Last year was a catastrophe. There is no other way to describe it. What recovery there was over the Northern hemisphere summer season stalled in autumn and the situation turned dramatically worse over the year-end holiday season, as more severe travel restrictions were imposed in the face of new outbreaks and new strains of COVID-19." said Alexandre de Juniac, IATA's Director General and CEO.

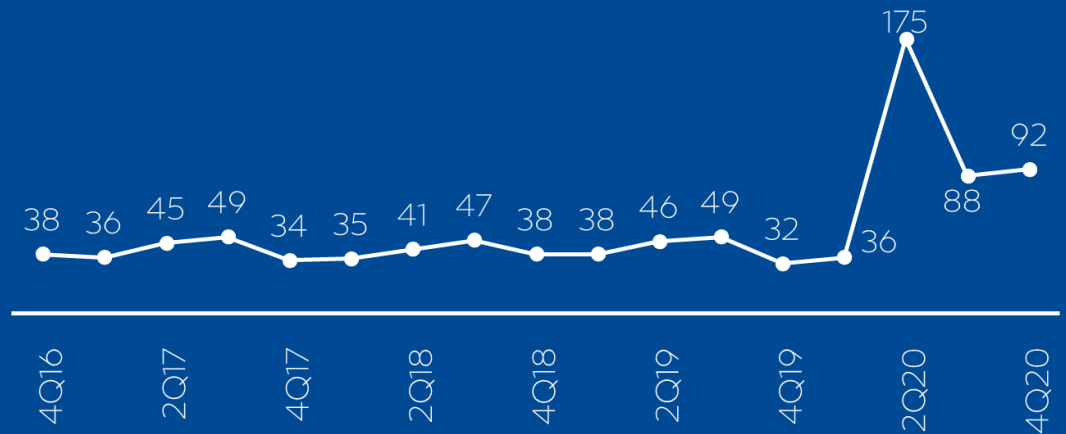


FINANCIAL REVIEW

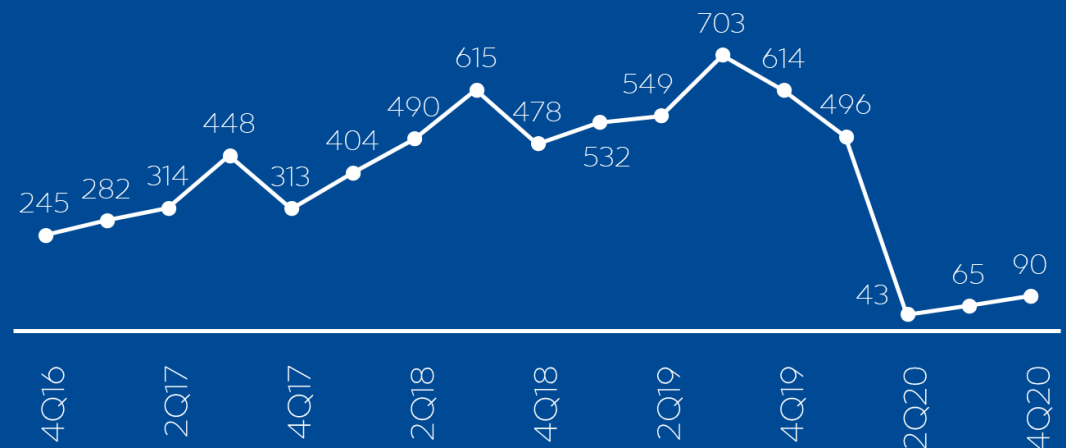
4Q20 Key Parameters

Operating Parameters	4Q19	4Q20	CHANGE
Average Aircraft	12.0	13.0	8.3%
Destination Cities	31	20	-35.5%
Revenue Drivers	4Q19	4Q20	CHANGE
Seats	813,233	164,432	-79.8%
Passengers	614,248	90,216	-85.3%
Load Factor	75.5%	54.9%	-20.7%
Net Yield	31.99	92.52	188.7%
Profitability Drivers	4Q19	4Q20	CHANGE
Sectors	4,986	1,112	-77.7%
Block Hours	13,564	3,415	-74.8%
Utilization (BH per Day)	13.8	2.9	-79.3%

YIELD BY QUARTER (KWD)



PASSENGERS BY QUARTER (000)



4Q20 Key Parameters

<i>In KWD</i>	4Q19	4Q20	CHANGE
Operating Revenue	20,870,194	8,592,224	-58.8%
Operating Expenses*	22,832,900	-17,466,186	-176.5%
Operating Profit	-1,962,706	-8,873,961	-352.1%
Net Profit	-1,180,155	-10,858,690	-820.1%

* 4Q19 operating expenses regrouped to adjust for finance expenses

<i>In KWD</i>	4Q19	4Q20	CHANGE
Cash	23,754,647	19,668,737	-17.2%
Fixed Assets	20,819,335	20,458,884	-1.7%
Total Assets	166,653,225	162,625,152	-2.4%
Total Liabilities	126,410,886	150,648,887	19.2%
Total Equity	40,242,339	11,976,265	-70.2%

Lower Operations in 4Q20 on the back of restrictions as operations were suspended from Dec 21 due to a state of temporary Airport Closure. There was no commensurate reduction in Fixed Costs.

FY20 Key Parameters

Operating Parameters	FY19	FY20	CHANGE
Average Aircraft	10.3	13.4	30.1%
Destination Cities	35	63	80%

Revenue Drivers	FY19	FY20	CHANGE
Seats	3,093,530	1,082,618	-65.0%
Passengers	2,396,321	696,093	-71.0%
Load Factor	77.5%	64.3%	-13.2%
Net Yield	41.5	57.4	38.4%

Profitability Drivers	FY19	FY20	CHANGE
Sectors	18,937	6,792	-64.1%
Block Hours	50,206	20,531	-59.1%
Utilization (BH per Day)	13.3	4.2	-68.6%

<i>In KWD</i>	FY19	FY20	CHANGE
Operating Revenue	103,698,648	41,370,384	-60.1%
Operating Expenses	86,955,350	62,054,474	-28.6%
Operating Profit	16,743,298	-20,684,091	-223.5%
Net Profit	14,941,197	(26,400,735)	-276.7%

<i>In KWD</i>	FY19	FY20	CHANGE
Cash	23,754,647	19,668,737	-17.2%

Lesser revenue due to lower operations net of costs	(47.2) mn
Higher Yield	9.1 mn
Lower Ancillary Revenue	(4.1) mn
Fuel Hedge Impact	(1.6) mn
Manpower Savings	3.8 mn
• Terminal 5 losses of KWD1.4 mn in FY20.	

FY20 Balance Sheet Variances

- Cash balance, net of bank loans and short-term facilities reduced due to the operational cash burn during the year.
- Advance for maintenance declined due to restructuring of maintenance contracts.
- Total assets and total liabilities increased mainly due to full year impact of IFRS 16 on the back of leasing three additional aircraft in 2H19, one aircraft in 1Q20 and the lease extensions for 12 aircraft.
- FY20 receivables include KWD 9 mn of reserves paid to Lessors to be recovered at the time of shop visit, KWD 3.2 mn receivable from the Government for charters done in 2020 and KWD5.7 mn from Maintenance Service Providers.
- Retained earnings decreased due to losses in FY20.

FY20 Cost Control Measures

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.

FY20 – Impact of IFRS 16

In KWD

Profit & Loss	FY19	FY20	
		Accrual	Cash
Revenue	103,698,648	41,370,384	41,370,384
Operating Costs	(82,553,173)	(59,647,324)	(53,278,024)
Operating Profit	21,145,475	(18,276,941)	(11,907,641)
Profit (loss) for the Year	14,941,196	(26,400,734)	(20,031,434)

Lower lease payment

FY20 Balance Sheet	FY19	Accrual	Cash
Total Assets	166,653,225	162,625,152	162,625,152
Total Liabilities	126,410,886	150,648,888	144,279,588
Total Equity	40,242,339	11,976,265	18,345,565

Lower lease liabilities

Higher Equity Due to lower net loss

- Successfully negotiated waiver of lease payments with lessors from March to November 2020, which created cash savings of USD21 mn (KWD6 mn) in lieu of lease extensions.
- IFRS 16 stipulates that the benefit of lease waiver is spread over the remaining lease term including the extended period. As a result, the recognizable cash savings were not reflected in FY20 P&L but the positive impact will be redirected in subsequent years.
- Recognition of the KWD6 mn as a direct expense negatively impacted 2020 operating profit, retained earnings and all related financial ratios.
- Cash-wise, December 2020 balance of KWD20 mn is close to the KWD23 mn of December 2019 in addition to a guaranteed government collection of KWD3.2 mn.

FY20 – Cash Burn

In KWD

FY20 Cash Burn

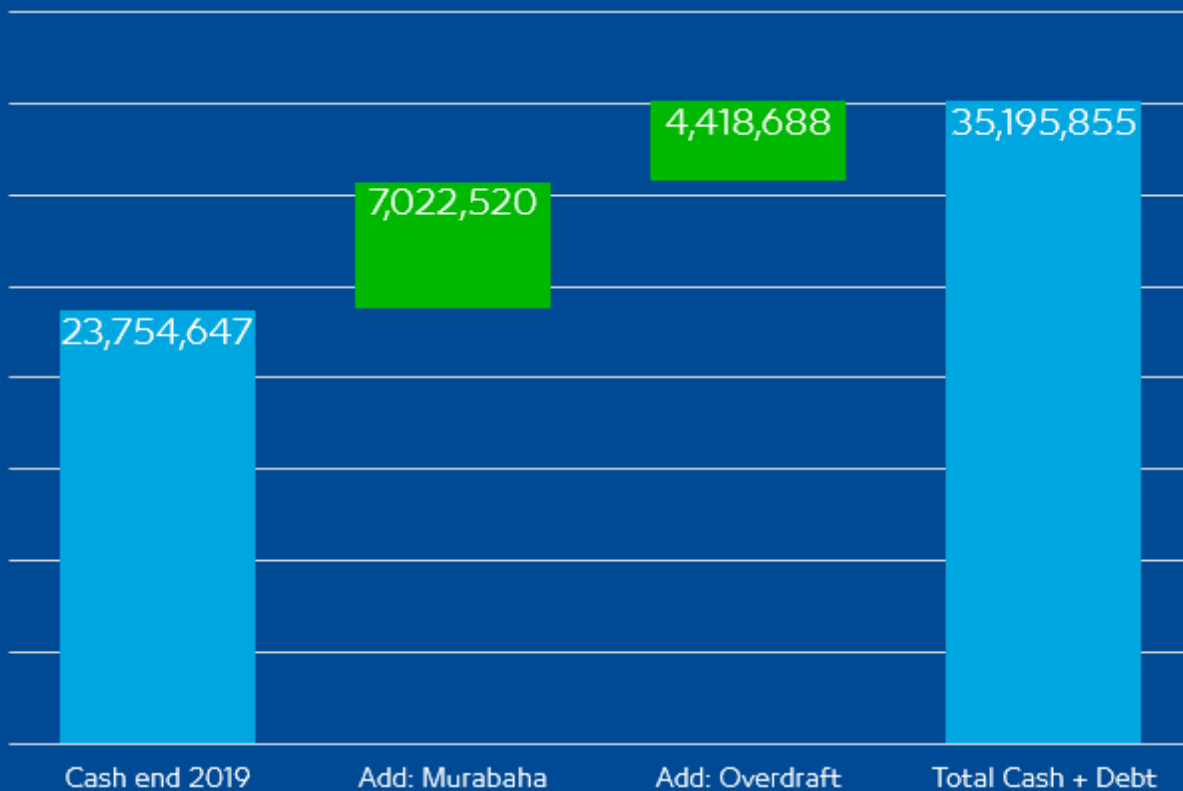
Cash end FY19	23,754,647	KWD13.5 mn dividends cancelled
Add: Murabaha	7,022,520	Facility acquired in 2Q20 at a rate of 1% over CBDR
Add: Overdraft	4,418,688	Facility acquired in 2Q20 at a rate of 1 - 1.5% over CBDR
Total Cash + Debt	35,195,855	

Cash end FY20	19,668,737	
Change in Cash	-15,527,118	
Add: Government dues	3,200,000	Confirmed dues to be collected in 1Q21
FY20 Cash burn	-12,327,118	
Monthly Cash burn	-1,027,260	Inclusive of all operating expenses and hedge costs

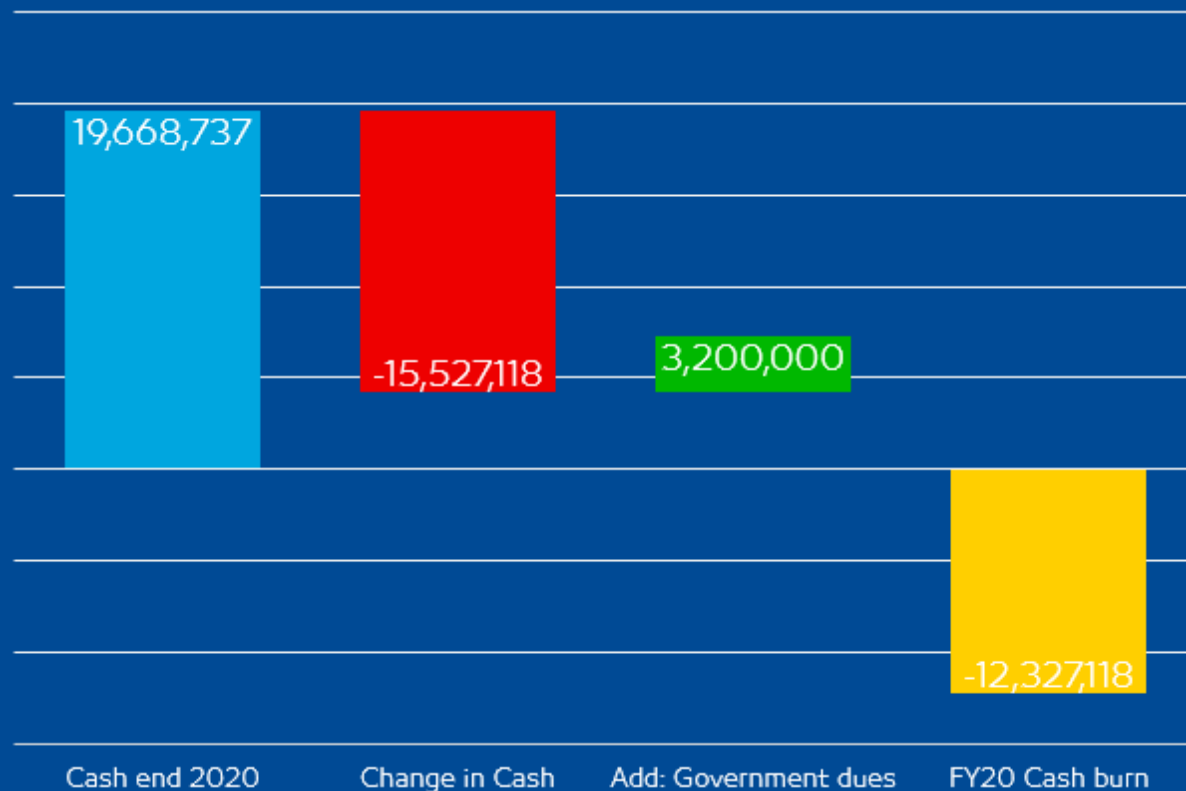
- Prudent measures to curb cash burn during the year.
- Cancelled dividend payment for FY19 in March FY20 to withstand future cash pressure.
- One of the lowest cash burn / aircraft rates globally compared to other airlines.
- Access to bank credit at very competitive rates with the ability to withdraw more if required.
- Very stable cash position covering 20 months of similar level of operations.
- An amount of KWD 3.7 mn is due from a maintenance service provide in early 2Q21.

FY20 – Operating Cash Burn

In KWD



In KWD



Monthly cash burn of -KWD10 mn

FY20 – Equity Management

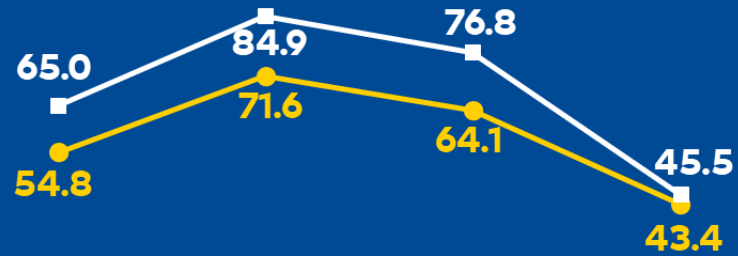
<i>In KWD</i>	FY19 Equity	Current FY20 Equity	Adjusted FY20 Equity
Share Capital	20,000,000	20,000,000	20,000,000
Reserves	5,835,242	5,835,242	0
Hedge Reserve	837,562	(1,027,778)	(1,027,778)
Opening Retained Earnings	(1,371,662)	13,569,535	13,569,535
Add: profit (loss) for the year	14,941,197	(26,400,734)	(20,565,493)
Impact of reserve write off	0	0	5,835,242
Closing Retained Earnings	13,569,535	(12,831,199)	(6,995,958)
Total Equity	40,242,339	11,976,264	11,976,264

- FY20 closing retained losses stood at KWD12.8 mn
- Legal reserve offset against losses to the tune of KWD5.8 mn to reduce retained losses to KWD6.9 mn
- BOD recommended the action in its meeting held on 22nd February to be approved by the General Assembly
- Significantly eliminates risk for the need of capital increase.

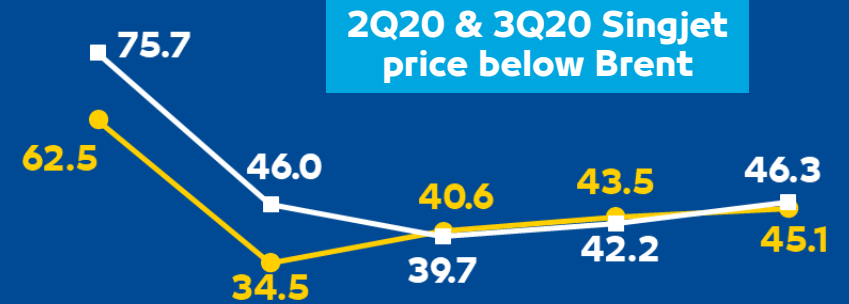
Fuel Prices

BRENT Swap Vs. SINGJET Swap (USD/BBL)

— SINGJET Swap
— BRENT Swap

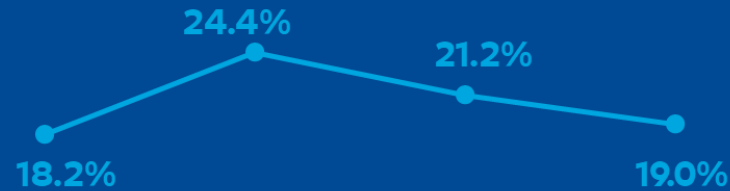


FY17 FY18 FY19 FY20

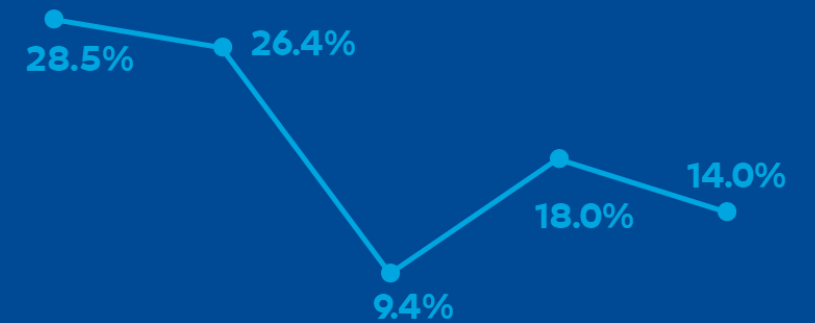


4Q19 1Q20 2Q20 3Q20 4Q20

Fuel as Percent of Revenue



FY17 FY18 FY19 FY20



4Q19 1Q20 2Q20 3Q20 4Q20

Fuel Hedge Impact

	FY20		FY21	
			Assuming USD 60/BBL	
	USD	KD	USD	KD
Impact of Hedge for BBLs purchased	-2,182,427	-661,996	2,904,000	880,870
Impact of Consumption Shortfall	-3,194,896	-969,108	-	-
Total	-5,377,323	-1,631,103	2,904,000	880,870

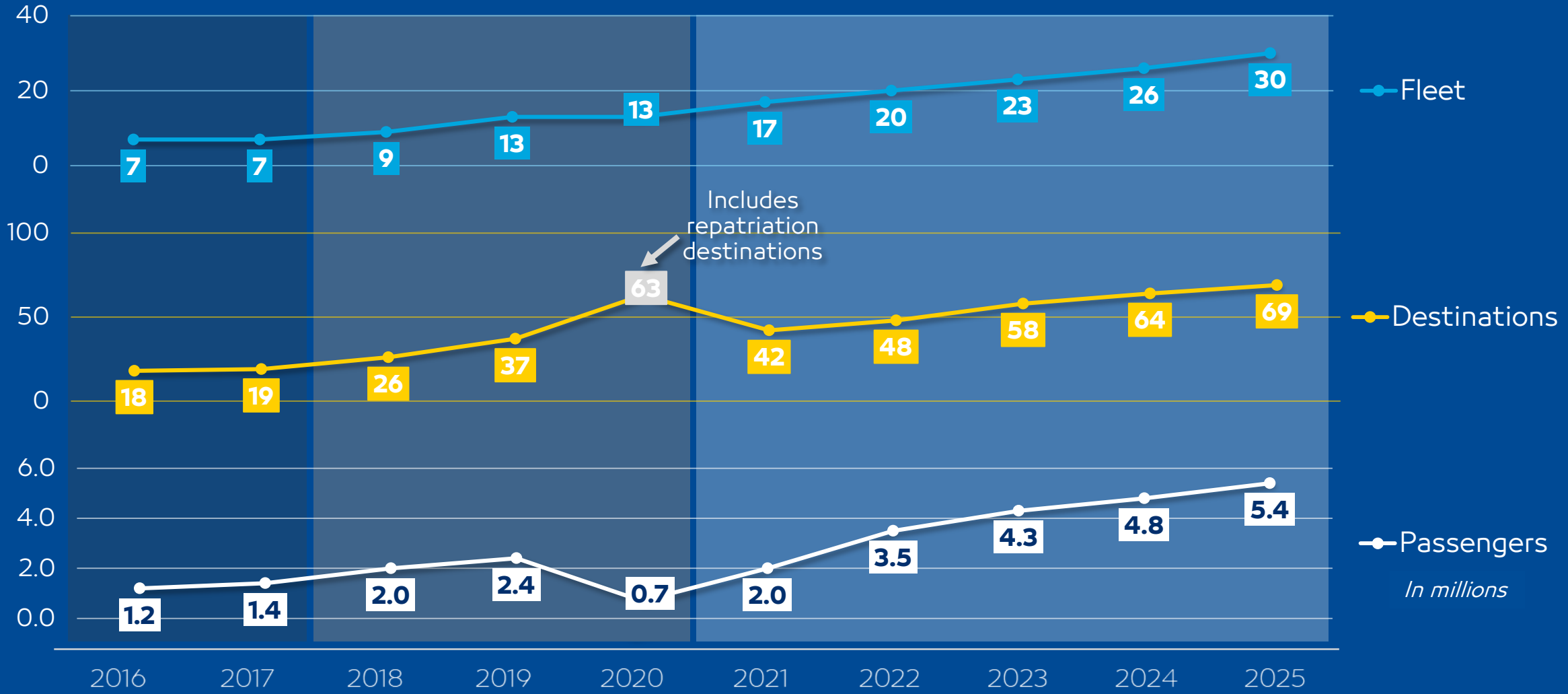
- Current fuel hedge spreads until February 2022 at an average of 65% of fuel requirements at an average price USD55.61 / barrel
- FY20 reported hedge costs of KWD1.6 mn

2025 BUSINESS PLAN

9K-CAN

الجزيرة

Business Plan: 2021 to 2025



Business Plan: 2016 to 2025

ECONOMIES OF SCALE

Economies of scale to improve margins as fleet and operations continue to grow.

COST OPTIMIZATION

Focus on cost optimization per pax and per aircraft.

NETWORK GROWTH

Network growth driven by more frequencies in the Indian Subcontinent as well as the CIS region, GCC and East Africa.

INFRASTRUCTURE

Work on developing infrastructure facilities in our hub of KWI.

الجزيرة.
Jazeera.
Terminal 5

Q&A

Departures

Contact

الجزيرة
Jazeera.

For more information please contact:

Krishnan Balakrishnan

Chief Financial Officer

krishnan.balakrishnan@jazeeraairways.com

Mostafa El-Maghraby

Head of Investor Relations

investorrelations@jazeeraairways.com

Jazeera Airways KSC is listed on the Kuwait Stock Exchange

Bloomberg: Jazeera KK

Reuters: JAZK.KW

Stay up to date with the latest investor information:

investorrelations.jazeeraairways.com

الجزيرة.
Jazeera.

الجزيرة.

9K-CBC
A320neo

THANK YOU