

**NBK Capital****Kuwait****Head Office**

17th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O. Box 4950, Safat 13050,  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904

**International Network****United Arab Emirates****NBK Capital Limited**

Precinct Building 3, Office 404  
Dubai International Financial Center  
P.O. Box 506506, Dubai  
United Arab Emirates  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

**Turkey****NBK Capital**

Arastima ve Musavirlik AS  
SUN Plaza, 30th Floor  
Dereboyu Sk. No.24  
Maslak 34398, Istanbul, Turkey  
Tel: +90 212 276 5400  
Fax: +90 212 276 5401

**NBK Capital MENA Research**

Tel: + 965 2224 6663

Fax: + 965 2224 6984

E-mail: [menaresearch@nbkcapital.com](mailto:menaresearch@nbkcapital.com)**Disclaimer**

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**Jazeera Airways (JAZK.KW)****August 10, 2008**

- Jazeera Airways reported a summary of its financial performance for the second quarter of 2008 (full financial statements are not yet available).
- Revenues increased by 46.8%, year-on-year, to reach KD 11.4 million in 2Q2008. We believe this increase is the result of the combined effect of an increase in passenger numbers, which was referenced in the press release of the company, and an increase in yields—as Jazeera Airways has been adding surcharges to offset some of the increase in fuel costs.
- In line with the major global trend in the airline industry, Jazeera Airways has been feeling the pinch of rising fuel prices, as fuel costs as a percentage of revenue increased by 13 percentage points (year-on-year) to reach 48% in 2Q2008.
- Jazeera Airways posted a net loss of KD 898 thousand in 2Q2008, compared to a net loss of KD 1.8 million in 2Q2007. On a half year basis, Jazeera Airways had a net loss of KD 152 thousand, a significant improvement (almost a 90% reduction) over the KD 1.3 million net loss reported in 1H2007.
- An examination of the quarterly performance of Jazeera Airways in 2007 reveals that the airline had a loss in the second quarter and a profit—with modest margins—in the first quarter. This performance was repeated in 2008. The third and fourth quarters of 2007 were highly profitable, as the airline had double-digit net income margins in both quarters. This shows that Jazeera Airways is exposed to high seasonality, with the second half of the year acting as a booster for full year performance.
- We will be issuing an update on Jazeera Airways after meeting with management, in order to properly assess the impact of some changes in market dynamics.

**Analyst:***Samir Murad, CFA**Direct: +965-2259 5145**[samir.murad@nbkcapital.com](mailto:samir.murad@nbkcapital.com)***Related Research**

- Jazeera Airways Initiation of Coverage – 05 Feb. 2008