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## **STRONG QUARTER FOR AIRASIA**

23% INCREASE IN REVENUE  
149% INCREASE IN NET OPERATING PROFIT  
41% INCREASE IN PROFIT AFTER TAX  
10% INCREASE IN PASSENGERS CARRIED

### **2Q16 MALAYSIA**

- Load Factor at 87% (up 7 ppts)
- Passengers Carried up 10% YoY
- Revenue up 23% YoY
- Operating Profit up 80% YoY
- Net Operating Profit up 149% YoY
- Profit After Tax up 41% YoY
- EBIT Margin of 26% (up 9 ppts)
- EBITDAR Margin of 44% (up 9 ppts)

### **2Q16 GROUP**

- Load Factor at 85% (up 6 ppts)
- Passengers Carried up 12% YoY
- Revenue at RM2.77 billion
- Profit Before Tax at RM 212.42 million

**SEPANG, 29 August 2016** – AirAsia Berhad (“AirAsia” or “the Company”) today reported its results for the quarter ended 30 June 2016 (“2Q16”).

### **Malaysia**

AirAsia posted quarterly revenue of RM1.62 billion, up 23% from the revenue reported in the same quarter last year. The strong revenue recorded was on the back of a 10% year-on-year (“YoY”) growth in the number of passengers carried at 6.55 million which was well ahead of the 1% capacity growth, allowing the Company to record a strong load factor of 87%, a growth of 7 percentage points (“ppts”) YoY.

In 2Q16, AirAsia recorded operating profit of RM414.61 million (up 80% YoY) and net operating profit of RM 276.26 million (up 149% YoY). During the quarter under review, the Company posted Revenue per Available Seat Kilometre (“RASK”) of 13.35 sen (up 11% YoY) for its airline business. Average fare sustained its upward momentum and recorded an increase to RM153 (up 8% YoY) on the back of strong and healthy demand. These allowed the Company to post a profit after tax of RM341.88 million (up 41% YoY) for the period under review – Continuing its trend of strong and sustainable earnings growth.

AirAsia Berhad CEO, Aireen Omar said, “We saw good growth and earnings in this quarter despite it historically being our leanest. The highest growth seen among our ancillary products are sale of inflight



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merchandise (up 400% YoY), AirAsia Courier (up 86%) and connecting fees for our 'Fly-Thru' service (up 65% YoY). These led to the Company recording an ancillary income per pax of RM48 this quarter (up 5% YoY). The Group recorded a 32% YoY increase for Fly-Thru traffic, and Kuala Lumpur remains the largest transit hub with 83% AirAsia Group Fly-Thru traffic with the growth of 31% YoY."

The Company's cost, measured in terms of Cost per Available Seat Kilometre ("CASK") was reported at 11.48 sen, reduced by 2% YoY. The lower cost was mainly due to 21% lower fuel expenses as average fuel price fell 24% to USD59 per barrel YoY despite a 4% increase in fuel consumption. This was partially offset by the 77% increase in lease expense due to 16 additional sale and leaseback, and increase in maintenance and user charges costs due to 2 additional operational fleet YoY. With this, the Company maintains its position as the lowest cost airline in the world.

On balance sheet, Aileen highlighted, "The management monitors the Company's net gearing level closely to ensure that it is constantly at a healthy and comfortable level. The Company's net gearing ratio continues to show improvement quarter-on quarter ("QoQ"), reported at 1.64 times at the end of 2Q16, 11% lower compared to the previous quarter due to 2% decrease in total debt and higher total equity."

Meanwhile, commenting on the Company's outlook, AirAsia's Group Chief Executive Officer, Tony Fernandes said, "In Malaysia, demand remains extremely robust and we foresee this to improve in the coming quarters as consumer sentiment is picking up in the domestic economy. Indian travellers entering Malaysia grew by 34% YoY and this shows our brand strengthening in the Indian market as we mount more domestic and international flights there. The Indian market coupled with both China and Asean will be key to our growth – We are the only airline that connects from China to Asean to India via our strong associate network. Based on our performance and trend for the first half of the year, we believe 2016 will be a very good year for the Company".

Adding on the outlook of cost environment, he said, "We remain beneficiaries of the low fuel price, with all associates observing lower aircraft fuel expense, leading to lower CASK for the Group. For 2016 we have hedged 75% of our fuel requirements as a Group at an average cost of USD56 per barrel on jet kerosene. Meanwhile, we have hedged approximately 45% for 2017 of our fuel requirements at an average cost of USD58 per barrel."

### **AirAsia Group – Proforma Consolidated Results of AirAsia Berhad and Associate Airlines**

Segment reporting of associates are included in the quarterly Bursa Announcement (Note 9). The operating segments have been identified by each Air Operating Certificate ("AOC") held within the AirAsia Group ("Group"), and are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The Group posted quarterly revenue of RM2.77 billion while operating profit for the Group was recorded at RM425.66 million. The Group's profit before taxation for the quarter under review is recorded at RM212.42 million, while cash balances stood at RM2.71 billion.

On consolidation of accounts for the whole Group, the Company's auditor attempted to revisit their opinion on this matter and we are hopeful that the Group will be allowed to consolidate and therefore present a fairer view of the Group's performance and financial position.

### **Thailand**

Thai AirAsia ("TAA") posted revenue of THB7.77 billion in 2Q16, an increase of 13% from the same period last year while net operating profit increased by 69% YoY to THB671.80 million. This led the associate to post a profit after tax of THB767.56 million (up 105% YoY) in 2Q16. Tony commenting on TAA's performance, "During the quarter, TAA recorded 18% YoY increase in passenger numbers ahead of capacity growth of 13%, with load factor increasing by 3 ppts to 83% due to the strong tourist arrivals



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from China and Asean which grew by 14% and 6% respectively despite the quarter being a low travel period. RASK decreased to THB1.51 (down 3% YoY). However, CASK reduced by 6% YoY to THB1.38 due to 17% drop in fuel expenses, following the 29% YoY reduction of average fuel price from USD84 per barrel to USD60 per barrel."

Tony highlighted, "Thailand sustained its strong growth momentum as the tourism industry shows no signs of slowing down. TAA has put in place additional capacity to capitalise on this growing demand by taking in 2 additional aircraft and by launching 7 new routes in 2Q16. The Tourism Council of Thailand forecast 3Q16 tourist arrivals to grow further by 11.5% YoY. TAA has performed ahead of the industry and sustain its leadership position in the highly competitive Thai market through rapid capacity expansion and increasing frequency as well as the number of routes."

### **Indonesia**

Indonesia AirAsia ("IAA") recorded revenue of IDR887.38 billion in 2Q16, down 30% YoY which is in-line with the planned 37% decrease in capacity. Load factor recorded a 10 ppts improvement to 83%. Meanwhile, IAA registered a lower net operating loss of IDR84.60 billion (narrowed by 83%) and a smaller loss after tax of IDR 63.35 billion (narrowed by 87%). Tony highlighted, "IAA's turnaround plan is showing good signs especially on the cost side. CASK decreased 19% from a year ago in all areas, particularly on lower aircraft operating leases and fuel expenses. The underlying strategy behind the turnaround plan was to remove additional aircrafts from IAA's fleet that can be better utilised by other associates, seven of which have been transferred out as planned. The benefits of this can be seen in the quarter under review where aircraft operating lease expense has reduced by 54% following a lease rate restructuring while maintenance and overhaul cost have decreased by 34%."

In addition, Tony stressed, "IAA has right-sized its fleet and network which has contributed to lower operational losses as seen from our 2Q16 performance whereby cost decreased in all categories except for user charges. On the outlook for IAA in 3Q16, load factor is forecast at 92% which is due to high season demand. For the remaining quarters, IAA will continue to focus on promoting international routes. IAA is set to re-group and expand once again on international routes where we are the strongest. We forecast IAA will turn into black in 2H16."

### **Philippines**

Philippines AirAsia ("PAA") posted an 11% increase in revenue at PHP2.57 billion and strong growth in the number of passenger carried (up 3% YoY). Load factor was at a high of 91%, up by 11 ppts YoY. CASK increased by 1% to PHP2.53 due to higher depreciation of property, plant and equipment (up 144% YoY) and maintenance & overhaul cost (up 55% YoY). Further guided by the management's turnaround plan, net operating losses reduced to PHP162.68 million (narrowed by 72% YoY) while loss after tax of PHP539.05 million (narrowed by 31% YoY) was observed in the quarter under review mostly due to forex losses of PHP376.37 million. Tony added, "The cost reduction and re-fleeting exercise has enabled us to achieve lower losses for our operations this quarter."

Adding on to the Philippines, he said, "The turnaround progress of our operations pushes on as revenue, load factor and average fare shows a positive increase. On the associates' outlook, 3Q16 is expected to perform better YoY with revenue anticipated to be higher by 30% as average fares and load factor are projected to be higher. The forecasted load factor for the third quarter of 2016 is at 85%. PAA remains on track with its turnaround plan to rationalise its fleet composition to further reduce its cost structure in the remaining quarters in 2016. Thus, we expect that PAA will be profitable in 2H16."

### **India**

AirAsia India ("AAI") recorded a 73% increase in revenue at INR1.89 billion and carried higher number of passenger (up 76% YoY). Meanwhile, load factor was at 87% (up 4 ppts YoY) while ancillary revenue per passenger grew by 13% to INR415. Tony stressed, "India is progressing very well in the past few quarters. Load factor has again posted a record high which demonstrates our guests' preference for

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flying with us. This is also reflected in the total passengers carried which increased by 76% YoY to 0.53 million passengers. Despite being a new airline, it is worth AAI's CASK is much lower as compared to its peers in that market." During the quarter, AAI posted a smaller net loss of INR203.63 million (narrowed by 56% YoY).

– END –

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