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## **A RATIONALISED MARKET – DOUBLE DIGIT GROWTH IN PASSENGERS CARRIED, REVENUE, OPERATING PROFIT & NET OPERATING PROFIT**

19% INCREASE IN PASSENGERS CARRIED  
15% INCREASE IN REVENUE  
58% INCREASE IN OPERATING PROFIT  
61% INCREASE IN NET OPERATING PROFIT

### **3Q15 MALAYSIA**

- Load Factor at 82% (up 5 pts)
- Passengers Carried up 19% YoY
- Revenue up 15% YoY
- Operating Profit up 58% YoY
- Net Operating Profit up 61% YoY
- CASK down 4% YoY
- EBIT Margin of 20% (up 5 pts)
- EBITDAR Margin of 38% (up 5 pts)

### **3Q15 GROUP**

- Revenue at RM2.80 billion
- Operating Profit at RM332 million
- Net Operating Profit at RM160 million

**LOW COST TERMINAL SEPANG, 26 November 2015** – AirAsia Berhad (“AirAsia” or “the Company”) today reported its results for the quarter ended 30 September 2015 (“3Q15”).

### **Malaysia**

AirAsia posted quarterly revenue of RM1.51 billion, up 15% from the revenue reported in the same quarter last year. The strong revenue recorded was on the back of a remarkable 19% year-on-year (“YoY”) growth in the number of passengers carried at 6.29 million which was ahead of the 7% capacity growth, allowing the Company to record a high load factor of 82%, YoY growth of 5 percentage points (“pts”). This was attributed to a more rational capacity and pricing environment by other players. These double digit growths was further aided by the improved demand of Chinese travellers which has grown 22% YoY this quarter.

In 3Q15, AirAsia recorded an operating profit of RM316.00 million (up 58% YoY). During the quarter under review, the Company posted Revenue per Available Seat Kilometre (“RASK”) of 15.84 sen (up 3% YoY). This was in line with our strong sales over the period as travel activity peaked during the festive celebrations in August. In addition, RASK held up positively despite the Company’s decision to remove fuel surcharge on 26 January 2015 and passing on the benefit of lower fuel price to consumers. This was reflected by a drop in average fare to RM157 (down 7% YoY). If excluding fuel surcharge, RASK for 3Q15 would have been up 16% YoY while average fare would have been up by around 12% YoY. Meanwhile, net operating profit for the period under review is RM166.06 million (up 61% YoY).



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AirAsia Berhad CEO, Aireen Omar said, "The increase in RASK (including and excluding fuel surcharge) proved that lower fares stimulate the market as seen by the significant increase in the number of passengers that travelled with AirAsia who also received a windfall due to the removal of fuel surcharge. Meanwhile, ancillary revenue as a whole has increased by 15% YoY with the highest contributor coming from baggage (44% of total ancillary revenue) followed by cargo (10% of total ancillary revenue) and insurance (7% of total ancillary revenue). The highest growth seen among our ancillary products are AirAsia Insurance (up 36% YoY) and connecting fees for our 'Flythru' service (up 34% YoY). These led to the Company recording an ancillary income per pax of RM46 this quarter."

The Company's cost, measured in terms of Cost per Available Seat Kilometre ("CASK") was reported at 12.54 sen, down 4% YoY despite higher utilisation of assets as reflected by the number of flights which saw a growth of 11% YoY to 42,644 flights. The significant depreciation of the Ringgit YoY and the greater number of flights has resulted in staff and maintenance cost marginally trending higher by 13% and 22% respectively. On the other hand, fuel expense declined by 1% YoY on the back of 14% lower average fuel price at USD77 per barrel, despite the 16% increase in fuel consumption due to the increase in the number of flights.

On balance sheet, Aireen highlighted, "The strategies we have set out previously to increase our cash and to improve our net gearing proved to be working but was impacted by the strengthening of USD. At the end of 3Q15, the Company's USD denominated borrowings has actually reduced by 3% from USD2.78 billion in 2Q15 to USD2.69 billion in 3Q15. But due to the fluctuation of USD against the MYR, when converted, the USD borrowings show a 14% increase from RM10.52 billion to RM11.98 billion. Cash on the other hand has increased by 31% quarter-on-quarter ("QoQ") to RM2.40 billion following the sale and leaseback exercises of aircraft on top of growing cash from operations after servicing debts. The Company's net gearing ratio is at 2.98 times at the end of 3Q15, increased mainly due to external factors which have no impact on the Company's position. Taking out the effect of recognition of losses from PT Indonesia AirAsia's ("IAA") Perpetual Capital Security subscription<sup>[1]</sup>, net gearing is at 2.56 times and if currency fluctuation between USD and MYR be kept constant QoQ, net gearing will be at 1.83 times, down by 17% QoQ"

Following the foreign exchange loss on borrowings of RM435.98 million, losses incurred from the share of results of associates and jointly controlled entities and one-off costs related to the sale and leaseback of aircraft, the Company recorded a loss after tax of RM405.73 million. Foreign exchange losses due to the adverse movement in the exchange rate on USD denominated borrowings are merely an accounting valuation (RM:USD – 4.4475 as at 30 September 2015 as compared to RM:USD – 3.2805 as at 30 September 2014). Excluding losses from the share of results of associates and jointly controlled entities, profit after tax amounts to RM219.20 million.

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

For the first time, 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 RM2.80 billion while operating profit for the Group was recorded at RM332.15 million and net operating profit for 3Q15 stands at RM160.36 million. The Group's net profit for the quarter under review is recorded at RM64.91 million.

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.



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### **Thailand**

Thai AirAsia ("TAA") posted revenue of THB7.27 billion in 3Q15, a substantial increase of 31% from the same period last year. Operating profit increased by 221% YoY to THB506.75 million from the operating loss recorded last year. This led the associate to post a strong 146% increase in profit after tax to THB174.43 million. AirAsia Group CEO, Tony Fernandes commenting on TAA's performance, "TAA continued to post good numbers with triple digit growth in operating profit & profit after tax and contribute back positively to AirAsia Berhad. During the quarter, they recorded 26% YoY increase in passenger numbers with load factor holding steady at 81%. Despite the decrease in average fare, TAA still managed to record a 5% increase in RASK at THB1.64. CASK reduced further by 10% YoY to THB1.52, due to 9% drop in fuel expenses."

### **Indonesia**

Indonesia AirAsia ("IAA") recorded a revenue of IDR1.48 trillion in 3Q15, down 14% YoY which is in-line with the 7% decrease in capacity and led to the 12% decrease in the number of passengers carried. Average fare decreased by 20% YoY to IDR615,027 and ancillary income per pax however increased by 6% to IDR176,252. Although overall cost reduced in 3Q15, IAA recorded an operating loss of IDR59.53 million. Tony highlighted, "IAA's turnaround plan was solid but was affected by new regulations. Demand during the quarter was affected due to the negative equity regulation introduced which was widely covered by both local and international media. This created uncertainty and prompted travel agents to divert bookings away from IAA. However, the negative equity issue has been resolved and on the positive side, the 40% floor price on domestic routes have been revised back to the original 30% which is very positive for IAA. Ancillary revenue is also promising with good trend especially on core ancillary products like baggage and pick-a-seat. Cost reduction was a big part of the turnaround plan. It is showing good progress with CASK and CASK-ex fuel reduced by 14% and 6% respectively. This however is below our internal target which is mainly due to the strengthening of USD against the IDR, and also the slight delay on the original plan to remove 4 aircraft out of IAA and redeploy them to the other associates. This was caused by the longer than expected aircraft checks and de-registration process. In 3Q15, only one aircraft managed to be redeployed to MAA at the end of September. To date, three aircraft have been redeployed and taken out of IAA's fleet and the benefits of this can be seen in the upcoming quarters."

### **Philippines**

Philippines' AirAsia ("PAA") posted a 29% increase in revenue at PHP2.07 billion and strong growth in the number of passenger (up 46% YoY). Capacity grew by 14% that has led to a 19 ppts increase in load factor and a good 27% increase in RASK at PHP1.85. CASK decreased by 1% to PHP2.61 on the back of a 21% decrease in aircraft fuel expenses, 14% decrease in staff costs and 6% decrease in aircraft operating lease expenses. Further guided by the management's turnaround plan, operating losses reduced by 33% to PHP871.77 million. Tony said, "The turnaround plan is on track in PAA. The cost reduction and restructuring exercise are beginning to bear fruit as we see losses being trimmed. Operating numbers are showing good progress and we are seeing the trend to continue into the upcoming quarters as well. Re-fleeting exercise is on track to remove 4 older IAE engine power fleet and introduce 1 CFM engine aircraft to create one standard fleet. We will be disciplined and continue with our planned retirement of inefficient aircraft as well as matching capacity growth with demand while pushing forward with our plans to market the Philippines as an untapped tourist destination with great potential."

### **India**

AirAsia India ("AAI") recorded a 114% increase in revenue at INR1.31 billion and strong capacity growth of 221% YoY. Meanwhile, average fare increased steadily by 79% to INR2684 while ancillary revenue per passenger grew by 253% to INR470. Tony stressed, "Our operations in India are geared to grow further after a year in service as we believe our low fares and excellent product appeals to travellers in



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India who remain underserved by air travel. Load factor remains stable at 76% amid heightened competition by other players while total passengers carried increased 225% YoY to 0.41 million passengers carried." During the quarter, AAI posted an operating loss of INR611.53 million.

### **Outlook**

Commenting on the Company's outlook, Tony said, "In Malaysia, all signs point towards rational and sustainable growth in the coming quarters as other players have significantly reduced capacity and rationalised their routes while the irrational price war that took place in the past is over. Domestic traffic in particular, saw a significant reduction of 18% at the Main Terminal Building of KLIA while at klia2, traffic jumped 22% in September 2015. Therefore, we are witnessing the positive effect of rational pricing and its impact towards passenger travel patterns. Demand from Chinese travellers has also recovered starting from May 2015 whereby traffic has increased by 21% YoY. Similarly, fuel trended low in the quarter which undoubtedly remains favourable for all airlines. We see a great end to the year and a light at the end of the tunnel for the Malaysian operations after a series of headwinds that affected our operations"

Adding on the outlook of cost environment, he said, "As seen in 3Q15, we are beneficiary of the low fuel price. As of now, the Group has hedged 50% of its fuel requirement for 2015 at an average cost of USD88 per barrel on jet kero while we have hedged 30% at an average cost of USD65 per barrel for 2016. Passing on this benefit to our passengers through the removal of fuel surcharge earlier this year proved to be rewarding with demand increasing double digit in 3Q15.

On the associates' operations, Tony highlighted, "Our Thai operation continues to deliver superb results and is expected to sustain this strong growth as political stability has brought about the return of international travellers and reinvigorated the tourism industry. The Tourism Council of Thailand has forecasted that tourist arrivals will grow by 9% in 4Q15, ending 2015 with a growth of 22%, mainly due to Chinese travellers flocking once again to various Thai destinations. We will continue to see strong growth and numbers coming from TAA which will be taking the most number of aircraft among all AirAsia operations in the next couple of years.

Whereas in Indonesia, he stressed that "IAA has resolved its negative equity requirement and strongly benefits from the reversal of the price floor ruling from 40% to 30% on domestic routes. IAA's fleet removal exercise will continue with additional aircraft to be redeployed to the other short-haul associates at the end of this year and early next year. This will reduce IAA's operational cost significantly and allow the associate to operate efficiently, increase aircraft utilisation with optimum number of fleet. As IAA has completed most of its route rationalisation and cutting of loss making routes, aircraft utilisation is expected to increase from 10 hours to 13 hours by year end. There are also plans to drive offline sales by motivating agents with better incentives and fares. Meanwhile, in the Philippines, PAA no longer operates two AOC which eliminates duplicate positions and has increased fleet rotation and efficiency of crewing. Zest Airways Inc. has been renamed Philippines AirAsia Inc. and we look forward to a new brand campaign taking place towards the end of the year. Re-fleeting plan is on track where older aircraft that were acquired during the acquisition of Zest Air will be sold or targeted to be returned to third party lessors, leaving PAA with a standard fleet of A320 aircraft powered by CFM engines."

Commenting on India and Japan, Tony added "AAI on the other hand will continue with its growth plan, adding in more aircraft to be based at its current two hubs in Bengaluru and Delhi. The associate will work towards keeping its cost under check, with increased focus on ancillary revenue. On top of these, we have also recently announced that our newly re-launched AirAsia Japan ("AAJ") has obtained its AOC and we are looking forward to officially re-commence operation in the market by first half of 2016. Japan will contribute significantly to our existing extensive network across Asia and will further cement AirAsia as the biggest low cost carrier in Asia."

– END –

# Press Release



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<sup>[1]</sup> On 1 October 2015, the Company announced on Bursa Malaysia, the subscription of IDR2,058bil nominal value of Perpetual Capital Securities issued by PT Indonesia AirAsia ("IAA") at 100% of its nominal value by way of converting part of the existing amount due from IAA of IDR2,058 billion as of 30 June 2015. The total amount due from IAA as of 30 June 2015 was IDR4,280 billion. The subscription was to enable IAA to raise funds to attain positive equity position as directed by the Directorate General of Civil Aviation of the Republic of Indonesia in compliance with Law No.1/2009 on aviation. The exercise will have an effect on the income statement of the Company in the quarter under review as all prior year unrecognised and current year losses were recognised. This is merely an accounting entry and does not have any impact on the operations and financial position of the Company.

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