



**FOR IMMEDIATE RELEASE**

## **AIRASIA X continues strategic turnaround initiatives** to poised for better prospects in 2H15

**SEPANG, 27 MAY 2015-** AirAsia X Berhad ("AAX" or "the Company"), the long-haul low-cost airline affiliate of the AirAsia Group, today reported its financial results for the First Quarter ("1Q15") ended 31 March 2015.

**Datuk Kamaruddin Meranun, Group CEO of AirAsia X** commented on the outlook of the company, "The year of 2014 has been a challenging and extraordinary year for us and the aviation industry as a whole. The profitability in 2014 was affected mainly by the three tragic aviation incidents, irrational price war and overcapacity posted by the national carrier. Since taking the helm as Group CEO of AirAsia X, the management team and I have also been reviewing all aspects of the business to consolidate the initiatives needed to address the company's internal inefficiencies. The key initiatives will be iron out stages by stages, especially in the First Half of 2015. We are optimistic that we will see improvements starting from Second Half of the year and it will lead to a better financial footing in FY2015."

"There will be more integration with our partners in 2015 and this is especially with AirAsia BIG who has a large number of members base. AirAsia Big has a total of 13 million members but only 2.2 million members that are active users hence there are a huge potential for us to encourage travelling among the remaining 11 million inactive users. There will be more aggressive marketing collaboration with AirAsia BIG to raise awareness of the loyalty programme's benefits such as redemption of BIG points for free flights and 24 hours priority booking for AirAsia sales. On top of that, we are also introducing exclusive duty free products on-board and new sales platform to boost our ancillary revenue. We are also enhancing our integration within the AirAsia Group in promoting the Fly-thru services which enables our passengers to enjoy better network connectivity with lesser hassle of going through immigration processes and having to collect their baggage."

"Thailand AirAsia X ("TAAX") has performed admirably well, achieving 82% average passenger load factor and a net profit of THB90 million in the 1Q15 despite the recent set back by new ICAO-driven restrictions from Japan and South Korea. TAAX will continue to operate using Malaysia AirAsia X ("MAAX") call-sign aircraft to the newly launched Sapporo, Japan until they are granted with the necessary approval from Japan authority. The operations to Osaka, Narita and Incheon remains unaffected however there will not be any expansion for Japan and Korea for the time being. This year, we will be exploring to more exotic destinations whereby China and Tehran will be one of those."

"Indonesia AirAsia X ("IAAX") is currently operating with 2 A330-300 aircrafts serving Bali-Taipei and Bali-Melbourne. Its base in Bali gives IAAX a distinct advantage as the airport holds a potential to cater for greater passenger capacity and moreover, Bali has always been a favourite holiday destinations from around the world. Hence, we have plans to further enhance our Bali network connectivity by launching additional routes such as Sydney, Australia and Jeddah, Saudi Arabia".



"Besides from that, we have recently received the IATA Operational Safety Audit (IOSA) Registration. In light of the three tragic aviation incidents in 2014, it has raised safety concerns in the aviation industry around the globe. As safety is a core value that AirAsia X holds onto, we are committed in ensuring that we meet the most stringent standards in the industry at all time. Hence, the registration in IOSA, the benchmark for global safety management in airlines, has given a natural extension to this commitment. This accomplishment has also allowed us to further strengthen the safety and efficiency of the organization".

**Benjamin Ismail, Acting CEO of AirAsia X** said, "We have seen improvement on our average base fare, resulted from the implementation of network consolidation. We remain focus in solidifying our capacity management for the First Half of 2015 to attain profitability. Although this has put short-term pressure on our load factor performance, the long-term strategic advantages are very compelling. With the observed booking trends, we are in line with expectations for a recovery in the Second Half of 2015."

"Meanwhile, we have deployed the excess capacity to wet leases in the early quarter to maximize asset utilization and to generate healthy margins. We have also firmed short-term contracts to redeploy aircraft capacity from Malaysia to wet lease operations that coincide during our lean season in Q2 and Q3 to fill up excess capacity. These wet lease aircraft capacity will return back to Malaysia for operations during our peak period in the fourth quarter to generate positive returns."

"We are striving to drive CASK further down to at least -10% y-o-y in 2015 through operational consolidation and resource sharing with the rest of the AirAsia Group. In the early quarter, we have took off a few cost reduction initiatives such as cutting down our number of crews from 9-man to 8-man crew for certain routes which has saved us approximately RM8 million and enhance automations to ensure elimination of redundancy and implemented no night stops for our cabin crew in certain routes. We are also in the midst of revising contracts and charges from our operational partners and vendors. There will be paperless cockpit for pilots in the Second Half of 2015 with the implementation of Electronic Flight Bag (EFB). This initiative will reduce about 55kg manuals weight on board which translates to a reduction of fuel burn up to 8.25kg per sector. Besides, we are implementing fuel tankering initiative to all existing routes to save approximately of USD10 million per annum. Furthermore, we are benefiting from the lower fuel price environment whereby we have locked in 54% jet fuel at average price of USD88 per barrel for FY2015, while procuring the rest at spot prices."

"In the effort to strengthen our liquidity position, we have implemented the rights issue exercise which will raise RM391million and expect to be completed by mid-June 2015. Potentially, we are also looking at refinancing of remaining finance lease aircraft and outright sales of 2 latest deliveries aircraft in the coming Second Half. There is no major investment on aircraft this year as all 2015 deliveries are on operating lease and this will minimize the CAPEX outflow for the year. We are also planning to defer 2 aircraft deliveries for 2016 to manage cash flow."

"Besides that, we remain focus in intensifying our marketing activities on core markets, especially Australia and China where travel demand has softened after the three tragedies last year. We are working towards exploring more exciting collaboration projects with travel agents and tourism bodies to bring back positive travel demands and loyalty. We have relatively new routes such as Chongqing,



Xi'an and Narita; we are expecting to see positive yields improvement and earnings turnaround in the Second Half of this year as it typically takes 12-months to reach break-even."

## **1Q15 Financial Performance**

The Company posted revenue of RM775 million for 1Q15, 3% year-on-year ("y-o-y") growth from RM749 million during the same period under review. The growth was primarily driven by charters and wet leases, operating lease income and cargo. However, scheduled flight revenue has recorded a decrease of 9% y-o-y to RM460 million in 1Q15 compared to RM504 million in 1Q14, due to marketing halt in early quarter which caused load factor to drop 12 percentage points at 74% against 86% in 1Q14, with 8% y-o-y higher in average base fare on the back of capacity management.

On the operating level, AAX has recorded a profit of RM6 million, an increase of 118% y-o-y for 1Q15 as compared to a loss of RM33 million for the same period last year. The profit was mainly pulled by higher aircraft operating lease and maintenance expenses which has surged an increase of 116% y-o-y and 42% y-o-y in 1Q15 respectively, due to the additional 8 aircraft on operating lease taken after 1Q14. As for operating expenses for this quarter, it has seen a decreased of 1% y-o-y in 1Q15 to RM776 million from RM786 million in 1Q14, mainly due to 32% y-o-y drop in jet fuel cost from RM401 million to RM274 million in 1Q15, attributed from lower fuel price.

In the 1Q15, the company has recognised a net loss of RM126 million, resultant from the high forex exchange loss of RM87 million compared to a RM10 million gain in 1Q14. The forex exchange rate has recorded at 3.62, the highest recorded rate compared to the year of 2013 and 2014. This has significantly impacted our result in 1Q15 as 92% of our borrowings are in US dollar. We have also recorded an investment loss of RM15 million in joint venture of IAAX.

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## **About AirAsia X**

AirAsia X is the long-haul, low-cost affiliate carrier of the AirAsia Group that currently flies to destinations in China, Australia, Taiwan, Korea, Japan, Nepal and the Middle East. The airline currently serves 19 routes across Asia (Haneda, Narita, Osaka, Seoul, Busan, Taipei, Xian, Beijing, Hangzhou, Chengdu, Shanghai, Chongqing, Colombo and Kathmandu), Australia (Sydney, Melbourne, Perth and Gold Coast) and the Middle East (Jeddah). AirAsia X currently operates on Airbus A330-300s, each with a seat configuration of 12 Business Class seats and 365 Economy seats. The airline has carried over 12 million guests since it commenced long-haul in 2007. AirAsia X was awarded the World's Best Low Cost Airline Premium Cabin and Best Low Cost Airline Premium Seat titles for two consecutive years at the 2014 Skytrax World Airline Awards. Our vision is to further solidify our position as the global leader in low-cost, long-haul aviation and create the first global multi-hub low-cost carrier network along with other carriers of the AirAsia Group. AirAsia is the first airline globally to collaborate with INTERPOL to implement the I-Checkit system to screen the passports of all its prospective passengers against information contained in the world police body's Stolen and Lost Travel Documents (SLTD) database.

# Press Release



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Statements included herein that are not historical facts are forward-looking statements. Such forward looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, AirAsia X's results could be materially affected. The risks and uncertainties include, but are not limited to, risks associated with the inherent uncertainty of airline travel, seasonality issues, volatile jet fuel prices, world terrorism, perceived safe destination for travel, Government regulation changes and approval, including but not limited to the expected landing rights into new destinations.