



FOR IMMEDIATE RELEASE

## **AIRASIA X IN EXPANSION MODE - INVESTMENT IN PEOPLE AND AIRCRAFT FLEET** *Emphasis Remains in Expanding Network in Existing Key Markets in the Asia Pacific Region*

**SEPANG, 25 February 2014** - AirAsia X Berhad ("AAX" or "the Company"), the long haul, low fare airline affiliate of the AirAsia Group today reported its financial results for the Fourth Quarter and Financial Year ended 31 December 2013 ("4Q13" and "FY2013").

The company recorded revenue of RM2,307.5 million for the financial year ended 31 December 2013, a 17.3% Year-On-Year ("Y-o-Y") growth as compared to RM1,967.4 million the previous year.

This increase was on the back of a 19.0% Y-o-Y growth in Available Seat Kilometres ("ASK") capacity, mainly from additional flight frequencies to existing routes, and the opening of six new routes; while passenger traffic volume in Revenue-Passenger Kilometres ("RPK") increased by 16.6% Y-o-Y, with an average passenger load of 82.1%.

The Company also operated a higher number of flights for charters and wet-leases, with total revenues from this segment growing from RM67.8 million in FY2012 to RM107.0 million in FY2013. These flights are not captured in the ASK and RPK tabulations as they are unscheduled flights.

The route network consolidation exercise translated to an improvement in yield, as measured by Revenue per Available Seat Kilometre ("RASK") from RM12.00 sen in FY2012 to RM12.05 sen in FY2013. Ancillary revenue grew by 24.5% Y-o-Y to RM457.5 million in this fiscal year, compared to RM367.4 million in the previous period, supported by total passengers carried of 3.2 million, up 22.5% Y-o-Y as compared 2.6 million previously. During the year, the introduction of new ancillary products and higher take-up rates for Fly-Thru connecting transfer services boosted ancillary revenue per passenger from RM142.36 in FY2012 to RM144.70 in FY2013. Cargo segment contributed RM90.0 million for the financial year ended 31 December 2013, an increase of 13.6% Y-o-Y from RM79.3 million in the previous year.

Earnings Before Interest, Tax, Depreciation, Amortisation and Rental ("EBITDAR") grew from RM308.5 million in FY2012 to RM361.3 million in FY2013. Lower than expected yields, and the appreciation of the US Dollar ("USD") against the Ringgit Malaysia ("RM") towards the second half of FY2013 weakened the Company's Earnings Before Interest and Tax ("EBIT") from RM49.0 million for FY2012 to RM35.7 million in FY2013.

In 2013, AirAsia X continued to invest and expand in two key assets; people and aircraft fleet. The airline's employee base increased 54.7% Y-o-Y to 2,011 personnel as compared to 1,300 personnel the previous year.

AirAsia X received a total of seven Airbus A330-300s in 2013, of which, four were on operating lease. This contributed to a higher lease expenditure of RM186.7 million, an increase of 22.5% Y-o-Y compared to RM152.4 million in the previous year. Three other A330-300s delivered were on-balance sheet finance lease, contributing to a higher depreciation cost of RM139.0 million, a 29.8% Y-o-Y increase from RM107.1 million in the previous year.

## **Press Release**

AirAsia X remains focused on expanding additional capacity in its existing key markets following the 2012 network consolidation exercise, and launched six new destinations in FY2013. Three new routes were in existing key markets in China (Shanghai), Korea (Busan) and Australia (Adelaide), and the additional three in new markets, namely Saudi Arabia (Jeddah), Sri Lanka (Colombo) and Maldives (Male) that are based on bulk travel agent booking commitments. These new routes are expected to reach profitability over a 12-month period. For FY13, new routes represented 40.0% of the incremental ASK, while approximately 60.0% of ASK growth came from frequency additions to core routes. New capacity for frequencies added is also expected to reach maturity in a 9 to 12 month period. The combined capacity increases contributed to a slower total RASK improvement Y-o-Y.

High fuel prices and the strengthening of USD against RM for FY2013, also translated to a higher operating cost as opposed to FY2012. Approximately 65.0% of the Company operating expenses were denominated in USD with fuel expenses making the bulk, at 47.8% of the total expenses. Fuel expenses for FY2013 increased 18.7% to RM1,097.9 million as compared to RM925.3 million for FY2012. In addition, an upfront one-off recognition of non-recurring IPO related expenses and shareholders' benefit scheme of RM26.3 million was also included in operating expenses. The Company recorded a Loss After Tax ("LAT") of RM87.0 million for FY2013 as compared to Profit After Tax ("PAT") of RM33.9 million for FY2012, after a non-cash foreign exchange translation loss of RM176.2 million.

During 4Q13, AirAsia X registered revenue of RM679.6 million, an increase of 26.1% Y-o-Y from RM539.0 million as compared to 4Q12. ASK for 4Q13 surged by 49.0% compared to the same quarter the previous year.

This aggressive capacity expansion was undertaken to strengthen AirAsia' X leading market position. 44.0% of the ASK growth was from the six new routes, while 56.0% of ASK growth was from frequency additions. There was also a substantial growth of 17.0% ASKs from the preceding quarter, resulting in a large yield dilution in the first quarter of new capacity addition.

RPKs rose by 45.2% Y-o-Y with average passenger load at 80.9%. RASK was weaker by -15.2% Y-o-Y in the quarter ended 31 December 2013 as compared to same quarter in 2012, due to the large capacity increase by the Company and by other airlines adding capacity on the same routes. Cargo segment contributed RM25.8 million for quarter ended 31 December 2013, showing an increase of 61.3% Y-o-Y from RM16.0 million as compared to the same quarter the previous year.

For 4Q13, total operating expenses increased from RM498.7 million or 44.8% to RM722.1 million. Fuel cost increased by 52.5% to RM349.1 million for quarter ended 31 December 2013 from RM228.9 million for the same quarter the previous year.

**Azran Osman-Rani, CEO of AirAsia X said,** "Despite challenging market conditions, we seized the opportunity to invest substantial capacity to strengthen our market position in our core markets to ensure we remain the world's largest long-haul LCC operator, with a much larger network scale compared to others. We believe the short-term earnings pressure arising from newly introduced capacity will be well worth the long-term strategic value as yields rise with the maturing of this new capacity. Despite a similarly large capacity increase in 2014, we are already seeing signs of yield improvement from our forward sales".

"Aggressive cost controls will be deployed in 2014 to ensure we remain the world's lowest unit cost airline operator, and be in a better position to withstand short-term yield pressures."

"AirAsia X will see our new Thai hub open in the first half of 2014, with Thai AirAsia X commencing services

# Press Release

into existing key markets in North Asia from Don Mueng International Airport".

"The airline will receive another seven Airbus A330-300 aircraft delivered this year, with one already delivered in January 2014. We will also see stronger network synergies with the AirAsia Group's short-haul network. We expect even more fly-thru connecting transfer traffic, and a stronger group-wide distribution platform". concluded Azran.

\*\*\*ENDS\*\*\*

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For further information on AirAsia X, please visit the Company's website: [www.airasiox.com](http://www.airasiox.com)

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.