



FOR IMMEDIATE RELEASE

## **AirAsia X Continues Strategic Expansion with 38.5% Revenue Growth to RM1.4 billion In the First 6 Months of 2014**

**SEPANG, 19 August 2014** – 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 Second Quarter (“2Q14”) and the First Half-Year (“1H14”) ended 30 June 2014.

On the back of its strategy of capacity and network expansion to strengthen its market leadership, the Company recorded revenue of RM671.6 million for 2Q14, a year-on-year (“y-o-y”) growth of 36.7%, and cumulative revenue of RM1.42 billion in 1H14, a 38.5% y-o-y growth compared to the previous corresponding period.

This increase was underpinned by the significant growth in Available-Seat-Kilometre (“ASK”) capacity that was introduced in the second-half of 2013, recording a y-o-y growth of 47% to 6.26 billion in 2Q14 and a y-o-y growth of 53% to 12.48 billion in 1H14. Passenger traffic volume in Revenue-Passenger-Kilometre (“RPK”) grew by 44% in 2Q14 to 5.04 billion and by 53.3% to 10.38 billion in 1H14, resulting in a passenger load factor of 80.4% in 2Q14 and 83.1% in 1H14. Consistently delivering load factor performance above 80% demonstrates the ability to keep stimulating new travel and tourism demand to fill up the new capacity added. This solidifies AAX’s position as the market leader in passengers carried to its core markets in Australia and North Asia, as well as its position as the global market leader in the long-haul LCC space.

The capacity expansion into new cities in its core markets, such as Nagoya, Xian, and Chongqing, as well as additional frequencies to cities such as Sydney, Melbourne, Taipei, Seoul, and Tokyo have increased its Fly-Thru connectivity and attracted new passenger traffic flow that now uses KLIA2 as a regional aviation hub. Notably, the Company has approximately tripled its market share of passengers travelling between North Asia and Australia on a one-stop service, generating a significant new customer base this year compared to the previous year.

The Company continues to operate a higher number of flights for charters and wet-leases, with total revenues from this segment growing from RM33.0 million in 1H13 to RM148.6 million in 1H14. These flights are not captured in the ASK and RPK tabulations as they are unscheduled flights. Ancillary revenue grew by 48.2% y-o-y to RM290.8 million in 1H14, compared to RM196.3 million in the previous period, resulting in an ancillary revenue per passenger of RM138.50 from the 2.1 million passengers carried. Cargo segment contributed RM59.3 million for 1H14, and increase of 43.8% y-o-y from the previous corresponding period. Two A330-300 aircraft were leased to Thai AirAsia X (“TAAX”), its affiliate, generating RM25.3 million in lease income revenue in 1H14. TAAX commenced daily flights to Seoul since 17 June 2014 and will operate flights to Tokyo-Narita and Osaka from its hub in Bangkok from September 2014.

The resultant unit-revenue yield, as measured by Revenue-per-Available-Seat-Kilometre (“RASK”) was 10.79 sen in 2Q14, a -7% y-o-y decline, and 11.44 sen in 1H14, a -10% y-o-y decline. The rate of decline in RASK has been steadily improving from -15.1% in 4Q13 and -12.4% in 1Q14. Based on forward sales to-date and barring any unforeseen macro-factors, the Company expects RASK to resume positive growth in the second-half of this year, as the capacity expansion last year matures and the rate of capacity growth progressively slows down. Although the RASK yields have declined this year from 2013, they remain higher than the RASK yields recorded in 2010, 2011, and 2012, signalling overall route network portfolio maturity. The Company continues to target a positive growth in RASK for the full year of 2014 from 2013.

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Operating expenses increased 61.5% y-o-y from RM986.3 million to RM1,593.1 million in 1H14. Although unit-cost as measured in Cost-per-Available-Seat-Kilometre ("CASK") increased 4.6% y-o-y to 12.69 sen, CASK-excluding fuel declined -2.6% y-o-y to 6.35 sen. CASK in US cents declined -1.4% to 3.89 cents, due to the effect of the US dollar-Malaysian Ringgit currency movement, as a majority of costs, especially fuel, aircraft and engineering expenses, are denominated in US dollars. CASK excluding fuel in US cents dropped -8.5% to 1.94 cents. Average fuel price increased from US\$127/barrel in 2Q13 to US\$130/barrel in 2Q14. Controllable items such as staff costs, sales and marketing expenses, fell -13% y-o-y from cost controls and productivity improvements achieved from having larger operating scale.

Earnings Before Interest, Tax, Depreciation, Amortisation and Rental ("EBITDAR") dropped from RM183.5 million to RM53.5 million, while Earnings Before Interest and Tax ("EBIT") dropped from RM46.0 million to -RM168.5 million. AAX recorded a Loss After Tax ("LAT") of -RM140.1 million for 1H14 compared to a Profit After Tax of RM17.9 million in the first-half of 2013.

The Company continues to maintain positive operating cashflow in 2Q14 of +RM81.2 million, and +RM212.8 million for 1H14. Net Cash Flow was also positive at +RM12.8 million in 2Q14, as there were no capital expenditure incurred from financing aircraft on-balance sheet (the additional aircraft was on operating lease), no material new pre-delivery-payment financing for future aircraft, and no further capital investments in Associates. The Company expects to maintain positive operating cashflow and positive net cash flow for the full year, on the back on an expected stronger performance in the second-half of 2014.

**Azran Osman-Rani, CEO of AirAsia X** said, "Although our capacity expansion has put short-term pressure on earnings performance, the long-term strategic advantages are very compelling. We now have our strongest route network, with multiple cities in each of our markets, and strong frequencies that lead to convenient transfer connections. As we now have achieved overall market leadership, we have stabilised our network, with quarter-on-quarter ASK growth slowing down to single-digit rates. Coupled with our position as the lowest unit-cost airline operator and leveraging on the strength of the AirAsia global brand and customer base, we have an unrivalled strong position for the future."

"As we approach the end of the year after twelve months since we added a lot of new capacity in 4Q13, we expect RASK yields to return to positive growth and reach the levels recorded before the expansion. This in turn will return us back to profitability, particularly as global fuel prices are expected to soften, while Asian currencies are expected to stabilise. We are already seeing yields catch up in Taipei, the first route to have a doubling of capacity to twice-weekly services that commenced in July 2013."

"Thai AirAsia X has been off on a great start, achieving a record 88% average passenger load factor in its first 3 months of operations on its inaugural Bangkok-Seoul route. The investments in international associates gives us more room for further growth and strengthens our market position in each of our destinations as customers have multiple direct flight options to choose from."

"The 50 next-generation A330-900neo aircraft ordered will give us a huge lead over other players in this space, and ensure that we can fully realise our growth potential from the two new hubs that we have invested in, as well as other future hubs once the opportunity materialises", concluded Azran.

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

### **About AirAsia X**

AirAsia X is the low-cost, long-haul affiliate carrier of the AirAsia Group that currently flies to destinations in China, Australia, Taiwan, Korea, Japan, Sri Lanka, Nepal and the Middle East. The airline currently serves 20 destinations across Asia (Tokyo, Osaka, Nagoya, Seoul, Busan, Taipei, Beijing, Hangzhou, Chengdu, Shanghai, Xian, Chongqing, Colombo and Kathmandu), Australia (Sydney, Melbourne, Adelaide, Perth and Gold Coast) and the Middle East (Jeddah). AirAsia X currently operates a fleet of 21 Airbus A330-300, each with a seat configuration of 12 Business Class Flatbeds and 365 Economy seats, including two A330-300 leased to Thai AirAsia X and one A330-300

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leased to Indonesia AirAsia X. The airline has carried over 12 million guests since inception from Malaysia.

Our vision is to further solidify our position as the global leader in long-haul, low-cost aviation and create the first global multi-hub low-cost carrier network along with other carriers of the AirAsia Group.

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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.