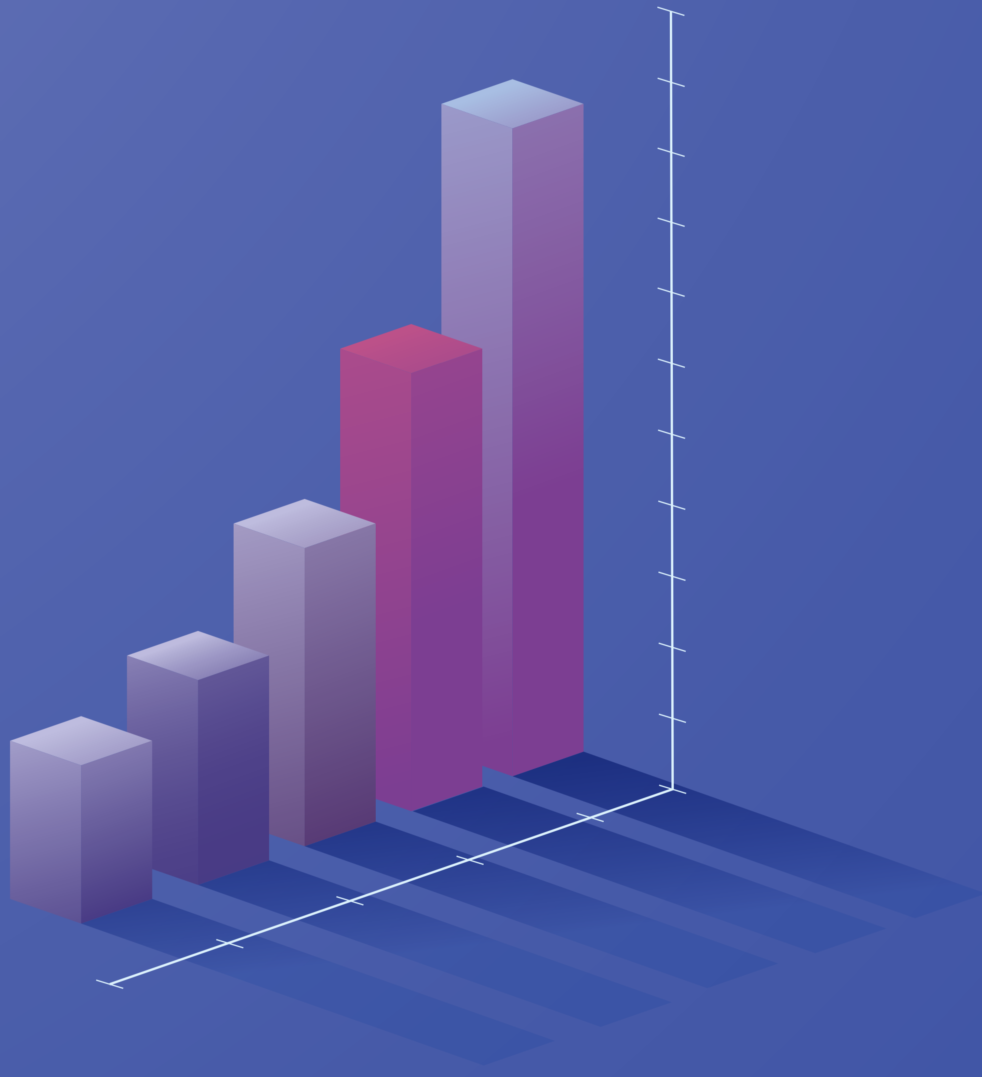
AIR ARABIA PJSC

# Q4 AND FULL YEAR COMMENTARY 2017



# Financial highlights

## Full year 2017

- Passengers carried reached 8.53million at a seat factor of 79%.
- Turnover reached AED 3.74 billion.
- Yield margin fell 2.4% compared to full year 2016.
- Non ticket income increased by 15% to AED 673 million driven primarily by revenue increases recorded by group companies and activities.
- Operating profit stood at AED 481 million, an increase of 32% compared to 2016.
- Net profit for the year hit record AED 662million, an increase of 30% compared to 2016.

| (AED Millions) | 2017 | 2016 | Change | % |
|---|---|---|---|---|
| Pax (m) | 8.53 | 8.46 | 0.07 | 1% |
| LF % | 79% | 79% | – | 0% |
| Revenue (m) | 3,739 | 3,778 | -39 | 1% |
| **Operating Profit** | **481** | **365** | **116** | **32%** |
| Oprating Profit Margin % | 13% | 10% | | 3% |
| **Net Profit** | **662** | **509** | **153** | **30%** |

## Q4 2017

- Passengers carried reached 2.05million  at a seat factor of 78%
- Turnover was up by 5 % to AED 858million.
- Yield margin increased 6.6% compared to same quarter 2016.
- Non ticket income increased by 24% to AED 176 million.
- Operating profit stood at AED – 21.2 million an increase of 78%  compared to Q4 2016.
- Net profit increased by 177% reaching AED 26 million.

| (AED Millions) | 2017 | 2016 | Change | % |
|---|---|---|---|---|
| Pax (m) | 2.05 | 2.09 | -0.04 | 2% |
| LF % | 78% | 78% | – | 0% |
| Revenue (m) | 858 | 814 | 44 | 5% |
| **Operating Profit** | **-21** | **-95** | **74** | **78%** |
| Oprating Profit Margin % | -2% | -12% | | 9% |
| **Net Profit** | **26** | **-33** | **59** | **177%** |

## Direct costs

- Direct costs in the year ended 31st December 2017 fell 5.8% to AED 2,963m (2016 – AED 3147 million) with fuel costs declining by 19% as the company benefited from route mix, hedging benefits and fuel efficiency initiatives.
- Depreciation increased by 10.5% as the growth in our fleet continued and the FY effect of 2016 deliveries came into play.
- All other direct costs remained closely aligned to our overall capacity growth.
- Direct costs in Q4 fell by 7% reflecting the FY trending of improvement in fuel costs and increase in Depreciation.

## G+A expenses

- Excluding a general provisions G+A costs in 2017 fell 7.7% to AED 177.8 million (2016 –AED 193 million) savings brought about in particular by tight controls over staff costs and general overhead expenditure.

- As in the FY G+A expenses after provisions also fell, this time by 9.3% compared to 2016. Once again tight control over overhead expenditure is being exercised at every opportunity.

## Profit on Bank Deposits

FY 2017 deposit interest increased by AED 72 million with an increase of AED 32 million in Q4. This was achieved by increased cash and a more favorable environment for the placement of funds.

## Finance costs

Finance costs increased by 31% during the year to AED 119 million as the fleet continued to grow and USD rate increases were absorbed.

## Other income

Other income fell in 2017 by AED 28million due to lower gains relating to FX. In the quarter the movement of AED -38million was a result of the change in reporting methodology Q on Q of the Gain/Loss on Cash flow hedging.

## Share of equity accounted investments

FY 2017 AED 28.7 million vs AED 7 million (2016). This relates primarily to the growth in Air Arabia operation in Morocco base.

# Commercial developments 2017

### 4 New aircraft deployed (8.7% of Group fleet growth)

- 3 aircraft were deployed in Morocco hub
- 1 aircraft was deployed in Egypt hub

### New bases launched

- Fez base in Morocco – June
- Agadir base in Morocco - October

### Total 21 new routes launched from all hubs

- 5 from Sharjah base
- 1 from Jordan base
- 15 from Morocco base

# Planned developments 2018

- 3 additional aircraft to join the group's fleet in April, May, June.
- 2 aircraft to be deployed to Sharjah hub in May and June.
- 1 aircraft to be deployed to Egypt hub in April.

### New routes announced to start operation in 2018

### Sharjah Hub

- Qabala in Azerbaijan
- Izmir in Turkey
- Bodrum in Turkey
- Moscow (SVO) in Russia
- Grozny in Russia

### Egypt Hub

- Milan in Italy

# Regional and Market outlook

The regional aviation long term outlook remains a solid one. Air transport in the region has become the only rapid transportation network for people and goods as well as a key dominant economic pillar for GDP growth. The MENA region continues to witness sustainable growth in aviation, driven by the underlying demand for air travel, major investments undertaken in aviation infrastructure in the region as well as the region's hub position that now ranks third in international passenger traffic worldwide.

Nonetheless, airlines in the region continue to face economic and political challenges which make the operating environment costly and unpredictable. We have experienced such events in 2017 and we expect this to continue. Equally, we have seen a positive improvement in yield margins in fourth quarter 2017 which is a positive indicator for 2018 if such improvement continues. We believe that airlines, more than ever, are now driven to focus on cost control measures that are within hands to drive cost baseline lower coping up external challenges such as rising airport charges, fuel price volatility, and currency fluctuations in some markets as well as geo-political challenges.

## Notes

- 2017 Passenger numbers for the airline group including all hubs in UAE, Morocco and Egypt reached 10.3million, an increase of+ 4% (excluding Jordan base).

- The year-end bad debt provision relates to our investment in Jordan and is nonspecific in nature.

- Jordan hub has been operating charter flights since November 2017. This decision was taken by the management until the hub receives a commercially viable schedule that best serves its customer base.

For more information, please visit www.airarabia.com
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