



Air Mauritius
Fiscal year 2008-09
Annual results
April 1, 2008 – March 31, 2009

Air Mauritius maintains solid operational performance and holds up well despite the global downturn.

The airline remains ready to take full advantage of the market turnaround.

An economy hit hard by the global crisis

Fiscal year ended March 31, 2009 suffered from the turbulence in the global economy **and in** particular **the** extreme volatility in exchange rates and huge fluctuations in the oil price. The airline industry was above all hit by the sudden global downturn in the second half **of the** year. As a result, IATA announced **close on** US\$20 billion of losses for the entire industry in respect of 2008 and 2009; virtually all airlines have **reported** heavy losses. This industry crisis is hurting the country way beyond Air Mauritius: several airlines flying to **Mauritius** have announced reductions or even a suspension in their service.

The crisis has also had a major impact on the tourism industry in general, including a slump in global volumes, in particular for long-haul destinations. **Because of its** status as a premium **holiday** island, the Mauritian tourism industry is holding up better than some others but **has not been** completely spared.

Results reflecting the global crisis

The full year results, **comprising of** a €84.3 million net loss, bears witness to the effects of the economic crisis on both the airline and tourism industries. Closer analysis of the results for the year, highlight a major downturn between the first and second half **of the year** due to the sudden global economic slump, on which airline volumes are naturally heavily dependent. First half losses, which traditionally are weak due to the tourist season, were limited to just €10.983 million. Second half losses amounting to €73 million were directly and profoundly hit by the crisis, the impact being even **higher** given that the airline normally posts strong earnings during this period.

Two factors in particular contributed to these results: fewer passengers and, above all, the cost of hedging fuel prices and unwinding the hedges during the last quarter. At a time when the oil price was close to \$150 per barrel, the airline took out hedges at \$105. The collapse in the price in the first few months of the crisis had the opposite effect of increasing the airline's fuel costs. Consequently, operating losses arising from just fuel hedging in the second half amounted to €46.128 million.

Maintaining operational performance

The results in the first half bear witness to the airline's operational strengths, ability to weather the downturn, its popularity, and its capacity for growth, **whilst** also reflecting the good strategic decisions made by the airline over the last two years. Given that the losses on hedging exceeded the airline's total losses, the airline posted earnings amounting to €16.18 million excluding hedging despite **the** lower volumes.

Air Mauritius has managed to weather the crisis better than many other airlines due to the restructuring plan launched two years ago, the operating plans implemented from the first few weeks of the downturn and the commitment of the staff. These factors also improved the airline's profitability during the year. **A further important factor is that** ,revenues remained stable despite a reduction in the number of passengers reflecting an improved operating performance from the airline, which bodes well for the short and medium term.

The airline's strong business model and steps taken during the second half **of the year**, in particular the decision to unwind the fuel hedges, helped to maintain a level of cash that enabled the company to meet its liabilities and commitments without threatening its obligation to safeguard jobs.

Lastly, the solid relationship between the airline and its shareholders, notably government's support in terms of bank guarantees, also played an essential part in maintaining the company's stability.

2009-2010 outlook

The lack of visibility on the future due to the **uncertainty and** timing of the **much awaited for** economic upturn makes it difficult to **provide any outlook** .

The recent turnaround in the oil price, coupled with the strength of the euro, **have bolstered** the airline's cash flow in relation to hedging, **whilst** limiting losses arising therefrom. At the same time, unwinding the **fuel** hedges **resulted in losses in** 2008-2009, **it** nevertheless **will** boost the airline's cash flow for 2009-2010, thereby enabling the airline to repay the 400 million rupees loan **obtained from** the National Pension Fund and reducing the government's guarantees accordingly.

In **conclusion**, the airline is approaching the new fiscal year in the best possible condition in relation to the environment, both in terms of cash flow and debt. In addition, the cost reduction and network improvement programs are expected to produce €10 million in further cost savings.

Earnings for the full year 2009-2010 will largely depend on the global economy's turnaround and the popularity of Mauritius as a tourist destination.

"The world economy and the airline industry are undergoing an unprecedented crisis. While Air Mauritius is no exception, we cannot be satisfied with these results. Backed by its strong fundamentals and its capacity to weather the downturn thanks to actions undertaken, the airline is fully committed to emerging from the crisis in the best possible position. Air Mauritius remains and will always remain a leading airline." Manoj R.K. Ujoodha, G.O.S.K., Chief Executive Officer