Press Release

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PROFIT UP 33%. HIGH MARGIN BY STRONG ANCILLARY PERFORMANCE

1Q14 MALAYSIA

Profit After Tax up 33% y-o-y

Revenue unchanged y-o-y; Operating Profit down 11% y-o-y

Ancillary Income Per Pax up 7% to RM46

COST FLAT y-o-y

EBIT MARGIN of 17%

Passengers up 4%; Load Factor of 81%

LOW COST TERMINAL SEPANG, 20 May 2014 – AirAsia Berhad ("AirAsia" or "the Company") today reported its results for the quarter ended 31 March 2014 ("1Q14").

The Company posted quarterly revenue of RM1.30 billion, unchanged from the revenue reported in the same quarter last year. The strong revenue recorded was on the back of the high number of passengers carried which grew 4% year-on-year ("y-o-y") to 5.37 million which overtook capacity growth of 1% y-o-y. Seat load factor stood strong and saw an increase of 2 percentage points ("ppt") y-o-y to 81%, in line with the Company's focus on its load active strategy.

During the quarter under review, AirAsia recorded an 11% decline in operating profit y-o-y to RM223.85 million mainly due to lower fares. Although the Company's average fare is down 9% y-o-y to RM164, the trend is moving upwards where the average fare has in fact increased 4% from the previous quarter which was at RM158. The fall in average fare to stimulate the market was offset by the high increase in ancillary income. EBIT margin however, remained at a strong level of 17%. AirAsia was also able to maintain its cost leadership which is crucial in a volatile environment and as the Company grows bigger. Profit after tax was reported at RM139.72 million, up 33% y-o-y mainly due to foreign exchange gain on borrowings.

AirAsia Berhad CEO, Aireen Omar highlighted, "AirAsia continues to be discipline in an industry where irrational competition exists. We are focussed on running a lean operation, adding in capacity where needed and cutting routes and frequencies where applicable to ensure better profitability. These allowed us to maintain low Cost per Available Seat

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Kilometre ("CASK") at 13.58 sen, slightly down from the 13.63 sen recorded the same quarter last year. CASK ex-fuel was recorded at 6.90 sen, up by only 1% y-o-y from 6.85 sen."

The Company's revenue, measured in terms of Revenue per Available Seat Kilometre ("RASK"), was reported at 16.39 sen which saw a slight decline of 3% y-o-y. Aireen said, "Despite the RASK pressure we have been seeing throughout the industry in the last few quarters, we are seeing signs of improvement with the narrowing y-o-y decline of 3% as compared to the 10% y-o-y decline in the last quarter. Average fare is moving upwards at RM164 as compared to RM158 last quarter which is a very good sign. Y-o-y, average fare was down 9% as irrational pricing has not started during the same period last year. Our ancillary business too performed very well this quarter with the 7% increase in ancillary income per pax at RM46 as compared to RM43 the year before. This is in line with our 'load active, yield passive' strategy which aims to stimulate more people to travel with us through low fares and entice them with our impressive range of ancillary offerings."

Aireen added, "Besides that, we continue to ensure that our cash position remains strong. At the end of the reporting period, the company had RM1.30 billion in deposits, bank and cash balances and we continue to manage our net gearing level which stood at 1.83 times as at 31 March 2014."

Thai AirAsia posted strong revenue of THB6.50 billion in 1Q14, up 7% from the same period last year. Operating profit was down by 65% y-o-y to THB330.15 million which led to a 67% decrease in profit after tax at THB244.66. Thai AirAsia's CEO, Tassapon Bijleveld said, "Our decline in operating profit was mainly due to depreciation cost of taking aircraft into our own balance sheet and spending on public relations and marketing as the political demonstration in Bangkok continues into the first quarter of this year. With the political demonstration, TAA still continues to record a solid 80% load factor. Like the Malaysian operations, ancillary income per pax for TAA also saw an impressive increase of 11% y-o-y to THB369, while CASK dropped 5% y-o-y to THB1.60."

Indonesia AirAsia ("IAA") posted an increase of 13% in revenue to IDR1,381.00 billion from IDR1,222.48 billion last year. IAA posted an operating loss of IDR390.38 billion from an operating profit of IDR41.97 billion last year. IAA's 1Q14 loss after tax was IDR454.26 billion – down from a profit after tax of IDR1.36 billion last year. IAA's CEO, Dharmadi said "The decline in operating profit was mainly driven by the weakening of the Rupiah currency and pushing up dollar-denominated cost such as fuel, maintenance and its lease expense which led to an increase in CASK by 32% that stood at IDR566.66 from IDR429.76 y-o-y. Comparing to the previous quarter, CASK actually dropped from IDR593.53 which means that we are on the right track on our cost reduction initiatives though external factors like the weakening IDR against the USD is beyond our control."

Philippines' AirAsia's ("PAA") operations are now fully integrated with AirAsia Zest (formerly known as Zest Air, prior to the acquisition by PAA). Joy Caneba, PAA's CEO said, "The AirAsia brand is starting to become one of the preferred brands when it comes to air travel here in the Philippines. In 1Q14 alone we have carried 0.89 million passengers which grew 520% from just 0.14 million passengers we carried the same quarter last year."

AirAsia's Group CEO, Tony Fernandes said, "As AirAsia Group grows, we will continue to see healthy contributions from the Company's affiliates and adjacency businesses. In 1Q14, the Company recognised a profit of RM10.6 million from TAA, RM3.7 million from Asian Aviation of Excellence Sdn Bhd ("AACOE"), and RM2.1 million from AAE Travel Pte Ltd ("AAE Travel")."

He added, "The Group has started out the year well, taking into account unavoidable external factors like the weakening of the local currencies against USD. We continue to be innovative in our offerings which saw ancillary revenue increasing and led to the impressive increase in ancillary income per pax for the Malaysia and Thailand operations. Cost leadership is our best strength and the Group will continue to be focused on driving cost down through this challenging environment. Our margins (EBIT and EBITDAR) are among the best in the industry and comparable to those of FMCG (Fast Moving Consumer Goods) companies'."

Outlook

Commenting on the outlook of the Company, Tony said, "There have been improvements in terms of fare movements. Our average fare is on a positive upward trend as competitors have started to become rational again. Following the recent tragedy that hit the local aviation industry, we are seeing the impact on travel appetite among consumers. But what we see is that the consumers now prefer short-haul travels as compared to long-haul which is beneficial for our business."

He added, "Capacity addition into the region and Malaysia especially, is at a good level. For AirAsia in particular, we have decided to defer a number of our aircraft deliveries to take advantage of the new and upcoming Airbus A320neo that will start being delivered from 2016 onwards. By deferring our deliveries, we would be able to get the newly improved aircraft which is 16% more fuel efficient than the current Airbus A320ceo. We are also on track with the selling of our older aircraft to capitalise on the residual value, and to maintain a young and efficient fleet. The assumed net cash gain after paying down borrowings, terminating derivatives and engineering cost total approximately RM550 million."

"2014 will be an interesting year, especially with our recent move from our home at the Low-Cost Carrier Terminal (LCCT) to the new klia2 terminal on the 9th of May. The better connectivity from central Kuala Lumpur to klia2 and the feeder traffic from the main terminal KLIA, will be a positive boost for AirAsia and good for the consumers as long as the Passenger Service Charge will continue to remain at the current level. This will be a good especially for business passengers who will enjoy the benefits of Express Rail Link (ERL) and aerobridges. Overall cost of travel for the people needs to remain low in order to stimulate the market and grow Kuala Lumpur as the preferred aviation hub in the region and to ensure that the 45 million passenger terminal is fully utilised."

On the group-wide cost reduction exercise, Tony said, "The operational synergies between AirAsia and AirAsia X is on track and the automation at the new klia2 and other airports are on-going. We are seeing good results from these cost initiative exercises which help to soften the impact of the weakening local currencies."

Tony also highlighted, "Our ancillary business is growing at a very good rate. The ancillary performance this quarter (RM46 per passenger) is testament to my commitment and target of achieving RM50 ancillary income per passenger in the short-term. A lot of things are in the pipeline including the increase in Fly-Thru pairings which we said will start happening after the move to klia2. I am also excited about the duty free business which is starting to shape up very well with the new team on board, prepaid currency exchange card will be offered soon and the upcoming wifi onboard which is at its final stage of testing. Express lane will also be introduced soon at klia2 which will surely attract more business travellers and corporate and government accounts."

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Tony spoke, "my key focus is to turnaround our Indonesia and Philippines operations which I strongly believe will return to the black in 2H14. This can be done with the rationalisation of many routes and further cost reduction. In the Philippines, we will see fares rising as the brand gets stronger and with the reinstatement of category 1 which will allow us to add frequencies to Korea and introduce new routes to Japan. With Indonesia we have seen a slight recovery in the IDR currency and they too are rationalising their routes to ensure they maximise profits".

Tony added, "I am also very excited that AirAsia India has officially been granted its Air Operating Permit (AOP) by the Directorate General of Civil Aviation, Government of India on 8th of May. Mittu (CEO of AirAsia India) and team have been working hard and I personally could not wait to start offering affordable air fare tickets to the people of India and creating first time travellers just like we did for the people of Malaysia and the other countries. AirAsia India, which will be based in Chennai, is set to announce its first line up of domestic routes in the coming weeks."

Tony concluded, "I am happy to announce our audited committee has approved the plans for AirAsia to financially consolidate all our operations in Thailand, Indonesia and the Philippines. Our team are now working with auditors and lawyers to fine tune the structure and by 2015 we will publish a consolidated account whereby it will provide a true picture and value of AirAsia".

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For further information on AirAsia, please visit the Company's website: www.airasia.com
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