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DOUBLE DIGIT GROWTH IN OPERATING PROFIT AND PROFIT BEFORE TAX

OVERCAME CHALLENGES THROUGH LEAN COST STRUCTURE

1Q15 MALAYSIA

- Revenue flat y-o-y
- Operating Profit up 20% y-o-y
- Net Operating Profit up 24% y-o-y
- Profit Before Tax up 44% y-o-y
- CASK down 13% y-o-y
- CASK ex-fuel down 9% y-o-y
- Ancillary Income Per Pax up 2% y-o-y

- 5.5mil Passengers Carried
- Load Factor of 75%

- EBIT Margin of 21% up 4ppt
- EBITDAR Margin of 39% up 5ppt

LOW COST TERMINAL SEPANG, 28 May 2015 – AirAsia Berhad ("AirAsia" or "the Company") today reported its results for the quarter ended 31 March 2015 ("1Q15").

The Company posted quarterly revenue of RM1.3 billion on the back of 5.5 million passengers carried and 75% load factor in 1Q15. Despite the challenges faced by the airline recently and with the absence of marketing activities during most part of the quarter, AirAsia managed to record a substantial growth in operating profit at RM273.43 million (up 20% y-o-y), net operating profit of RM161.32 million (up 24% y-o-y) and profit before tax of RM193.30 million (up 44% y-o-y). This leads to an increase of 7% in profit after tax of RM149.33 million. This positive performance proves yet again that a lean and disciplined cost structure and the AirAsia business model itself are resilient and is able to perform despite any challenges it face.

During the quarter, the Company decided to pass on the benefit of lower fuel price to the consumers by removing fuel surcharge from its fares. Together with the absence of marketing activities done out of respect to the QZ8501 incident which affected load, the Company recorded Revenue per Available Seat Kilometre ("RASK") of 14.38 sen (down 9% y-o-y). Excluding fuel surcharge, RASK is down by only 5% y-o-y. Load was also impacted due to the drop in demand from China in 1Q15 as compared to 1Q14, when Chinese traffic was strong prior to the MH370 incident. However, total operating cost was substantially lower y-o-y and coupled with 214% increase in share of results from associates as Thai AirAsia is back posting strong numbers, the Company managed to post 20% increase in operating profit.

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During the quarter under review, AirAsia divested its holding in AAE Travel Pte Ltd ("AAE Travel") from 50% to 25% to take advantage of the good valuation and monetise its investment after four years. This is part of the Company's strategy to help grow its adjacency businesses and divest when the valuation is right. This quarter saw the Company posting a gain on disposal of interest in AAE Travel of RM320.50 million.

AirAsia was able to record a 44% increase in profit before tax at RM193.30 million. This was despite the provision for loss related to the sale and leaseback of aircraft which will see cash contribution in the second quarter of the year, and also despite the unrealised foreign exchange loss on borrowings due to the adverse movement in the exchange rate on USD denominated borrowings. The foreign exchange loss was as a result of the changes in the closing forex y-o-y which are just merely accounting valuation.

AirAsia Berhad CEO, Aireen Omar said, "Although RASK saw a decrease of 9% y-o-y mainly due to lower load as a result of the absence of marketing, ancillary revenue as a whole increased 7% y-o-y driven by 4% increase in baggage fees which remains the largest contributor followed by cargo and assigned seat. We also saw good growth in other ancillary offerings including insurance (up 33% y-o-y), inflight meals (up 15% y-o-y) and connecting fees from Fly-Thru (up 10% y-o-y). This resulted in 2% increase in ancillary income per pax at RM47."

Aireen added, "The lower load was also due to the drop in demand from China in 1Q15 as compared to 1Q14 which had a stronger demand prior to the MH370 incident. But we are seeing the demand from China improving starting from the second quarter of this year."

The Company's cost, measured in terms of Cost per Available Seat Kilometre ("CASK") was reported at 11.35 sen, down 13% y-o-y due to lower aircraft fuel expenses (down 9% y-o-y) on the back of 20% lower average fuel price at US$88 per barrel. Coupled with lower marketing costs and with the Company's efforts in maintaining a lean cost structure that is in-line with growth, the Company recorded CASK ex-fuel of 6.00 sen (down 9% y-o-y).

Aireen highlighted, "During challenging times such as the one we faced, maintaining a disciplined cost structure proves to be an effective strategy yet again. The contraction of our operating expenses along with the contribution from associates were able to widen our RASK-CASK spread by 10% y-o-y allowing us to book good profitability this quarter. This is why we continue to emphasise the importance of low cost in the Company, without ever compromising on safety."

Aireen highlighted, "Our strategy of growing cash further is beginning to show. At the end of the first quarter, we saw our deposits, bank and cash balances grew by 20% at RM1.6 billion from the previous quarter of RM1.34 billion. This will continue as we target to grow more cash from operations by increasing revenue and reducing cost further and via capacity management through the sale of older or vintage aircraft with the aim of maintaining a young and efficient fleet."

Thai AirAsia ("TAA") posted revenue of THB7.75 billion in 1Q15, a substantial increase of 20% from the same period last year. This quarter saw the associate recorded a 245% increase in operating profit of THB1.20 billion which led to a 277% y-o-y increase in profit after tax at THB922.78 million. AirAsia Group CEO Tony Fernandes commenting on TAA's performance, "As I said before, Thailand is a robust market that could overcome any given situation. Together with the stress-tested AirAsia business model, TAA was able to record another quarter of strong performance after a couple of challenging quarters prior to 4Q14. The increase in revenue was on the back of a 19% increase in the number of passengers carried in 1Q15 with a 3% y-o-y improvement in average fare at THB1,755, aided by the continued improved demand from China. Load factor also saw a 3 percentage points ("ppt") increase at 83%, which led to a 3% y-o-y increase in RASK. The triple digit growth in operating profit was also attributed to the lower cost incurred by the associate as CASK was reported at THB1.48, 8% lower y-o-y."

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Indonesia AirAsia ("IAA") faced a challenging first quarter right after the QZ8501 incident at the end of December 2014. Although its average fare increased by 16% to IDR603,889 and ancillary income per pax increased 19% to IDR159,493, the associate's revenue fell 14% y-o-y due to 26% drop in the number of passengers carried due the absence of marketing. IAA's operating loss contracted slightly by 0.4% at IDR388.66 billion but registered a loss after tax of IDR530.78 billion. Tony highlighted, "IAA was on a good turnaround track in the last two quarters of 2014 but unfortunately was faced with a tragedy that impacted its turnaround timeline. Nevertheless, our brand was not impacted but instead became stronger along with our people. The management and I will continue to focus on driving IAA towards profitability." IAA's RASK declined 6% y-o-y to IDR413.55 and its CASK was reported at IDR549.02, down 3% y-o-y from 32% lower aircraft fuel expenses.

On Philippines' AirAsia ("PAA"), Tony said, "PAA's turnaround story is developing quite well as we see positive growth coming from the associate, especially with the 11ppts improvement to its load factor at 77%. PAA recorded 25% increase in RASK and managed to reduce its CASK by 2% to PHP2.96. Ancillary income per pax also saw a 14% increase y-o-y and altogether the associate managed to record a narrower net loss this quarter. We are targeting for PAA to be profitable in the fourth quarter of 2015 and to continue to remain cash positive."

On AirAsia India's ("AAI") third full quarter performance, Tony said, "AAI continued to post strong loads and in 1Q15 it recorded 79% load factor with 0.24 million passengers carried. With the new Delhi hub launching its first flights on 21st May 2015, AAI will embark on a strategic expansion plan through its two hubs covering both the southern (Bengaluru) and northern part of India."

Outlook

Commenting on the Company's outlook, Tony said, "There are a number of catalysts that will drive AirAsia Group this year. The Company's performance in the first quarter of the year alone proved that despite of the challenges faced, we were able to post good numbers on the back of a better operating environment and well planned and executed internal strategies."

Tony highlighted, "One of the main catalysts is a more rational market in Malaysia. The restructuring of Malaysia Airlines will bring about a healthier competition environment which will be good for all industry players and for the consumers themselves. Airline operators in general are now a bit more disciplined in their capacity management setting the stage for a better operating environment in 2015."

"Sales are looking good in the second quarter as demand from China is slowly coming back. During the first eight weeks of the second quarter, we saw an 18% y-o-y increase in sales for the whole Group with 21% y-o-y increase in Malaysia, 15% increase in Thailand and 27% increase in the Philippines. Load factor across the Group also generally forecasted to improve y-o-y in the second and third quarter on the back of improved demand and disciplined capacity management."

Tony added, "We also continue to drive our ancillary revenue up through a combination of improvements on existing offerings and the introduction of new products. On the existing offerings, we are looking into introducing dynamic pricing which means offering different prices based on seasonality, routes and special promotions. On top of that, we are targeting to double the spend per head on our food & beverages ("F&B") through rebranding and new products such as brewed coffee onboard. Apart from the existing offerings, our newly launched AirAsia EZPay currency wallet which could hold up to seven currencies at lower rates will drive cashless transactions and higher conversion for ancillary take-up. AirAsia also just launched a new online system in April which is four times faster than its predecessor with better booking flow that will improve conversion as well. But the big item that will push the ancillary income per pax to RM50 and even RM60 would be duty free. We have big and exciting plans in store for duty free which include the newly launched website (www.bigdutyfree.com) along with credit card payments on board."

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On a more favourable cost environment, Tony said, "As seen in 1Q15, we are beneficiary of the low fuel price. Taking advantage of this, the Group has hedged 50% of its fuel requirement for 2015 at an average cost of US$88 per barrel on jet kero and remain unhedged for 2016. We also continue to lobby for lower airport charges across the region and we have seen some good progress with Langkawi in Malaysia and Singapore and positive signs for Indonesia, Thailand and the Philippines. Automation and innovation are also key drivers of pushing cost down further. In Senai airport, we have recently introduced the auto bagdrop machine and home baggage tag which will be implemented in other airports we operate in, allowing us to reduce cost and increase efficiency altogether."

Tony also highlighted that the Company is in a good cash position and has no plans on raising money from the equity market. "The strategies that we have put in place to grow our cash further are beginning to show with the 20% q-o-q increase in our deposits, cash and bank balances at the end of the first quarter. The plans include growing cash from operations, recovery of debt from IAA and PAA through IPOs, monetising of investment from adjacency businesses (e.g. divestment in AAE Travel with a gain of RM320 million), and capacity management."

Updating on the capacity management strategy, with the aim of maintaining a young and efficient fleet, Tony said, "Unlike most airlines, AirAsia owns most of its aircraft and when these aircraft reach a certain age, this is the time when owning these assets proves to be beneficial. We have mandated three lessors for the sale and leaseback ("SLB") of up to sixteen of our older aircraft which could potentially generate gross proceeds of approximately USD400 million and cash upfront of around USD60 million. To date, we have closed eight SLB transactions which will see a cash upfront of approximately USD30 million in the second quarter of the year. The provision on loss of disposal of RM38 million is already recorded in 1Q15 financials."

On the associates, he added, "TAA will continue to see strong growth with most of the Group's new aircraft deliveries allocated for the associate. The feeder traffic from Thai AirAsia X ("TAAX") is a huge catalyst as well. My focus this year is turning around IAA and PAA and the recovery of debt from these two associates. For Indonesia we are seeing an upward trend in load factor q-o-q and we are targeting for it to be profitable by the second half of the year. We are looking into securing more slots in key congested hubs like Jakarta and Bali, to focus on the international market where IAA is the leader and to leverage the feeder traffic from the newly launched Indonesia AirAsia X ("IAAX"). Philippines is already showing good growth numbers and we are targeting for the associate to be profitable in the fourth quarter of the year and to continue to remain cash positive. We will focus on building international routes, taking advantage of the strong Group network and to focus on leisure destinations like Boracay and Puerto Princessa. Brand building will be key and shall be done through association with prominent figures and corporates, just like we did recently with the sponsorship of Manny Pacquiao. If everything goes as planned, the target is for IAA to be listed in 2017 followed by PAA in 2018."

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