Press Release

FOR IMMEDIATE RELEASE

ASTOUNDING RESULTS DELIVERED IN 1Q16

31% INCREASE IN REVENUE
230% INCREASE IN NET OPERATING PROFIT
487% INCREASE IN PROFIT AFTER TAX
17% INCREASE IN PASSENGERS CARRIED

1Q16 MALAYSIA

- Load Factor at 85% (up 10 ppts)
- Passengers Carried up 17% YoY
- Revenue up 31% YoY
- Operating Profit up 121% YoY
- Net Operating Profit up 230% YoY
- Profit After Tax up 487% YoY
- EBIT Margin of 31% (up 13 ppts)
- EBITDAR Margin of 48% (up 11 ppts)

1Q16 GROUP

- Load Factor at 86% (up 9 ppts)
- Passengers Carried up 17% YoY
- Revenue at RM2.99 billion
- Profit Before Tax at RM1.08 billion

SEPANG, 26 May 2016 – AirAsia Berhad ("AirAsia" or "the Company") today reported its results for the quarter ended 31 March 2016 ("1Q16").

Malaysia

AirAsia posted quarterly revenue of RM1.70 billion, up 31% from the revenue reported in the same quarter last year. The strong revenue recorded was on the back of a 17% year-on-year ("YoY") growth in the number of passengers carried at 6.48 million which was well ahead of the 3% capacity growth, allowing the Company to record a high load factor of 85%, YoY growth of 10 percentage points ("ppts").

In 1Q16, AirAsia recorded strong operating profit of RM521.14 million (up 121% YoY) and net operating profit of RM409.80 million (up 230% YoY). During the quarter under review, the Company posted Revenue per Available Seat Kilometre ("RASK") of 16.88 sen (up 17% YoY). Average fare similarly witnessed an increase to RM166 (up 11% YoY) on the back of strong and healthy demand. Meanwhile, profit after tax for the period under review was RM876.94 million (up 487% YoY).

AirAsia Berhad CEO, Aireen Omar said, "The positive momentum we have seen for our Malaysian operations has continued well into the current quarter. Our improved RASK proved that low fares stimulate the market as seen by the sustained increase in the number of passengers. Meanwhile, ancillary revenue as a whole has increased by 22% YoY with the highest contributor coming from baggage (45% of total ancillary revenue) followed by cargo (9% of total ancillary revenue) and insurance (7% of total ancillary revenue). The highest growth seen among our ancillary products are AirAsia Courier (up +>1000% YoY), sale of inflight merchandise (up 274%), sale of inflight duty free (up 147%) and connecting fees for our 'Fly-Thru' service (up 74% YoY). These led to the Company recording an ancillary income per pax of RM50 this quarter (up 5%), thus achieving our target."

The Company's cost, measured in terms of Cost per Available Seat Kilometre ("CASK") was reported at 11.70 sen, down by 1% YoY. The decrease in CASK was due to the Company benefiting from lower fuel price environment which declined by 23% YoY on the back of 29% lower average fuel price at USD56 per barrel as compared to USD79 during the same period last year. However, this was offset by a 112% increase in aircraft operating lease expenses due to an additional 16 sale and leaseback exercise of aircraft done in the previous financial year.

On balance sheet, Aireen highlighted, "The management monitors the Company's net gearing level closely to ensure that it is constantly at a healthy and comfortable level. At the end of 1Q16, the Company's USD denominated borrowings has actually reduced by 6% from USD2.54 billion in 4Q15 to USD2.40 billion as we have pared down our working capital borrowings using our strong cash balances. The Company's net gearing ratio therefore is at 1.84 times at the end of 1Q16, 20% lower compared to the previous quarter due to lower total debt."

Meanwhile, on subsidiary's leasing business, Tony added, "Asia Aviation Capital ("AAC") reported revenue of USD53.60 in 1Q16 million while Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent ("EBITDAR") was reported at USD38.90 million. In 1Q16, AAC delivered 4 aircraft to our associates and has established its spare engine leasing portfolio. Moving forward, AAC will expand its focus on building an aircraft trading portfolio with other operating lessors and explore sale and leaseback opportunities with other airlines for narrow-body aircraft."

AirAsia Group – Proforma Consolidated Results of AirAsia Berhad and Associate Airlines

Segment reporting of associates are included in the quarterly Bursa Announcement (Note 9). The operating segments have been identified by each Air Operating Certificate ("AOC") held within the AirAsia Group ("Group"), and are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The Group posted quarterly revenue of RM3.00 billion while operating profit for the Group was recorded at RM536.9 million. The Group's profit before taxation for the quarter under review is recorded at RM1.08 billion, while cash balances stood at RM2.88 billion.

On consolidation of accounts for the whole Group, the Company's auditor attempted to revisit their opinion on this matter and we are hopeful that the Group will be allowed to consolidate and therefore present a fairer view of the Group's performance and financial position.

From this quarter onwards, the Company shall disclose year-to-date segment reporting in addition to the current quarterly segment reporting in the notes section of the Bursa Announcement.

Thailand

Thai AirAsia ("TAA") posted revenue of THB8.97 billion in 1Q16, an increase of 16% from the same period last year while net operating profit increased by 76% YoY to THB1.94 billion. This led the associate to post a profit after tax of THB1.83 billion (up 99% YoY) in 1Q16. AirAsia Group CEO, Tony

Fernandes commenting on TAA's performance, "During the quarter, TAA recorded 18% YoY increase in passenger numbers with load factor increasing by 5 ppts to 88%, its highest on record due to the strong momentum of the tourism industry that saw total arrivals increase from China and Asean. This led to a 3% increase in RASK at THB1.81. Meanwhile, CASK reduced by 6% YoY to THB1.39 due to 25% drop in fuel expenses."

Indonesia

Indonesia AirAsia ("IAA") recorded revenue of IDR907.27 billion in 1Q16, down 24% YoY which is in-line with the planned 34% decrease in capacity that led to the 25% decrease in the number of passengers carried. IAA operated 14 aircraft less in the quarter under review. Load factor recorded a 10 ppts improvement to 80%. Meanwhile, IAA registered a lower net operating loss of IDR114.06 billion (down 76%) but chalked up a small profit after tax of IDR 21.95 billion (up 104%). Tony highlighted, "IAA's turnaround plan is showing good signs especially on the cost side. Costs decreased 15% from a year ago in all areas, particularly on lower aircraft operating leases and fuel expenses. In 1Q16, two aircraft was redeployed to TAA and PAA while one aircraft was removed in April and transferred to MAA. The underlying strategy behind the turnaround plan was to remove additional aircrafts from IAA's fleet that can be better utilised by other associates, seven of which have been transferred out as planned. The benefits of this can be seen in the quarter under review where aircraft operating lease expense has reduced by 51% following a lease rate restructuring while maintenance and overhaul cost have decreased by 21%."

Philippines

Philippines AirAsia ("PAA") posted a 23% increase in revenue at PHP2.57 billion and strong growth in the number of passenger (up 15% YoY) due to higher aircraft utilisation which increased from 9.3 block hours to 12 block hours per day. Load factor was at 87%, up by 10 ppts YoY. CASK decreased by 7% to PHP2.49 on the back of lower aircraft operating lease expenses (down 22%) and fuel expenses (down 25%). Further guided by the management's turnaround plan, net operating losses reduced to PHP374.56 million, down 54%. Meanwhile, a profit after tax of PHP88.67 million (up 110%) was achieved in the quarter under review. Tony said, "The cost reduction and re-fleeting exercise has enabled us to achieve figures that are close to break even for our operations this quarter. As a result, operating losses came in lower than the previous year backed by profitable operations in the month of January.

India

AirAsia India ("AAI") recorded a 179% increase in revenue at INR1.96 billion and strong capacity growth of 110% YoY. Meanwhile, average fare increased steadily by 12% to INR3,155 while ancillary revenue per passenger grew by 115% to INR502. Tony stressed, "India has shown great prospects to grow further as we continue to revolutionise air travel in the country with our low fares and excellent product. AAI is gaining traction among our guests in India as seen from our strong loads which rose to an all-time high of 86% amid stiff competition. Meanwhile, total passengers carried increased by 127% YoY to 0.54 million passengers." During the quarter, AAI posted a smaller net loss of INR78.59 million (down 75%).

Outlook

Commenting on the Company's outlook, Tony said, "In Malaysia, we are seeing robust demand despite the weaker consumer sentiment and domestic economy. In addition, the trend of local consumers trading down when going on their travel still persists while foreign nationals are still eyeing Malaysia as a value for money holiday destination due to our weaker currency. Adding on, demand from Chinese travellers has recovered as we note a 37% jump in the number of Chinese guests flying into various points in Malaysia for the first quarter of the year. Meanwhile, we believe the implementation of the visa waiver initiative for Chinese tourists by the Malaysian government since the start of the second quarter will likely boost arrivals in the coming quarters. On the other hand, Indian travellers entering Malaysia grew by 32% YoY and this shows our brand strengthening in the Indian market. Both markets of China and India are key to our growth. We are off to a brilliant start in 2016 and foresee the momentum sustaining through the rest of the year".

Adding on the outlook of cost environment, he said, "As seen in 1Q16, we are beneficiaries of the low fuel price, with all associates observing lower aircraft fuel expense, leading to lower CASK for the Group. Our efforts to hedged 75% of our fuel requirements as a Group at an average cost of USD55 per barrel on jet kerosene paid off. We are now relatively insulated from volatility of global fuel prices in the coming quarters."

On the associates' operations, Tony highlighted, "Our Thai operations delivered positive results and is expected to sustain this strong growth as the tourism industry shows no signs of slowing down. TAA has put in place additional capacity to capitalise on this growing demand and launched a new hub in Hat Yai. The Tourism Council of Thailand forecast 2Q16 tourist arrivals to grow by 11.6% YoY while a high number of public holidays observed in the same quarter bodes well for the country's tourism related industries, including AirAsia. We are firm believers that TAA will perform ahead of the industry and sustain its leadership position in the highly competitive Thai market."

Whereas in Indonesia, he stressed, "IAA has right-sized its fleet and network which has contributed to lower operational losses as seen from our 1Q16 performance whereby cost decreased in all categories except for user charges. On the outlook for IAA in 2Q16, load factor has surpassed our targets for April and we are seeing a similar trend for May and June. Average fare has dipped slightly in April against last year's result but the gap is expected to narrow for May and June. We are on track to achieve a load factor of 82% in the second quarter of the year and forecast loads to sustain above 80% for the third quarter. IAA is set to re-group and expand once again on international routes where we are the strongest."

Meanwhile, in the Philippines, he added, "The turnaround progress of our operations experienced a breakthrough as revenue, load factor and average fare increased. We are proud to note that PAA deliver a profit after tax in the first quarter. On the associates' outlook, 2Q16 is expected to perform better YoY with revenue anticipated to be higher by 5%-7% as average fares and load factor are projected to be higher. In addition, with better pricing of fares and low fuel prices, we forecast our Philippines operations to book a profit going forward. We will be disciplined and continue with our planned retirement of two remaining inefficient aircraft in 2Q16 as well as increasing frequency on high yielding routes."

Commenting on India and Japan, Tony stressed "AAI on the other hand will witness a new phase of growth as it enters its peak season, coupled with fleet expansion, this will enable the associate to launch new routes and increase frequencies on existing routes in the coming quarters. The associate will work towards keeping its cost under check, with increased focus on ancillary revenue. On top of these, we look forward to the re-launch of AirAsia Japan ("AAJ") that has obtained its AOC and will officially re-commence operation in the market by the 3Q16. Through a recent trip to Japan, the team displayed their enthusiasm and were fully reinvigorated to ensure that they play a significant part to ensure that the Group cements its brand as the biggest low cost carrier in Asia."

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