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AIRASIA GROUP BERHAD FIRST QUARTER 2018 FINANCIAL RESULTS

NET PROFIT AT ALL TIME HIGH

OPERATING PROFIT UP 91% - RM745.7 MILLION
NET OPERATING PROFIT UP 140% - RM641.0 MILLION
PROFIT AFTER TAX UP 87% - RM1.09 BILLION

- **Revenue grew 15% YoY** to RM2.56 billion
- **Passengers carried up 16%** to 10.65 million
- **Ancillary Revenue up 11%** to RM505.1 million
- **CASK (incl. fuel) excluding one-off gain down 0.4%** to 13.55 sen (3.48 US cents)
- **Net Operating Profit excluding one-off gain up 9%** to RM291.0 million
- **Profit before tax excluding one-off gain up 3%** to RM309.3 million
- **Cash flow from operations** RM371.4 million
- **Margins up 11 percentage points** EBIT 29%; EBITDAR 44%

SEPANG, 24 MAY 2018 – AirAsia Group Berhad ("AirAsia" or the "Consolidated Group" encompassing Malaysia, Indonesia and Philippine Units) today reported its results for the quarter ended 31 March 2018 ("1Q18")

Unaudited Consolidated Results of AirAsia Group Berhad

The Consolidated Group posted first quarter 2018 revenue of RM2.56 billion, up 15% year-on-year from RM2.23 billion in the same quarter in 2017. Revenue growth was supported by very strong load factor of 87% and 16% increase in passengers carried recording 10.65 million pax as compared to the same quarter last year. Net operating profit excluding the one-off gain was up by 9% to RM309.3 million despite higher overall costs in fuel, aircraft operating lease expenses and overall aircraft maintenance & overhaul expenses.

Operating cash flow for the quarter under review was at RM371.4 million and net cash flow of RM170.5mil. This cash position brings our net gearing ratio down to 0.9 times as compared to 1.11 times at the end of 2017.

There was also two one-off gains from our ground handling join-venture with SATS, RM350 million gained from loss of control of subsidiary recognised under other income and a remeasurement gain of RM534.7 million.

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Airasia Group Berhad refers to the consolidated groups: Malaysia, Indonesia and Philippine units. PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated with AirAsia Berhad for financial reporting purposes in accordance to MFRS 10 since 1 January 2017.

Revenue and Financial Performance

Revenue per Available Seat Kilometre ("RASK") for the consolidated units of Malaysia, Indonesia and Philippines recorded at 14.68 sen in 1Q2018, marginally lower by 2% from 14.91 sen as per expectation due to a 19% increase in additional capacity. Average fare per passenger increased marginally to RM171, which was in line with the Consolidated Group's expectations due to rapid capacity addition on the back of a strong load factor of 87%. However, the overall impact was cushioned by the 11% increase in ancillary revenue from RM454.6mil to RM505.1million for the Consolidated Group.

AirAsia Thailand posted 1Q2018 revenue of THB11.27 billion, up 23% from THB9.16 billion in the same quarter last year surpassing the increased capacity of 15% and a 16% surge in passengers carried. The associate company of the group reported an increase in average fare of 6% to THB1,664 year-on-year alongside a remarkable load factor of 91% up by 2 percentage points ("ppts") over the same time period. Net operating profit was reported at THB1.89 billion up by 90% year-on-year, alongside a 77% increase in profit after tax to THB1.83 billion. This resulted from strong tourism growth during the peak travel period in the first quarter. Ancillary income per pax grew 4% to THB336 as well as ancillary income grew 21% to THB1.89 billion year-on-year from the implementation of dynamic pricing and value pack promotion.

AirAsia India recorded a 76% increase in revenue to INR4.83 billion in 1Q2018 from INR2.75 billion in the same quarter last year. India has reported a net operating loss of INR970 million largely due to the increase in aircraft fuel expenses as well as aircraft maintenance. Despite the huge capacity added, RASK managed to grow slightly to INR273 as compared to the same period in 2017.

Cost Performance

For the Consolidated Group, overall costs remained unchanged resulting from successful cost saving measures on the Group's airline-related costs namely higher aircraft utilisation and route rationalisation despite higher fuel and operating expenses, maintenance & overhaul expenses. Cost per Available Seat Kilometre ("CASK") including fuel remained flat at 13.55 sen in 1Q2018, despite higher maintenance cost and a 9% increase in average fuel price to US$83/barrel jet kerosene as compared to last year this time at US$76/barrel. CASK ex-fuel decreased by 4% year-on-year from 8.60 sen in 1Q2017 to 8.22 sen in 1Q2018.

AirAsia Thailand also reported a decrease in CASK by 2% and CASK ex-fuel down 9% from 3.33 US cents in 1Q2017 to 3.04 US cents in 1Q2018, largely due to the increase in aircraft utilisation per day from 11.9 hours to 12.5 hours and the strengthening of the Thai Baht.

Overall CASK was aggressively driven down group wide for all short-haul AOCs with the increase in aircraft utilisation from 12.36 hours to 13.12 hours a day year-on-year. Despite the one-off cost on maintenance reserve fund for aircraft wing refurbishments, our CASK remained flat year-on-year.

On the financial results for 1Q2018, AirAsia Group Berhad Group CEO Tony Fernandes said:

"This quarter was a strong quarter for us, which shows a good start to a full year of positive results. We added 17 aircraft and an additional capacity of 19% for our Consolidated Group in order to serve the strong demand for air travel in 1Q2018 as compared to 1Q2017. From our high load carried this quarter, it is evident that most of the added seats were sold as we grew our passenger traffic by 16% for the Consolidated Group year-on-year. Across the whole group, we added 31 aircraft as compared to last year this time. Despite the vast capacity added, we did not lose pricing power on fares."

"We are pleased to establish the new group structure under AirAsia Group Berhad. With the completion of this internal reorganisation exercise for the group, we are one step closer to becoming a truly Asean airline. AirAsia Group Berhad ("AAGB") will assume the listing status of AirAsia Berhad ("AAB") while AAB will continue to operate the Malaysian airline business. AAGB started trading on the Bursa exchange on 16 April 2018. We believe that this new group structure will provide simplicity, greater clarity and transparency to the shareholding structure by separating the investment holding function and the Malaysian airline business."

"As for Indonesia, we will be undergoing a secondary listing exercise for our Indonesia operations this year. We are also on track to list AirAsia Philippines in the second half of 2019."

On the Group's outlook, AirAsia Group CEO Tony Fernandes said:

"Going into the second quarter of 2018, our group load is seen to hold steady despite the added capacity. We will continue with our One AirAsia initiatives to further reduce costs. To name a few of these initiatives, we will actively reduce the loss making routes, whilst increasing the frequencies of the profitable sectors. We will focus on increasing the aircraft utilisation across all AOCs to eventually reach 14 hours a day as one of our effecting cost saving measures. We want to further improve the turnaround time and overall performance by each AOC."

"As for fuel, we will adhere to our policy by actively hedging according to our forward bookings. Our ancillary and data services, will be revenue enhancing while off-setting higher fuel prices."

"In terms of ancillary, we will be launching the Dolly ePOS in the second half of 2018. Each cabin crew will have a hand held device to capture all transactions on board. This device will enable us to collect data on passengers' purchasing behaviour. Together with the implementation of ancillary pricing optimisation by ways of selling passengers' preferred duty free products at an attractive price, we believe that there will be a significant lift in ancillary revenue by the end of this year. Another key ancillary initiative will be implemented with Levarti's distribution and control system for airports (Levarti MAX Airport), to enable ancillary sales at check in and at boarding gates to further drive ancillary revenue."

"On digital businesses, we are glad to announce that the incorporation of RedBeat Ventures ("RBV") was approved by the board of directors today. We will further streamline each digital units under RBV and market AirAsia to investors as an Asean digital and lifestyle airline. RBV will be of tremendous value in the foreseeable future as well as enable AirAsia Group to diversify its portfolio and risk by spearheading AirAsia Group's transformation from an airline to a global tech company, which in return will drive the group's long-term growth, earnings, and cash flow."

"In the space of Internet of Things (IoT), we are reducing the passengers' boarding time via eliminating the physical document checks and verification of passenger visa and return tickets via an artificial intelligence app. In addition, we have started exploring ways to reduce queuing time at check in counters by deploying ambient technology which detects passenger movements in a specific space and redirecting them to other queues which are shorter. This enhanced feature will also inform passengers on airport terminal and boarding gate information."

"There will be three core platforms, namely airasia.com as a key sales platform for flight tickets, ancillary, merchandise and online retail shopping (OurShop); travel 360 will be an online content

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provider and a lifestyle booking platform for top destinations, hotels and restaurants to name a few similar to the likes of TripAdvisor/Traveloka. The third platform will tie all the commercial aspects of our businesses under Big Loyalty. We have established co-branding credit cards with respective Asean banks to enable Big Loyalty members to collect points from their credit card spend. These Big Points can be used for the redemptions of flight tickets, inflight F&B, ancillary, merchandise and more."

"We are pleased to announce an interim single-tier dividend today of RM0.12 per share on 3,341,974,080 ordinary shares of RM0.10 for the financial year ending 31 December 2018. AirAsia will continue to create valuable assets and monetise our investments in our non-core businesses as and when the time is right. We will continue to pay a biennial distribution of special dividends from these businesses. We will soon be announcing a special dividend for the sale of our aircraft leasing operations, Asia Aviation Capital Limited."

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