Press Release

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EXCEPTIONAL PERFORMANCE IN LIGHT OF POLITICAL AND ROUGH OPERATING ENVIRONMENT,

- EXCLUDING THAILAND, OPERATING PROFIT IS FLAT Y-O-Y
- RASK DECLINE ENDED - UP 2% Y-O-Y,
- ANCILLARY PERFORMANCE UP 13% Y-O-Y

2Q14 MALAYSIA

- Ancillary Income Per Pax
- up 13% to RM45

- Revenue up 5% y-o-y;
- Operating Profit down 17% y-o-y
- Profit After Tax up 529% y-o-y

- COST ex fuel FLAT y-o-y

- EBIT MARGIN of 13%

1H14 MALAYSIA

- Ancillary Income Per Pax
- up 7% to RM45

- Revenue up 3% y-o-y;
- Operating Profit down 12% y-o-y
- Profit After Tax up 211% y-o-y

- COST ex fuel FLAT y-o-y

- EBIT MARGIN of 15%

LOW COST TERMINAL SEPANG, 20 August 2014 – AirAsia Berhad ("AirAsia" or "the Company") today reported its results for the quarter ended 30 June 2014 ("2Q14").

The Company posted quarterly revenue of RM1.31 billion, up 5% from the revenue reported in the same quarter last year. The increase in revenue recorded was on the back of the number of passengers carried which grew 1% year-on-year ("y-o-y") to 5.57 million which match capacity growth of 1% y-o-y. Seat load factor remained unchanged y-o-y of 80%, in line with the Company's quarterly target.

During the quarter under review, AirAsia recorded a 17% decline in operating profit y-o-y to RM174.19 million due to its affiliate Thai AirAsia ("TAA") posting its first quarterly lost which saw AirAsia equity accounting a share of net loss of RM13.6 million. Excluding this share of net loss, its operating profit y-o-y would have been flat highlighting AirAsia standalone performance was strong. The decline in gap of the Company's average fare has narrowed to -1% y-o-y to RM157 with trend moving upwards in 2H14 as we see irrational pricing of competitors is diminishing. Despite the fall in average fare, ancillary income continued to outperform adding to the Company's first positive performance in Revenue per Available Seat Kilometre ("RASK"), since the start of irrational pricing same quarter last year. EBIT margin however, remained solid at 13%. AirAsia was also able to maintain its cost leadership which is crucial in a volatile environment involving fuel prices and as the Company grows bigger. Profit after tax was reported at RM367.16 million, up 529% y-o-y mainly due to foreign exchange gain on borrowings.

AirAsia Berhad CEO, Aireen Omar highlighted, "AirAsia continues to be disciplined in an industry where irrational competition exists. With our lean operations and cost conscious culture that aims to optimise profitability, the Company embarked on a route rationalisation exercise in 2Q14, cancelling and cutting down frequencies on selected routes where the Company felt were diluting yields. Our Cost per Available Seat Kilometre ("CASK") at 13.32 sen, slightly up from the 12.48 sen recorded the same quarter last year was mainly due to the increase in average fuel price of 9% y-o-y . Our non-fuel cost items remain under control as CASK ex-fuel was recorded at 6.50 sen, unchanged y-o-y.

The Company's revenue, measured in terms of RASK, was reported at 15.36 sen which saw an increase of 2% y-o-y. Aireen said, "Our strategy internally was to grow positive RASK on the back of a challenging irrational pricing environment and I am very glad to see we were able to achieve that this quarter.

Our ancillary business too performed exceptionally well with the 13% increase in ancillary income per pax at RM45 as compared to RM40 the year before. This is in line with the Company's ability to innovate, coming up with new initiatives and alternative ways to sell our 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 RM1.37 billion in deposits, bank and cash balances and we continue to manage our net gearing level which stood at 1.95 times as at 30 June 2014."

TAA posted revenue of THB5.46 billion in 2Q14, up 2% from the same period last year. This quarter saw an operating loss THB464.91 million which led to a 164% decrease in profit after tax at THB317.61. AirAsia Group CEO Tony Fernandes commenting on regional affiliates, "Our decline in operating profit was due to the lower revenue as average fare declined by 14% y-o-y mainly due to drop in passenger travel caused by the political situaiton, 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 second quarter of this year. With the political demonstration, TAA still continues to record a solid 78% load factor. Like the Malaysian operations, ancillary income per pax for TAA also saw an impressive increase of 8% y-o-y to THB341, while CASK increased slightly by 2% y-o-y to THB1.62 due to the 10% increase in average fuel price. CASK-ex fuel on the other hand decreased by 1% to THB0.90."

Indonesia AirAsia ("IAA") posted an increase of 8% in revenue to IDR1,507.82 billion from IDR1,398.23 billion last year. IAA posted an operating loss of IDR271.75 billion from an operating profit of IDR87.66 billion last year. IAA's 2Q14 loss after tax was IDR340.34 billion – down from a profit after tax of IDR51.66 billion last year. Tony said, "The decline in operating profit was mainly driven by the weakening of the Rupiah currency and the increase in dollar-denominated cost such as fuel, maintenance and its lease expense which led to a 33% increase in CASK at IDR606.16 from IDR456.19 y-o-y. We are now embarking on a route rationalisation programme, terminating loss making routes to ensure we optimise profitability at lower operational cost."

On Philippines' AirAsia's ("PAA"), he mentioned, "We are investing a lot on marketing our brand locally and internationally to ensure we push passenger demand into the Philippines.

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We have revised our network and I believe this will push fares even higher in 2H14. I am very optimistic the worse is over as our turnaround plan has been put into place. We are also in the midst of getting government to support us on the development of Airports around the country to support our growth."

Tony said, "Despite losses in affiliate operations, I am very optimistic that the current losses is short lived as most are due to external factors like the weakening of local currencies, geo-political climate and the fluctuations of fuel prices. Our other investee companies posted healthy profits which allowed AirAsia to recognise a profit of RM2.0 million from Asian Aviation Centre of Excellence Sdn Bhd ("AACOE"), and RM3.0 million from AAE Travel Pte Ltd ("AAE Travel"). Those are new part of the three pillars of strength of AirAsia Group which is airline specific revenues, ancillary income and private equity investment.

He added, "What I am proud of is that 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."

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. We foresee capacity in Malaysia reducing and there will be re-alignment of business strategy by competitors to ensure sustainability."

He added, "Capacity addition into the region and Malaysia especially will be back to a realistic level in 2H14. For us, we still have to ensure we manage our capacity and fleet deliveries, ensuring each market take the right number of aircraft. Leveraging on our strong relationship with Airbus, we were able to defer and sell some aircraft slots and swapped it to the newly improved fuel efficient Airbus A320neo. 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."

Tony also highlighted, "Our ancillary business is growing at a very good rate. The ancillary performance this quarter (RM45 per passenger) is testament to my commitment and target of achieving RM50 ancillary income per passenger in the short-term. Keeping in line with my promise to market, a number of new ancillary initiatives have been launched or are in its final stages of testing. I am truly excited that we successfully tested our new on board WiFi with instant messaging capabilities. This will now rollout in phases across all our aircraft with email services and video streaming to come as well."

He mentioned, "We have also launched our low cost courier called Redbox that will ride on our vast network. This product will provide door to door service at low prices and delivered on air freight. On August 26, AirAsia will begin selling on board duty free to capture more passenger spending. This will have and allow passenger to purchase n board via credit card or book upfront as part of the booking path. We are also moving into the small medium enterprise segment where we are capturing more business travellers. The launch of our Premium flex product which caters for such travellers who would get priority privileges such as boarding, seating, free baggage allocation and free flight change.

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He added, "We were able to introduce more connecting flights with AAX and other AOC with our fly-thru product. The group carried over 735,010 fly thru pax in 1H14 which is up 96.3% with a total connecting fees of RM44.1 million. Currently the group is serving up to 739 Fly-Thru routes."

Tony spoke, "I have spent considerable time on a turnaround plan for Indonesia and Philippines operations which will be rolling out from 3Q14 onwards and I believe both will return to the black in 2H14. AirAsia India ("AAI") has officially begun operations and I am too excited of its prospect. With our new hub in Bangalore and with the full support from the airport authorities, a lot of costs can be reduced and potentially profit is achievable by year end as well.

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