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AirAsia Berhad Third Quarter 2017 Financial Results

- **World's lowest-cost airline:** Cost per available seat kilometre of 12.80 sen (3.01 US cents)
- **Strong and sustained demand:** Passengers carried increased 12% to 9.89 million
- **Strong bottom line:** Net operating profit less one-off costs was 16% higher year-on-year (reported net operating profit of RM374 million was 8% lower year-on-year)
- **Ancillary revenue:** Up 8% to RM49 per passenger, total ancillary income up 23% to RM487 million
- **Margins:** EBIT 20%, EBITDAR 38%
- **Cash balance:** Free cash flow of RM605 million and net cash flow of RM118.7 million
- **Net gearing:** Further improved to 1.20 times from 1.33 times year-on-year

SEPANG, 29 NOVEMBER 2017 – AirAsia Berhad (“AirAsia” or the “Group”) today reported its results for the quarter ended 30 September 2017 (“3Q17”).

Unaudited Consolidated Results of AirAsia Berhad

The Group posted third quarter 2017 revenue of RM2.45 billion, up 15% year-on-year from RM2.13 billion in the same quarter last year. Revenue growth was supported by load factor of 87%. Operating profit was reported slightly lower at RM494 million from the same quarter last year due to several one-off costs, higher aircraft fuel, maintenance & overhaul expenses. Net profit was reported at RM434 million, higher by 30% compared to RM335 million in 3Q16 as a result of reduced taxation.

Operating net cash flow stood at RM118.7 million and free cash flow at RM605 million as compared to RM419 million for second quarter 2017. This brings our net gearing ratio down to 1.2 times this quarter as compared to 1.33 times in 3Q16.

In 3Q17, the share of results of associates was reported at RM17.5 million.

Comparisons between corresponding quarters are made between the reported 3Q17 financial results and the pro forma consolidated financial results for 3Q16 detailed in note no. 22 of the quarterly statement to Bursa Malaysia prepared on similar basis as in 3Q17 where both PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated for financial reporting purposes in accordance to MFRS 10.

Revenue Performance

Revenue per Available Seat Kilometre (“RASK”) averaged at 14.76 sen in 3Q17, marginally lower by 1% from 14.98 sen. Average fare per passenger declined year-on-year to RM172 due to the shift in the Hari Raya Aidilfitri (Eid al-Fitr) festive period from the third quarter last year to the second quarter this year. However, ancillary revenue made up for the decline with growth of 23% year-on-year to total RM487 million for 3Q17. The sizable increase in ancillary revenue can be attributed to the implementation of dynamic pricing of ancillary products beginning with checked baggage fees.

Thai AirAsia posted 3Q17 revenue of THB8.75 billion, up 7% from THB8.16 billion in the same quarter last year backed by a 14% increase in passengers carried. The associate company of the Group reported a decline in fares of 7% year-on-year but an increase in load factor of one percentage point year-on-year.



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Cost Performance

Cost per Available Seat Kilometre ("CASK") including fuel averaged at 12.80 sen in 3Q17, up 5% from 12.25 sen in 3Q16 due to the weaker ringgit and higher fuel prices. The average fuel price for the Group was USD63 per barrel jet kerosene in 3Q17, compared to USD59 per barrel in the same quarter last year. CASK ex-fuel increased by 5% from 7.86 sen to 8.24 sen due to several one-off costs largely due to higher staff cost in-line with our focus on growth targets.

Thai AirAsia similarly reported an increase in CASK from 4.27 US cents in 3Q16 to 4.37 US cents in 3Q17, largely due to the rise in global fuel prices on top of the increase in excise tax on jet fuel consumption for domestic flights.

On the 3Q17 financial results, AirAsia Group CEO Tony Fernandes said:

"Strong and sustained demand for air travel in the markets we operate in has delivered a set of pleasing results for the third quarter, it being a seasonally weaker time of the year, coupled with rising fuel prices and currency fluctuations. We achieved a 12% growth in passengers carried this quarter despite capacity addition of 14% year-on-year, proving our low-cost business model continues to deliver results even when our competitors say operating conditions are challenging for them."

"We reported revenue growth of 15% year in our third quarter consolidated accounts for our Malaysia, Indonesia and Philippines units. The main growth driver during the quarter was ancillary revenue, which got a boost from the roll out of dynamic pricing for check-in baggage and other ancillary offerings. Ancillary revenue per passenger is up 8% year-on-year to RM49 per passenger on total ancillary sales of RM487 million, up 23%. After deducting one-off costs, net operating profit increased by 16% year-on-year."

"In Indonesia, we are close to completing the stock market listing of PT Indonesia AirAsia and expect to make a formal announcement by December 2017. Investor interest in Indonesia AirAsia has been considerable now that the airline has fully turned around its finances. Even with the shift in Hari Raya Aidilfitri celebrations to the second quarter this year, we still managed to achieve higher average fares in Indonesia by 16% year-on-year."

"The highlight of our Philippines operations was ancillary per passenger growing 33% year on year, contributing greatly to the increase in revenue per ASK of 13%. There were several one-off costs incurred this quarter in order to efficiently grow our Philippines operations. The one-off costs amounting to RM31 million were for the re-delivery of aircraft, maintenance and overhaul as well as relating to peso depreciation. Philippines' strong load trend continues into 2018. We are expecting to present a good full year 2017 results for our Philippines operations."

"The first ten months of 2017 was challenging for our Thai associate as financial performance was affected by the crackdown on Chinese zero dollar tours and the national mourning period. On a more positive note, Chinese tourist arrivals into Thailand have risen to 7.39 million up by 1% for the last 9 months as compared to 2016. From July to September 2017, the number of international tourists to Thailand rose by 6.43% to 8.8 million comparing to the same period last year. East Asian visitors accounted for 71% of the international tourists. Thai AirAsia still came out as the only profitable airline recording net profits of THB472 million during 3Q2017. We foresee a favourable peak season and a conducive operating environment for Thai AirAsia in the fourth quarter."

"Our associate airline in India has grown tremendously, achieving 99% year-on-year growth on passengers carried and a remarkable 104% year-on-year growth in capacity this quarter. Revenue increased by 126% year-on-year and net loss reduced by 74% year-on-year to INR164 million. AirAsia India will have 14 aircraft by the end of 2017 and 21 aircraft by the end of 2018. We are on target to launch our international routes the minute we achieve 20 aircraft in India next year. We foresee our Indian operations to be very profitable once we start flying regional routes and connecting them to our wider network."



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"We are very pleased to announce that the new AirAsia Japan made first flight on 29 October 2017, flying the route between Nagoya and Sapporo. It won't be long before AirAsia Japan is joined by AirAsia Vietnam and AirAsia China after good progress made in securing the necessary approvals."

"Aside from new airline partnerships, we are forming a ground handling joint venture with SATS Ltd, a leader in the field. Our joint venture, named Ground Team Red (GTR) will take over ground handling for all stations in Malaysia and Singapore. The new operating structure and expertise from SATS is expected to drive down unit aircraft turnaround costs by 16% in the first year of operations. Cash proceeds from this joint venture with SATS of USD89 million are due in December 2017."

"While on the topic of realising hidden value in our investments, we are glad to announce the completion of the sale of our 50% stake in our flight training centre joint venture to CAE Inc, our joint venture partner. Cash proceeds of USD100 million were received in the middle of November."

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

"In our core market of ASEAN, demand for low-cost air travel is booming and still not adequately served by current capacity in the market. We are very optimistic about the growth potential of air travel in the region and are planning for expansion to 500 aircraft by 2027, which would entail growing our fleet by about 30 aircraft a year over the next decade."

"Our focus on data and digital initiatives continue to pay off. A website and booking engine revamp improved ticket sales by 6% in November. We are working to increase the number of payment gateways for the convenience of our customers and will add Wechat Pay, Payoo and Apple Pay as alternative payment options. Test runs on personalisation of product offerings based on predictive behavior modelling have resulted in an increase in take-up rates for check-in baggage and inflight meals. We expect ancillary to be a star performer group-wide in 4Q17."

"In maximizing shareholder returns, AirAsia will continue to press forward with realising value in our existing investments in non-core operations as well as grow our digital and data businesses. We remain committed to a biennial distribution of special dividends from the monetisation of these non-core assets."

"The task ahead of us is to expand our footprint in the ASEAN region, continue to generate cash returns for our shareholders and remain unrelenting in reducing costs. Six months from now we will be organised more efficiently, under a group holding company and a corporate structure that improves transparency and befits our standing as the only truly ASEAN airline. I am certain 2017 will be another record year for us."

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