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DOUBLE DIGIT GROWTH IN REVENUE, FARE, ANCILLARY & OPERATING PROFIT LOWER FUEL PRICE ENVIRONMENT AND A MORE RATIONAL MARKET – BIG CATALYSTS IN 2015.

4Q14 MALAYSIA

- Revenue up 16% y-o-y
 - Operating Profit up 12% y-o-y
 - Net Operating Profit down 9% y-o-y
 - RASK up 7% y-o-y
 - Ancillary Income Per Pax up 31%
 - Average Fare up 13%
-
- 5.9mil Passengers Carried
 - Load Factor of 78%
-
- EBIT Margin of 15%
 - EBITDAR Margin of 31%

LOW COST TERMINAL SEPANG, 26 February 2015 – AirAsia Berhad (“AirAsia” or “the Company”) today reported its results for the quarter ended 31 December 2014 (“4Q14”).

The Company posted quarterly revenue of RM1.48 billion, a significant growth of 16% from the revenue reported in the same quarter last year. The huge increase in revenue recorded was due to the double digit growth in both average fare and ancillary income per passenger which increased 13% and 31% year-on-year (“y-o-y”) respectively. This quarter, the number of passengers carried by the Malaysian operations was 5.90 million with a strong load factor of 78%. No aircraft was added into Malaysia during the quarter, hence the total number of aircraft based in Malaysia stood at 81 at the end of 2014.

AirAsia’s yield has improved as we see a more rational competitive landscape in 4Q14, allowing the Company to push fares up. The significant increase in ancillary business contribution to the overall revenue y-o-y also contributes to the significant increase in Revenue per Available Seat Kilometre (“RASK”). During the quarter under review, AirAsia recorded a 12% increase in operating profit y-o-y to RM226.30 million, proving yet again that the AirAsia Low Cost model is a resilient model that could withstand any given situation,



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especially the ones faced in 2014. This quarter also saw the Company's affiliate Thai AirAsia ("TAA") started to contribute back positively to the Company after two consecutive quarters of losses due to the political situation in Thailand. Despite the difficult operating environment, the Management has decided to pay out bonus to all staff in 4Q14 and the Company was still able to register 12% higher operating profit of RM226.30 million with EBIT margin of 15%. Net operating profit was down 9% y-o-y at RM109.80 million due to higher finance costs relating to bank borrowings as the Company took in more aircraft and financing of the new AirAsia headquarters at klia2.

The adverse movement in the exchange rate which has gone up by 7% y-o-y resulted in unrealised forex losses on USD denominated borrowings that are translated at the closing rate of each reporting date. This however does not represent the financial performance of the business but is only an accounting entry. Coupled with higher taxation amount recorded y-o-y, AirAsia's Loss After Tax stood at RM428.51 million.

AirAsia Berhad CEO, Aireen Omar highlighted, "In the last quarter of 2014 we have been seeing competitors acting more rational and driving fares up, allowing us to do the same. Our revenue, measured in terms of RASK, was reported at 15.95 sen which saw an increase of 7% y-o-y from 14.88 sen. I am happy to say that our average fare is up 13% in 4Q14 to RM171 which indicates a more rational market and that demand is recovering, which was initially impacted by the aviation incidents and kidnapping cases in Sabah. Ancillary has also performed very well compared to the year before with 31% increase. These prove yet again that unlike other airlines, AirAsia has a robust and innovative model that could survive any given situation."

She added, "Baggage and assigned seat products remain to be the biggest contributors to the ancillary revenue. However, this year we are seeing a huge growth coming from our Fly-Thru product, a service that allows passengers to connect from one flight to another seamlessly for a connecting fee. The move to the new klia2 airport and the bigger facility allowed us to open up more city pairings. In 2014 alone, AirAsia Group recorded 1.52 million Fly-Thru passengers, an increase of 90% y-o-y. Out of those, 90% of the passengers were recorded in the Kuala Lumpur hub while the rest were from the other Fly-Thru hubs namely Bangkok, Jakarta and Bali."

The Company's cost, measured in terms of Cost per Available Seat Kilometre ("CASK") was reported at 13.51 sen, up 9% y-o-y mainly due to the increase in depreciation cost with additional aircraft added in AirAsia Berhad's book, higher landing cost as MAHB increased landing charges by 9% in 2014 coupled with higher dollar-denominated international route charges. Staff costs also increased by 20% as the Management decided to pay out bonus to staff for all the hard work despite a challenging year. Aireen said, "As the Company continues to grow, it is important for us to keep our focus and be discipline in maintaining a lean operation without compromising on safety. So many big things happened in 2014 and one being the move from our old airport LCCT to the new klia2. Along with the move, a number of restructuring had to be made to our operations which indirectly impacting costs in many areas. Following these, 2015 for me will be a year of 'cleaning-up' where I will be focussing on making sure that the Company improves its efficiency, manages its resources well, drives revenue up and be discipline in maintaining our low cost model to take advantage of a better competitive environment and lower fuel price. 2014 was a challenging year hence we are even more driven in performing better this year."

Aireen added, "I would like to reiterate that operating profit is the right number to look at when measuring a Company's true performance. Other entry below the operating profit line including the effect on the Company's USD denominated borrowings are due to the



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changes in the closing forex y-o-y which are just accounting entry and does not represent the financial performance of the business. This is especially true for airline companies like us which holds most of its borrowings relating to the aircraft in USD. Accounting standards seems to be unfair towards a company like us that owns around 88% of its aircraft,”

Thai AirAsia (“TAA”) posted revenue of THB7.88 billion in 4Q14, a big increase of 21% from the same period last year. This quarter saw the associate recorded an operating profit of THB855.50 million, up 93% y-o-y which led to an impressive 88% y-o-y increase in profit after tax at THB799.72 million. AirAsia Group CEO Tony Fernandes commenting on TAA’s performance, “As promised, after a couple of challenging quarters due to the political situation in Thailand, TAA rebounded on a high note, almost doubling its operating profit and profit after tax from the year before. The increase in revenue was on the back of a 16% increase in the number of passengers carried in 4Q14 with a 6% y-o-y improvement in average fare at THB1,941, aided by the improved demand from China due to the visa relaxation ruling for Chinese tourists. Load factor was also strong at 79%. The commendable performance in operating profit was also attributed to the lower cost incurred by the associate as CASK was reported at THB1.60, 5% lower y-o-y whilst CASK ex-fuel registered a 6% drop to THB0.88.”

Indonesia AirAsia (“IAA”) posted y-o-y increase of 11% in revenue to IDR1,731.63 billion on the back of 26% y-o-y increase in average fare to IDR723,499 and 16% increase in ancillary revenue per pax at IDR180,467. This quarter, IAA recorded an operating profit of IDR23.39 billion, a big turnaround from the operating loss IDR369.09 billion recorded during the same period last year, allowing the associate to register a much narrower loss after tax this quarter at IDR63.41 billion, an improvement of 85% y-o-y. Tony highlighted, “IAA is on a good turnaround track, allowing them to register an operating profit – a big improvement from the year before. The route rationalisation exercise where non-profitable routes were cut-off proved to be working but it will take time for the associate to recover from the impact of the recent tragedy and the weak Rupiah. Nevertheless, demand is improving and in 4Q14, IAA was able to push its average fare up by 26%, recording a 25% increase in RASK to IDR597.85. In terms of cost, IAA’s CASK stood at IDR589.78, flat y-o-y whilst CASK-ex fuel rose just 3% to IDR331.20.”

On Philippines’ AirAsia’s (“PAA”), Tony said, “PAA is turning around quite well as we are seeing increase in yield and losses narrowing quite substantially. The move to Terminal 3 was a game-changer as we saw demand increasing allowing the associate to push up its load factor by 8 ppt to 72% in 4Q14. The cost-cutting measures proved to be on track as well as we saw a 24% drop in CASK for PAA this quarter. The affiliate will continue to focus on leisure destinations such as Puerto Princessa and more capacity will be added into Kalibo and Cebu.”

Talking about AirAsia India’s (“AAI”) second full quarter performance, Tony said, “For a new airline, the AirAsia brand is strong in India and the load factor of 80% recorded in 4Q14 speaks for itself. Looking at the growth potential there, an additional aircraft was added in India during the reported quarter hence it ended the year with a total of 3 aircraft. Though the associate, due to the local regulations, is only allowed to operate domestic routes in its first five years of operations, AAI has the advantage of getting traffic feed from MAA and TAA which also flies in to AAI’s hub in Bangalore. This differentiates AAI from its competitors.”



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Outlook

Commenting on the Company's outlook, Tony said, "2014 was indeed a tough year for AirAsia Group. We faced so many challenges from the move to klia2, the high fuel price, irrational competition, weakening regional currencies, the political situation in Thailand, floods in certain areas, kidnapping cases in East Malaysia to the devastating aviation tragedies. But over the years since inception, we have proven time and time again that AirAsia, through its resilient and robust model, driven by passionate and determined Allstars, is able to overcome these challenges and come out stronger - 2015 will be that year."

He added, "We have seen the competition becoming more rational in the second half of 2014. After five consecutive negative year-on-year average fare performance, starting from 3Q14 we have seen the curve bottomed in and moved back in the positive side in 4Q14, allowing us to record a good double-digit growth in average fare of 13% y-o-y to RM171. This trend is continuing into 2015, and coupled with the low fuel price, the Company has decided to remove its fuel surcharge to push demand up further."

"Adding on to this, AirAsia is a big beneficiary of the low fuel price as fuel accounts to around 50% of the Company's total cost. Taking advantage of this, we have decided to hedge a bit more than usual. For the whole of 2015, AirAsia Group has hedged 50% of its fuel requirements at an average hedge cost of USD88 per barrel for jet kero, which brings our effective cost as of now down to USD80," said Tony.

Commenting on the Group's capacity management, Tony added, "The Group has always been very disciplined in managing its capacity. As the Group has taken quite a large number of aircraft last year (18 net additional aircraft in 2014), we have decided to take less in 2015 and focus on growth from the existing resources. Our capacity management strategy for 2015 include; (i) Deferring Airbus A320 CEOs to later dates to take advantage of the new A320 NEOs which are 16% more fuel efficient and will only be delivered at the end of 2016 onwards; (ii) Selling of older aircraft to ensure a young and more efficient fleet; (iii) To manage growth, ensuring all country operations focus on maximising profits from current routes; (iv) To let operations in Indonesia and the Philippines to execute turnaround plans; and (v) Aircraft to be given to new markets like Japan and India, and Thailand which is seeing demand rebounding. Following this, in 2015 the Group will only be taking in 5 new aircraft deliveries from Airbus which will be deployed to Thailand, India and the upcoming Japan market."

Tony also highlighted, "AirAsia is in a good cash position and we have a strong balance sheet as 88% of the Group's aircraft are owned and about 130 aircraft are on AirAsia Berhad's balance sheet. In 2015, the Company is focussing on increasing its cash position further, through capacity management, the Company is looking at refinancing of older aircraft (e.g. through sale and leaseback) as well as selling of vintage aircraft and slots. Furthermore, this year and the next couple of years, the Group will not be taking in large number of aircraft every year like before, hence enabling the Company to preserve cash. The management has no plans on raising money from the equity market. Apart from that, AirAsia has recently taken the opportunity to monetise its investments in its various adjacency businesses, when the time and valuation is right. The plan with these 'private equity' businesses is always to help them grow and divest at the end. This exercise could be seen with the newly listed Tune Insurance; and recently the divestment in AAE Travel Pte. Ltd from 50% to 25% which took place on 17 February 2015, almost 4 years since the



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incorporation of the joint-venture in 2011, which will see a gain on AirAsia Berhad's side in 1Q15."

On the performance of the Company's ancillary business, Tony highlighted, "My target of achieving RM50 ancillary income per pax is almost there. I am proud to see the exceptional ancillary performance in Malaysia, Indonesia and the Philippines, with y-o-y increase of 31%, 16% and 84% respectively. One of the biggest growths we will see this year will be in our duty free business which was recently launched on international flights. The duty-free website on the other hand is expected to be launched in March 2015, enabling us to attract duty-free shoppers even before they come to the airport, while booking their flights. Currently duty-free is contributing about RM2.66 to ancillary revenue per pax but once credit card payment on board is launched next month, the target is for duty-free to contribute RM4 per pax to ancillary revenue."

On the associates, Tony said, "TAA is back registering strong numbers and with Thai AirAsia X ("TAAX") growing at the rate that it is and feeding more traffic into TAA, it won't be too long until TAA reaches the level of AirAsia in Malaysia. As for Indonesia, the devastating QZ8501 tragedy has impacted demand slightly in the beginning of the year but we are seeing it recovering well now. The demand for the other associates however was not impacted by the incident. We will continue with our existing turnaround plan in IAA, focussing on international routes where we have a big market share. A huge catalyst for IAA is the newly launched long-haul operation, Indonesia AirAsia X. As for PAA, it is on a good recovery track especially since the move to Terminal 3, and the setting up of hubs in Cebu and Kalibo. We will also capitalise on the AirAsia brand and focus on bringing in more tourists and aligning strategy with the Visit Philippines 2015 campaign."

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