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AirAsia Berhad First Quarter 2017 Financial Results

- World's lowest-cost airline; Group Cost per Average Seat Kilometre of 3.07 US cents
- Group Revenue per Available Seat Kilometre up 3% to 14.91 sen
- Passengers carried increased 6% to 9.15 million; Group load factor up four points to 89%
- Revenue up 8% to RM2.23 billion; Operating profit of RM391 million, down 16%
- Ancillary revenue of RM455 million or RM50 per passenger
- EBITDAR margin of 33% and EBIT margin of 18%; Group earnings per share of RM0.18
- Cash balance of RM2.55 billion and cash from operations of RM500 million
- Increased market share in Malaysia and Thailand from competitors pulling out capacity
- Best performing quarter in Philippines; Operating profit of PHP400 million

SEPANG, 25 MAY 2017 – AirAsia Berhad ("AirAsia" or the "Group") today reported its results for the quarter ended 31 March 2017 ("1Q17").

Unaudited Consolidated Results of AirAsia Berhad and subsidiaries PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines)

The Group posted first quarter 2017 revenue of RM2.23 billion, up 8% on a like-for-like ("LFL") basis from RM2.07 billion in the same quarter last year, supported by a 6% increase in passengers carried and four percentage point increase in load factor. Operating profit was reported at RM391 million, down 16% from the same quarter last year mainly due to higher aircraft fuel expenses.

Share of results of associates declined 58% year-on-year to RM34 million as Thai AirAsia posted smaller profits due to weakness in the China-Thailand travel market, which resulted in lower average fare per passenger of THB1,569 in 1Q17 compared to THB1,722 in 1Q16. Operating profit for Thai AirAsia fell 44% to THB1.15 billion

Comparisons between corresponding quarters are made between the reported 1Q17 financial results and the pro forma consolidated financial results for 1Q16 detailed in note no. 22 of the quarterly statement to Bursa Malaysia prepared on similar basis as in 1Q17 where both PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated in accordance to MFRS 10.

Revenue Performance

Revenue per Available Seat Kilometre ("RASK") averaged 14.91 sen in 1Q17, up 3% from 14.42 sen in 1Q16 as average fare decreased 2% to RM171 and ancillary income per passenger increased 1% to RM50. By segment, the Philippine operations achieved the strongest topline growth, with a revenue gain of 41% year-on-year. The Malaysia operations reported a revenue gain of 3% year-on-year from increased demand for travel during the festive period and reduction of airfares to pressure competitors.



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Thai AirAsia, an associate company of the Group, posted 1Q17 revenue of THB9.16 billion, up 2% from THB8.97 billion in the same quarter last year, supported by an 11.1% increase in passengers carried.

Cost Performance

Cost per Available Seat Kilometre ("CASK") averaged 13.61 sen in 1Q17, up 14% from 11.97 sen in 1Q16 largely due to higher jet fuel prices. The average fuel price for the Group was US\$67 per barrel in 1Q17, compared to US\$56 per barrel in the same quarter last year. CASK ex-fuel increased by 9% from 7.87 sen to 8.60 sen due to staff costs and user charges rising by more than ASK growth. Staff costs increased from the previous year due to an increase in pilots' compensation. User charges rose on lower incentive payments from airports.

Thai AirAsia similarly reported an increase in CASK from 4.05 US cents in 1Q16 to 4.38 US cents in 1Q17 from higher jet fuel prices. Domestic operations in Thailand were additionally affected by a hike in excise tax on jet fuel used on domestic flights.

Final dividend of 12 sen

The Board of Directors announced a final dividend of 12 cents per share for the financial year 2016, the highest ever amount paid by the Group. The final dividend would be paid to shareholders on 23 June 2017.

On the 1Q17 financial results, AirAsia Group CEO Tony Fernandes said:

"With the start of consolidated accounts combining our Malaysia, Indonesia and Philippine units, we are taking a major step to being recognised as one airline, not many. AirAsia as OneAirAsia, sharing a single cost structure, brings immense benefits in terms of economies of scale and building a dominant position in the markets we operate in. We hope to include Thai AirAsia in our consolidated accounts beginning the second quarter.

"AirAsia Group load factor was up four points to 89% in 1Q17. Our operations in Malaysia, Thailand, Indonesia and Philippines all reported higher load factors in the first quarter of 2017. This was in line with our focus on increasing revenue per flight across our network.

"This quarter, Philippines AirAsia was the outperformer. We have turned around our business there with a reported operating profit of PHP400 million, the best quarter yet. Passenger count increased by 19% year-on-year and revenue by an even larger 41%. We have worked hard at reducing costs in the past year by streamlining our fleet. I am glad to report that CASK for Philippines AirAsia has fallen by 17% even as fuel prices have risen.

"Our associate Thai AirAsia managed to pull in revenue consistent with expectations despite less-than-favourable conditions. Thailand is a natural tourist draw and would no doubt recover rapidly in the next quarters.

"On our balance sheet, the Company's net gearing ratio continues to show improvement quarter-on-quarter and year-on-year and following the completion of the capital injection exercise in January of this year, is now down to 1.22 times at the end of 1Q17, compared to 1.33 times at the end of 4Q16."

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

"AirAsia Group is growing fast this year, adding 29 new planes this year for a total group fleet of 201 aircraft by end-2017 (127 excluding associates' aircraft in Thailand, India and Japan). This is the most number of aircraft we have added in four years, demonstrating our confidence in the competitive environment in Asia.



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"In March this year we signed a joint venture in Vietnam and later another in China in early-May. Adding these two countries will give us Air Operator Certificates in a total of eight Asian countries, and with that, unrivalled connectivity within the region.

"On cost discipline we are moving towards regional consolidation and streamlining group operations across the board. These key initiatives will help us achieve 10% further savings for the Group by the end of 2017. This will include improving workflows and system automations in our front to back office functions. In addition, we are actively working with the respective ASEAN authorities to reduce landing and user charges to support low-cost carrier operations and boost investment in low-cost terminals.

"We are digitising our passengers' data so that we can target sell and cross sell ancillary more effectively, which will help the group grow ancillary target per pax from RM50 to RM60. We have passenger data for 57 million passengers as of end-2016.

"In generating returns for our shareholders, we hope to monetise our non-core assets and distribute a special dividend every two years. We are currently in final negotiations and will materialise the sale of Asia Aviation Capital, our leasing arm, very soon. We continue to work toward the listing of AirAsia Philippines and Indonesia, our training centre, AirAsia Aviation Centre of Excellence (AACE)."

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