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AIRASIA GROUP BERHAD SECOND QUARTER 2018 FINANCIAL RESULTS

STRONG PERFORMANCE DESPITE FUEL

OPERATING PROFIT - RM438.5 MILLION
NET OPERATING PROFIT - RM324.8 MILLION
PROFIT AFTER TAX - RM315.3 MILLION

- **Revenue grew 10% YoY** to RM2.62 billion
- **Passengers carried up 13%** to 10.88 million
- **Ancillary Revenue up 4%** to RM492.6 million
- **RASK down 3%** to 14.83 sen (3.73 US cents)
- **CASK (incl. fuel) up 4%** to 13.77 sen (3.46 US cents)
- **CASK (ex. fuel) down 2%** to 8.05 sen (2.02 US cents)
- **Cash flow from operations** RM1.18 billion
- **Margins** EBIT 17%; EBITDAR 30%

SEPANG, 30 AUGUST 2018 – AirAsia Group Berhad ("AirAsia" or the "Consolidated Group" encompassing Malaysia, Indonesia and Philippine Units) today reported its results for the quarter ended 30 June 2018 ("2Q18")

Unaudited Consolidated Results of AirAsia Group Berhad

The Consolidated Group posted second quarter 2018 revenue of RM2.62 billion, up 10% year-on-year from RM2.38 billion in the same quarter in 2017. Revenue growth was supported by strong load factor of 86% and 13% increase in passengers carried recording 10.88 million pax as compared to the same quarter last year. Net operating profit achieved RM324.8 million despite much higher overall costs in fuel and overall aircraft maintenance & overhaul expenses.

Operating cash flow for the quarter under review was at RM1.18 billion and net cash flow of RM58.4 million. This cash position brings our net gearing ratio down to 0.76 times as compared to 1.11 times at the end of 2017.

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 14.83 sen in 2Q2018, marginally lower by 3% from 15.35 sen as planned due to a 12% increase in ASK. Average fare per passenger and load carried marginally reduced by 3% to RM172 and 86% respectively, which was in line with the Consolidated Group's expectations due to rapid ASK addition.

Despite 12% ASK added, ancillary revenue grew 4% to RM492.6 million for the Consolidated Group.

AirAsia Thailand posted 2Q2018 revenue of THB9.06 billion, up 9% from THB8.35 billion in the same quarter last year, on the back of 14% increase ASK and 13% increase in passengers carried. The associate company of the group reported a slight decrease in average fare of 5% to THB1,402 year-on-year as a result of competition as well as the low travel season. Seat load factor was recorded at 85%. Net operating loss was reported at THB653.9 million which led to a net loss after tax of THB567.5 million, resulted from higher fuel costs in relation to the rising global oil prices. Total ancillary income grew 13% to THB1.63 billion year-on-year from the implementation of dynamic pricing and value pack promotion.

AirAsia India recorded an 86% increase in revenue to INR6.50 billion in 2Q2018 from INR3.49 billion in the same quarter last year. India has reported a net operating loss of INR515.9 million due to the added ASK to fulfill domestic demands as well as in accordance with our planned target to start flying Indian passengers internationally. Despite the 80% ASK added, RASK grew by 3% to INR304 and fares were up by 1% to INR3,260 as compared to the same period in 2017.

Cost Performance

For the Consolidated Group, overall costs was slightly higher largely due to the impact of higher fuel prices as well as an addition of 22 aircraft on operating lease as compared to last year this time. The group's airline-related costs was well contained as a result of higher aircraft utilisation, active management on route rationalisation despite higher fuel, operating costs, maintenance & overhaul expenses. Cost per Available Seat Kilometre ("CASK") including fuel increased slightly by 4% year-on-year to 13.77 sen in 2Q2018, contributed by higher maintenance & overhaul and 29% in average fuel price to US$89/barrel jet kerosene as compared to last year this time at US$69/barrel. CASK ex-fuel decreased by 2% year-on-year from 8.21 sen in 2Q2017 to 8.05 sen in 2Q2018 as a result of our cost efficient operations and partially contributed by 7.7% strengthening of the ringgit against the greenback from USD/MYR4.31 in 2Q2017 to USD/MYR3.98 in 2Q2018.

AirAsia Thailand reported a slight increase in CASK by 5% while CASK ex-fuel improved by 2% from 3.16 US cents in 2Q2017 to 3.11 US cents in 2Q2018, largely due to the increase in aircraft utilisation per day from 11.3 hours to 11.8 hours and the strengthening of the Thai Baht against USD by 5.8% year-on-year.

AirAsia India also reported a slight increase in CASK by 4% due to higher user charges & other related expenses, whilst CASK ex-fuel vastly improved by 10% from 2.86 US cents the same quarter last year to 2.57 US cents this quarter.

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On the financial results for 2Q2018, AirAsia Group Berhad Group CEO Tony Fernandes said:

"In general, second quarter is a less travelled period, hence a slower season for air travels. There was also pressures on fare prices leading up to the 14th General Elections in May 2018. On top of that, our Indonesia operations has been affected by the volcanic activities since 4Q2017 and the recent eruption by Mount Agung in the second quarter this year. As a whole, our operating profits were largely impacted by the rising global fuel prices and hence overall fuel related costs have gone up. Despite all adversities and circumstances, our financial performance was commendable, recording 125% up in net profits to RM315.3 million."

"Malaysia and Philippines both recorded healthy net operating profits of RM205 million and PHP51 million respectively despite higher fuel related costs. Indonesia & Thailand on the other hand, did not perform as well, recording net operating losses of IDR186million and THB654million as a result of fare pressure from competition in their respective markets. The digital businesses under RedBeat Ventures have yet to be profitable at this juncture, as this is just the start of AirAsia's digital transformation."

"Taking into account all factors and a less favourable operating environment, AirAsia still managed to produce a set of strong financial results this quarter, recording a 10% increase in revenue to RM2.63 billion. We added 18 aircraft and an ASK of 12% for our Consolidated Group in order to serve the Asean air travel demand in 2Q2018 as compared to 2Q2017. From our load carried this quarter, most of the added seats were sold as we grew our passenger traffic by 13% for the Consolidated Group year-on-year to 10.88 million pax. Across the whole group, we added 31 aircraft as compared to last year this time."

"Overall CASK was well maintained group wide for all short-haul AOCs with the increase in aircraft utilisation from 12.7 hours to 13 hours a day year-on-year, despite the 29% increase in average fuel price."

"As for ancillary revenue, the three consolidated units grew by 4% to RM492.6 million. We are moving away from reporting ancillary per pax to focus on total ancillary revenue going forward as we have several businesses such as our Red Logistics which encompasses our cargo and courier businesses which do not fall under passengers' ancillary but contributes revenue and profits to the airline group. Similarly for our new e-Commerce business, Ourshop which sells duty free products right now will eventually also be selling online products to anyone even if you are not a passenger on our flight."

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

"Going into the third quarter of 2018, our group load is seen to hold steady despite the added seats. Many airlines have reported net operating losses for the 1H2018 due to higher fuel prices. The higher fuel cost is an inevitable crisis for everyone as long as there is a need for fuel consumption. We will continue to remain cost discipline in all areas in order to maintain healthy profit margins. For the full year, we are looking at a group load factor of 85%. We will emphasize our One AirAsia initiatives to further reduce costs by 5% in workforce reduction for non-airline operating divisions, while improving the overall operational efficiencies and actively monitor each route's profitability. We are almost reaching 14-hours a day on our daily aircraft utilisation by all AOCs as one of our effecting cost saving measures. We want to further improve the turnaround time and overall performance by each affiliate. AirAsia India's performance has been very promising, and we target to breakeven by FY2019."

"As for fuel, we adhere to our policy by actively hedging according to our forward bookings. Our ancillary and data initiatives, will be revenue enhancing while off-setting higher fuel prices in time to come. Our fare price will be adjusted according to the fuel price movements, and we foresee fuel to be ranged bound in the long run as global demand and supply rationalises."

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"On way to improve ancillary revenue, we have launched Dolly ePOS in July 2018 for all international sectors from Malaysia. This hand held device will be provided to all cabin crew by the end of 2018 for all AOCs in order to capture all transactions on board. This device has enabled us to collect data on passengers' purchasing behaviour. With these data, we are able to target sell preferred F&B, merchandise and duty free items at a very enticing price to our passengers. We foresee an increase in traction in ancillary revenue from this project by the end of next year. Another ancillary initiative will be implemented with Levarti's distribution and control system for airports (Levarti MAX Airport), to allow ancillary products to be sold at check in counters and at boarding gates to further drive ancillary uptake."

"On digital partnerships, we have signed a 5-year partnership with California-based Palantir Technologies on 9 August 2018 to carry out projects on AirAsia's platform for all businesses cutting across guest experience, in-flight sales, route revenue, finance, flight operations, cargo and overall increasing the commercial aspects of our airline business. We are committed to putting our passengers first. This partnership will help us build "customer-obsessed" data-backed models, provide visibility and improve efficiency across our operations, even for procurement and better inventory management."

"On digital businesses, we are glad to announce that the incorporation of RedBeat Ventures Sdn Bhd (RBV) was approved by the board of directors today. There will be three main verticals under this data rich division namely logistics, eCommerce and fintech which will transform AirAsia into an Asean digital and lifestyle airline. RBV will be a very valuable asset in the future when it starts generating cash flow."

"In terms of airports, we are pleased that the government is supportive of our growth plans and the battle is over. We are in the midst of getting a dedicated low-cost terminal in Penang by 2022, which will drive cost lower. AirAsia already occupies 50% of the capacity at Penang International Airport. We would like to turn Penang into a key northern transit hub connecting directly from South-East Asia to this state. In the space of Internet of Things (IoT), our key motivation for automation is to further reduce costs from all angles. One of our key airport initiative is to roll out F.A.C.E.S for Avalon and Kuching airports to enhance our passengers' boarding experience. This service has already been rolled out at Senai airport in Johor Bahru earlier this year. These automation efforts have enabled us to reduce staff costs while improving airport efficiencies. In the near future, all our passengers will be able to board with their faces, eliminating the hassle of showing their passports to board our flights."

"On returning value to our shareholders, we have paid an interim single-tier dividend on 13 July 2018 worth RM0.12 per share on 3,341,974,080 ordinary shares of RM0.10 for the financial year ending 31 December 2018. We have also received USD501 million for the aircraft leasing deal under Asia Aviation Capital Limited (AAC). We are also pleased to announce that we have concluded the remaining 25% sale of AAE Travel Ptd Ltd (Expedia) for USD60 million on 14 August 2018. The total gain on sale for the 50% stake in Expedia was USD131 million. This is yet another example of us creating valuable assets and monetising them at more than 10 times on our initial capital invested. We continue to create valuable assets and monetise our investments in our non-core businesses as and when a good offer is placed before us. We will announce a special dividend when the transaction on AAC concludes in 4Q2018."

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