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## AIRASIA GROUP BERHAD THIRD QUARTER 2018 FINANCIAL RESULTS

## PROFITABLE DESPITE FUEL

## OPERATING PROFIT – RM252.7 MILLION
## NET OPERATING PROFIT – RM124.9 MILLION
## PROFIT BEFORE TAX – RM308.5 MILLION

- **Revenue grew 7%** to RM2.61 billion
- **Passengers carried up 9%** to 10.80 million
- **RASK unchanged** at 14.70 sen (3.58 US cents)
- **CASK (incl. fuel) up 12%** to 14.30 sen (3.48 US cents)
- **CASK (ex. fuel) down 2%** at 8.11 sen (1.98 US cents)
- **Cash flow** from operations RM1.63 billion
- **Margins** EBIT 10%; EBITDAR 25%

**SEPANG, 29 NOVEMBER 2018** – AirAsia Group Berhad ("AirAsia" or the "Consolidated Group" encompassing Malaysia, Indonesia and Philippine Units) today reported its results for the quarter ended 30 September 2018 ("3Q18")

**Unaudited Consolidated Results of AirAsia Group Berhad**

The Consolidated Group posted third quarter 2018 revenue of RM2.61 billion, up 7% year-on-year from RM2.45 billion in the same quarter in 2017. Revenue growth was supported by a healthy load factor of 82% and 9% increase in passengers carried recording 10.80 million pax as compared to the same quarter last year. Net operating profit achieved RM124.9 million despite much higher overall costs in fuel.

Operating cash flow for the quarter under review was at RM1.63 billion, while net cash flow was reported at RM2.57 billion resulting from the proceeds of the aircraft disposal transaction.

*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.*

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**Revenue and Financial Performance**

Revenue per Available Seat Kilometre ("RASK") for the consolidated units of Malaysia, Indonesia and Philippines recorded at 14.70 sen in 3Q2018 unchanged year-on-year as a result of 10% increase in ASK. Average fare per passenger was up by 3% recording RM177 and a load factor of 82% respectively, which was in line with the Consolidated Group's expectations.

Ancillary revenue grew 1.4% year-on-year recording RM494.2 million for the Consolidated Group.

AirAsia Thailand posted 3Q2018 revenue of THB8.94 billion, down 2% from THB8.75 billion in the same quarter last year, on the back of 8% increase in ASK and 4% increase in passengers carried to 5.11 million pax. The associate company of the group reported a slight decrease in average fare of 3% to THB1,420 year-on-year as a result of tighter competition and a slowdown in Chinese tourists due to China's overall economic sentiment coupled with the Phuket ferry incident. Seat load factor was recorded at 81%. Net operating loss was reported at THB826.7 million which led to a net loss after tax of THB655.7 million, resulted from higher fuel costs in relation to the spike in global oil prices. Total ancillary income grew 9% to THB1.72 billion year-on-year from the implementation of value pack promotions and dynamic pricing.

AirAsia India recorded a 16% increase in revenue to INR4.58 billion in 3Q2018 from INR3.95 billion in the same quarter last year. India has reported a net operating loss of INR2.91 billion as a result of 61% increase in ASK to fulfill domestic demands as well as in accordance with our plan to start flying Indian passengers internationally to our group's Asean destinations. RASK was recorded at INR203.46 while fares were down by 15% to INR2,574 as compared to the same period in 2017. Ancillary revenue on the other hand grew 26% to INR505 million.

**Cost Performance**

For the Consolidated Group, overall costs were higher largely due to the impact of higher fuel prices as compared to last year this time. The group's airline-related costs were well contained as a result of high aircraft utilisation, active management on route rationalisation despite higher fuel and overall operating expenses. Cost per Available Seat Kilometre ("CASK") including fuel increased by 12% year-on-year to 14.30 sen in 3Q2018, largely contributed by a 50% increase in average fuel price to USD95/barrel jet kerosene as compared to USD63/barrel this time last year, as well as higher aircraft operating lease expenses which was offset by a much lower aircraft depreciation during the said quarter. CASK ex-fuel dropped by 2% year-on-year to 8.11 sen in 3Q2018 as a result of tighter operating costs control across all AOCs. CASK ex-fuel was well maintained, partially as a result of the strengthening of ringgit against the greenback by 3.7% from USD/MYR4.26 in 3Q2017 to USD/MYR4.10 in 3Q2018.

AirAsia Thailand reported a 9% increase in CASK while CASK ex-fuel improved by 4% from 3.06 US cents in 3Q2017 to 2.95 US cents in 3Q2018, partly due to the strengthening of the Thai Baht against USD by 1.5% year-on-year as well as a reduction in headcount for none airline related operations.

AirAsia India also reported a slight increase in CASK by 13% due to higher operating lease expenses and aircraft fuel expenses as a result of the rapid capacity addition, whilst CASK ex-fuel improved by 5% from 2.63 US cents the same quarter last year to 2.50 US cents this quarter.

**On the financial results for 3Q2018, AirAsia Group Berhad Group CEO Tony Fernandes said:**

"Overall, third quarter was a leaner quarter, hence a seasonally less travelled period. There was also pressures on fare prices due to tighter competition in Thailand coupled with the ferry incident in Phuket which deterred Chinese tourists into Thailand. There was also a chain of natural disasters in Indonesia from the eruption of Mount Agung to the earthquake in Lombok and tsunami in Palu. As a whole, our operating profit was largely impacted by the rising global fuel prices and hence overall fuel related costs have risen. Despite a less favourable operating environment, we still outperformed numerous regional airlines be it full service or low cost, recording a healthy profit before tax of RM308.5 million."

"Malaysia recorded a commendable net operating profit of RM240.4 million despite higher fuel related costs. Philippines, Indonesia & Thailand on the other hand recorded net operating losses of PHP1.49 billion, IDR153.6 billion and THB826.7 million resulting from the closure of Boracay Island, a chain of natural disasters and fare compression in the respective markets."

"For the Consolidated Group, we managed to produce a set of positive financial results this quarter, recording a 7% increase in revenue to RM2.60 billion. We added an ASK of 10% for the three consolidated AOCs in order to serve the Asean air travel demand in 3Q2018 as compared to 3Q2017. We recorded a load of 82% as we grew our passenger traffic by 9% for the Consolidated Group year-on-year to 10.80 million pax and ended the quarter with 127 aircraft."

"CASK was well maintained group wide for all short-haul AOCs as a result of overall tightening of operations and increase in efficiency under our One AirAsia initiative, despite the 50% increase in average fuel price and the weakening of Asean currencies against the US dollar as compared to this time last year."

"As for ancillary revenue, the three consolidated AOCs recorded RM494.2 million, up by 1.4% year-on-year. We have just started collecting in-flight data on merchandise sold with our Dolly ePOS device. Our data collection and target selling has started to bear fruit. As a result of this, our Duty Free revenue has grown 54% to RM9.4 million year-on-year."

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

"Going into the fourth quarter of 2018, the operating environment is seen to have improved as compared to the third quarter, coupled by the year-end holiday season being around the corner, the group load factor is holding strong. Our domestic market share for Malaysia is now at 58% while all the other countries have also grown domestically except for Indonesia, which remained at 2%. The overall average fares have also gone up year-on-year. All airline operators' profitability have been affected by the higher global fuel prices this year. The higher fuel cost is not within our control, however AirAsia will remain cost discipline in all areas by reducing none airline operating staff headcounts, increasing overall efficiency and remain nimble in order to maintain healthy profit margins. For the full year, we are on track to achieve a group load factor target of 85%. We will continue to emphasise our One AirAsia initiatives to further reduce costs, while improving the overall operational efficiencies and actively monitor each route's profitability. Our daily aircraft utilisation is already at 13-hours a day. We want to further improve the turnaround time and overall performance by each affiliate."

"As for fuel, we will benefit in the month of December 2018 from the recent fuel prices that have come off. We are watching the fuel prices closely to increase our fuel hedge for 2019 and 2020. We have already hedged 48% for Brent at USD67.24 bbl for 1Q2019 and 27% for 2Q2019 at USD65.40 bbl in order to better manage the volatility of fuel prices."

"As we embark on a journey to become a travel technology company, with the recent Google Cloud partnership, we foresee huge impact in the future on further revenue generation, with the ability to drive better demand through accurate data forecasting and targeted marketing. In time to come, these data together with machine learning and Artificial Intelligence, will help lift our overall ancillary revenue to help us predict passengers' purchasing behaviour and increase their propensity for product uptake. As for our non-core ancillary businesses, RedCargo and RedBox have also started generating revenue within a short few months. Our ancillary and data initiatives will be revenue enhancing when it is fully rolled out."

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"The forward air travel demand is still going strong for all our key markets. We are focused on turning around Indonesia and Philippines next year, with plans for the secondary listing to take place in FY2019 for our Indonesia operations. As for India, our plan is to start flying international and for our Japan associate to start connecting to North Asia with the priority to narrow the losses for these two markets."

"On returning value to our shareholders, we have received USD1.08 billion for the aircraft and engine deal under Asia Aviation Capital Limited (AAC) and we are pleased to announce a special dividend of 40 sen per share to be paid to the shareholders on 28 December 2018."

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