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THE TRANSFORMATION TO A DIGITAL AIRLINE – THIRD QUARTER 2016

11% INCREASE IN REVENUE

187% INCREASE IN PROFIT AFTER TAX

INDONESIA AIRASIA TURNS TO A NET PROFIT OF IDR486.57 BIL.

3Q16 MALAYSIA

- Load Factor at 89% (up 7 pts)
- Passengers Carried up 5% YoY
- Revenue up 11% YoY
- Net Operating Profit up 165% YoY
- Profit After Tax up 187% YoY
- EBIT Margin of 31% (up 10 pts)
- EBITDAR Margin of 50% (up 12 pts)
- Cost per ASK of 10.51 sen (down 10%)

3Q16 GROUP

- Load Factor at 87% (up 6 pts)
- Passengers Carried up 11% YoY
- Revenue at RM2.97 billion
- Profit Before Tax at RM 488.7 million

LCCT@KLIA2, 24 November 2016 – AirAsia Berhad (“AirAsia” or “the Company”) today reported its results for the quarter ended 30 September 2016 (“3Q16”).

AirAsia Group – Proforma Consolidated Results of AirAsia Berhad and Associate Airlines

The AirAsia Group, consisting of AirAsia Berhad and associate airlines in Thailand, Indonesia, Philippines, India and Japan, posted combined revenue of RM2.97 billion for the quarter, up 6% from RM2.80 billion in the same quarter last year. Operating profit for the Group was RM525.9 million for the quarter, up from RM332.2 million in the same quarter last year. The Group’s profit before taxation for the quarter was at RM403.6 million, while cash balances stood at RM2.80 billion.

On the Group 3Q16 financial results, **AirAsia Group Chief Executive Officer Tony Fernandes** said:

“We have repeated yet another quarter of strong earnings growth. Our Malaysia operations grew revenue by 11% and net operating profit by 165%, helped by higher aircraft lease income and fuel expenses that were 21% lower. Stronger than expected demand drove up seat load factor to a record high of 89% while the average fare per passenger increased by RM7 or 4% year-on-year to RM164.

“Thai AirAsia grew revenue by 12% and increased passenger volume by 21%. Revenue per Available Seat Kilometre (“RASK”) came down 6% year-on-year due to promotional activities but Cost per Available Seat Kilometre (“CASK”) fell by a deeper 7% to compensate.



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"Indonesia is my proudest achievement this quarter. It was a profitable quarter for the associate following a well-executed turnaround strategy which include disciplined capacity management working in tandem with our cost-saving measures. And we are well on track to deliver on our earlier promise to stakeholders to be firmly in the black in the second half of 2016. The successful turnaround of IAA was due to a decision we took to right-size the fleet and network. We moved aircraft that would be better utilised at other associates out of IAA's fleet, numbering seven in total. As a result, aircraft operating lease expense is down by 55% year-on-year. CASK has fallen by 17% year-on-year and without counting fuel costs, CASK ex-fuel is down 13% year-on-year

"Philippines AirAsia's cost reduction and re-fleeting exercise has enabled us to achieve lower losses for our operations this quarter. Excluding costs related to a legacy aircraft we sold in August which is around PHP560 million, our net operating loss would have been even lower at PHP355 million compared to our reported PHP915 million. Revenue is up 24% on passenger volume that is 8% higher. Average fares are up 21% due to strong demand.

"India has been progressing very well in the past few quarters. Load factor hit another record high, demonstrating that our guests prefer flying with us. This is after we added capacity of 23% year on-year. We are growing the market in India, as we have been doing in all the airports we operate at."

2017 – The Emergence of a Digital Airline

On the exciting digitalisation plans, **AirAsia Group Chief Executive Officer, Tony Fernandes** said:

"2017 promises to be an exciting year as it marks the emergence of AirAsia Group as a digital airline company. We are investing heavily in digitalisation and have been growing our family of digital services; BIG Duty Free, BIG Pay, BIG Loyalty, Touristly, Rokki onboard Wifi and Xcite inflight entertainment to name a few.

"Digitalisation is expected to boost our ancillary income from RM46 currently to our RM60 target. Some of the initiatives include dynamic pricing of baggage allowance and Tune Protect insurance, offering an extra-seat option to our customers and enhancing our inflight meal options.

"On top of the above, as announced earlier we want to streamline the business and dispose of non-core businesses, the biggest being Asia Aviation Capital, our leasing arm, worth approximately US\$1 billion. Bids are coming in December 2016 with eventual sale to take place in early-2017. We will go to the markets with two potential Initial Public Offerings; our flight crew training centre, AirAsia Academy (AAE) will be listed in Kuala Lumpur and ASEAN Holding Co in Hong Kong.

"Also in 2017 we hope to break ground on new low-cost airports across ASEAN. We are working closely with local governments to build dedicated facilities for low-cost airlines in a number of cities with the aim of alleviating congestion and driving higher traffic across our network and bring more tourists into these hubs. Once we get the necessary permissions we can deliver a fully operating airport in less than a year."

Adding on the outlook of cost environment, he said, "We remain beneficiaries of the low fuel price, with all associates observing lower aircraft fuel expense, leading to lower CASK for the Group. For 4Q16 we have hedged 70% of our fuel requirements as a Group at an average cost of USD59 per barrel jet kerosene. Meanwhile, we have hedged approximately 74% of our 2017 fuel requirements at an average cost of USD60 per barrel jet kerosene."

Segment reporting of associates are included in the quarterly Bursa Announcement (Note 9). The operating segments have been identified by each Air Operating Certificate ("AOC") held within the AirAsia Group ("Group"), and are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

On consolidation of accounts for the whole Group, the Company's auditor attempted to revisit their opinion on this matter and we are hopeful that the Group will be allowed to consolidate and therefore present a fairer view of the Group's performance and financial position.



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Malaysia

AirAsia posted revenue of RM1.69 billion for the quarter, up 11% from RM1.52 billion in the same quarter last year. Revenue growth was supported by a 5% year-on-year ("YoY") increase in number of passengers carried, which totalled 6.63 million for the three-month period. During the quarter under review, the Company posted Revenue per Available Seat Kilometre ("RASK") of 14.42 sen (up 8% YoY).

Operating profit for the quarter was RM529.3 million, up 68% from RM316.0 million in the same quarter last year. The increase was attributable to rising revenue on stable operating costs. Net operating profit or operating profit less finance costs was RM440.4 million, up 165% from RM166.1 million in the same quarter last year. The Company achieved a profit after tax of RM352.4 million for the quarter compared to a loss after tax of RM405.7 million in the same quarter last year.

On the financial results for 3Q16, **AirAsia Berhad Chief Executive Officer Aileen Omar** said: "The highest growth rates are from our ancillary products, in particular, inflight merchandise (up 93% YoY), AirAsia Courier (up 67% YoY) and connecting fees for our 'Fly-Thru' service (up 46% YoY). Advertising revenue has also increased in a big way. Online advertising is up by 279% year-on-year and aircraft advertising up by 300-fold and beginning to make a significant contribution to ancillary income, albeit from a low base in 3Q15. Ancillary income of RM46 per passenger was consistent with the same quarter last year.

"Unit costs have come down considerably. Cost per Available Seat Kilometre ("CASK") for the quarter was 10.51 sen (down 10%). The decrease can be attributed to lower aircraft fuel expenses, the largest cost item, which fell by 21% year-on-year. Ignoring fuel price changes, our CASK ex-fuel for the quarter was held at 6.30 sen, consistent with the same quarter last year. With this, AirAsia continues to maintain our position as the lowest-cost airline in the world.

"The management monitors the Company's net gearing level closely to ensure that it is constantly at a healthy and comfortable level. The Company's net gearing ratio continues to show improvement quarter-on-quarter ("QoQ"), reported at 1.47 times at the end of 3Q16 compared to 1.64 times at the end of 2Q16 and 2.29 times at the end of 3Q15."

Thailand

Thai AirAsia ("TAA") posted revenue of THB8.16 billion in 3Q16, an increase of 12% from THB7.27 billion in the same quarter last year. The increase in revenue is attributed to a rise in the number of passengers carried of 21% year-on-year, which outpaced capacity increase of 17% year-on-year. Seat load factor increased 3 percentage points to 84% despite the July to September period coinciding with the monsoon season and it being less busy quarter historically.

Thai AirAsia achieved an operating profit of THB718.2 million for the quarter, compared to an operating profit of THB506.8 million in the same quarter last year. Net profit was reported at THB729.2 million in 3Q16, compared to a net profit of THB174.4 million in the same quarter last year.

Indonesia

Indonesia AirAsia ("IAA") posted revenue of IDR1,095.2 billion in 3Q16, 26% lower compared to IDR1,483.7 billion in the same quarter last year and in-line with the planned 34% year-on-year decrease in capacity from operating a smaller fleet of aircraft. Seat load factor for the quarter was 83%, a 10 ppts improvement from the same quarter last year.

IAA achieved an operating profit of IDR229.3 million for the quarter, attesting to the success of the turnaround plan and in line with the management forecast of a profitable 2H16. Net operating profit was reported at IDR197.5 billion in 3Q16 compared to a net operating loss of IDR88.6 billion in 3Q15.

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Philippines

Philippines AirAsia ("PAA") posted a 24% year-on-year increase in revenue to PHP2.57 billion in 3Q16. The strong revenue growth can be attributed to an increase the number of passenger carried (up 8% YoY) and higher average fare of PHP2,245 (up 21% YoY).

Load factor was stable at 83% while CASK decreased by 4% to PHP2.50 due to lower aircraft fuel expenses and reduced maintenance & overhaul costs. Further guided by the management's turnaround plan, net operating losses reduced to PHP914.82 million (narrowed by 2% YoY) while loss after tax of PHP1.20 billion (narrowed by 12% YoY).

India

AirAsia India ("AAI") posted a 32% year-on-year increase in revenue to INR1.75 billion and carried 42% more passengers year-on-year. Meanwhile, load factor continued to rise and averaged 88% for the quarter (up 12 ppts YoY).

AirAsia Group Outlook 4Q16 and 2017

On the outlook for airlines in the AirAsia Group, **Tony Fernandes** said:

"AirAsia's airline operations in Malaysia continues to show strong demand up until the end of the year, when we expect to report another record load factor of around 90%. With the weakening of the ringgit, we see consumers trading down and travelling within the country or around the region rather than to Europe or America. Malaysia is also becoming a cheap destination for tourists coming in.

"At IAA we forecast to maintain a seat load factor of 83% for 4Q16 from healthy demand on our routes. Our plan is to continue our focus on promoting international routes, where we have market leadership and can leverage on the strength of our AirAsia brand across the ASEAN region.

"We are on track with the turnaround plan to rationalise fleet composition to further reduce our cost structure in 4Q16. Operating a younger and more efficient fleet after moving out older aircraft we inherited from our 2015 merger with Zest has resulted in incremental cost savings and a better overall experience for our passengers. We will take PAA into the black by end-2017 on double-digit topline growth and a lower cost base from a more efficient fleet and keeping staff costs to below 10% of revenue. We will go further by working on increasing ancillary revenue to above PHP500 per passenger.

"Our focus in India remains on building our footprint in the Indian domestic market by ramping up frequencies on trunk routes and rolling out new routes and destinations to give Indian flyers more choices and lower fares."

On the outlook for Thailand, **Thai AirAsia Chief Executive Officer Tassapon Bijleveld** said:

"Going by the forward bookings we have received for the year-end holiday season, we forecast a 4Q16 load factor of 82% for ThaiAir Asia, which is an excellent number given that we are rapidly expanding our operations from our six Thailand hubs, adding domestic frequencies on routes originating from Bangkok-Don Mueang and Pattaya. Earlier in November we introduced the first ever flight connecting Phuket to Siem Reap and begin Bangkok – Kolkata service in December.

"We view the recent government crackdown on so-called zero-dollar tours as beneficial for tourism in the long run, although in the short-term it has deterred some Chinese tourists from visiting Thailand. The restructuring of Thailand's tourism industry will lead the country to stable, prosperous and sustainable growth. We expect Chinese tourist arrivals to recover to normal before the Chinese New Year."

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Statements included herein that are not historical facts are forward-looking statements. Such forward looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, AirAsia's results could be materially affected. The risks and uncertainties include, but are not limited to, risks associated with the inherent uncertainty of airline travel, seasonality issues, volatile jet fuel prices, world terrorism, perceived safe destination for travel, Government regulation changes and approval, including but not limited to the expected landing rights into new destinations.