PRESS RELEASE

AIRASIA GROUP BERHAD FOURTH QUARTER & FULL YEAR 2018 FINANCIAL RESULTS

NORMALISED 4TH QUARTER WAS PROFITABLE DESPITE:
RECORD CAPACITY GROWTH OF 21%
EXCEPTIONALLY HIGH FUEL
WEAK ASEAN CURRENCIES

SEPANG, 27 FEBRUARY 2019 – AirAsia Group Berhad[1] ("AirAsia" or the "Consolidated Group") today reported its results for the quarter ended 31 December 2018 ("4Q2018") and the full financial year ended 31 December 2018 ("FY2018").

Unaudited Consolidated Results of AirAsia Group Berhad

The Consolidated Group posted 4Q2018 revenue of RM2.8 bil, up 6% year-on-year ("YoY") from RM2.7 bil in 4Q2017. The reason for the 21% capacity addition was to capture more market share and to secure airport slots that the Group wanted. This resulted in a short term pain as fares were down by 6% to RM171, in order to set the Group up for a strong start in 2019.

The large increase in capacity had a huge impact on yield and did not contribute to recovering the cost of fuel at USD92 bbl, which translated to RM254 mil in additional fuel expenses in 4Q2018 vs 4Q2017. However, had the Group not added any capacity and kept the passengers carried and average fare constant at RM182, we would have generated an additional RM115 mil in 4Q2018.

In 4Q2018, there were numerous one-off items related to the BBAM transaction and change in accounting from owning to leasing of aircraft. To name a few, those relating to the BBAM transaction include professional fees of RM101 mil, re-recognition of RM29 mil for depreciation of 5 unsold aircraft and accretion of RM16 mil finance cost tied to the assets sold. These one-off costs resulted in a net operating loss of RM220.4 mil. The total one-off items amounted to RM318 mil. Eliminating this amount, the quarter's performance was commendable and would have recorded RM98 mil.

For 4Q2018, the operating cash flow generated was RM2.0 bil, while net cash flow reported was RM1.4 bil, up substantially from just RM39.9 mil in 4Q2017 from the proceeds of disposed aircraft.

For the full year, the Consolidated Group posted a revenue of RM10.6 bil, up 9% from the previous year. Profit after tax was commendable at 9% higher YoY to record RM1.7 bil, despite much higher fuel cost, weaker ASEAN currencies, closure of Boracay and the prolonged chain of natural disasters in Indonesia.

Financial & Market Share Performance

Revenue per Available Seat Kilometre ("RASK") for the Consolidated Group was recorded at 14.82 sen in 4Q2018, down 4% YoY. RASK was affected due to an aggressive 21% capacity addition YoY. There was a 9% capacity increase from 3Q2018 to 4Q2018 alone at the Consolidated level, which resulted in a dip in average fare. Due to the capacity expansion, we managed to further grow our domestic

[1] *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.*

market share in the Philippines to 20% (up 4 percentage points "ppts") and Malaysia to 58% (up 6 ppts) respectively. Our ancillary revenue also grew by 12% YoY, recording RM571.1 mil for the Consolidated Group.

For the full year, Malaysia produced a strong set of financials, recording a net operating profit of RM906.9 mil despite much higher fuel cost.

Cost Performance

For the Consolidated Group, Cost per Available Seat Kilometre ("CASK") including fuel averaged at 16.58 sen in 4Q2018, 27% higher YoY from 13.05 sen in 4Q2017, mainly attributed to aircraft fuel expenses and aircraft lease expenses as a result of change in accounting from owning to leasing of aircraft.

Average fuel price surged to USD92 bbl jet kerosene in 4Q2018 as compared to USD69 bbl in 4Q2017. As a comparison, based on 2018's fuel consumption being constant, the higher average fuel price resulted in an additional fuel expenses of RM703 mil for the full year of 2018 vs FY2017.

CASK ex-fuel increased by 25% YoY to 10.35 sen in 4Q2018. The increase in aircraft operating lease expenses was a result of the completion of aircraft sale and leaseback transaction, while the higher user charges was due to the 8 aircraft that was transferred back from IAAX to AirAsia Indonesia ("IAA"). Overall expenses have gone up as a result of the weakening of MYR, PHP and IDR against the greenback. Removing all the one-off items, CASK ex-fuel would have been 8.58 sen.

On the financial results for 4Q2018 and FY2018, AirAsia Group Berhad Deputy Group CEO Bo Lingam said:

"It was a great 2018, we gained significant market share across the Group and recorded RM1.7 bil in profit after tax for the full financial year. Financial results were commendable despite the abnormal fuel hike. We are focused on keeping cost low for all AOCs and will continue to reduce cost further. Staff costs have already been reduced by 4% in 4Q2018 as compared to 4Q2017. We are on target to reduce overall staff cost by 10% via eliminating duplicated roles and moving many key functions to the Group level for better efficiency. We are also closing down the contact centre by June 2019 which will be replaced by our automated chatbot."

"Despite the much higher fuel cost in FY2018, we still managed to add significant capacity in order to set the Group up for a dominant position in 2019. For this year, we are confident that Thailand, Indonesia and Philippines will make up for fuel cost hike in FY2018 while Malaysia continues to remain a strong profit generator. We have hedged 52% of Brent at USD63.41 for FY2019. Should Brent increase to USD80 bbl, our fuel cost could potentially increase by RM368 mil for the full year's unhedged portion, of which will be covered by driving more ancillary sales."

"We are confident that all ASEAN AOCs will be profitable in 2019. We have already witnessed the strong load trend since the start of 2019."

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

"2019 will be the start of AirAsia's true transformation. AirAsia.com has already generated more than RM16 billion in gross merchandise revenue from our online flight ticket sales in FY2018. This platform is in fact one of the largest revenue generating platforms in Asia today. Hence, we are also increasing our efforts to sell additional travel-related services such as hotels, tours, insurance and more to millions of our guests who fly with us. We intend to transform AirAsia.com into a platform of choice

PRESS RELEASE

for all to fulfil any travel needs. We believe that this platform has enormous potential and will generate a significant increase in revenue for the Group."

"It is the first time in 18 years that AirAsia has consolidated its freight belly space. RedCargo has fulfilled 110,000 tonnes of belly space for 2018. The company has generated RM206 mil in revenue for FY2018, and this revenue will double up in 2019 as we have already started to support the eCommerce initiatives in ASEAN. We believe we will be a key freight player in the near future for the markets that we operate in."

"We have installed 65 aircraft with Rokki WiFi. All our planes will be fully WiFi enabled by the end of 2019, which will bring in more ancillary revenue."

"We have declared a second interim single tier dividend of RM0.12 per share for FY2018 to be paid on 10 April 2019.

"We foresee Vietnam to be the last piece of our joint ventures ("JV") in ASEAN within the foreseeable future. This JV will enable us to connect ASEAN passengers to North Asia, namely China, Korea and Japan as we draw passengers closer from one country to another while growing our market presence and our low cost franchise across the region."

END

For further information please contact:

Group Investor Relations:
Esme Law
Office : +603 8660 4333
Email : **maa_ir@airasia.com**

Communications:
Aziz Laikar
Office : +603 8660 4263
Email : **azizlaikar@airasia.com**

For further information on AirAsia, please visit the Company's website: www.airasia.com