Press Release

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LOW COST LEADER AIRASIA REMAINS THE AIRLINE WITH THE HIGHEST MARGINS BY ACHIEVING FURTHER COST REDUCTION

4Q13 MALAYSIA

Revenue unchanged y-o-y; Operating Profit down 2% y-o-y

COST DOWN 10% y-o-y –

EBIT MARGIN of 23%

Passengers up 14% and load factor of 85%

2013 FULL YEAR MALAYSIA:

Revenue up 5% y-o-y; Operating Profit down 1% y-o-y

COST DOWN 4% y-o-y

EBIT MARGIN of 20%

RASK down 6%

GROUP PRO FORMA CONSOLIDATED 2013:

Revenue of RM8.65 billion

Operating Profit of RM1.33 billion

EBIT Margin of 15% and EBITDAR Margin of 26%

42.6 million Passengers Carried

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LOW COST TERMINAL SEPANG, 26 February 2014 – AirAsia Berhad ("AirAsia" or the "Company") today reported its results for the quarter ended 31 December 2013 ("4Q13").

The Company posted quarterly revenue of RM1.35 billion, unchanged from revenue of reported in the same quarter last year. The catalyst for growth was attributed to the increase in the number of passengers carried which grew 14% year-on-year ("y-o-y") to 5.91 million which overtook capacity growth of 10% y-o-y. Load factor was at an all-time record high of 85% y-o-y due to the Company's very aggressive load active strategy.

During the quarter under review, AirAsia recorded only a 2% decline in operating profit y-o-y to RM315.01 million mainly due to the increase in routine aircraft C-Check and lower fares. Despite this, AirAsia posted EBIT margin of 23% on the back of its continuous cost reduction exercise to ensure the airline remain a cost leader in an irrational competitive environment. This is considered a feat for AirAsia as it already is the lowest cost airline with the ability to extract out further cost throughout the organisation.

Profit after tax was reported at RM252.76 million down 17% due to the effects of the changes in the closing forex in the quarter ended 31 December 2013 of RM:USD3.21 as compared to the quarter ended 31 December 2012 of RM:USD3.04. The adverse movement in the exchange rates resulted in unrealised forex losses on USD denominated borrowings that are translated at the closing rate of each reporting date. This does not represent the financial performance of the business but merely an accounting entry.

AirAsia Berhad CEO, Aireen Omar highlighted, "I am pleased that our cost reduction exercise is continued into 4Q13 and the Company was able to achieve a Cost per Available Seat Kilometre ("CASK") down 10% from 14.11 sen down to 12.77 sen y-o-y. This highlights the drive in our staff in guaranteeing productivity is maximised and operations are optimised which allow us to further reduce CASK-ex fuel by 14% y-o-y from 6.63 sen to 5.73 sen."

The Company's revenue, measured in terms of Revenue per Available Seat Kilometre ("RASK"), was reported at 16.64 sen which saw a slight decline of 10% y-o-y. Aireen added, "The decline in RASK in fourth quarter was due to irrational pricing by domestic competitors which led us to strategically react to match the pricing. Despite RASK pressure in 2Q13 and 3Q13, RASK in 4Q13 recovered well and outperforms the last two quarters RASK numbers."

Aireen added, "We continue to ensure that our cash position remains strong. At the end of the reporting period, the company had RM1.39 billion in deposits, bank and cash balances and we continue to manage our net gearing level which stood at 1.75 times as at 31 December 2013."

Thai AirAsia posted strong revenue of THB6.50 billion in 4Q13, up 16% from the same period last year. Operating profit was down by 52% y-o-y to THB444.01 million which led to a 40% decrease in profit after tax at THB425.44. Thai AirAsia's CEO, Tassapon Bijleveld said, "Our decline in operating profit was mainly due to depreciation cost of taking aircraft into our own balance sheet and spending on public relation and marketing during the on-going political demonstration in Bangkok. With the political demonstration, TAA still continues to record a solid 81% load factor (from 82% in 4Q2012). Ancillary income per pax also saw an increase of 2% y-o-y to THB370."

Indonesia AirAsia ("IAA") posted an increase of 25% in revenue to IDR 1,527.4 billion from IDR1,261.5 billion last year. IAA posted an operating loss of IDR369.09 billion from an operating profit of IDR160.72 billion. IAA's 4Q13 loss after tax was IDR429.32 billion – down

446% y-o-y. IAA's CEO, Dharmadi said "The decline in operating profit was mainly driven by the weakening of the Rupiah currency and pushing up dollar-denominated cost such as fuel, maintenance and its lease expense which led to an increase in CASK by 32% which stood at IDR593.53 from IDR451.21 y-o-y. The focus now is on a turnaround strategy and optimising the current schedule based on aircraft availability and strengthening of cashflow."

Philippines' AirAsia ("PAA") has seen its operations in terms of load factor in Manila improving since its move from Clark to NAIA. Maan Hontiveros, PAA's CEO said, "We are currently focussing on turning around the airline since the acquisition of Zest Air (now known as AirAsia Zest) by ensuring utilisation is increased and that all the loss making routes are terminated. We are looking into consolidation, subject to congressional approval. Since the acquisition and the recent branding exercise, we have seen loads picking up and improve in cash flow. Looking at how PAA is doing, we could expect a turnaround in 2014. The people of Philippines could also look forward to new introduction of international routes which will increase connection into the country and drive tourism."

Tony re-iterated again that the associates will one day be larger than AirAsia Berhad as the growth prospects are far greater than Malaysia. For 4Q13, AirAsia Berhad saw some healthy contributions from its affiliates and adjacency businesses where it recognised a profit of RM18.1 million as equity share in Thai AirAsia ("TAA") and a profit of RM8.9 million from AAE Travel Pte Ltd ("AAE Travel").

As AirAsia is seen as one brand, the Company believes the true value of the Company can be extracted if the financial statements are consolidated. With consolidating Thailand, Indonesia and Philippines, the Company is able to publish pre forma income statement in 2013. Following this, AirAsia Group posted revenue of RM8.65 billion but the currency impact in Indonesia causes a small decline in operating profit which stood at RM1.33billion. EBIT and EBITDAR margins remain strong at 15% and 26% respectively. The Group carried 42.6 million passengers in 2013 matching its growth in capacity. Even with increased cost in Indonesia operations, the Group managed to maintain low CASK of 12.91 sen (US cents 4.07).

Outlook

Commenting on the outlook for the Company, Tony said, "We assuming fares will remain at the current level this year, hence we will continue to focus on driving cost down by approximately 7.5%. We have already achieved 2.5% in cost reduction in two months and will increase non-fare revenues to make up in the decline in RASK. Despite seeing signs of competitors being rational by reducing capacity on loss making routes, we cannot take it for granted and the Company needs to continue to be creative in driving margins up."

He added, "In terms of cost reduction and looking for margins upside, the company will now be focussing on capacity management by keeping a young fleet and selling its older aircraft to capitalise on the residual value which will help strengthen our cashflow. We have deferred 7 aircrafts in 2014 and 12 in 2015 to later years with intention to swap those aircraft with the new fuel efficient A320 neo".

"The outlook for 2014 is strong as we have set targets for ourselves in ensuring the Company remains lean through various cost initiatives. Some of the cost savings will be seen from operational synergies between AirAsia and AirAsia X, headcount reduction as the company looks at aggressively focusing on automation at current LCCT and KLIA2 when it is completed among other significant cost initiatives"

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Tony mentioned, "For the Group, all AOCs will have a regionalised strategy to ensure we push revenues further to achieve our respective RASK targets. Key project includes the Emirates project which will see the Group creating a vast network connecting dots not just between two destinations but three which will put AirAsia on par will full services carriers and bringing in large connecting traffic. Other focuses are to drive corporate travel through the high flyer fare, having AirAsia inventory on GDS and improve customer relation management ("CRM").

Tony also highlighted, "Ancillary plays a big part in our strategy to drive load factors up as well as revenue hence why I have committed to achieve RM50 of ancillary income per person. I believe the conversion rate of ancillary will increase as long as we keep our we keep developing new offerings for Ancillary. I am truly excited have recently launched our High Flyer program and also with the new fly-thru pairings that will potentially enhance revenue further. Passengers can also look forward to enjoying new healthy meals, Wifi on board, prepaid currency exchange card and a revamped duty free business."

- END –

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APPENDIX

CONSOLIDATED 2013 PRE FORMA INCOME STATEMENT

Quarter Ended: 31 December RM'000	Jan - Dec 2013
Revenue	**8,647,159**
Operating expenses:	
- Staff costs	(1,044,415)
- Depreciation of property, plant and equipment	(699,452)
- Aircraft fuel expenses	(3,994,395)
- Maintenance and overhaul	(267,161)
- User charges and other related expenses	(899,935)
- Aircraft operating lease expenses	(189,354)
- Other operating expenses	(459,476)
Other (losses)/gains - net	92,689
Other income	187,296
Share of results of jointly controlled entities	-
Share of results of associates	-
Share of results of discontinued associates	(41,032)
Operating Profit	**1,331,924**
Finance Income	81,027
Finance Costs	(506,877)
Net operating profit	**906,074**
Foreign Exchange gain/(loss) on borrowings	(367,898)
Foreign Exchange gain/(loss) on amounts due from associates and jointly-controlled entities	-
Gain on disposal of interest in Japan AirAsia	78,265
Gain on disposal of interest in Thai AirAsia	-
Profit before tax	**616,441**
Current Taxation	(82,893)
Deferred taxation	27,199
Profit after tax	**560,747**
EBITDAR	**2,220,730**
EBITDAR Margin	26%
EBIT Margin	15%

*Consolidated for MAA, TAA and IAA.