Press Release

FOR IMMEDIATE RELEASE

AIRASIA X 3Q18 FINANCIAL RESULTS
- IT'S ALL ABOUT OIL

SEPANG, 21 November 2018– AirAsia X Berhad ("AAX" or "the Company") today reported its financial results for the Third Quarter ("3Q18") ended 30 September 2018.

During the quarter, the Company recorded a revenue of RM1,077.4 million, down by 4% year-on-year ("YoY") as compared to RM1,124.5 million in the same period last year. The decrease in revenue was on the back of decreased scheduled flight revenue following a 5% drop in average base fare to RM473 per passenger in 3Q18, due to introduction of new routes and capacity building on established routes Nevertheless, average base fare in 3Q18 increased by 13% from the second quarter ended 30 June 2018. In the third quarter, the number of passengers carried increased 1% YoY to 1,511,625 passengers as passenger load improved post-General Election. This has allowed for the load factor to grow 1 percentage point to 80%. The Company's available seat per kilometre ("ASK") capacity decreased 4% YoY to 8,806 million following the redeployment of capacity to the North Asia region following capacity management in Australia earlier this year and the termination of Tehran last quarter.

Revenue per Available Seat Kilometre ("RASK") decreased slightly by 1% YoY to 12.25 sen in what the Company perceives as short term impact from the termination of Tehran and gradual reduction in flights to Kathmandu. That said, the Company is pleased to highlight that the RASK had improved by 4% as compared to 2Q18 following improvements of RASK from China routes. The Company's cost, measured in term of Cost per Available Seat Kilometre was up by 12% YoY on the back of higher average fuel price which was 41% higher YoY and also provision for doubtful debts provided for AirAsia X Indonesia.

The Company posted Net Operating Loss ("NOL") of RM205.2 million in 3Q18 as compared to losses of RM60.2 million in the same period of 2017. This was mainly attributed by increase in average fuel price from USD65 per barrel in 3Q17 to USD91 per barrel in 3Q18. In addition, the Group has provided an impairment on amount due from joint venture amounting to RM138.2 million. Net loss for the quarter stood at RM197.5 million as compared to RM43.3 million posted during the third quarter of 2017.

AirAsia X Group CEO Nadda Buranasiri said, "The Company recognises that the current operating environment is challenging, however, we strongly believe that our business model is strong and robust enough to weather these challenges. The airline takes pride in being able to serve more passengers and posted a higher load factor during the quarter under review. The market should appreciate that we now have the right formula with an optimal mixture of monopoly and high traffic routes. We were profitable for two and a half years, and that is partly because of our discipline in carrying out the structuring of our network plans i.e. focusing on routes within 5-8 hours as well as building market share in our core countries for country dominance such China, Japan, Korea and India. Our fares were lower during the quarter but that was mainly due to the introduction of new routes as well as additional capacity on established routes. However, our fares have increased by 13% from the previous quarter and we expect to reap further rewards once these routes mature. While we expect that the provision of doubtful debts will place short-term pressures on the full year earnings, we remain confident on the ongoing efforts to boost our ancillary revenue, passenger growth and yields in the longer term."

"AirAsia X Malaysia posted a commendable load factor of 80% in 3Q18, while ASK capacity was lower 4% YoY as compared to last year on the back of capacity management in Australia and single-route countries and redeployment of such to the North Asia. Additionally, we are pleased to report that the Company has managed to weather off the series of natural disaster across Indonesia, Japan and Hawaii in third quarter 2018."

"On the associates, AirAsia X Thailand reports weaker financial performances on the back of higher fuel costs amidst third quarter being traditionally lean. That said, we are pleased to report that AirAsia X Thailand has managed to drive its average base fare up by 4% YoY to USD130 and has carried 36% more passengers as compared to the same period last year as it took delivery of two additional aircraft in 2018. With Thailand as a natural hub for the tourism sector, we are confident that the Thailand operations will recover in the coming quarter following commencement of the peak year-end travel season."

"With the challenging operational environment in Indonesia, primarily due to the series of natural disasters that occurred in proximity to Bali, the Company is underway to evaluate the available options for our Indonesian associate to ensure sustainability of the Company with the last schedule flight from Bali to Narita will end in January 2019. Moving forward, AirAsia X Indonesia will operate on a non-scheduled commercial airline basis."

AirAsia X Malaysia CEO Benyamin Ismail added, "The Company's performance in third quarter 2018 was impacted by the hike in fuel price and the provision for doubtful debt in relation to our Indonesian associate. However, we are confident that positive growth will return in coming quarters on the back of improved fare structures and better cost efficiencies."

"Additionally, the Management maintains prudence in monitoring our operating expenses and are actively looking for more avenues to reduce cost ex-fuel further. Based on the observed booking trends, we are confident that the Company is in-line with a better 4Q18 as current forward load exceeds that of the previous year."

Outlook

On outlook, **AirAsia X Group CEO Nadda Buranasiri** also said, "The long-term story of AirAsia X Malaysia and Thailand looks compelling as the Group continues to be agile in our network planning and implementing our strategy of country dominance in our core markets. From Australia, China and North Asia, we are now expanding our presence in India. In 2018 alone, we launched 2 new destinations in India—Jaipur in February and Amritsar in August. We see that the demand to fly is soaring as the Company's forward bookings for the fourth quarter and 2019 are ahead of last year's records.

"The airline will also keep our focus on developing and investing towards achieving data leadership where it can leverage its existing assets and customer pool to secure sustainable growth and increased profit per seat."

"Going into the coming quarters, we also expect our operational cost excluding fuel to be even lower as our cost saving initiatives start to bear fruit. For example on our key initiatives, we are now at an advanced negotiation stage with our lessors for lower aircraft lease rates as well as with our various business partners to lower ground handling rates at our foreign stations. We hope to continue to maintain high aircraft utilisation rate through more point-to-point and fly-thru routes in 2019. We have also set targets to ensure that the Company maximises operational synergies between AirAsia X and AirAsia Group to maintain a lean cost structure and optimise the implementation of our cost saving initiatives.

"Most importantly, we believe that our business model is robust and strong. AirAsia X has come a long way since its inception and has since firmed its footing as one of Asia's key value airline. We offer good value-for-money products and our load factor has remained strong. With the recent dip in global fuel price, there arises a huge opportunity for the airline to extract further benefits through fuel hedging strategies. The Group intends to stay focused on its strategy in securing routes with high yield and traffic, and strengthening market dominance in core markets as we have full confidence that this will deliver sustainable returns in the long term."

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<u>About AirAsia</u>

AirAsia, the world's leading low-cost carrier, services an extensive network of over 130 destinations across Asia Pacific. Since starting operations in 2001, AirAsia has carried more than 500 million guests and grown its fleet from just two aircraft to over 200. The airline is proud to be a truly Asean (Association of Southeast Asian Nations) airline with established operations based in Malaysia, Indonesia, Thailand and the Philippines as well as India and Japan, servicing a network stretching across Asia, Australia and New Zealand, the Middle East and the US. AirAsia has been named the World's Best Low-Cost Airline at the annual Skytrax World Airline Awards ten times in a row from 2009 to 2018. AirAsia was also awarded World's Leading Low-Cost Airline for the fifth consecutive year at the 2017 World Travel Awards, where it became the inaugural recipient of the World's Leading Low-Cost Airline Cabin Crew award.

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