PRESS RELEASE

AIRASIA GROUP BERHAD THIRD QUARTER 2020 FINANCIAL RESULTS

REVENUE GROWTH 272% QOQ

FIXED COSTS DOWN 50%
PENT-UP DEMAND LED TO STRONG RECOVERY IN KEY DOMESTIC MARKETS
PROMISING REBOUND IN AIR TRAVEL

SEPANG, 24 November 2020 – AirAsia Group Berhad ("AirAsia" or the "Group") today reported its results for the quarter ended 30 September 2020 ("3Q2020").

Unaudited Consolidated Third Quarter 2020 Results of AirAsia Group Berhad

The Consolidated Group[1] posted 3Q2020 revenue of RM443 million, up 272% quarter-on-quarter ("QoQ") but declined 86% year-on-year ("YoY"). Airline revenue decreased 87% YoY but grew 5 times QoQ with the gradual increase in capacity in line with demand as countries began to ease lockdowns and travel restrictions. Less impacted in the quarter, non-airline revenue declined 45% YoY.

The Consolidated Group posted a 3Q2020 EBITDA loss of RM454 million, as compared to EBITDA of RM691 million in 3Q2019. Net operating loss for the period was RM1.2 billion, compared to RM2 million in profit in the previous corresponding quarter. While the Group successfully reduced fixed costs by 50% YoY, the loss was primarily attributed to a shortfall in revenue amidst subdued travel demand as international borders remained closed. A significant RM663 million of the loss was related to depreciation of right-of-use assets and lease interest costs. In addition, the Consolidated Group was impacted by a fuel hedging loss of RM281 million and one-off impairment of receivables amounting to RM444 million, which was offset by a gain on disposal of RM394 million.

AirAsia Digital's performance for the quarter was commendable as airasia.com narrowed EBITDA loss by 72% to RM2.9 million, while BigPay revenue grew 4% YoY and 13% QoQ. Teleport reported positive EBITDA of RM20 million despite a decline in revenue from impacted cargo capacity due to closed borders. BIG Rewards too reported positive EBITDA of RM2 million due to higher revenue lifted by higher redeemed points. The new businesses that were born in 2Q to 3Q, including the airasia food, airasia fresh, airasia shop, the Unlimited travel pass, OURFARM and SNAP have begun gaining traction as new products and services are made available to consumers. These new lines of businesses leverage on the widely used airasia.com platform, which garners over 40 million users every month.

Operating & Market Share Performance

The Consolidated Group's operational recovery gained momentum into 3Q2020 as key operational metrics demonstrated clear improvements in the month of September as compared to July, including a 36% increase in passengers carried by AirAsia Malaysia and 60% increase in passengers carried by AirAsia Indonesia. Load factor for the Consolidated Group increased 5 percentage points ("ppts") in

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[1]Consolidated Group refers to Malaysia, Indonesia and Philippine airline units and digital subsidiaries. Associates PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated for financial reporting purposes in accordance with MFRS 10 since 1 January 2017.

September as compared to July 2020. These improvements reflect a strong rebound in demand across key markets.

Revenue per ASK ("RASK") for the Consolidated Group declined by 2% to 14.69 sen in 3Q2020, weighed down by AirAsia Indonesia, despite strong RASK growth for AirAsia Malaysia and AirAsia Philippines. Load factor was solid at 66% in comparison to peers.

Cost Performance

Overall, the Group managed to reduce fixed costs by 50% in 3Q2020, with fixed maintenance costs showing the deepest reduction of 68% due to asset optimisation. Staff costs declined by 51% contributed by headcount rationalisation, salary cuts across the board and attrition. Other opex was down 40% YoY with strict cost control on marketing, rental and IT spendings. User charge expenses reduced by 70% in line with lower traffic, and aided with the adoption of contactless procedures and digital check-in processes which resulted in lower ground-handling costs.

Depreciation and finance costs were up 5% due to the higher number of leased aircraft YoY. While the Group had successfully negotiated for deferrals with lessors, pursuant to the practical expedient provision available under Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charges for depreciation and interest were not adjusted.

On the airline performance results and outlook, President (Airlines) of AirAsia Group Berhad Bo Lingam said:

"We have stabilised the airline in 2Q2020 and seen strong domestic recovery due to pent-up travel demand across our key markets in 3Q2020. We remain confident in our ability to overcome these challenges and emerge stronger next year. While we are hopeful that lockdowns and border restrictions will soon be lifted, we are prepared to maintain sustainable operations solely on the back of our domestic sectors into 2021 if restrictions remain. Since the end of last year, we have been seeing improvement in fares and rational pricing by competitors. We have successfully cut our fixed costs by 50% and we will continue to operate as a leaner and more robust airline post-pandemic.

"We closed 3Q2020 with high growth in our operating metrics when compared on a quarterly and monthly basis. As a month-on-month ("MoM") comparison in September from July, AirAsia Malaysia recorded a 36% increase in passengers carried, AirAsia India recorded a 79% increase in passengers carried, and AirAsia Thailand recorded an increase of 65% of passengers carried.

"RASK improved for AirAsia Malaysia and AirAsia Philippines by 1% and 49% respectively, lifted by a stronger pricing strategy amid rationalised competition in the market.

"Our top priority at this point is to gradually increase our operations in phases, starting with strengthening our domestic foothold across our key markets as the borders remain closed. For 4Q2020, we expect to operate up to 31% of pre-covid domestic capacity for AirAsia Malaysia, 47% for AirAsia Indonesia and 13% for AirAsia Philippines. We are encouraged by the strong rebound in domestic demand for AirAsia Thailand, which has operated 96% of pre-covid domestic capacity in September. We expect AirAsia Thailand to exceed its pre-covid domestic capacity by the end of the year, while AirAsia India is expected to operate up to 67%. Meanwhile, we are also actively exploring opportunities for a local airline presence in IndoChina.

"As for international routes, we remain guided by the respective authorities of our key markets. Travel bubbles and green lanes for essential and business travellers have been formed and operated across Asean. We understand that some countries, such as Thailand and Singapore are actively exploring extensions for leisure travel bubbles with tight standard operating procedures (SOPs). We foresee further formations of travel bubbles across countries in Asean which would boost our operations given our strong foothold and dominance in Asean. We remain positive about these developments and are fully committed to support these efforts.

On the digital platforms' performance and outlook, President (AirAsia Digital) of AirAsia Group Berhad Aireen Omar said:

"AirAsia Digital demonstrated robust growth in each of our digital platforms during the quarter. A key milestone for us would be the launch of airasia.com as the one-stop Asean digital travel and lifestyle super app, consisting of more than 15 product and service lines across 3 pillars. Over the past months, we have seen huge take up as we expanded the popular airasia Unlimited travel pass to other key markets, the latest being Indonesia and the Philippines. We have also introduced the Wednesday SNAP Specials to the Philippines. This month, we have launched airasia Health, a new digital platform offering end-to-end medical services. With the significant user base of airasia.com growing consistently over 19 years, we are confident that the new platform will be well received as our other key products are proving to be. As for its financials, airasia.com narrowed its EBITDA loss by 72% YoY.

"Teleport recorded a positive EBITDA of RM20 million for the quarter with its transformation from a predominantly cargo logistics company to enter the last mile delivery sector, ramping up quickly to become an efficient player focused on delivering speed and accuracy. Teleport has also launched an e-commerce marketplace centered on home delivery with airasia food, airasia fresh and airasia shop. Recent milestones include partnering with Alibaba's logistics arm Cainiao during Tmall's 11.11 Global Shopping Festival. Teleport successfully expanded to every city AirAsia flies to, growing to 70 cities in 5 countries this month.

"BIG Rewards turned around to post a positive EBITDA of RM2 million this quarter from a loss last year, driven by higher revenue due to significant increase in points redeemed in 3Q2020. This was supported by higher activities on BIG Rewards platform through member engagement initiatives.

"BigPay's digital bank ambitions is one step closer to becoming a reality with the newly granted community credit license in Malaysia, which would enable BigPay to offer a wider range of financial services including micro-credit to lower income and unbanked segments of the community slated for early 2021. BigPay Malaysia further grew its remittance segment, posting RM31 million remittance volume in September alone. To date, there are 1.25 million BigPay users in Malaysia. Meanwhile, BigPay Singapore was successfully launched in late September and currently has up to 3000 users.

"At the end of September, Santan, our inflight food turned first Asean fast-food chain secured its official franchise registration certificate. Soon after, Santan commenced building its franchise business with the first franchise at Sogo in the heart of Kuala Lumpur, with plans to roll out 20 new restaurants across Klang Valley before expanding across the rest of Malaysia and to other countries in the future.

On the group's outlook, CEO of AirAsia Group Berhad, Tan Sri Tony Fernandes said:

"Our digital transformation journey reached another milestone as we successfully rebranded and relaunched airasia.com into a leading all-in-one Asean digital travel and lifestyle super app. The 3Q2020 was a great quarter for us as we also saw further recovery in our airline operations. As a Group, our revenue tripled QoQ while our airline revenue grew 5 times QoQ. We project stronger quarters ahead with the further easing of travel restrictions worldwide.

"To manage our expenses, we have embarked on strict cost-cutting strategies and tight cash flow management across the Group since the end of 1Q2020. We have seen this gain momentum as we successfully cut our fixed costs by 50% this quarter. We are also in different stages of multiple digital improvement initiatives across our operations, resulting in further savings in headcount, fuel, maintenance and user charges. Thanks to our supportive counterparties, we have restructured most of our fuel hedges. Therefore, fuel swap losses next year is expected to be minimal. We are on track to achieve 50% reduction in cash expenses this year.

"We announced the cessation of AirAsia Japan operations in early October. Though it was a tough decision to make, it was necessary to reduce cash burn for the Group due to the highly challenging operating market post-pandemic. In the 3Q2020, we have disposed of spare engines to further raise cash and are open to other potential monetisation opportunities where the value and time is right.

"We are also in the midst of securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets. Other capital raising opportunities including a potential rights issue are in discussion and are actively being explored.

"We foresee sufficient liquidity in 2021 with the expectation of upward growth trajectory in air travel demand amid the further formation of travel bubbles and green lanes. As we speak, a number of Covid-19 vaccines are close to final stages of testing. We have high hopes that with the availability and accessibility of effective vaccines, AirAsia will soon paint the skies red again. These external factors are positively contributing to expedite the recovery in air travel, which we expect to bounce back by mid-2021.

"Our key domestic markets have shown remarkable signs of recovery, especially Thailand which is running close to 100% of pre-covid domestic capacity. There is a slight setback in Malaysia but we expect this to be short lived and to bounce strongly in December. Despite expecting a capacity drop of 60% in 2020 due to minimum international operations, we are ready to rely purely on the strength of our domestic markets next year. Post-Covid, we expect the Group airline business to be more profitable as we have established leaner optimised operations, removed loss-making routes and stations while concentrating on the most profitable and popular ones coupled with rational competition and the expectation of lower fuel unit cost in 2021. As the bigger players further cut capacity, we also see opportunity to gain more market share especially in Indonesia and the Philippines.

"Finally, we are actively expanding our digital businesses and are open to partnerships and opportunities to promote further growth. Teleport is creating a cargo-only network that re-connects our core international markets to position Teleport as the leading regional logistics operator in Southeast Asia. This will reduce the dependency on pace of recovery of the passenger network. Capacity will be a combination of belly space, passenger freighters or dedicated, external freighter supply. AirAsia.com is increasing availability of products and services such as SNAP, Hotels, Activities and the Unlimited travel pass to other Asean countries as well as China. While BigPay is occupied with establishing its lending business, expansion of payments and remittance services as well as the development of insurance and wealth management products remain in the pipeline. We are confident in our ability to strengthen and turnaround our startups to breakeven next year as they continue to chart their way to profitability.

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