AIRASIA 3.0

AIRLINE + DIGITAL + TECHNOLOGY

= THE TRAVEL & FINANCIAL PLATFORM OF ASEAN

AirAsia Group Berhad
Analyst Presentation
First Quarter for the Financial Year 2019

29 May 2019

LEGAL DISCLAIMER

Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the Company. Neither we nor our advisors make any representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

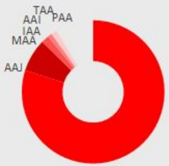
In addition, the information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

This presentation is strictly not to be distributed without the explicit consent of Company's management under any circumstances.

1Q19 Key Highlights

Strengthening our core

Positive EBITDA
For all Asean AOCs



>87%
Load factor for all AOCs except for AirAsia Japan at 80%

+9%
Airline revenue, with RASK up 3% despite adding 11% more ASK

+29%
Ancillary revenue (airline & non-airline)

+4ppt
Improvement in Malaysia domestic market share, as seeing fruits from adding 12% capacity in FY2018

Profitable
After three consecutive quarters of losses

+54%
Narrowing of losses by AirAsia Indonesia as RASK up 10% and CASK down 11%

+12%
Profit growth by AirAsia Philippines

Lombok
Hub launched in May 2019

21st
Oncoming aircraft to be received in May 2019

Digitalising the airline

New website, new mobile app and Search Engine Optimized Pages:

+US$7.8mil Incremental revenue

+66% Conversion from flight select on website

+34% Conversion from flight select on mobile

+10%
Increase in flight search after launch of website flight search enhancement in Feb 2019

+23%
Increase in flight search on mobile

FACES
Fast Airport Clearance Experience System
AN ALL NEW FACIAL RECOGNITION SYSTEM

Travel Doc Scanner available on app in Feb 2019

Building digital platforms

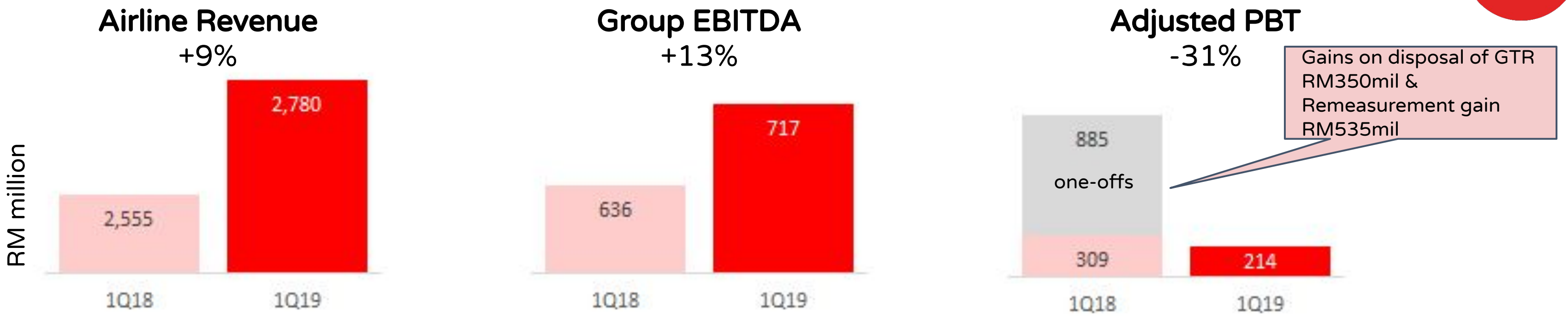
RM5.8bil
AirAsia.com Gross Transaction Value (GTV)

2.3x
Teleport revenue RM101mn, in line with RM400mn FY target

+48%
BigPay GTV QoQ growth

25mil
AirAsia BIG Members (+9% QoQ)

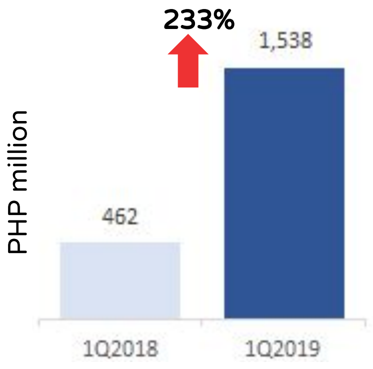
1Q19 Group Financial Performance Highlights



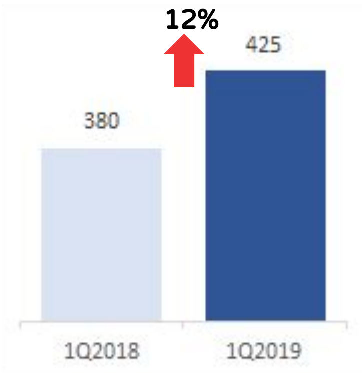
- Airline revenue is higher 9% YoY due to 3% higher RASK despite adding 11% more ASK. Passenger seat sales increased 15% YoY
- PBT excluding one-offs is down 31% YoY mainly due to:
  - +64% higher maintenance & overhaul cost on the back of non-cash maintenance provisions of ~RM100m given higher number of leased aircraft post aircraft monetisation exercise in 2018; there is a differing accounting treatment for major overhaul cost for leased aircraft and owned aircraft (further details in Appendix);

AirAsia Philippines

EBITDA



PAT

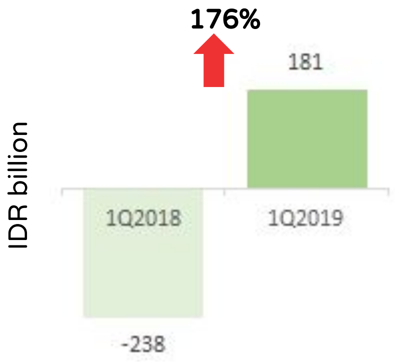


Philippines EBITDA grew significantly by 233% to PHP1,538 mil and profit after tax reported 12% growth due to:

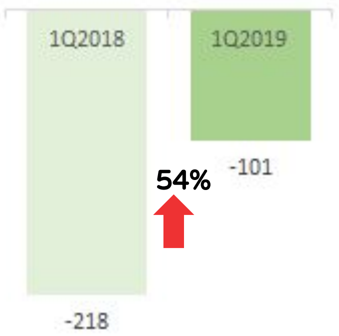
- Outstanding revenue growth of 27% YoY
- +4ppts growth in LF at the back of 17% additional capacity
- 3% improvement in RASK
- Better cost control CASK -2%

AirAsia Indonesia

EBITDA



PAT



Indonesia reported higher EBITDA of IDR181bil +176% YoY and significant narrowing losses after tax of +54% as:

- Revenue grew 60% YoY
- Demand hike LF +7ppts
- Improved yield RASK +10%
- Well managed CASK -11%

1Q19 Operating Statistics by AOCs

AirAsia

	Malaysia	Indonesia	Philippines	Thailand	India	Japan
Pax	+10%	+66%	+23%	+4%	+32%	+80%
ASK	+4%	+44%	+23%	+10%	+31%	+114%
Load factor	87% (-1ppt)	87% (+7ppt)	91% (+4ppt)	90% (-0.5ppt)	89% (+6ppt)	80% (+0.6ppt)
RASK	+0%	+10%	+3%	-10%	+0%	-1%
Domestic market share	61% (+4ppt)	2% (flat)	18% (-1ppt)	32% (flat)	+6% (+1ppt)	n/a
CASK	+11%	-11%	-2%	+0%	+3%	-36%

We continue to grow across the board

Impressive performance by ID, PH & IN as we build momentum with our strong brand

All AOCs >80% load factor

Sound RASK improvement in ID & PH despite high capacity addition

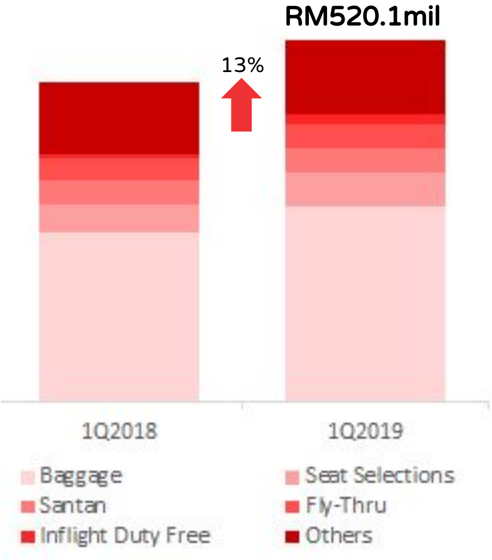
Rationale pricing in MY, IN & JP.

TH impacted (-)ve YoY due to Phuket incident in July. Nonetheless RASK improved 9% QoQ

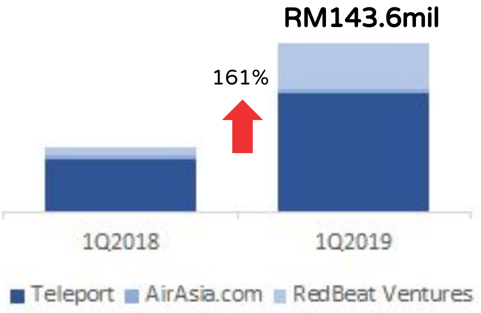
Additional 12% ASK in FY2018 paying off as we gain more domestic market share in MY

29% increase in Ancillary Revenue in 1Q19

Airline ancillary



Non-airline ancillary



*On a like to like basis

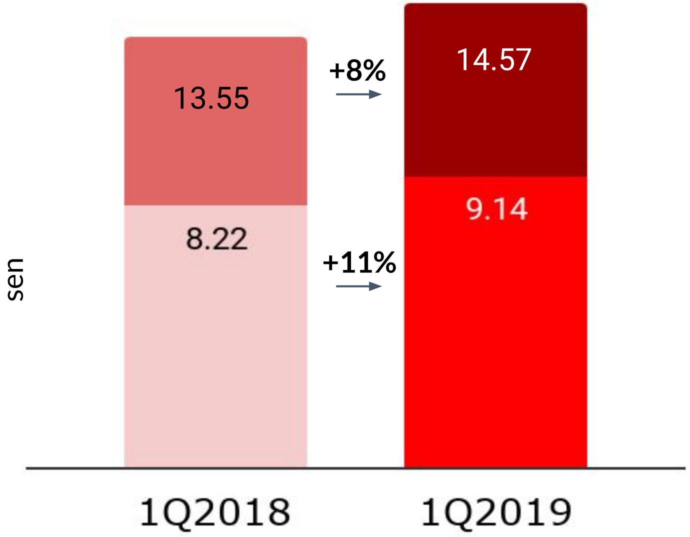
RM663.7mil 29%

23% of total revenue

<u>Highlights:</u>

- AAGB ancillary reported RM663.7mil, ↑29% YoY
- Notably, ancillary revenue for PAA and IAA grew 42% and 44% YoY respectively
- Among them:
    - Inflight Duty Free ↑112% to RM7.2mil
    - Seat selection ↑26% to RM9.7mil
    - Baggage ↑15% to RM37.1mil
    - Santan ↑6% to RM2.2mil
    - Teleport reported RM101mil revenue

1Q19 Cost per ASK ("CASK")



CASK and CASK ex. fuel increased by 8% and 11% YoY respectively from:

- Maintenance and overhaul ↑64% from non-cash maintenance provisions of ~RM100m given higher number of leased aircraft post SLB arrangement (further explanation in Appendix)
- Ringgit and Rupiah depreciated by 5% and 3% respectively.

Digital Platforms

- Gross Transaction Value (GTV) of RM5.8bil in 1Q2019
- AirAsia.com generated EBITDA of RM557k in 1Q2019

- BigPay - over 500k signed up customers
- GTV grew by 48% QoQ, with new card issuance increasing by 28% for same period
- Revenue for 1Q2019, grew 29% QoQ, rising from circa. 50% between Feb to March alone

- Teleport - recorded RM101mil in revenue, 2.3x higher than cargo revenue in 1Q2018 (on like-to-like basis)
- Belly space consolidated for: Malaysia and Indonesia AOCs (completed in 2018) and Philippines AOC (completed in 1Q2019)
- Rebranding of RedCargo and RedBox to Teleport

Strategy for 2019

We remain confident that all ASEAN AOCs will be profitable for 2019

FY2019 group load factor target of 85%

Forward 2Q2019 load factor

	MAA	IAA	PAA	TAA	AAI	AAJ
Load Factor (%)	84	82	91	82	88	77

Adding net 18 aircraft in 2019 including additional 11 for AirAsia India

Revenue enhancement initiatives such as improving ancillary recommendation and product upsell, optimizing on-board product mix, improving price elasticity management

Cost savings initiatives such as migrating all applications and systems to Google Cloud, reducing F&B wastage on-board

2% cost savings on fuel consumption from fuel reduction initiatives, including improving payload accuracy, fuel planning, aircraft performance and operational efficiency

Remittance and lending products to be rolled out

BigPay to expand to another ASEAN country in 2019

Teleport on track to reach RM400mil revenue target

Target to complete consolidation for Thailand AOCs in 2Q2019

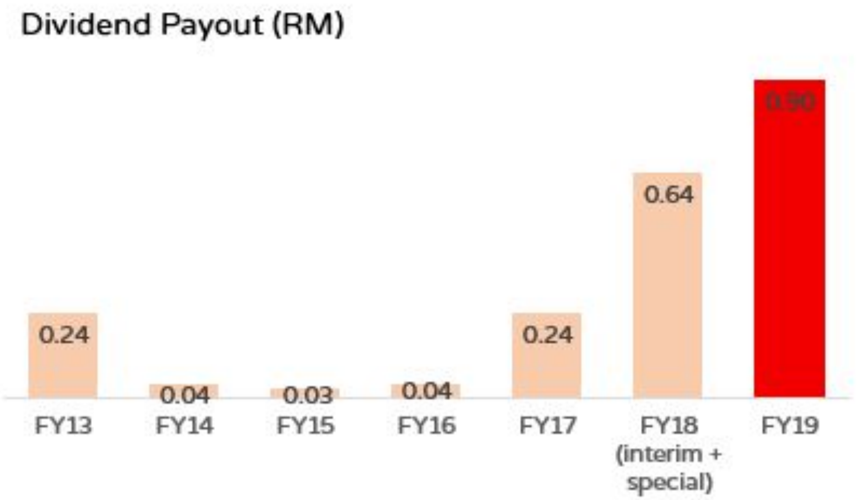
Target to launch **teleport.social**, a social commerce enabler, in 2019

Special dividend of 90 sen

- 2019: special RM0.90 payable in 29 Aug 2019; 34% dividend yield
- 2018: Interim + special dividend – totaling to RM0.64 for FY2018; 21.5% dividend yield

Dividend policy:

- Committed to pay special dividends every 2 years
- Dividend policy of 20% of net profit



Thank you
&
Appendix

Malaysia 1Q2019 Income Statement & Operating Statistics

Quarter Ended: 31 March RM'000	Jan – Mar 2019	Jan – Mar 2018	Change YoY
Revenue	1,830,790	1,764,968	4%
Operating expenses:			
- Staff costs	(282,152)	(265,092)	-6%
- Aircraft fuel expenses	(626,229)	(605,467)	-3%
- Maintenance and overhaul	(183,989)	(121,814)	-51%
- User charges and other related expenses	(293,156)	(252,120)	-16%
- Aircraft operating lease expenses	-	(77,742)	100%
- Other operating expenses	(84,957)	(76,727)	-11%
Other income	352,774	78,528	349%
EBITDA	713,080	444,534	60%
Depreciation of PPE	(253,831)	(138,793)	-83%
Finance income	8,175	8,181	0%
Finance costs	(105,258)	(84,332)	-25%
Net operating profit	362,166	229,590	-58%
Foreign exchange gains	87,930	32,148	174%
Fair value losses on derivatives	5,920	(42,692)	114%
Gain on partial disposal of investment in a former subsidiary	-	350,317	-100%
Profit before taxation	456,016	569,363	-20%
Tax expense	335	(5,121)	107%
Deferred taxation	(110,503)	(119,144)	7%
Profit after taxation	345,848	445,098	-22%

Quarter Ended: 31 March	Jan - Mar 2019	Jan - Mar 2018	Change YoY
Passengers Carried	8,716,196	7,923,673	10%
Capacity	9,980,958	8,961,648	11%
Seat Load Factor	87%	88%	-1ppt
RPK (million)	10,869	10,423	4%
ASK (million)	12,349	11,884	4%
Average Fare (RM)	157	166	-6%
Unit Passenger Revenue (RM)	201	214	-6%
Revenue / ASK (sen)	14.37	14.39	0%
Revenue / ASK (US cents)	3.52	3.53	0%
Cost / ASK (sen)	13.94	12.60	11%
Cost / ASK (US cents)	3.42	3.09	11%
Cost / ASK-ex Fuel (sen)	8.87	7.51	18%
Cost / ASK-ex Fuel (US cents)	2.17	1.84	18%
Aircraft (end of period)	94	87	8%
Average Stage Length (km)	1,229	1,312	-6%
Number of Flights	54,887	49,551	11%
Fuel Consumed (Barrels)	1,932,448	1,931,627	0%
Average Fuel Price (US$ / Barrel)	79.41	77	3%

Note:
PAT ex MFRS 16: RM381mil.
Other income in 1Q19 includes dividend from subsidiary of RM297mil.

Indonesia 1Q2019 Income Statement & Operating Statistics

Quarter Ended: 31 March IDR '000	Jan – Mar 2019	Jan – Mar 2018	Change YoY
Revenue	1,332,860,920	834,444,048	60%
Operating expenses:			
- Staff costs	(191,163,033)	(193,921,969)	1%
- Aircraft fuel expenses	(541,369,191)	(361,342,185)	-50%
- Maintenance and overhaul	(189,444,610)	(140,925,818)	-34%
- User charges and other related expenses	(214,707,477)	(201,936,753)	-6%
- Aircraft operating lease expenses	-	(155,430,730)	100%
- Other operating expenses	(49,461,838)	(127,153,721)	61%
Other income	34,740,919	108,047,484	-68%
EBITDA	181,455,689	(238,219,644)	176%
Depreciation of PPE	(238,675,792)	(41,058,946)	-481%
Finance income	842,304	1,223,834	-31%
Finance costs	(74,639,957)	(19,465,774)	-283%
Net operating profit	(131,017,755)	(297,520,529)	-56%
Foreign exchange gains	25,679,208	6,136,130	318%
Fair value losses on derivatives	-	-	-
Profit before taxation	(105,338,547)	(291,384,399)	64%
Tax expense	-	-	-
Deferred taxation	4,446,927	73,377,112	-94%
Profit after taxation	(100,891,619)	(218,007,287)	54%

Quarter Ended: 31 March	Jan - Mar 2019	Jan - Mar 2018	Change YoY
Passengers Carried	1,857,296	1,121,674	66%
Capacity	2,126,700	1,394,640	52%
Seat Load Factor	87.3%	80%	+7ppts
RPK (million)	2,488	1,598	56%
ASK (million)	2,878	2,005	44%
Average Fare (IDR)	563,095	580,499	-3%
Unit Passenger Revenue (IDR)	714,092	752,301	-5%
Revenue / ASK (IDR)	463.05	420.95	10%
Revenue / ASK (US cents)	3.28	2.98	10%
Cost / ASK (IDR)	493.55	557.21	-11%
Cost / ASK (US cents)	3.49	3.94	-11%
Cost / ASK-ex Fuel (IDR)	293.23	376.95	-22%
Cost / ASK-ex Fuel (US cents)	2.08	2.67	-22%
Aircraft (end of period)	24	15	60%
Average Stage Length (km)	1,343	1,356	-1%
Number of Flights	11,815	7,748	52%
Fuel Consumed (Barrels)	461,009	318,513	45%
Average Fuel Price (US$ / Barrel)	89	83	7%

Note:
LAT ex MFRS 16: IDR 93,594mil.

Philippines 1Q2019 Income Statement & Operating Statistics

Quarter Ended: 31 March PHP'000	Jan - Mar 2019	Jan - Mar 2018	Change YoY
Revenue	6,678,442	5,274,113	27%
Operating expenses:			
- Staff costs	(662,977)	(538,810)	-23%
- Aircraft fuel expenses	(2,218,888)	(1,914,287)	-16%
- Maintenance and overhaul	(1,007,999)	(765,644)	-32%
- User charges and other related expenses	(819,782)	(626,168)	-31%
- Aircraft operating lease expenses	-	(672,379)	100%
- Other operating expenses	(461,266)	(338,421)	-36%
Other income	30,303	43,236	-30%
EBITDA	1,537,833	461,639	233%
Depreciation of PPE	(726,942)	(28,598)	-2442%
Aircraft operating lease expenses	-	(672,379)	100%
Finance income	99	152	-35%
Finance costs	(340,137)	(53,311)	-538%
Net operating profit	470,853	379,882	24%
Foreign exchange gains	(46,353)	-	-100%
Fair value losses on derivatives	-	-	-
Profit before taxation	424,500	379,882	12%
Tax expense	-	-	-
Deferred taxation	-	-	-
Profit after taxation	424,500	379,882	12%

Quarter Ended: 31 March	Jan - Mar 2019	Jan - Mar 2018	Change YoY
Passengers Carried	1,974,968	1,608,847	23%
Capacity	2,161,260	1,848,060	17%
Seat Load Factor	91%	87%	+4ppts
RPK (million)	2,321	1,794	29%
ASK (million)	2,561	2,090	23%
Average Fare (PHP)	2,733	2,700	1%
Unit Passenger Revenue (PHP)	3,383	3,287	3%
Revenue / ASK (PHP)	2.62	2.54	3%
Revenue / ASK (US cents)	5.02	4.87	3%
Cost / ASK (PHP)	2.29	2.34	-2%
Cost / ASK (US cents)	4.39	4.49	-2%
Cost / ASK-ex Fuel (PHP)	1.43	1.42	0%
Cost / ASK-ex Fuel (US cents)	2.74	2.73	0%
Aircraft (end of period)	23	21	10%
Average Stage Length (km)	1,185	1,131	5%
Number of Flights	12,007	10,267	17%
Fuel Consumed (Barrels)	458,526	381,972	20%
Average Fuel Price (US$ / Barrel)	93	79	18%

Note:
PAT ex MFRS 16: PHP327mil.

Growing Market Share

AirAsia

AirAsia's Domestic Market Share & Rational Competition (1Q2019 vs 1Q2018)

▲ 4ppts 61%	= flat 32%	= flat 2%	▼ 1ppt 18%	▲ 1ppt 6%
malaysia airlines ▼ 4 ppts	NOK AIR = FLAT	Garuda Indonesia ▼ 2 ppts	cebu pacific = FLAT	IndiGo ▲ 3 ppts
Malindo air ▲ 1 ppt	Thai Lion air ▼ 1 ppt	Lion air ▲ 1 ppt	Philippine Airlines ▲ 1 ppt	SpiceJet Red. Hot. Spicy. ▼ 6 ppts

Source : PaxIS

Fleet Plan

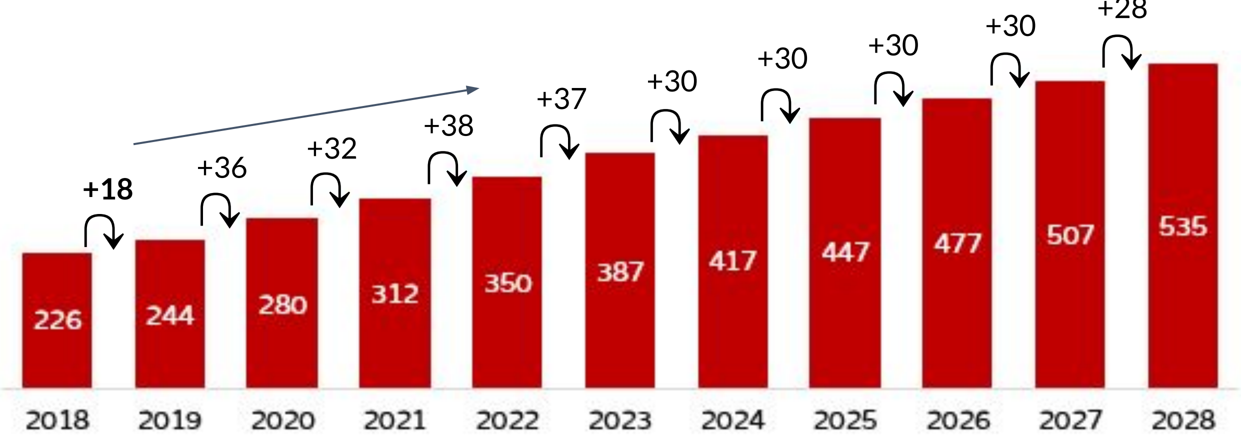
Fleet Expansion Across AOCs in 2019

	MAA	TAA	IAA	PAA	AAI	AAJ	Total
December 2018*	95	62	24	22	19	2	224
2019 Net Addition	2	-1	2	3	11	1	18

* December 2018 fleet excludes 2 third party leases

Target aircraft financing for 2019: All on sale and leaseback.

Our long-term fleet plan



Note: Column chart includes 2 third party leases
Fleet plan is subject to changes
Updated fleet plan as at 27 May 2019

6 countries:

Exploring others:

New A321neo aircraft are more fuel efficient & have lower cost per seat

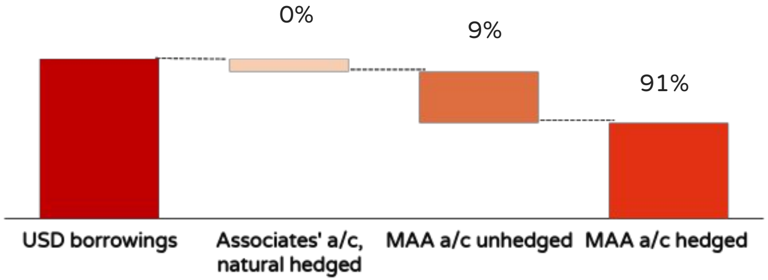
Fuel & Currency Hedging

- Our Group's fuel hedging strategy is based on our forward sales booking
- Brent – 54% hedged for FY2019 at USD63.50 per barrel; 50% hedged for FY2020 at USD60.53 per barrel; FY2021 9% at USD60.13 bbl
- Currency hedges – USD operating expenditure is 100% hedged up to October 2019
- Interest rates – All USD loans (for aircraft) are either fixed rate loans or have fixed interest rates via interest rate swaps

AirAsia Group	2019			
	Q1	Q2	Q3	Q4
Current Hedge Ratio (Brent)	53%	52%	57%	55%
Average Brent Hedge (Qtrly)	66.68	63.73	62.34	61.74
Avg Hedge Cost (Qtrly) - Total	80.57	78.23	76.53	77.16
Average Hedge Cost (2019) - Total	79.40			

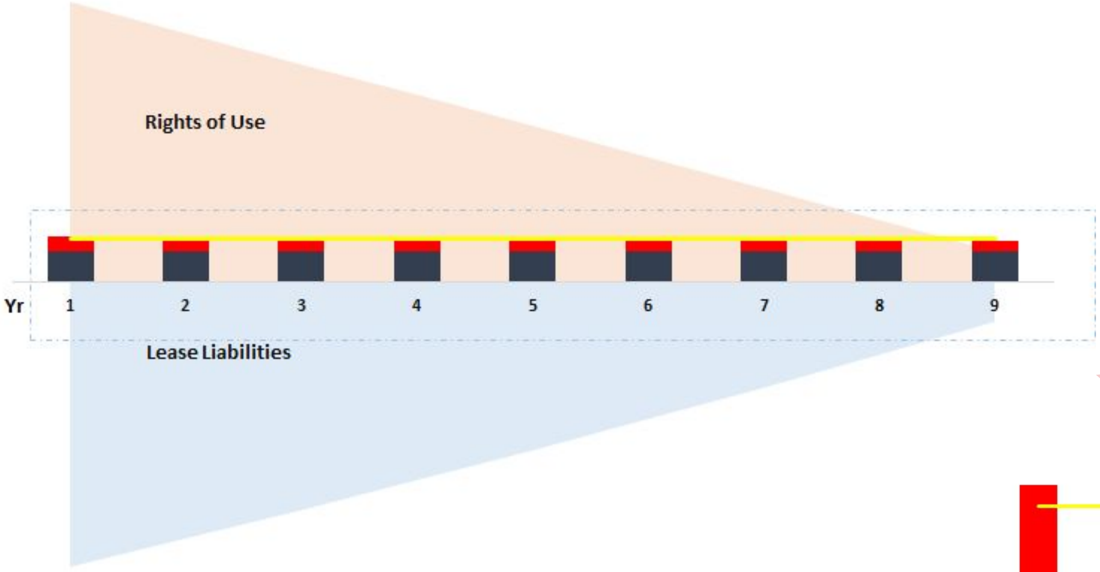
Note: As at 27 May 2019

Only 9% of USD borrowings are totally unhedged:



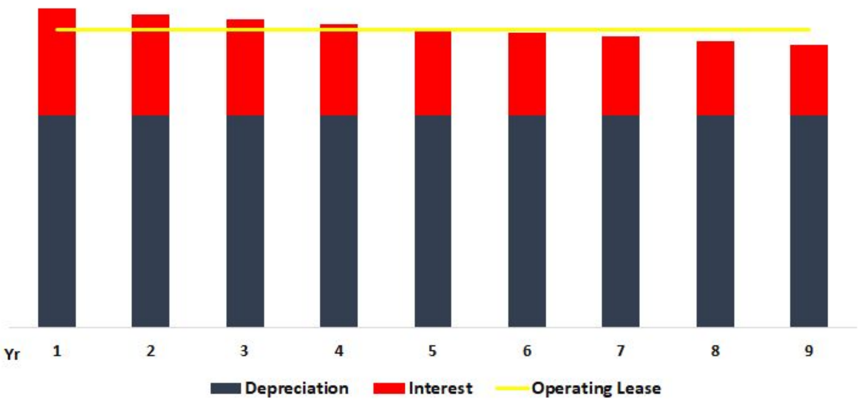
Loans by currency: USD (80%), MYR (13%) and EUR (7%)

MFRS 16 impact to leased assets



AirAsia adopted MFRS 16 using the Modified Approach method whereby the leases were computed based on the present value of all its future payments based on the Company's borrowing rate with the impact taken to opening retained earnings as at 1 January 2019.

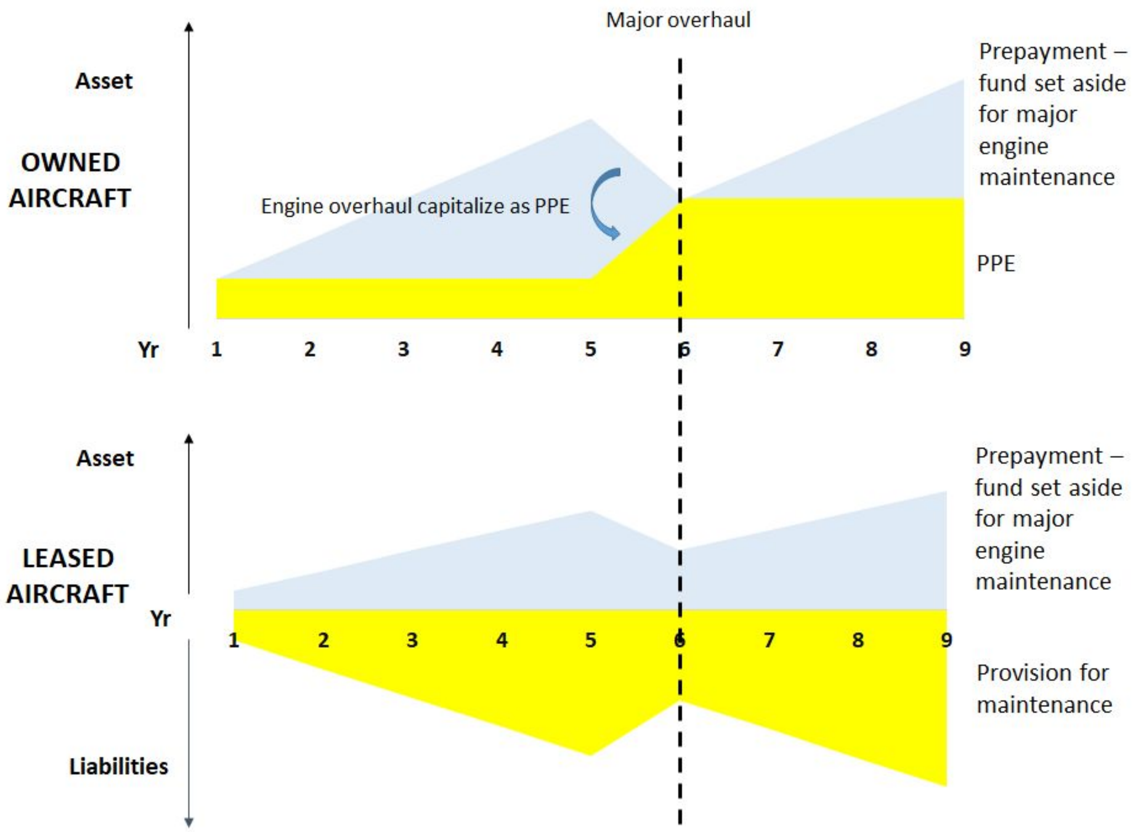
The chart depicts the current existing leases within AAGB Group and the average remaining lease terms and its impact.



During the earlier portion of the lease terms, the impact of the combined depreciation and interest will be more than the operating lease amounts (had it been recognized prior to adoption of MFRS 16).

Thus, a portfolio of newer leased aircraft would see negative impact to its income statement due to the adoption of MFRS 16 and vice versa, ignoring any currency impact.

Owned vs leased aircraft wrt engine maintenance



When assets is owned, major overhaul is capitalized into the aircraft as it prolongs the life of aircraft used in operations. This is then <u>depreciated</u> over the <u>useful life</u> of the asset.

When an asset is leased, major overhaul will need to be expensed immediately. <u>Maintenance provision</u> which is charged to P&L is created to match against the "utilisation for earnings", <u>based on usage, typically over 20,000 cycles</u>. Based on our utilisation, this would be ~8 years.

**For illustrative purposes only*