PRESS RELEASE

AIRASIA GROUP BERHAD FOURTH QUARTER AND FULL YEAR 2020 FINANCIAL RESULTS

TURNING DEEP CRISIS INTO DIGITAL DIVERSIFICATION OPPORTUNITY

FIXED COSTS REDUCED 52%, EXCEEDED TARGET OF 50%
ESTABLISHED LEANER AND OPTIMISED OPERATIONS IN 2020

ENCOURAGING QUARTER-ON-QUARTER TRENDS
INTERNATIONAL TRAVEL EXPECTED IN 2H2021
FULL RECOVERY IN THE NEXT TWO YEARS

SEPANG, 29 March 2021 – AirAsia Group Berhad ("AirAsia" or the "Group") today reported its financial results for the quarter ended 31 December 2020 ("4Q2020") and the full financial year ended 31 December 2020 ("FY2020").

Unaudited Consolidated Fourth Quarter 2020 Results of AirAsia Group Berhad

The Consolidated Group[1] posted 4Q2020 revenue of RM267 million, lower by 40% quarter-on-quarter ("QoQ") and 92% year-on-year ("YoY"). Airline revenue decreased 92% YoY due to partial lockdowns in Malaysia in October and November. Less impacted in the quarter, non-airline revenue declined 46% YoY.

The Consolidated Group posted a 4Q2020 EBITDA loss of RM2.1 billion, as compared to positive EBITDA of RM235 million in 4Q2019. While the Group successfully reduced fixed costs by 61% YoY, the loss was primarily attributed to a shortfall in revenue amidst subdued travel demand as international borders remained closed. In addition, the Consolidated Group was impacted by a fuel hedging loss of RM391 million and a one-off impairment of right-of-use assets, receivables and finance lease receivables of RM1.5 billion, and bankruptcy costs for AirAsia Japan of RM20 million. Stripping off these one-offs, AAGB would have reported a negative EBITDA of RM223 million.

AirAsia Digital's performance for the quarter was commendable as EBITDA grew 13% YoY. The airasia super app increased revenue by 15% YoY to RM12 million while BigPay narrowed EBITDA loss by 41%. Teleport reported positive EBITDA of RM17 million despite a decline in revenue from impacted cargo capacity due to closed borders. BIG Rewards also reported positive EBITDA for the quarter.

Net Loss After Tax was RM2.7 billion in 4Q2020, which widened from a RM385 million loss in 4Q2019. The weaker YoY performance was due to a shortfall in revenue and several one-off costs, including a fuel hedging loss of RM391 million, impairment of right-of-use assets, receivables, finance lease receivables of RM1.5 billion and bankruptcy costs for AirAsia Japan of RM20 million. Excluding these one-offs, AAGB would have reported a net loss after tax of RM793 million. A significant RM654 million of the loss was related to depreciation of right-of-use assets and interest on lease liabilities. This was

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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.

despite successful negotiations for deferrals with lessors, as due to Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charge for depreciation and interest were not adjusted.

Unaudited Consolidated Full Year Results of AirAsia Group Berhad

For the full financial year 2020, the Consolidated Group posted a revenue of RM3.1 billion, down 74% from the previous year. Airline revenue declined 75% as the Consolidated Group operated 29% of capacity compared to 2019. Nonetheless, load factor was commendable at 74% in comparison to peers, due to active capacity management in line with demand.

EBITDA loss was reported at RM3.2 billion, compared to positive EBITDA of RM1.7 billion in 2019. During the year, the Consolidated Group successfully reduced fixed costs by 52%, which exceeded the Consolidated Group's fixed cost reduction target of 50%. Excluding one-off costs which are impairment of right-of-use assets, receivables and finance lease receivables amounting to RM1.9 billion, fuel swap losses of RM972 million and bankruptcy costs of AirAsia Japan of RM20 million, the posted EBITDA loss would have been RM318 million.

Net Loss After Tax was RM5.9 billion in FY2020, which widened from a RM283 million loss in FY2019. The Consolidated Group was impacted by the shortfall in revenue and several one-offs, including a fuel hedging loss of RM972 million, impairment of right-of-use assets, receivables, finance lease receivables of RM1.9 billion and bankruptcy costs for AirAsia Japan of RM20 million. Excluding these one-offs, AAGB would have reported a net loss after tax of RM2.9 billion. A significant RM2.5 billion of the loss was related to depreciation of right-of-use assets and interest on lease liabilities. This was despite successful negotiations for deferrals with lessors, as due to Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charge for depreciation and interest were not adjusted.

Operating & Market Share Performance

The Consolidated Group's operational recovery in 4Q2020 performed exceptionally well amidst the challenging market conditions, as key operational metrics demonstrated strong improvements in December in comparison to September, with the doubling of passengers carried by AirAsia Philippines while AirAsia Indonesia multiplied its number of passengers carried by 11 times. During the same period, the Group's associate, AirAsia Thailand, increased the number of passengers carried by 31%, demonstrating a solid domestic rebound in air travel across the Group's key markets.

Revenue per ASK ("RASK") for the Consolidated Group declined by 12% to 14.20 sen in 4Q2020, impacted by AirAsia Malaysia and AirAsia Indonesia. AirAsia Philippines doubled its RASK in 4Q2020, while its FY2020 RASK increased 8% YoY. FY2020 RASK declined marginally by 3% to 15.06 sen. Load factor for the Consolidated Group was solid at 67% in 4Q2020 and 74% in FY2020.

Cost Performance

Overall, the Group managed to reduce fixed costs by 61% in 4Q2020. This led to a substantial fixed costs reduction of 52% in FY2020, surpassing the Group's target of 50%. Fixed maintenance costs showed the deepest reduction of 99% in 4Q2020 due to asset optimisation. Staff costs declined by 63% in 4Q2020 and 35% in FY2020, contributed by headcount rationalisation, salary cuts across the board and natural attrition. User charge expenses reduced by 60% in line with lower traffic, aided by the adoption of contactless procedures and digital check-in processes which resulted in lower ground-handling costs.

Depreciation and finance costs were up 24% for the year 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:

"Our strong rebound in 3Q2020 for the Malaysian domestic market was hampered in 4Q2020 with softer performance due to the partial lockdowns imposed in October and November. Nonetheless, with active capacity management, load factor was healthy at 72% in 4Q2020. Performance in our other core markets was positive as AirAsia Indonesia carried five times more passengers in 4Q2020 compared to 3Q2020, resulting in an increase in load factor by 10 ppts QoQ. AirAsia Philippines almost doubled the number of passengers carried, QoQ. Our associate, AirAsia Thailand, operated 116% of pre-Covid domestic capacity in December and utilised 70% of its fleet by the end of December.

"RASK for AirAsia Philippines outperformed other entities reporting an increase of 101% in 4Q2020 and 8% overall in FY2020, due to higher number of chartered flights.

"2020 was a year of survival but we have reviewed every aspect of our operations and made great strides in establishing a leaner and more optimised airline operation as we prepare for an expected surge in demand post-pandemic. Going forward, we expect to see improved stability in our operations as vaccinations continue to be rolled out in phases across all key markets. Furthermore, our robust business model provides confidence for a fast recovery. Even if borders remain closed, we are well-prepared to rely solely on domestic operations alone this year.

"We remain focused and committed to further strengthen our domestic position at this juncture as we await developments in regards to international air travel. In Malaysia, we are pleased that the domestic leisure bubble kicked off in mid-March following the easing of restrictions including the relaxation on cross-state tourism among states under the Recovery Movement Control Order status. We are encouraged to see strong pent-up demand translating into spontaneous travel and an increase in forward bookings, as we briefly saw in December 2020 prior to the lockdown in January 2021. In Thailand, we are set to resume operations on all 40 domestic routes from April, including cross-region connections to meet the surge in demand, indicating a strong recovery to pre-Covid performance levels.

"In regards to international routes, we are optimistic that operations will resume in the second half of 2021, highly influenced by the efficiency of vaccination rollouts globally. Within Asean, most countries are in the midst of vaccinating their population in phases to reach 40%-50% by 3Q2021. Once borders are lifted, we expect to see a strong recovery in our overall performance given our low-cost model and dominant positioning in Asean.

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

"AirAsia Digital platforms recorded strong operational performance during the quarter. The airasia app that was officially launched in October has gained a strong traction and saw encouraging levels of user engagement. The platform reported an increase in quarterly revenue by 15% YoY to RM12 million. We have successfully streamlined flights, hotels, and other activities across our markets on the platform in order to more efficiently develop and market our products and services. The airasia Unlimited remains extremely popular with our customers, with the most recent being the all-new Asean Unlimited, which launched in March, to leverage on our strength in connectivity across different geographical locations. We aim to accelerate our expansion across Asean in the upcoming quarters, and grow our digital ecosystem of travel and lifestyle products to increase non-airline revenues on the platform.

"We have also successfully launched e-commerce services within the airasia super app consisting of airasia Food, airasia Fresh and airasia Shop. Services are predominantly in Malaysia at the moment with airasia Shop already making inroads in the Philippines and Indonesia, and we are thrilled with the recent launch of airasia Food in Singapore that marks a key milestone for our e-commerce platforms. In 4Q2020, order amounts with airasia Food grew more than 5 times QoQ.

"Teleport posted a positive EBITDA of RM17 million in 4Q2020, despite being impacted by the decline in cargo capacity due to closed borders. The positive EBITDA was attributable to its transformation in 2020 from a predominantly cargo logistics company to become a key last mile delivery player. Teleport continues to expand its partnership with airlines to strengthen its logistics, while working on converting selected passenger aircraft to cargo-only freighter planes. Teleport kicked off the first quarter of 2021 by being appointed to deliver future vaccines arriving in Kuala Lumpur to East Malaysia, and partners with McDonald's Philippines as its delivery service provider for Metro Manila.

"BigPay narrowed EBITDA loss by 41% during the quarter, as margins improved due to lower operating expenses. During the quarter, BigPay launched a bill payments service in Malaysia with select providers and launched an auto top up feature for users in Malaysia and Singapore. BigPay's remittance feature remains one of its key products, recording over RM45 million in transactions in December alone. BigPay recently introduced a cash top-up facility via over 2,400 7-Eleven stores across Malaysia. BigPay has aggressive plans to roll out its key features in other Asean countries.

"As for other digital platforms, BIG Rewards posted positive EBITDA during the quarter. In 2021, BIG Rewards aims for an improved positive cash flow as it further drives and reinforces the positioning of BIG Points as a universal currency. Santan, having established 9 outlets in 4Q2020, plans to accelerate the opening of new franchise outlets while working on system enhancements for more efficient demand ordering and waste management procedures.

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

"Throughout 2020 we focused on turning the crisis into an opportunity. We accelerated our digital transformation strategy to boost our non-airline contributions to the Group. We have used the downtime in flying to lay the foundations for more robust operations post-pandemic and put in place the right platform for a sustainable and successful future by rebranding ourselves as more than just an airline with the airasia super app.

"Our 52% reduction in fixed costs in FY2020 demonstrated our commitment towards strict cost-cutting strategies and tight cash flow management that we started in 1Q2020. All of our fuel hedges have been restructured, thus we expect minimal mark-to-market in 2021. Significant cost savings were delivered through our headcount rationalisation and salary cuts across the Group, as well as through negotiations with our supportive lessors and creditors. To further reduce our cash burn, we have disposed of a 32.7% stake in AirAsia India, effectively ceasing the entity as an associate. We have also closed down AirAsia Japan in view of the highly challenging operating environment post-pandemic. All of these tough decisions were made to ensure a quick recovery in Asean where our brand is strongest.

"In the first quarter of this year, we have successfully completed two tranches of our private placement exercise. Raising a total of RM336 million, both tranches made up 470.21 million shares, representing 14.07% of our total issued shares. Key investors include Hong-Kong based Dr. Stanley Choi, David Bonderman and several Partners at TPG, investing in their personal capacity as well as Aimia Inc. We are honoured and grateful for the strong vote of confidence shown by the investors in our future prospects with our digital transformation coupled with the onset of an air travel revival soon.

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"The private placement is part of our overall plans to raise between RM2.0 billion to RM2.5 billion in a combination of debt and equity funding to ensure sufficient liquidity for the Group. We remain committed in our efforts to secure commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets.

"Allstars always come first. One of our priorities is to rehire our previous staff that were let go during this pandemic. For the ones who remain with us, many have suffered financially on the back of salary pay cuts due to the Covid-19 pandemic that has helped the Group to minimise our cash burn, and still shown commitment and loyalty towards the company. We therefore would like to reward these employees in a manner that aligns the upside in shareholder value creation to wealth creation opportunities for the Allstars. We have proposed a Long-Term Incentive Scheme ("LTIS") which comprises an employee share option scheme & a share grant scheme, subject to shareholders' approval. The incentive programme would allow us to reward strong employee performance, supports retention of great talent and helps us conserve cash at the same time.

"The encouraging quarterly uptrend in our key domestic markets, especially in Thailand, supports our expectation of an air travel recovery this year. We are pleased to be gradually ramping up our domestic operations in our key markets, which are concentrated on the most profitable and popular routes. We are also actively exploring opportunities to gain market share, especially in the Philippines and Indonesia, recognising our strength in the Asean region.

"With vaccination programmes accelerating around the world, improved testing capabilities, the likely introduction of global digital health passports, formation of leisure travel bubbles in the region and contactless procedures already in place for AirAsia, we are very optimistic that international air travel will resume in the second half of 2021, leading to our full recovery within the next two years.

"Finally, our digital pillar has transformed remarkably in comparison to where it was a year ago. Teleport will soon be delivering vaccines in Malaysia and around the region. The airasia super app is offering over 15 different types of products and services leveraging off one another, including bundles for customers. The recent launch of the Asean Unlimited in Malaysia and Thailand which offers unlimited domestic flights and within Asean as well as unlimited free delivery for airasia Food, airasia Fresh and airasia Shop has been hugely successful. Airasia Food has expanded into Singapore and will soon be in Indonesia and Thailand. BigPay users will soon be able to apply for loans with low interest rates. We are encouraged by the early signs from our digital transformation to become Asean's super app of choice and expect our digital and non-airline revenues to contribute around 50% to the Group in five years.

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