

The AirAsia logo, featuring the brand name in a white, cursive script font, is positioned inside a solid red circle in the top right corner of the slide.

AirAsia

AIRASIA 3.0

AIRLINE + DIGITAL + TECHNOLOGY
= THE TRAVEL & FINANCIAL PLATFORM OF ASEAN

AIRASIA

AirAsia Group Berhad
2nd Annual General Meeting

27 June 2019

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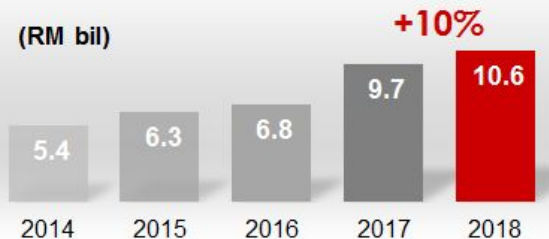
2018 Key Milestones



World's Best Low-Cost Airline for the 10th consecutive year in 2018
(Skytrax World Airline Awards)

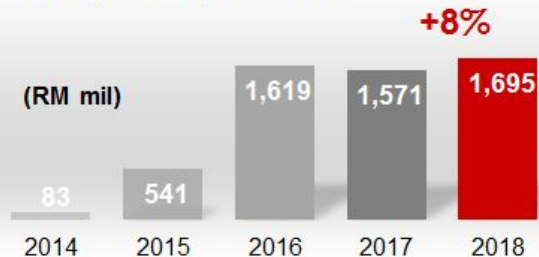
Revenue up 10% YoY

(RM bil)

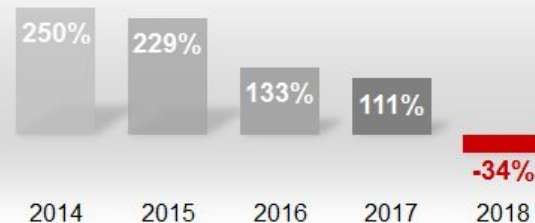


Net profit up 8% YoY

(RM mil)



Turned net cash



Grew 17% ASK, expanding market dominance

(bil)



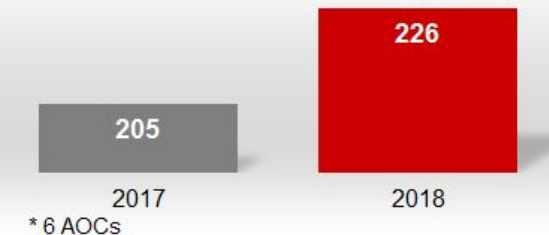
Carried 14% more pax

Passed a key milestone of flying over half a billion guests in May

(mil)



Ended year with 226 aircraft



Growth in 2019 and beyond: AirAsia 3.0



AirAsia ecosystem comprises the Group's core airline network operations, travel and lifestyle commerce platform, financial and insurance services, logistics services, as well as lifestyle & entertainment affiliates

Fleet Plan



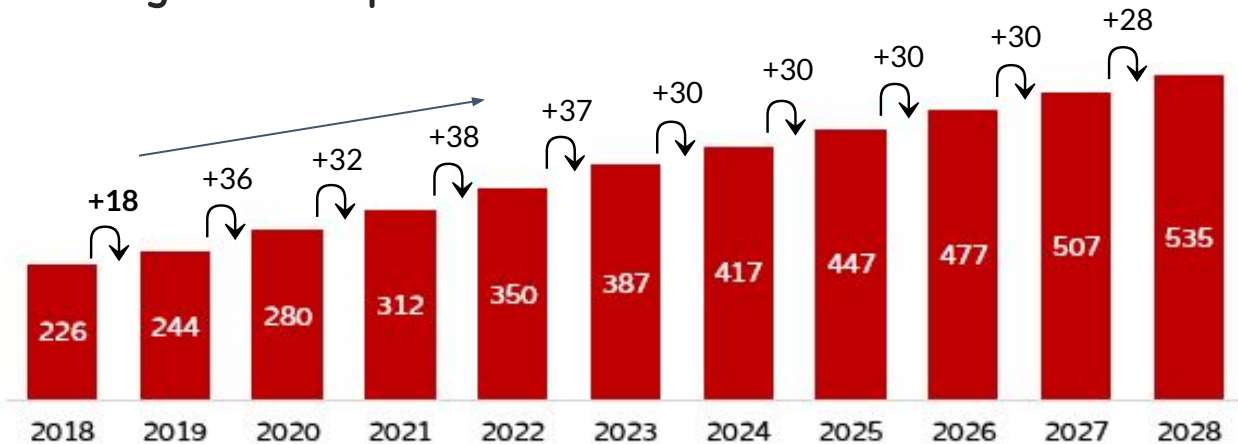
Fleet Expansion Across AOCs in 2019

	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 14 June 2019



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

6 countries:

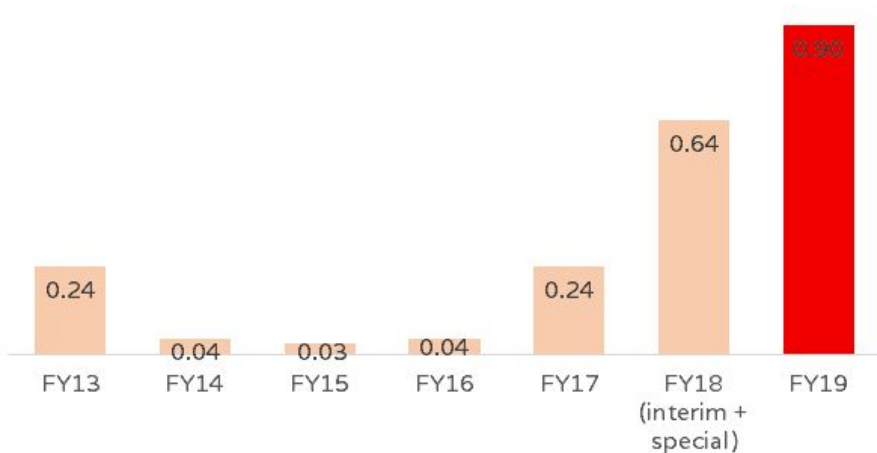


Exploring others:



Dividends

Dividend Payout (RM)



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

Special Dividends from Monetising Our Digital/Support Assets



Ground Handling Service

- Cash proceeds received in Jan 2018 SGD119.3 million



Pilot & crew training centre

- Monetisation of 50% stake: Cash proceeds of USD100 million received in Mid-Nov 2017



Hotel & travel

- Sold 25% stake for USD86 million in 2015
- Sold remainder of 25% for USD60 million in Aug 2018



Aircraft leasing

- Sale of 79 aircraft and 14 engines concluded for USD1.085 billion in 4Q2018
- Another 25 aircraft to transact for USD768mil

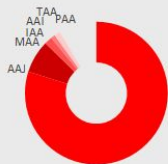
1Q19 Key Highlights



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



+4ppt

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



+54%

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

Lombok

Hub launched in May 2019



+29%

Ancillary revenue (airline & non-airline)



Profitable

After three consecutive quarters of losses



+12%

Profit growth by AirAsia Philippines



21st

Oncoming aircraft to be received in May 2019

Digitalising the airline

New website 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



Travel Doc Scanner available on app in Feb 2019

Building digital platforms



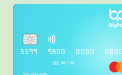
RM5.8bil

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)



RESPONSE TO QUESTIONS FROM
**MINORITY SHAREHOLDER
WATCHDOG GROUP**
(MSWG)

Strategic and Financial Matters



1. As reported on Page 104 (MD&A), the Group has pressed ahead with digitalisation initiatives that are seeing it morph into a travel and financial platform company. A key achievement towards this end was to bring together all its non-airline digital-based businesses - BIG Loyalty, BigPay, Travel360.com, ROKKI, OURSHOP and RedCargo Logistics (covering first to last mile delivery) - into a single entity, RedBeat Ventures (RBV)/ The aircraft disposals, moreover, support its vision of becoming an asset-light travel and financial platform company.
 - (a) Please brief on the progress and achievements of each of these businesses?
 - (b) What is the current mix of its owned aircraft vs leased aircraft and the targeted ratio?



(a) Please brief on the progress and achievements of each of these businesses?

We are glad to share our progress of our journey in digitalisation. As we move into AirAsia 3.0, we have put our focus on building digital platforms consisting of airasia.com, Teleport and BigPay, with BIGLIFE, our loyalty programme, supporting these platforms.

airasia.com is a one-stop travel and lifestyle marketplace offering flight bookings, hotels and holiday packages, as well as duty-free products and other merchandise via OURSHOP. A new website and mobile app was launched to improve the user interface and user experience. airasia.com generated an EBITDA of RM557k in 1Q2019.

Teleport consolidates belly capacity for the AirAsia group of airlines and third-party airlines, where we provide a first- to last-mile solution utilising our vast airline network, with the aim to transport goods from A to B easily. We performed a rebranding exercise in May 2019 for AirAsia's cargo and logistics services from "RedCargo" and "RedBox" to "Teleport". Teleport recorded RM101mil in revenue in 1Q2019, on track in our view to achieve the RM400mil target for FY2019.

BigPay is one of the fastest growing fintech platforms in Malaysia. Gross Transacted Value grew 48% quarter-on-quarter growth from 4Q18 to 1Q19, with new card issuances increasing by 28% for the same period. We have more than 600,000 customers signed up. We are looking to offer remittance and lending services once we obtain the relevant licenses in Malaysia. We also hope to launch BigPay in another Asean country in 2019.



b) What is the current mix of its owned aircraft vs leased aircraft and the targeted ratio?

AirAsia Group Berhad Fleet Stats as at 31 May 2019

Owned	Leased
60 (26%)	173 (74%)

Note: Fleet stats include AirAsia's 6 AOCs and affiliates

The fleet ratio owned vs leased is something dynamic and being assessed from time to time by the Group. Whether the aircraft is leased or owned, it will depend on availability and cost of financing, outlook of the market and also the trend of the aircraft values.

2. On Page 105 (MD&A), it is stated that the Group has won some precious ground in its ongoing battle for low-cost carrier terminals (LCCTs) in Malaysia, with the Finance Minister agreeing to build an LCCT in Penang.
- (a) What is the expected timeline for the construction and completion of the LCCT in Penang and the passenger capacity?

As per MAVCOM's second consultation paper, MAHB has commenced plans to expand the airport to 12 million pax per annum and has initiated airport user consultations.

- (b) In which other locations in Malaysia is the Group planning to build LCCTs?

We have communicated the need for an LCC Terminal in Kuala Lumpur, Kota Kinabalu, and Penang, which would help realise the full potential of value air travel. We encourage new operators to manage these LCCTs (airports privatisation) as it is not in the Group's plan to build any terminals.



3. As stated on Page 107 (MD&A), although the Group was looking into the possibility of opening up in China, it believes that its outlying post in Japan, together with one to be opened in Vietnam, will provide sufficient coverage to create sky bridges across north Asia.

When will the post in Vietnam be opened and what are the expected timeline and plans for China?

AirAsia's wholly-owned unit, AirAsia Investment Ltd, together with Gumin Company Ltd and Hai Au Aviation Joint Stock Company, have mutually agreed to terminate the agreement to set up a joint venture in Vietnam effective 17 April 2019. We have no further updates on Vietnam.

AirAsia is still finalising its China plans and will make an announcement once plans have been firmed up.

4. On Page 108, it is stated that ancillary performance is being driven by data and digital initiatives which are increasing the uptake of the different products and services. This will further improve as the Group adds on hotels, tours, insurance and all sorts of other lifestyle products and services onto the airasia.com platform. Going forward, the entire ancillary business is being re-structured focusing on the three verticals of core, inflight and partner products in line with AirAsia's new cluster structure.
- (a) When is the targeted timeline to add on hotels, tours, insurance and all sorts of other lifestyle products and services onto airasia.com platform?

We began selling tour/activities from April 2019 and hotels via Expedia on airasia.com. We are looking to have our own hotel in-path and deals platform by early Q4, which will give us the ability to expand and scale up our current tour/activities and hotel business, as we are confident this will uplift non-flight contribution to Group revenue closer to the 50% target.

- (b) Going forward, what would be the targeted or expected percentage of contribution to the Group revenue from each of the three verticals of core, inflight and partner products?

We hope to significantly increase the proportion of ancillary revenue, both flight and non-flight, from the current 21% of revenue in FY2018 to a targeted 50% over the long term.

5. We refer to Page 316 (Note 18), where the allowance for impairment on Group trade receivables increased significantly from RM47.8million in FY2017 to RM118.1million in FY2018. On Page 317, trade receivables ageing over 365 days also increased significantly from RM58.8million in FY2017 to RM146.4million in FY2018.

Please explain the substantial increases in the allowance and the trade receivables ageing over 365 days and the probability of recovering the amounts.

The increase of debtors above 365 days relates to government agency debtors and charter debtors. The allowance for impairment has increased as the Group provides for charter debtors in Phillipines, which are no longer recoverable. However, debtors relating to government agencies will still be recoverable, albeit slowly.

Corporate Governance Matters



1. As stated on Page 109, this year, with the formation of AirAsia Group, the safety committees of all AOCs collaborated to formulate a new Group Safety Policy which will be rolled out in 2019. Meanwhile, progress was made with regard to International Air Transport Association (IATA) Operational Safety Audit (IOSA) compliance. The Indonesian associate was registered under IOSA in August, followed by Malaysia in September. All the other AOCs are expected to follow suit in early 2019.

Has the Group Safety Policy been rolled out and have all the other AOCs been registered under IOSA?

Yes, the Group Safety Policy was passed at the Board Meeting on 29 May 2019. It has been internally published and all AOCs have adopted elements of the policy in their manuals.

For IOSA, presently AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines are IOSA registered. AirAsia Thailand and AirAsia India have confirmed audits for certification in July and September respectively. Meanwhile, AirAsia Japan is finalising details for submission to audit, with plans to do so in early 2020.

2. On Page 10, it is stated that this year, the Group has implemented a carbon dashboard to monitor the carbon emissions of all its domestic and international flights. This allows the Group to determine its emissions baseline for the year 2019-2020, and work towards carbon-neutral growth from year 2020 onwards. Further enhancing its environmental performance, the Group is in the process of rolling out an Environmental Management System (EMS) Group-wide.

How is the progress in working towards carbon-neutral growth from year 2020 onwards and has the EMS been rolled out?

AirAsia is on track for its Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) implementation targeting carbon neutral growth from 2020 onwards. The milestones we have achieved so far are as follows:

- **Carbon Dashboard introduced to monitor CO2 emissions from AirAsia's flight operations. This dashboard takes aircraft data automatically and computes the associated CO2 emissions from each flight's fuel consumption, using a conversion factor of 1 kg of fuel burnt to 3.16 kg of CO2 emissions (in accordance with ICAO standards). Even though CORSIA is meant for international flight operations only, all flights, including domestic flights, are being monitored by the carbon dashboard.**



- **AirAsia CORSIA Emissions Monitoring Plan (EMP) submitted and approved by all the authorities it is attributed to. This includes CAAM (Malaysia), DGCA (Indonesia), CAAT (Thailand) and CAAP (Philippines).**
- **AirAsia CORSIA EMP for Japan and India also established, but have not been submitted as they have not exceeded the eligibility threshold of 10,000 tonnes of CO2 emissions to be regulated by the CORSIA scheme.**
- **All AirAsia CO2 emissions will be monitored, verified and reported, with the average emissions for 2019 and 2020 set as the baseline for AirAsia's CO2 emissions. We are currently working on a carbon offsetting strategy study to determine the best options for AirAsia in performing its offsetting obligation under CORSIA.**

The AirAsia Environmental Management System is progressing well. We have recently introduced the AirAsia Environmental Policy Statement, and a Sustainability Board & Working Committee was also recently formed to monitor and set environmental impact targets for AirAsia. All AirAsia Environmental Performance indicators are currently being monitored and a full roll-out is targeted for Q2 2020.

THANK YOU



**WORLD'S
BEST**
LOW-COST AIRLINE

11
YEARS
WINNING