



AIRASIA GROUP BERHAD 3RD ANNUAL GENERAL MEETING

28 SEPTEMBER 2020

AIRLINE



Santan
SANTAN AIRLINE GROUP

GTR
GAMUDA TRAVEL RESOURCES

A3E
AIRASIA EAGLE

DIGITAL

airasia
digital

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bp BigPay



BIG
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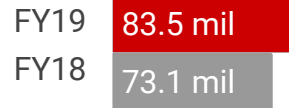
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2019 Key Highlights

- Won World's Best Low-Cost Airline award for the 11th consecutive year at Skytrax
- **Positive year for airlines**, due to remarkable improvement in PAA and IAA. IAA strengthened its domestic presence with the opening of Lombok as a new hub
- Our **non-airline ancillary** grew by 182% as our digital platforms gain traction. Among key milestones were the expansion of airasia.com's flight offerings to include non-AirAsia flights, and the development of Teleport from a logistics player to disrupting the cargo industry and empowering social commerce
- Welcomed our **first A321neo**, which offers a 27-31% increase in seat capacity with 10% in fuel savings
- **Organisational restructuring** into two business pillars, while integrating all our shared services under **One AirAsia** to increase cost efficiency

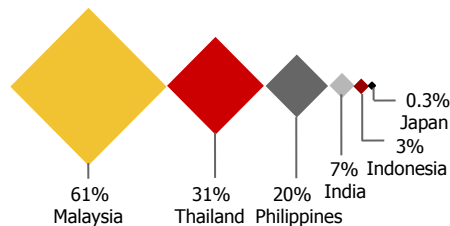
Carried 14% more pax



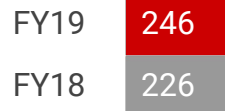
ASK grew by 10%



Strengthened domestic market share

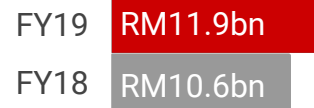


Ended FY19 with 246 aircraft

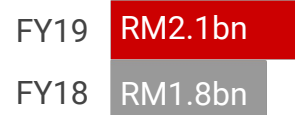


*6 AOCs

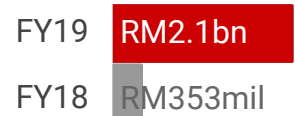
Revenue up 11%



Group EBITDA up 21%



Increase in Operating Cash Flow



Strategies in 2020 and Beyond



Leaner airline operations and setting the foundation moving into 2021

- Prepared to rely on domestic operations if borders remain closed
- Better fare environment as seen in 1Q20 and 2Q20. Rational pricing by competitors since 4Q19
- Extensive cost reduction exercise; target for 50% reduction in cash outflows in 2020
 - Lower staff costs due to headcount rationalisation, pay cuts across the board including directors
 - Maintenance costs under control due to asset optimisation through use of newer aircraft
 - Lower ground-handling costs due to increase in contactless procedures
- Benefitting from sale and leaseback where leasing provides more flexibility to scale back growth and renegotiate terms
- Terminated loss-making routes, closed weak hubs and consolidate operations where possible
- Deferment of new aircraft deliveries

Ensuring sufficient liquidity

- Securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets
- Other debts and rights issue in active discussion
- Received support from lessors for deferrals and 70% of fuel hedging contracts restructured
- Working with creditors on repayment plan
- Renegotiation of contracts across the Group including ICT and maintenance contracts
- 80% of customers opted for credit account

Stronger post-Covid-19

- Completed group reorganisation in 2019
- Aggressive marketing push to stimulate local demand
- Leverage our extensive reach on AirAsia.com and its low customer acquisition cost
- Improved relationship with airports especially MAHB

Pivoted the airline into a digital lifestyle company, anchored on travel



Airline seeing recovery in domestic demand



- AirAsia Malaysia (MAA) has resumed most domestic routes, as well as KL-Singapore under the RGL scheme



- In August, MAA operated around 40% of pre-Covid domestic capacity
- We expect MAA to recover 70-75% of pre-Covid levels in 4Q

- AirAsia Indonesia (IAA) resumed operations in mid-June



- IAA operated about 10% of pre-Covid domestic capacity in August
- Target a domestic recovery up to 35% of pre-Covid capacity in 4Q

- AirAsia Philippines (PAA) reinstated flights in early June



- PAA operated about 5% of pre-Covid domestic capacity in August
- Expect 30% recovery of pre-Covid domestic capacity in 4Q

- AirAsia Thailand (TAA) reinstated domestic flights in phases since May



- TAA operated close to 75% of pre-Covid domestic capacity in August
- By 4Q, we expect TAA to return to pre-Covid domestic levels in 4Q

- AirAsia India (AAI) resumed flights at the end of May



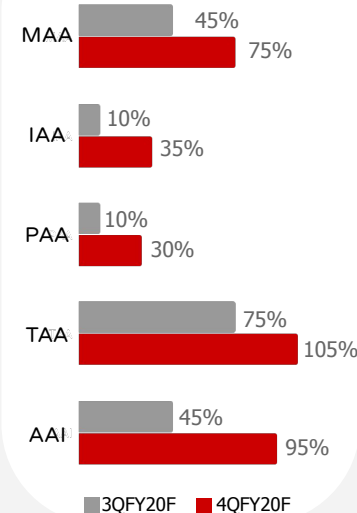
- AAI operated close to 35% of pre-Covid domestic capacity in August
- AAI to recover up to 95% of pre-Covid levels in 4Q

- AirAsia Japan (PAA) restarted operations in early August



- Unfortunately, AirAsia Japan will be suspending all flights from Oct. 1 to Oct. 24 due to less-than-expected demand caused by COVID-19

Planned domestic capacity (vs 2019 capacity)



All-in-One digital travel and lifestyle ecosystem



airasia.com

- Our travel and lifestyle superapp
- The centre platform for all our brands
- Launched direct sourced hotels and SNAP (Flight+Hotel bundle) in August to replace AirAsiaGO & Expedia inventory. SNAP is intended to change how people book
- Developing homepage personalisation for each customer soon

airasia digital

teleport

- Transformed from delivering cross-border e-commerce to last mile deliveries, remain focused on efficiency, accuracy and fast deliveries
- Launched e-commerce marketplace, adapting to post-Covid reality and recognising customers' preference for home delivery orders via AirAsia Shop, Food by AirAsia and Fresh by AirAsia
- Strength in cloud warehouse, available capacity and network reach

bp BigPay

- Bank-grade eKYC in place - aim to secure digital bank license
- Remittance now to 10 countries from both Malaysia and Singapore
- Lending license in the works. Also targeting key licenses in the Philippines and Thailand soon
- Exploring insurance and wealth management products
- 1.2mil users with 700k carded

P BIG LOYALTY

- ASEAN rewards and points platform; evolved from just loyalty points into a digital currency
- Focus on continuous consumer engagement with new burn partners and the recently launched BIG Xchange, a universal points exchange hub allowing two-way points conversion



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

Responses to MSWG

Strategic and Financial Matters



Q1

By organic serendipity, digitalisation of AirAsia has not just allowed it to meet its initial objectives; it has led to the Group becoming more than just an airline. Other than the Airlines business, the Group now has a strong and growing digital pillar which brings together all its online travel and lifestyle business ventures under RedBeat Ventures (RBV). (Page 83 of Annual Report – AR)

- a. For FY2019, what was RBV's percentage contribution to the Group revenue?
- b. What is the Board's expectation of RBV's growth rate and percentage share of the Group revenue, going forward?

Answer

- a. RedBeat Ventures, recently renamed to AirAsia Digital, contributes 6% to the Group's revenue in FY2019.
- b. As written in page 142 of the FY2019 Annual Report, we target RedBeat Ventures to contribute circa 50% of the Group's Revenue in the next five years.

Responses to MSWG

Strategic and Financial Matters



Q2

A highlight was to welcome AirAsia's first Airbus A321neo aircraft, which offers a 27% to 31% increase in seat capacity while providing more than 10% in fuel savings. AirAsia India also strengthened its position as it awaits being licensed to fly international. (Page 84 of AR)

- a. Amidst the uncertainties, how many more Airbus A321neo aircraft are expected to be delivered and when?
- b. When is AirAsia India expected to obtain its licence to fly international?

Answer

- a. Due to the current pandemic, AirAsia Group would not be taking any new aircraft this year. We will revisit the fleet growth plan once the aviation industry recovers.
- b. AirAsia India has filed all required formalities with the Ministry of Civil Aviation India. AirAsia India is awaiting the formal No Objection Certificate (NOC) from the Government.

Responses to MSWG

Strategic and Financial Matters



Q3

Although in last year's annual report AirAsia had mentioned expanding to Vietnam, plans towards this end have been put on hold until a suitable partner is found. Meanwhile, AirAsia is still very interested in establishing a presence in Indochina, and are looking at possible partnerships in Cambodia as well as Myanmar. If the conditions are right, it would also gladly set up a new base in China. (Page 85 of AR)

In view of Covid-19 pandemic, are there any changes to the plans? What is the latest development?

Answer

We continue to explore opportunities for expansion. At this juncture, there has not been any material development on this matter.

Q4

In the earlier days, AirAsia launched AirAsia Expedia (AAE), Asian Aviation Centre of Excellence (AACE) and BIG Loyalty, followed by BigPay, Ground Team Red (GTR) and T&Co, among others. Some of the earlier businesses, such as AAE and AACE, have been monetised while others are still being developed to reach their full potential. (Page 86 of AR)

Apart from AAE and AACE, which other businesses have been or expected to be monetized, and by when?

Answer

Apart from AAE and AACE, we have monetised our ground handling service in 2018 with the formation of Ground Team Red, a joint venture with SATS, where AirAsia Group received cash proceeds of SGD119 million, and also our aircraft portfolio via the sales and leaseback transaction with BBAM and Castlelake in 2018 and 2019.

The monetisation and divestment of these mature non-core businesses and support assets of AirAsia Group will allow us to focus on the core airline operations, grow our wholly-owned airasia.com platform (vs the 50%-owned JV with Expedia) and grow our other digital businesses such as BigPay, Teleport and BIG Loyalty.

Q5

Teleport, the end-to-end logistics player (previously RedCargo Logistics) is disrupting the cargo industry and empowering social commerce through Teleport Social. While the global cargo industry receded 4.4% in 2019, Teleport's tonnage increased by 109% year-on-year as operations ramped up. (Page 86 of AR)

- a. Please explain what is meant by empowering social commerce and how this could help Teleport grow rapidly?
- b. Is Teleport likely to continue growing rapidly in FY2020?

Answer

- a. We are supporting local businesses by opening up our e-commerce platforms under Teleport; enabling fresh produce, and food delivery. We are currently not charging any commission. We are focused on empowering communities and have enabled over 2,000 drivers to earn over RM 500,000 over the last 3 months that we launched our city delivery services.
- b. Teleport is also affected as international borders remain closed and therefore unable to fully leverage AirAsia's network and belly space for cargo. We have mitigated this somewhat by the launch of more than 1,000 cargo-only flights. We are offering our door-to-door parcel and instant deliveries in under 1 hour within Klang Valley, 8 cities in East Malaysia, Bangkok and Singapore. We also offer our super fast delivery service to East Malaysia. Check out more of our services on teleport.asia

Q6

For on-ground services, AirAsia is collaborating with Google on ODIN and RedEye. ODIN, or Operational Decision Intelligence, is a tool to help the flight operations team realise savings and revenue generation opportunities. With the new platform, the Group will be able to enhance its fuel efficiency thus further reducing its carbon footprint and driving cost savings while optimising cargo revenue generation. (Page 88 of AR)

- a. What is RedEye? What value-add will it provide?
- b. What concrete results (provide figures) have been achieved so far with the collaboration?

Answer

- a. RedEye is our own homegrown safety mobile app, functioning as a supplementary reporting tool for Allstars, for a more intuitive and hassle-free interface for quick submission of reports. RedEye serves alongside Coruson, which is our existing reporting platform.
- b. The collaboration with Google on RedEye will result in the complete replacement of our current Coruson solution which comes to RM387k annual savings, starting from the end of this year. Moreover, the tool also serves as a context-specific communication and digital collaboration tool among Allstars to bring added value to other applications it would interface with.

Q7

As for fuel price volatility, AirAsia had hedged 65% of its Brent requirement for the year at an average price of USD62.77 per barrel, which was lower than the market average of USD64.16 per barrel in 2019. (Page 89 of AR)

How much has been hedged for the Brent requirement for FY2020 and at what average price? What is the market average price year to date?

Answer

We have hedged 68% of our budgeted fuel requirement for FY2020 at an average Brent price of US\$61/bbl. Average market price for Brent year to date is US\$43/bbl.

Responses to MSWG

Strategic and Financial Matters



Q8

Further strengthening its capital, AirAsia has received deferrals from its lessors and is hopeful of further extensions of its aircraft operating lease payments. While a major portion of its fuel hedge contracts have been restructured, it continues to negotiate on the remaining exposure to reduce losses. (Page 91 of AR).

Are there further successes in negotiation on the aircraft operating lease payments and fuel hedge contracts?

Answer

Some of our lessors have agreed further deferral up to year end which includes blue up payments of lease rental.

Up to 70% of fuel hedging contracts have been restructured and/or deferred in settlement.

Q9

Segmental information reporting was presented by geographical regions and not by business segments.
(Page 313 of AR)

Why was the segmental reporting not presented by business segments as the Group has been rapidly growing its non-airline businesses?

Answer

As per our response for Question 1(a), the non-airline group contribution in 2019's revenue is less than 10%. However, as we segregate our business into airline and digital further in 2020, the segmental presentation will be changed accordingly in future to reflect this.

Q10

The following measures had been taken, with further additional efforts to be taken:

- i) The Group and the Company plan to raise capital of up to RM1.4 billion as and when required to strengthen its equity base and liquidity and expect successful implementation on these capital raising plans.
- ii) Further, the Group and the Company have implemented group-wide temporary salary reduction ranging from 15% to 75%, depending on salary levels with effect from April 2020 and voluntary salary cuts of 2 executive directors of 100% since March 2020. (Page 336 of AR)
 - a. Apart from borrowings, is the Group considering rights issue or private placements?
 - b. Apart from staff salary reductions, and voluntary salary cuts of 2 executive directors, why has the Board not considered reducing the remuneration of non-executive directors especially since there has been staff salary cuts?

Answer

- a. We are exploring all funding options.
- b. The Non-Executive Directors of the Company had voluntarily offered to receive a 50% reduction in their fees for the period from 1 May 2020 up to the date of the forthcoming Annual General Meeting and will continue with such reduction, subject to the shareholders' approval on the above-mentioned remuneration structure until such time that the Company's financial performance improves significantly, or up to the next Annual General Meeting of the Company, whichever is earlier.

Q11

AirAsia has ongoing deliberations with a number of parties for joint-ventures and collaborations that may result in additional third-party investments in specific segments of the group's business.

Barring any reversal of flight resumption plans and any major shock to demand, AirAsia foresees that it has sufficient working capital to sustain the business operations. (Page 28 of 2nd quarter report for FY2020)

- a. Are the ongoing deliberations expected to be finalized in FY2020 and are the investments substantial?
- b. In view of the worsening financial condition (Q2 FY2020: Net loss of RM992.9 million attributable to owners; Q2 FY2019: Net profit of RM17.3 million), approximately, for how long does the Board expect the working capital to sustain the business operations?
- c. What is the estimated timeline to solve the liquidity constraints in order to revert to a 'going concern'?
- d. Was there any reassessment of right-of-use ("ROU") assets and any other affected areas for impairment? What is the amount impaired? If there was no reassessment done, why?

Answer

- a. We are unable to divulge any information at this stage so as not to jeopardise any of the deliberations due to the confidential nature of the discussions with the various parties. Any decision made will take into account the Group's business needs and the interests of the Group, its shareholders and other stakeholders. Nonetheless, the Group will ensure to make the necessary announcements as and when appropriate as well as seek the various approvals, if required.

Responses to MSWG

Strategic and Financial Matters



Q11 (cont'd)

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Answer

- b. We expect to have sufficient liquidity in 2H2020 and 2021 as revenue should improve in tandem with rising domestic demand. Our cash flow is managed tightly and we are well prepared to rely on operating domestic sectors in the short term if international travel restrictions continue. Aside from the major cost-cutting exercise we have embarked on across the Group, we are also securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets. We are also actively exploring capital raising opportunities in each of our key operating markets which should aid in sustaining our cash flow levels.

Responses to MSWG

Strategic and Financial Matters



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Answer

- c. The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which is dependent on successful recovery from the COVID-19 pandemic in conjunction with the actions undertaken by the government of the respective countries, favorable outcome of the ongoing discussions with the financial institutions and investors to obtain required funding and successful implementation of the management's plans for future actions in responding to the conditions above as disclosed in Note 2.1 and Note 48 to the financial statements in the Annual Report.

Q11 (cont'd)

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Answer

- d. As per note 48 to the audited financial statements the financial statements were prepared based upon conditions existing at 31 December 2019. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impact of COVID-19. The Company will reassess the carrying value of its Right-of-Use and other assets during the current financial year.

Q1

Under the Malaysian Code on Corporate Governance (MCCG), Practice 4.5 stipulates that the board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

MSWG's Comments:

For FY2019, the Company had only one woman director out of seven directors. However, the woman director has resigned in August 2020 and currently there is no woman director on the Board. There is also no timeframe set to have at least 30% women directors.

Answer to Q1

The Board has established a Board Diversity Policy which ensures a broad dimension of diversity is present to guarantee diverse viewpoints. In particular, the Board places emphasis on recruiting women directors to achieve an optimum and balanced composition. This is reflected in paragraph 5.7 of the said Policy as follows:

“In identifying suitable candidates for appointment to the Board, the Nomination and Remuneration Committee (“NRC”) will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Some of the criteria to be taken into consideration in the selection process can include the following: (i) Millennial appeal; (ii) Gender diversity (female); (iii) Entrepreneurial skills; (iv) Global mindset; (v) Digital savvy; (vi) Influencer; and (vii) Leadership role in middle to large size organisation.”

The Board Diversity Policy is available online at our Investor Relations website.

The NRC and the Board are actively seeking new women directors to join the Company. Selection of candidates will be made based on recommendations of existing Board members, Senior Management or major shareholders. It was mentioned in the Corporate Governance report for Financial Year 2018 that the NRC and Board aim to achieve a composition of 30% women directors by 2021.

Q2

Noor Neelofa binti Mohd Noor, the Independent Non-Executive Director, attended 5 out of 6 Board meetings during FY2019. However, as a member of the Safety Review Board Committee she did not attend a single Committee meeting out of 4 meetings held during FY2019. (Page 185 of AR). She had on 17 August resigned as a director due to her other personal commitments. (Bursa announcement on 17 August 2020).

MSWG's Comments:

A director must have the time commitment to carry out his/her fiduciary duties. Safety is essential and of paramount importance to an airline. It is untenable for a member of the Safety Review Board Committee not to attend even a single meeting.

- a. Why was no action taken after a member failed to attend 2 or even 3 consecutive meetings?
- b. Why was no action taken between the end of the financial year and August 2020, when the member tendered her resignation – a lapse of 8 months?

The Board must revisit the Board procedures and processes to enhance them further, if necessary.

Answer

The Company recognises the importance of Board members' attendance as an essential element in maintaining its effective execution of corporate governance and strategic oversight. However, Cik Neelofa was unable to attend the meetings as she had last minute assignments that were unforeseen during the financial year. In Q1 2020, the Chairman spoke to Cik Neelofa on this matter to which she endeavoured to attend all meetings. Ultimately, Cik Neelofa resigned on 17 Aug 2020 due to her personal commitments.



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