PRESS RELEASE

AIRASIA GROUP BERHAD FIRST QUARTER 2021 FINANCIAL RESULTS

EBITDA LOSS OF RM217 MILLION

FIXED COSTS REDUCED 54%, LOW CASH BURN WITH STRICT COST CONTROL

READY FOR A SURGE IN DEMAND POST-VACCINATION

RECEIVING FIRST FREIGHTER TO SUPPORT STRONG CARGO DEMAND

SEPANG, 27 May 2021 – AirAsia Group Berhad ("AirAsia" or the "Group") today reported its financial results for the quarter ended 31 March 2021 ("1Q2021").

Unaudited Consolidated First Quarter 2021 Results of AirAsia Group Berhad

The Consolidated Group[1] posted 1Q2021 revenue of RM298 million, higher by 12% quarter-on-quarter ("QoQ") but declined 87% year-on-year ("YoY"). Airline revenue decreased 91% YoY and 12% QoQ due to limited travel caused by the lockdown imposed in Malaysia since January 2021. Less impacted in the quarter, non-airline revenue declined 36% YoY.

The Consolidated Group posted a 1Q2021 EBITDA loss of RM217 million, as compared to a breakeven EBITDA in 1Q2020. While the Group successfully reduced fixed costs by 54% YoY, the loss was primarily attributed to a shortfall in revenue amidst subdued travel demand due to lockdowns and travel restrictions, with international borders remaining closed. Excluding a fuel swap loss of RM30 million, AAGB would have reported a negative EBITDA of RM187 million.

Airasia digital continued to gain traction as each entity expanded operationally. The airasia super app posted strong revenue growth of 45% YoY to RM10 million while BigPay narrowed its EBITDA loss by 38% YoY. Teleport's revenue tripled QoQ due to a higher number of charter flights especially to China, India and Thailand.

Net Loss After Tax was RM976 million for the quarter, which was 2.4% wider than in 1Q2020. The weaker YoY performance was due to a shortfall in revenue and several costs, including a loss of forex and fair value on derivatives of RM157 million as well as a fuel swap loss of RM30 million. Excluding these items as well as a gain on disposal of RM40 million, AAGB would have reported a net loss after tax of RM829 million. A significant RM527 million 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

Key operational metrics progressed positively in March 2021 on a month-on-month (MoM) basis in comparison to February 2021, with an 84% increase in passengers carried by AirAsia Malaysia, 57%

[1]Consolidated Group refers to Malaysia, Indonesia and Philippine airline units and digital subsidiaries. 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.

increase in passengers carried for AirAsia Philippines, 29% increase in passengers carried by AirAsia Indonesia, while AirAsia Thailand more than doubled its number of passengers carried. Revenue per ASK ("RASK") for the Consolidated Group was marginally lower by 2% to 15.03 sen in 1Q2021, while load factor was solid at 67% in 1Q2021 supported by active capacity management.

Cost Performance

Overall, the Group successfully reduced fixed costs by 54% YoY in 1Q2021. Fixed maintenance costs showed the deepest cut of 73% in 1Q2021 due to asset optimisation. Staff costs declined by 62% in 1Q2021, contributed by headcount rationalisation, salary cuts across the board and natural attrition. User charge expenses were reduced by 82% in line with lower traffic, aided by the adoption of contactless procedures and digital check-in processes, resulting in lower ground-handling costs.

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

"In 1Q21, the Group posted a healthy load factor of 67%, contributed by active capacity management to match demand. This is led by AirAsia Malaysia and AirAsia Philippines with 73% and 74% load factor respectively during the quarter. All of our AOCs experienced reduced operations in the early start of the year due to rising infection cases in our operating markets. However, as vaccine rollout accelerated within the Asean region, we have seen improvements in the number of passengers carried in March MoM, led by AirAsia Thailand with a 169% increase.

"AirAsia Indonesia is demonstrating strong signs of recovery as the entity operated close to 70% of pre-Covid domestic capacity in 1Q2021. The drop in January 2021 MoM was due to the low travel season combined with the government's tighter restrictions on travel. AirAsia Thailand successfully resumed domestic routes by the end of March due to positive pick-up in demand, however, the entity is now being impacted by a third Covid-19 wave that began in early April 2021.

"As for AirAsia Malaysia, recovery remains subdued due to the lockdown measures imposed in Malaysia since early January 2021. We expect domestic operations in Malaysia and Philippines will be below 25% of pre-Covid levels, until at least September 2021, while more of the population are receiving their vaccinations.

"Cost containment has been one of our most significant measures to ensure sufficient liquidity in this challenging period. In 1Q2021, we have managed to keep fixed costs low with a reduction of 54% YoY. Our fixed costs have positively been on a QoQ downtrend since Covid hit in late 1Q2020. Airline staff costs were also down 62% YoY and another 16% QoQ due to headcount rationalisation & attrition. We have restructured our fuel hedges with supportive counterparties, and thus, expect to see no fuel hedging losses from 2Q2021 onwards. This is on top of steady support from lessors and banks for deferrals, as seen in the 80% YoY reduction in repayment of borrowings and lease liabilities for 1Q2021.

"Nonetheless, we remain confident of our ability to recover quickly and strongly due to pent-up demand. We have observed strong indications, whenever there's a relaxation in domestic travel restrictions, there is also a significant spike in spontaneous travel, resulting in an increase in forward bookings. We remain committed to further developing a solid foundation for sustainable future growth as we look ahead to our path to recovery.

"Furthermore, Asia Digital Engineering Sdn Bhd (ADE), is on track to become a leading aircraft maintenance, repair and overhaul (MRO) in the region, recently receiving the approval from the Civil Aviation Authority of Malaysia (CAAM) to perform base maintenance as well as line maintenance. With exceptional service quality and a lower cost base than many competitors, we foresee this will become a significant profit centre in the future."

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

"We are pleased with the robust operational growth by the airasia digital platforms during the quarter. airasia super app is gaining traction as it recorded a 45% YoY increase in revenue with the continuous ramp-up of its products and services. In 1Q2021, we extended the popular Unlimited free delivery to all Unlimited pass holders and launched Asean Unlimited, offering unlimited domestic flights and unlimited delivery to leverage on our strength in connectivity across different geographical locations. We have also successfully launched airasia food in Singapore and are seeing encouraging demand in the market.

"Our Asean expansion plans remain in focus, as we rolled out airasia food in Penang in April. At the same time, we have also launched airasia beauty in Malaysia and Indonesia, acknowledging the surging demand for beauty and skincare products. airasia beauty is centered around providing authentic beauty products with a personalised shopping experience led by our in-house beauty ambassadors. It is expected to further strengthen our e-commerce offerings as a new revenue stream. We are also proud to share that airasia farm has been appointed as an official distributor of the original Harumanis mangoes from Perlis. The signature Perlis mangoes are now available for order exclusively on our airasia e-commerce platforms, airasia food and airasia fresh to be delivered right to your doorstep.

"Teleport delivered a positive EBITDA of RM3 million in 1Q2021, despite being impacted by the decline in cargo capacity due to closed borders. QoQ, Teleport revenue tripled, boosted by higher number of charter flights especially to China, India and Thailand. During the quarter, Teleport obtained its Forwarding Agent license which will facilitate 24-hours delivery, and announced its partnership with McDonald's Philippines as its delivery service provider for Metro Manila.

"Most recently in May, Teleport obtained the Postal and Courier License from the Malaysian Communications and Multimedia Commission (MCMC), allowing Teleport to provide international and domestic courier services in Malaysia. Teleport is also actively working on establishing a cargo-only core network to increase independence from passenger networks during these challenging times and is in the midst of leasing a freighter aircraft and converting two A320 passenger planes to cargo-only freighter planes in order to meet growing demand. The conversion, involving seat removal of the A320 aircraft, is completed for its plane in Malaysia and its airworthiness inspection is satisfactory by CAAM. It is currently awaiting CAAM operational approval which is targeted to be mid-June. As for Teleport's A320 plane in Thailand, it is pending approval from CAAT to start conversion.

"BigPay narrowed its EBITDA loss by 38% YoY in 1Q2021, as margins improved due to 33% lower operating expenses. Revenue was 5% higher QoQ contributed by higher payment and remittance. During the quarter, BigPay launched a cash top-up facility via over 2,400 7-Eleven stores across Malaysia. In April, BigPay announced its first insurance product, an all-in-one lifestyle insurance providing coverage with premiums from as low as RM30 yearly. BigPay is exploring low rate lending products and has interest in submitting for a digital bank license in Malaysia.

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

"Last year we laid the right foundations for a more robust and resilient future. We are seeing our hard work in 2020 starting to pay off with a leaner and more optimised airline operation and a significantly lower cost base and cash burn QoQ. This was despite starting 2021 with international borders remaining closed and further domestic travel restrictions put into place as many countries experienced a third wave of the pandemic.

"I am thrilled with the accelerated growth of our non airline digital businesses, the majority of which are already profitable. We are on track to achieve our goal of becoming the Asean super app of choice. We are now one of the top OTAs in the region, our e-commerce and logistics venture Teleport is going from strength to strength and our other non airline businesses are expanding in line with strong demand.

"Sufficient liquidity is the key priority to support a strong return for AirAsia. We raised RM336 million via private placement in 1Q2021. We have obtained approval letters from certain banks for financing under the Danajamin scheme. We are also in various stages of discussions with other financial institutions to secure the remaining estimated balance. Our aim is to raise RM1 billion under the Danajamin scheme in Malaysia, as well as to raise new capital in Indonesia and the Philippines. As for lease restructuring, we are in ongoing negotiations with our lessors and discussions so far have been encouraging.

"To further increase liquidity, we have completed a sale and leaseback of one engine and a sale of one engine in 1Q2021, which is in addition to the seven engines sold and leased back in 3Q2020. Carlyle Aviation is in the midst of acquiring Fly Leasing shares, with expected cash proceeds of USD57 million for the Group. Other corporate exercises in progress include our proposed acquisition of a 20% stake in BigLife and a Long-Term Incentive Scheme (LTIS) for our Allstars, comprising an employee share option scheme and a share grant scheme. Both exercises have been approved by Bursa Malaysia last week and now require shareholders' approval at an Extraordinary General Meeting (EGM).

"I have received my first dose of the vaccination recently and so have many of our Allstars. The vaccine is the best way to curb the spread of the virus and ensure our return to normalcy as fast as possible. This is proven in countries like the United Kingdom and the United States which have been quick and efficient in vaccinating their population to reach herd immunity. In most of our operating markets, inoculations are in progress and the majority will have had at least 50% of their population receiving at least one dose by the end of 2021. This is expected to deliver a huge boost for air travel demand for our key Asean markets, on top of strong pent-up demand. We are also keenly exploring opportunities to gain market share, particularly in Indonesia and the Philippines. Once borders are lifted, our robust business model provides confidence for a fast and strong recovery in our overall performance given our low-cost model and dominant positioning in Asean.

"With vaccinations, better testing capabilities, the potential of a global digital health passports, further formation of travel bubbles in Asean, end-to-end contactless procedures and many digital products already in place for AirAsia, we remain optimistic of a recovery within the next two years. Also, based on our funding efforts and recent development of vaccination against the COVID-19 pandemic and the implementation of national vaccination programmes, our external auditor has acknowledged and provided a positive note in their FY2020 audit report."

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For further information please contact:

<u>Investor Relations</u>:
Azita Nazrene
Email : **azitanazrene@airasia.com**

<u>Communications</u>:
Nik Adina Taty Nik Zainin
Email: **adinataty@airasia.com**

For further information on AirAsia, please visit the Company's website: www.airasia.com