PRESS RELEASE

AIRASIA GROUP BERHAD THIRD QUARTER 2019 FINANCIAL RESULTS

GROUP REVENUE UP 18% TO RM3.1 BILLION
PASSENGERS CARRIED GROWTH OF 20%
ANCILLARY REVENUE UP 26%
ALL ASEAN AOCS REPORTED POSITIVE EBITDA
POSITIVE OPERATING CASH FLOW
GOING INTO WAR WITH OTAs

SEPANG, 27 November 2019 – AirAsia Group Berhad ("AirAsia" or the "Company") today reported its results for the quarter ended 30 September 2019 ("3Q2019").

Unaudited Consolidated Results of AirAsia Group Berhad

The Consolidated Group[1] posted 3Q2019 revenue of RM3.1 billion, up 18% from RM2.6 billion in 3Q2018 despite a reduction in lease income. The double-digit growth in revenue was driven by a 20% year-on-year (YoY) increase in passengers carried to 13 million. Ancillary revenue also grew by 26% YoY to RM686 million, with traditional airline ancillary revenue up 16% while non-airline ancillary revenue up 72%.

EBITDA for the Consolidated Group was up 119% to RM691 million. Non-airline EBITDA was down 33% YoY to RM29 million as BigPay and AirAsia.com saw larger EBITDA losses as BigPay expands user base and AirAsia.com ramps up operations. Nonetheless, Teleport reported EBITDA of RM62 million in 3Q2019, up 15% YoY. All Asean airline entities of the company reported a positive EBITDA.

Net operating profit was RM2 million, down from RM69 million. The weaker YoY performance was due to the accounting impact from the restructured aircraft ownership, from owning to leasing aircraft, even though similar cash outflow in either financing method. MFRS137 drove maintenance and overhaul cost up 118% YoY while MFRS16 adoption resulted in depreciation of right of use asset & finance costs (lease liabilities).

Net loss for the period was RM67 million, compared to a net profit of RM804 million in the previous corresponding quarter. This was mainly due to a RM238 million fair value loss on derivatives and a RM112 million foreign exchange loss. In 3Q last year, the company also reported a RM171 million gain on disposal of an associate.

Positive operating cash flow (post operating lease) was generated in the first nine months of the year, amounting to RM856 million.

Operating & Market Share Performance

Revenue per Available Seat Kilometre ("RASK") for the Consolidated Group grew by 1% to 15.02 sen in 3Q2019, as demand remains strong with 84% load factor, despite a substantial 16% increase in Available Seat Kilometres ("ASK"). AirAsia continues to expand its market share across all operating

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[1] *Consolidated Group refers to Malaysia, Indonesia and Philippine units. Wholly-owned subsidiary AirAsia Berhad, along with 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.*

markets, notably the Malaysian domestic market share which was up by 3 percentage points ("ppts") YoY to 60%.

Cost Performance

For the Consolidated Group, Cost per Available Seat Kilometre ("CASK") including fuel increased to 15.29 sen in 3Q2019, 11% higher than 13.77 sen in 3Q2018. This was mainly brought about by increases in maintenance and overhaul, user charges and other operating expenses.

On the airline performance results and outlook for 3Q2019, AirAsia Group Berhad President (Airlines) Bo Lingam said:

"Our focus remains on growing connectivity across our operating markets. We firmly increased seat capacity by 17% and ASK by 16% supported by encouraging demand for air travel. Our efforts to gain market dominance continuously bear fruit, as our domestic market share in Indonesia and the Philippines each increased by 1 percentage point ("ppt") to 3% and 19% respectively. The biggest gain in market share among our AOCs was seen in Malaysian domestic market, which was up by 3 ppts to 60% this quarter. This was in spite of intense competition in the domestic market, as we saw irrational fare dumping as well as baggage unbundling by competitors. We nonetheless expect to see a reversal of this behaviour in 4Q2019, with our average fares seen higher YoY in the upcoming quarter."

"We are pleased to share that AirAsia Indonesia reported the second consecutive profitable quarter this year, while AirAsia Philippines delivered strong operational performance by narrowing losses in a seasonally weak quarter. With the higher capacity on the back of larger fleet size of 27 aircraft compared to 16 in 3Q2018, AirAsia Indonesia's 3Q2019 ASK increased by 58% YoY, total passengers carried was up 66% and load factor strengthened by 3 ppts to 85%. AirAsia Indonesia launched new routes from latest hub Lombok servicing both domestic and international routes. For AirAsia Philippines, demand is robust, as passengers carried grew by 33% YoY, while load factor increased by 9ppts to 86%. Though ASK growth was high at 27%, revenue did not falter, reporting a 40% growth YoY, on the back of an 11% increase in RASK. AirAsia Philippines clearly benefited from the aggressive capacity expansion and aided by the re-opening of Boracay Island."

"On the airline outlook, management continues to focus on market dominance while maintaining our target load factor of 85%. In November, we received our first Airbus A321neo. In addition to being more fuel efficient, the new aircraft has 236 seats, 50 more seats than our Airbus A320neo, allowing us to fly more passengers per stage. These would be key to growth opportunities in populous routes and slot-constrained markets. The new aircraft also has an additional 1 hour range, enabling us to grow into exciting new markets."

"We actively monitor and manage our exposure to fuel price volatility. We have hedged 65% of FY2019 requirements at USD62.77 per barrel and 73% of FY2020 requirements at USD60.22 per barrel."

"Lastly, we are also determined to bring all ASEAN AOCs into profitability this year, with particular focus on reshaping AirAsia Thailand, by realigning routes and enhancing efficiency while additionally exploring new routes to India as well as Cambodia, Laos, Myanmar and Vietnam ("CLMV") markets. Across AirAsia, we are committed to work on driving down costs through adoption of digital technology and streamlining processes, which we believe will help us to reduce costs in the long run."

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

"We are positive over our platform businesses' momentum this year. Teleport stepped up its game plan of disrupting the logistics industry by launching Teleport.Social in September 2019. The launch marks a key strategy of building Teleport beyond a traditional business-to-business ("B2B") air cargo business, to making its mark as a social commerce player, facilitating consumer-to-consumer ("C2C") trades via social media. While the global industry receded 5% in the third quarter, Teleport's tonnage was up by 7% YoY, driven by its firm growth strategies. In 3Q2019, Teleport reported revenue of RM121 million, up 48% YoY on a like-for-like basis, remaining on track to reach its FY2019 target of RM400 million."

"BigPay, our financial service provider also passed a milestone by launching its fully digital international remittance service, enabling customers to transfer money from their BigPay accounts directly to bank accounts in Singapore, Thailand, the Philippines and Indonesia. BigPay progresses in gaining traction with user base expanding by 28% quarter-on-quarter ("QoQ") while GTV grew 27% QoQ, making BigPay the largest digital e-money issuer in Malaysia by transactional volume. New products and corridors expansion are in the growth pipeline, with the next target being the launching of closed beta in Singapore."

On the group's transformation into a travel and financial platform company and airasia.com performance, AirAsia Group Berhad Chief Executive Officer and airasia.com CEO Tony Fernandes said:

"We are repositioning our business to adapt to the new accounting treatment along with restructured aircraft ownership, from owning to leasing, and evolving competitive landscape. We have set the right pillars towards becoming a travel and financial platform company and to build airasia.com into a lifestyle brand. With this, we undertake a reset and return to our roots of stringent cost control and dealing directly with our customers while we continue to invest heavily into digitalisation. In the quarter, we spent an additional RM50 million on digital staff, digital software, licenses and hardware, platform and systems maintenance and enhancements, cloud hosting and cybersecurity."

"Motivated by our aim to boost guests' experiences, we made numerous enhancements on AirAsia.com in 3Q2019, such as enabling guests to prebook two meals on their flights, adding hotel widgets, activities search widgets and product badges on the homepage for guests to quickly see offers and promotions, and the launching of public and flight chat rooms. These improvements are essential to transform airasia.com into Asia Pacific's leading travel and lifestyle platform."

"Following our success in taking on the online travel agents (OTAs) in Indonesia, we are ready to go into war with regional OTAs. In November, we took a step forward in the vision for airasia.com to become the region's one-stop travel shop by expanding our online offering to include flights on other airlines. When we started AirAsia as a low-cost airline back in 2001, I never thought one day we would be selling our competitors. But if there's one thing I've learned, it's never say never. In partnership with travel technology company Kiwi.com, destinations such as London, Dubai, Madrid and Auckland are now available to the more than 50 million unique monthly users who choose to book flights, hotels, activities and more on the website."

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