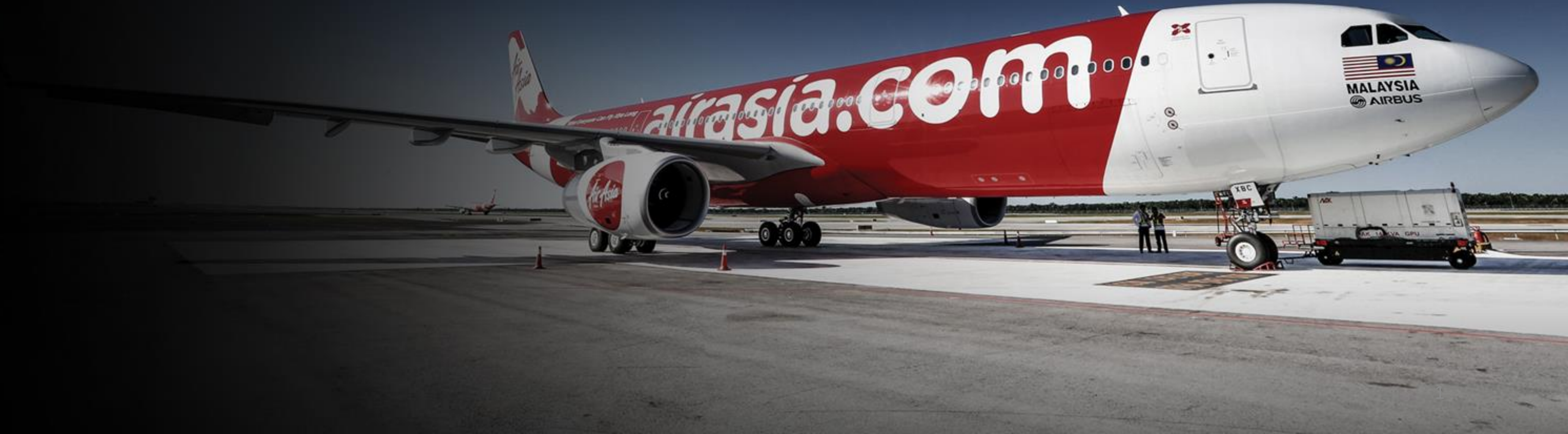
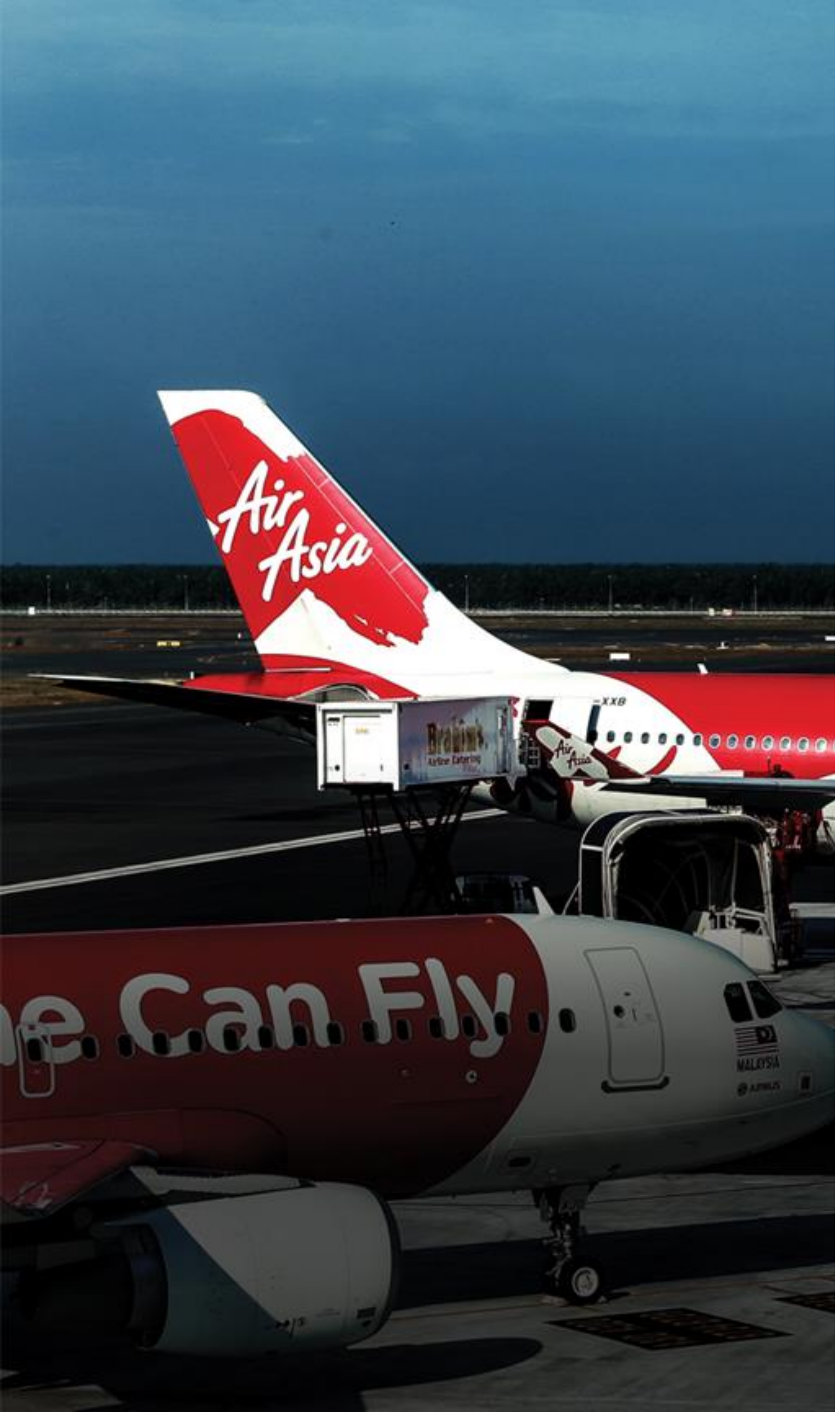
AIRASIA X

14TH ANNUAL GENERAL MEETING

CEO PRESENTATION

15 SEPTEMBER 2020





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2019 Financial Performance at a Glance

(RM million)

	Revenue	EBITDA/(LBITDA)	Net Operating (Loss)	(Loss) After Tax
FY19	4,233	625	(348)	(650)
FY18	*4,571*	*(77)*	*(219)*	*(301)*

- Revenue dropped by 7% YoY to RM4.2 billion due to:
  - Lower passengers carried, down 2% YoY to 6,071,019 passengers mainly due to 3% YoY ASK capacity cut, as well as the global economic slowdown which dampened demand for travel throughout the year

- On the back MFRS16 which saw the reclassification of operating lease expense:
  - EBITDA charted RM625.0 million as compared to LBITDA of RM76.7 million in 2018
  - Net Operating Loss increased to RM347.8 million as compared to Net Operating Loss of RM218.8 million in 2018
  - Ex-effects of MFRS16, the Company's normalised Net Operating Loss would be narrower at RM257.4 million

2019 Operational Performance at a Glance

ASK Capacity (million)	
FY19	34,880
FY18	*36,047*

ASK Capacity down marginally by 3% YoY as routes with shorter stage lengths were launched in replacement of routes with longer stage lengths

Average Base Fare (RM)	
FY19	477
FY18	*477*

Average base fare unchanged and competitive at RM477 per passenger in 2019, despite overall slowdown in international travel demand

Passengers Carried	
FY19	6,071,019
FY18	*6,167,465*

Down slightly by 2% due to lower demand from January – September 2019, while 4Q19 saw recovery in demands during the year-end travel peak period

Load Factor (%)	
FY19	81
FY18	*81*

Maintained and unchanged at healthy level of 81% for the year

Associate Performance in 2019

AirAsia X Thailand

	FY19	FY18	%
Passengers Carried	2,599,647	2,009,813	29
ASK Capacity (million)	14,478	10,296	41
Load Factor (%)	81	89	(8ppts)
Net Profit/(Loss) (USD mil)	(46.4)	15.9	(>100)

- Revenue grew 12% YoY to USD436.3 million as ASK capacity grew 41% YoY and passengers carried up 29% YoY
- Capacity growth seen in Thailand due to the addition of 4 aircraft in 2019, bringing the passenger load factor to 81% in 2019
- Observed overcapacity in Japanese market from both low-cost and full-service fronts, as well as global economy slowdown
- Strengthening of Baht against the United States Dollar brings impact to demand as well due to higher costs of travelling to Thailand

2Q20 Financial & Operational: Brief Overview

(RM million)

	Revenue	(LBITDA)/EBITDA	Net Operating (Loss)	(Loss) After Tax
2Q20	91.4	(129.2)	(377.0)	(305.2)
2Q19	*1,013.5*	*120.8*	*(186.2)*	*(207.1)*

- Revenue dropped by 91% YoY to RM91.4 million due to:
  - Hibernation of the Company's scheduled operations; Scheduled Flights and Ancillary revenue decreased by nearly 100% YoY respectively
  - AirAsia X Malaysia maintained nominal operations during the quarter to facilitate essential cargo and charter flights
  - Freight services and Charter revenue amounted to 28% of total revenue for the quarter, against 7% in 2Q19

- On the back of lower revenue and fixed costs that continued to be incurred:
  - LBITDA stood at RM129.2 million against EBITDA of RM120.8 million last year
  - Net Operating Loss increased by more than 100% to RM377.0 million, while Loss After Tax increased by 47% to RM305.2 million

ASK Capacity	Passengers Carried	Load Factor
31 million	2,291	38%

- AirAsia X Malaysia maintained only minimal non-scheduled operations during the quarter to facilitate essential cargo and charter flights
  - A total of 2,291 passengers were carried on 16 scheduled flights primarily ferrying cargo operated in April 2020

Unprecedented– COVID-19 Impacts the Industry

Air Travel Industry Expected to Flourish

- AirAsia X invested in a robust expansion strategy to capture growing traffic

Achieved Market Leadership

- Focused on 5 core countries amidst irrational price war, maintaining ~50% of the market share.

COVID-19 Strikes

Temporary Hibernation since March 2020

- At the onset of the Movement Control Order, all fleet are effectively grounded

Lasting Impact on the Air Travel Industry

- The prolonged COVID-19 pandemic will impact the industry on a never-before-seen scale

2024: Potential Recovery for Air Travel Industry

Passenger Forecasts Revised Downwards due to:

- Uneven recovery (especially in international segments)
- Subdued travel sentiment
- Global recession persisting

Potential Upside for Travel Demand:

- Emergence of travel corridors and travel bubbles in several regions
- Seamless and contactless technology
- Onboard safety and health policies

AirAsia X in Bracing through COVID-19

Operational Hibernation

- Temporary hibernation implemented as international borders closed
- AirAsia X grounded all aircraft in March 2020 maintaining only essential connectivity for medical supplies, cargo and repatriation of travellers

Cost Containment

- Reinforcement of existing cost-cutting measures, allowing only essential expenses
- Consolidation of manpower as hibernation persists
- Total operating costs reduced by 76% year-on-year in 2Q20

Cash Preservation

- Cost containment ensures minimised cash outflow during the hibernation period
- Seek lease rental holiday and restructuring of payment terms

Pivoting on Freight

- Channeled freight and cargo services as alternative source of revenue
- Nominal number of aircraft activated to meet the spike in demand for cargo services

Priorities for 2020 and Beyond

Preserving Cash & Saving Costs

Active Engagement with Business Partners & Vendors

- Rescheduling and restructuring of payment terms
- Renegotiation of airport charges as well as other contract terms

Focused Negotiations with Aircraft Lessors

- Exploring lease rental holiday and power-by-the-hour arrangement until travel demand normalises
- Renegotiation of lease rates and lease maintenance reserves
- Seeking early return of aircraft; 1 returned in July

Aircraft Sale

- Exploring potential outright sale of 2 A330 aircraft to discharge mortgage and reduce fleet capacity

Priorities for 2020 and Beyond

Essential Operations during Hibernation

Maintaining Crucial Connectivity

- Maintained essential connectivity at the onset of COVID-19 to transport essential supplies and repatriate travellers
- Pivoted on the spike in demand for freight and cargo services

Network Realignment

Further Rationalisation of Routes

- Cancelled non-profitable routes, e.g., Ahmedabad, Gold Coast, Okinawa, Tokyo-Narita
- To focus on building yield instead of market share moving forward
- Engaged key stakeholders and partners to prepare for when scheduled operations could be resumed

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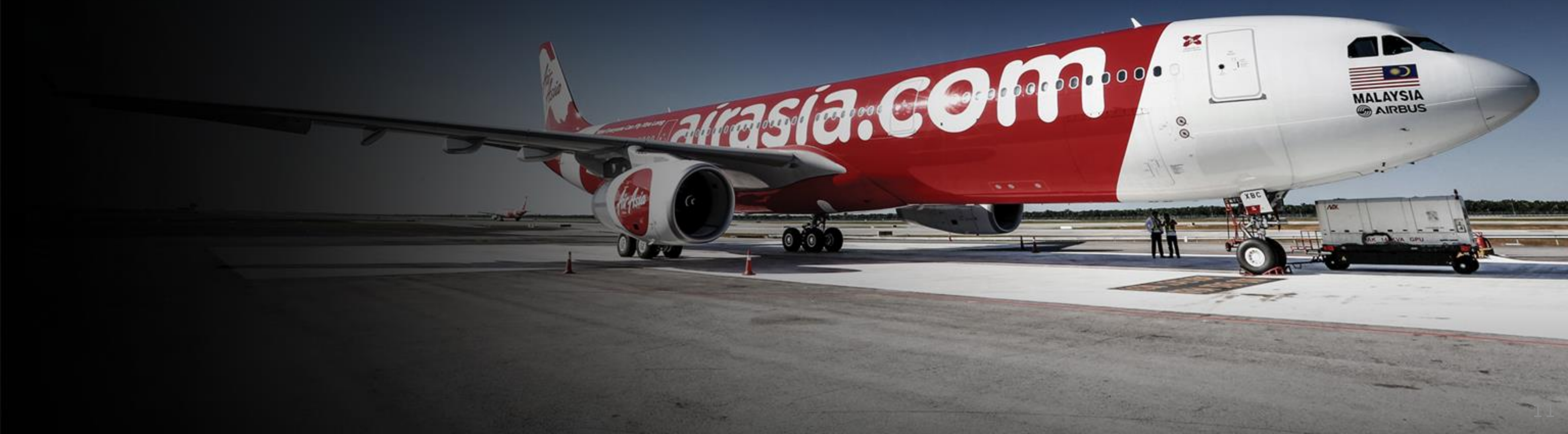

RESPONSES TO QUESTIONS FROM

MINORITY SHAREHOLDERS WATCHDOG GROUP

(MSWG)

Responses to MSWG

Strategic and Financial Matters

Q1

Revenue-wise, in addition to relying on fares, the Group has seen a marked increase in ancillary uptake over the last few years. And the trend continued in 2019, aided by its ongoing process of digitalisation. (Page 26 of Annual Report – AR).

How has digitalisation specifically aided the increase in ancillary revenue? Is the increase sustainable going forward if the situation normalizes post COVID-19? Which major components of ancillary revenue registered significant increases?

Answer

The Company benefits from the digitalisation initiatives that are being implemented across the wider AirAsia Group, and with the help of data, targeted and personalised offerings of ancillary to boost takeup have seen encouraging results in 2019. In 2019, the baggage and seat segments of the Company's ancillary offerings observed the highest growth.

Responses to MSWG

Strategic and Financial Matters

Q2

Cost management was one of its key achievements for the year, further entrenching AirAsia X's position as the lowest unit cost airline in the world. Among various initiatives undertaken, the Group renegotiated its lease arrangements, and optimised its flight operations with fuel-saving mechanisms. (Page 26 of AR).

a) How and to what extent has the Group renegotiated its lease arrangements? What was the estimated cost savings?

b) Please explain the fuel-saving mechanisms, amount of savings and the percentage of hedging deployed?

Answer

a) The Company undertook the renegotiation of its lease arrangements with lessors to reduce lease rental costs and to optimise maintenance payments by avoiding double payments to lessor and maintenance providers. As to date the Company remains in discussion with the relevant stakeholders.

Responses to MSWG

Strategic and Financial Matters

Q2
(Cont'd)

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Answer
(Cont'd)

b) Fuel efficiency is crucial for the Company to maintain a competitive cost structure as well as to reduce carbon emissions. The primary fuel-saving mechanisms include (i) Single engine taxi, where one engine is turned off during taxi to reduce fuel burn, (ii) IDLE reverse landing which optimises the usage of thrust reverser and (ii) usage of electronic flight bag (EFB) which reduces up to 55kg of aircraft manuals onboard. In 2019, the Company managed to save up to 2,000 tonnes of fuel, and had 77% of its fuel requirements hedged.

Responses to MSWG

Strategic and Financial Matters

Q3

In managing its costs during these troubled times, AirAsia X is focused on renegotiation with various business partners and seeks the early return of its aircraft, as well as potential outright sale of two A330-300 aircraft. As it navigates through the headwinds, AirAsia X Malaysia will defer all delivery of new aircraft. (Page 27 of AR)

a) What is the basis/rationale for the early return of its aircraft? How many aircraft are being returned?

b) Has the outright sale of two A330-300 aircraft been executed and if not, when is the targeted sale?

c) How many new aircraft will have its delivery deferred?

Answer

a) As the Company seeks to rationalise its operations and network after the outbreak of COVID-19 and the subsequent downturn in the international air travel market, the Company's fleet as such is targeted to be reduced in tandem with its operations. 1 aircraft had been returned successfully in July 2020 and the Company continues to seek for early return of its remaining aircraft to focus on a fleet of 16 aircraft.

b) The Company is in the process of seeking appropriate buyers for the outright sale of its 2 A330 aircraft. The current market environment is challenging as a majority of A330 aircraft world-wide has been grounded.

c) The Company has deferred all new aircraft delivery at the moment due to excess capacity and impact on demand from COVID-19.

Responses to MSWG

Strategic and Financial Matters

Q4

The Group's net gearing increased from 0.68x at end 2018 to 42.83x at end 2019, mainly due to the treatment of operating leases under MFRS16. (Page 30 of AR). Given its economic and currency exposures, the Group is committed to initiatives such as hedging and paring down of its gearing to a more comfortable level in order to maintain a sound financial position. (Page 31 of AR).

a) What would have been the net gearing if the impact of MFRS16 had been omitted?

b) What is the Group's targeted gearing level? How does the Group plan to achieve this level?

Answer

a) At a normalised level, the net gearing of the Company would have stood at 0.42x.

b) The impact of MFRS16 on the calculation of gearing makes it challenging to have a target gearing level as operating leases are classified as borrowings.

Responses to MSWG

Strategic and Financial Matters

Q5

The Company channeled its cargo services to serve as an alternative source of income during the time when scheduled flights services were suspended. The Company has ramped up cargo capacity to meet demand coming primarily from China, India, Japan and South Korea. In addition, the Company is also serving cargo demand from destinations not served on a scheduled flights basis. (Page 32 of AR).

a) To what extent has cargo capacity been ramped up? What was the increase in revenue and profit registered by the segment?

b) Post COVID-19, when the situation normalizes, would this segment see good growth and contribute substantially to the Group profit?

Answer

a) The Company commenced its temporary hibernation mode since March 2020 and maintained only nominal connectivity primarily to facilitate freight and cargo services, and to repatriate travellers. As at 2Q20, freight and cargo revenue took up 19% of the Company's revenue (as compared to 4% in 2Q19), with scheduled flights covering 3%, charter flights 8%, and aircraft operating lease income covering 67% of revenue in the same period.

b) The Company consistently seeks to maximise its income. As and when the situation normalises and recovers from the impact of COVID-19, the Company will be prudent in monitoring the demand for cargo and continue to tap into the available opportunities.

Responses to MSWG

Strategic and Financial Matters

Q6

Outstanding allowance for impairment of other receivables increased significantly from RM165.157 million end FY2018 to RM236.666 million end FY2019 (Page 146 of AR). Other receivables include lease receivables, refunds of value-added tax receivable from the authorities in various countries in which the Group and the Company operates. (Page 148 of AR).

a) What was the reason for the increase? Which are the items that contributed to the bulk of the impairment?

b) What is the probability of recovering the impaired amount? How much of the impaired amount has been recovered to-date?

Answer

a) The increase had come on the back of aircraft rental billed to the Company's joint venture in Indonesia, AirAsia X Indonesia. The Company has in place sublease agreements with AirAsia X Indonesia and has been billing AirAsia X Indonesia on a monthly basis. In 2019, as AirAsia X Indonesia suspended its operations since early 2019, the Company has had to make full provision for all rental billed to AirAsia X Indonesia.

b) To date, none of the impairment has been recovered.

Responses to MSWG

Strategic and Financial Matters

Q7

Given the continued uncertainty around the duration and extent of the travel restrictions, and the length of time that will be required for the airline industry to recover to pre-COVID-19 levels, the Group and the Company have initiated several measures to weather through the current challenging times:

(i) Capacity

The Group and the Company also intend to operate a leaner fleet size to reduce the fixed operating cost base.

(ii) Route rationalization; (iii) Working Capital Management; (iv) Funding (Page 191 of AR)

a) What is the optimal fleet size that the Company is looking at?
b) What are the possible unprofitable routes expected to be terminated?
c) What is the status of negotiations with lessors and maintenance service providers and financial institutions in seeking for payment deferrals and concessions?
d) Apart from salary deductions, are there any lay-off of employees? If so, how many employees have been laid-off?
e) In terms of funding, what is the latest status of application for a government guaranteed loan of up to RM500 million under the Danajamin PRIHATIN Guarantee Scheme ("DPGS")? Are any other sources of funding being explored?

Answer

a) The Company is looking to reduce its fleet size to 16 aircraft.

b) The Company had announced the temporary suspension of Ahmedabad, Okinawa, Gold Coast and Tokyo-Narita for 2H20. The Company will continue to evaluate its remaining routes.

c) All payment terms are in the process of being renegotiated/restructured, and discussions remain ongoing.

d) The Company had implemented manpower consolidation as its operations were in hibernation mode since March 2020, with up to 260 personnel affected during the exercise.

e) The Company remains in discussion with the relevant stakeholders for the DPGS loan and is also in the midst of formulating a restructuring plan which will be announced in due course.

Q8

In the Group's 2nd quarter results ended 30 June 2020, revenue from scheduled flights registered the biggest drop from RM635.817 million in 2nd quarter ended 30 June 2019 to RM3.008 million in 2nd quarter ended 30 June 2020. However, the decline in aircraft operating lease income was not as severe relatively (from RM106.900 million to RM62.010 million. (Page 15)

Going forward, particularly post COVID-19, would the aircraft operating lease income be sustained at a reasonably high level? Will it register significant improvement or growth?

Answer

The aircraft operating lease income came from aircraft sub-lease arrangements between the Company and its joint venture in Indonesia (AirAsia X Indonesia). The decrease in aircraft operating lease income in the Company's 2Q20 results as compared to 2Q19 was due to the reclassification of the aircraft sub-lease arrangements with AirAsia X Thailand to Finance Lease Receivables under MFRS16, and no longer recognised as aircraft operating lease income.

Responses to MSWG

Strategic and Financial Matters

Q9

In the Group's 2nd quarter results ended 30 June 2020, under commentary on prospects, it is stated that in the current circumstances, the Company continues to face severe liquidity constraints. In the short term the Company will need to seek agreement with major creditors to restructure outstanding liabilities, which have accrued during the period since the start of the Covid-19 pandemic, in order to continue as a going concern. (Page 25)

a) When and what is the significant amount of borrowings due for repayment?

b) What is the estimated timeline the Group is looking at to solve its liquidity constraints in order to continue as a going concern?

c) Was there any reassessment of right-of-use ("ROU") assets and any other affected areas for impairment? What is the amount impaired and if no reassessment done, why?

Answer

a) The Company's outstanding liabilities are predominantly aircraft leases, engine maintenance, as well as ECA Loan.

b) The Company remains in discussion with the relevant stakeholders for the DPGS loan and is also in the midst of formulating a restructuring plan which will be announced in due course.

c) As per note 41 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.

Responses to MSWG

Corporate Governance Matters

Q1

For FY2019, Tan Sri Asmat bin Kamaludin, the Independent Non-Executive Director attended 4 out of 6 Board meetings. (Page 63 of AR)

Please explain why Tan Sri Asmat was absent from two of the Board meetings as he is expected to have the time commitment to carry out his duties as a director.

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, Tan Sri Asmat was unable to attend the two Board meetings as he had last minute assignments that were unforeseen during the financial year.

Responses to MSWG

Corporate Governance Matters

Q2

For FY2019, Datuk Kamarudin bin Meranun, the Non-Independent Non-Executive Director did not attend any of the 4 meetings of the Safety Review Board Committee of which he is a Member. (Page 63 of AR)

Please explain why Datuk Kamarudin did not attend even a single meeting as he is expected to have the time commitment to carry out his duties as a director.

Answer

The Company recognises the importance of Committee members' attendance as an essential element in assisting the Board in its decision-making by deploying resources and expertise, and providing appropriate reporting and recommendations to the Board. However, Datuk Kamarudin was unable to attend the Safety Review Board meetings as he had to attend sudden unavoidable urgent business meetings overseas/last minute assignments that were unforeseen during the financial year.

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