Performance Review

Chairman & Group CEO's Statement

RESILIENT PERFORMANCE

Dear stakeholders

Two words characterise our sentiments during the year 2022: relief and gratification.

As we celebrated Capital A's 21st anniversary, we were immensely relieved to see light at the end of the tunnel for our airline business – the reopening of international borders and rapid travel recovery bringing fresh hope that we can put the pandemic behind us once and for all.

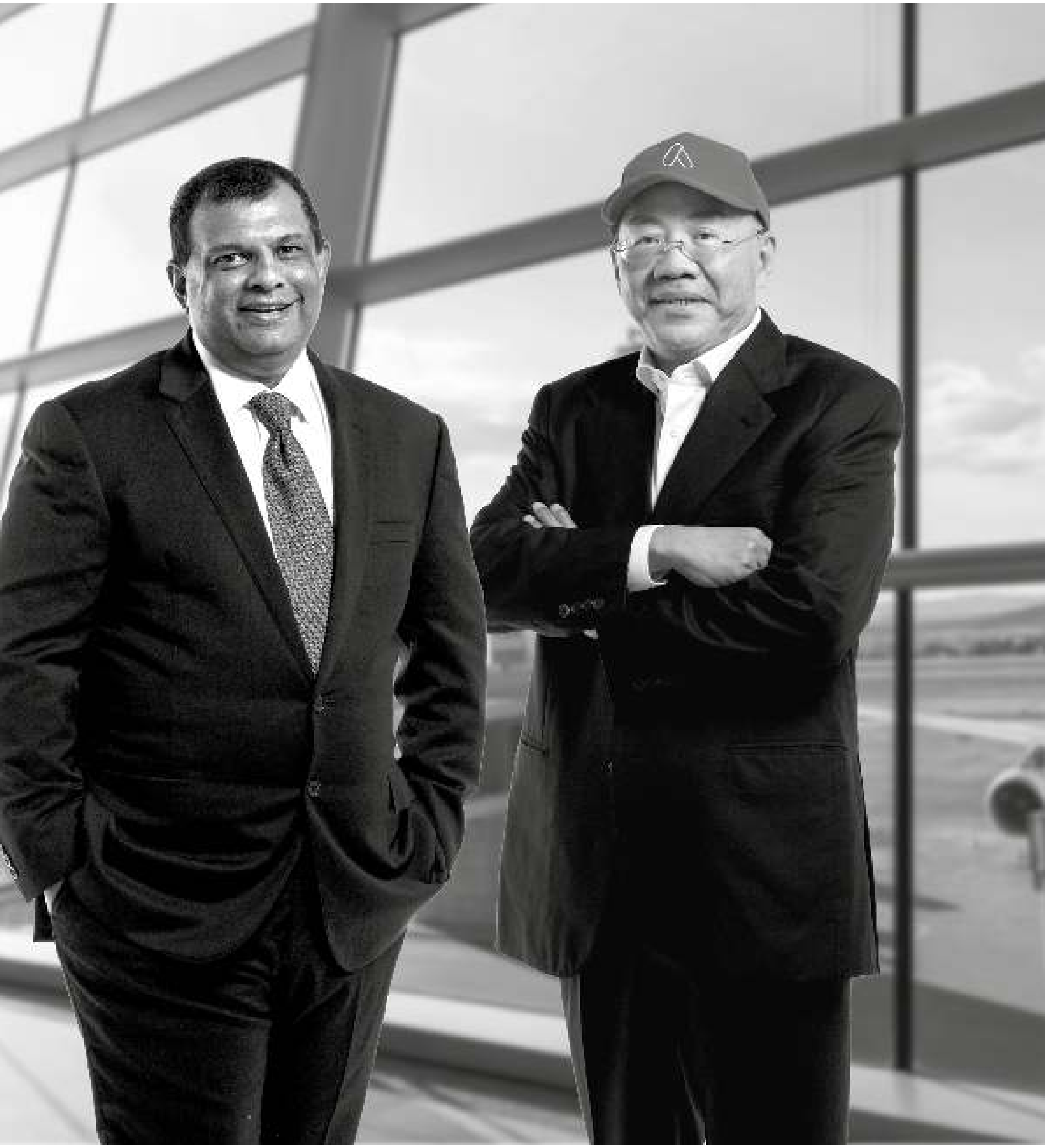
Simultaneously, we were gratified by the fact that Capital A has maintained the entrepreneurial spirit that got AirAsia off the ground from the very start. We returned to the skies stronger than ever as more than just an airline; we are now also an aviation services and travel lifestyle group with diversified businesses that leverage off each other and are growing fast in line with the resurgence in air travel.

We have reviewed every aspect of our airline operations to rebuild and recover faster and stronger than others in our category, creating a robust platform for future success. We are once again focused on Asean, our home ground where we have the strongest network, presence and brand. At the same time, embracing the new technology age with greater clarity and vision, we are emerging not only as the World's Best Low Cost Airline 13 years in a row, but also a one-stop super app focusing on travel, industry-disrupting fintech, best-value logistics provider, fast-growing aircraft maintenance provider, online edutech service provider, and more.

With our non-airline segments, we have fine-tuned our business propositions to ensure the creation of optimum value for customers at the lowest possible cost while delivering new revenue streams for the Group. Reflecting the maturity of our operations as well as our commitment to integrity and transparency, we have also appointed independent directors to the boards of each major company in our portfolio, ensuring they create as much value for our stakeholders as they do for Capital A.

Right
DATUK KAMARUDIN BIN MERANUN
Non-Independent Executive Chairman

Left
TAN SRI ANTHONY FRANCIS FERNANDES
Non-Independent Executive Director and Chief Executive Officer



Performance Review (cont'd)

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Another very exciting development during the year was signing a joint venture agreement with Sivilai Asia to establish AirAsia Cambodia.

In all, it has been an amazing year that has renewed our faith in everything that Capital A stands for – people, passion and the creation of real value for our customers. It is thanks to our Allstars that AirAsia has survived this pandemic. Their dedication, grit and agility prove yet again that we have what it takes to face any adversity. The fact that our non-airline segments are gaining momentum by the day, with airasia Super App and Asia Digital Engineering (ADE) achieving positive full year earnings before income tax, depreciation and amortisation (EBITDA), is a clear indicator that they are doing what AirAsia has done in the aviation space – democratising services and giving people what they want, always at the best value.

AVIATION: BACK WITH A VENGEANCE

Our airline business is now more streamlined and Asean-centric, following the cessation of AirAsia Japan in late 2020, and the Group relinquishing all equity in AirAsia India in December 2022. Focused on resuming the most popular and profitable routes first, all four remaining airlines based in Malaysia, Indonesia, the Philippines and Thailand have grown quarter by quarter to end the year with very promising results. The Group's load factor for the full year 2022 stood at a healthy 84% while our average fare was RM195. These compare favourably against the load factor of 85% and average fare of RM179 for the full year 2019, indicating a steady return to pre-pandemic performance.

For the year as a whole, we flew 34.2 million guests, 46% of the number flown in 2019, while our total capacity was 47% of that pre-pandemic. As of March 2023, 157 aircraft were activated, of which 142 were back in to the skies, and 15 were spares. We expect all 205 aircrafts to be in service by 3Q 2023. Bullish about the huge rebound in travel, we are also in negotiations to lease 15 additional aircraft. These leased aircraft are in addition to 362 Airbus A321neo aircraft currently in our order book, which are to be delivered from 2024 onwards.

Another very exciting development during the year was signing a joint venture agreement with Sivilai Asia to establish AirAsia Cambodia. Setting up a new airline in Cambodia is something we have been planning for some years, given the immense potential that a hub in Phnom Penh will have to connect Asean with North Asia. We hope to launch our inaugural flight from Cambodia in the last quarter of 2023, and to fly at least one million guests into the Kingdom of Wonder within the first year, with many expansion opportunities in the region and across Asean.

DIGITAL: GROWING TRACTION

Even before the pandemic, we recognised the value of the data we had accumulated from operating as a digital focused airline for over two decades, and set up a number of businesses leveraging this goldmine. During the enforced grounding of airlines from early 2020 till early 2022, we focused intently on building these businesses. The resurgence of

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FY22 load factor

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air travel in 2022 helped to accelerate their growth momentum as all are linked directly or indirectly with AirAsia Aviation Group airlines. Using the same cost-efficient principles we developed with AirAsia, while extracting maximum value from Group synergies, we have been able to offer customers great value as well as quality through these companies. There is huge potential for all of them to become leaders in their respective fields in the future.

We were proud to see airasia Super App capitalising its unique strength of being the only super app in the region to be linked with an airline. The close relationship between the airasia Super App and AirAsia airlines allows it to offer customers best value travel-related deals, from access to thousands of hotels to discounts on airasia ride, to name a few. It's great to see airasia ride perform exceptionally well, completing two million rides within a year of its launch in August 2021, the number increasing to three million by early February 2023. Emulating AirAsia's low-cost model, it offers the lowest rates to passengers in the Klang Valley, and the highest commissions to its drivers. Further disrupting the ride hailing sector, this year we also offered our drivers full-time employment, entitling them to all the benefits Allstars enjoy including the much valued 90% discount on travel with AirAsia.

BigPay is proving to be unstoppable. In 2022, it launched more products catering to the underserved, making financial services more affordable and inclusive. Of note, the personal loan offering introduced in March 2022 was the first in Malaysia to be fully digital, allowing anyone to apply for a loan and have it approved within minutes using the app. To date, BigPay has disbursed RM2.8 million in loans to its users. It also crossed the RM1 billion mark for international remittance during the year.

Performance Review (cont'd)

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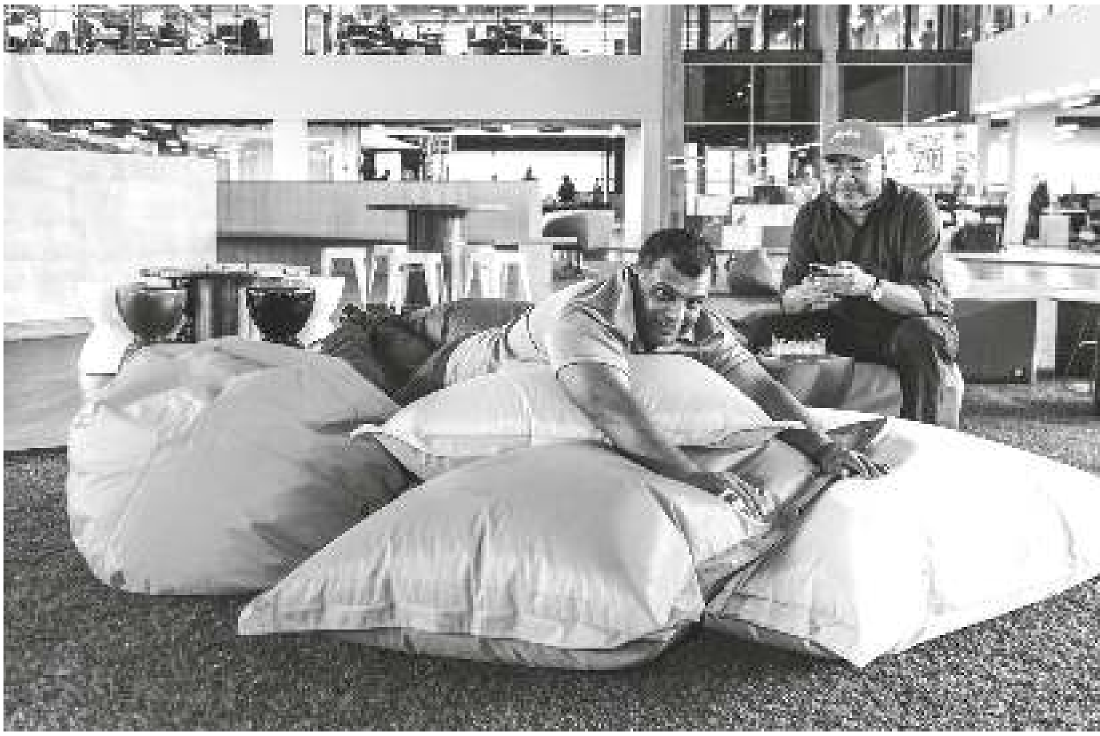
RedBeat Capital, meanwhile, has continued to grow numerous start-up companies such as IKHLAS and airasia academy. Set up as a Muslim-friendly travel and lifestyle platform, IKHLAS had to suppress the travel component of its business during the pandemic. When it finally launched its Umrah packages in October 2022, these attracted close to 100% passenger loads on its Jeddah flights due to extremely strong pent-up demand. In 2023, the team expects to fly no less than 30,000 guests to Mecca. IKHLAS performed so well in 2022 that it will soon graduate from RBC and will operate as a subsidiary of airasia Super App. airasia academy's performance has been no less impressive. Starting off as a digital training centre, it is today a content-agnostic edutech platform, bringing together educators and learners in a dynamic marketplace that seeks to democratise learning, making it possible for everyone to be digital savvy in the new technology era. During the year, the number of sign-ups for its courses increased 40 times, which proves the market's apetite for on-demand learning. Serving the underserved is a conerstone of our brand so it's also great to see how our academy is helping the differently abled to upskill themselves.



BigPay disbursed RM2.8 million in loans

1.3 million carded users

LOGISTICS & ENGINEERING

It has also been a phenomenal year for Teleport, our logistics arm, with the return of AirAsia belly space enabling the team to capitalise on its unique advantage - access to the widest air cargo network in Asean, and the ability to move cargo faster and more efficiently than any other player in the region. Along with the explosion in e-commerce, its business has grown so rapidly that Teleport has now leased a dedicated freighter with three more in the pipeline. This marks a turning point for Teleport which is expanding beyond the AirAsia ecosystem, and beyond our expectations.

We are also very upbeat about Asia Digital Engineering (ADE), which provides maintenance, repair and overhaul (MRO) services to AirAsia and third-party airlines at the best value and quality in Asean and beyond. With the V-shaped recovery in air travel, airlines worldwide have been clamouring to return their aircraft to service, a process that requires them to fulfil complex mandatory checks following the two-year enforced hibernation. ADE was able to capitalise on this demand by increasing its hangar capacity by four lines in 2022; and the number is set to increase with the completion of 14 more lines in KLIA Aeropolis in 2024.

STRONGER FINANCIAL PERFORMANCE

Reflecting the increasing momentum of travel recovery, we achieved a 282% growth in revenue year on year (YoY) to RM6.4 billion, which was a commendable 54% of revenue in 2019. Furthermore, as jet fuel prices stabilised towards year end, our EBITDA for the full year stood at RM48 million versus a loss of RM1.0 billion in 2021.

In the Aviation business, pent-up demand for air travel contributed to an average load factor of 86% in the fourth quarter, exceeding that in the fourth quarter of 2019, at 82%. This, together with a 17% increase in revenue per available seat kilometre (RASK) in 2022 compared to 2021, led to our core business recording a 259% increase in revenue to RM5.64 billion. The improvement in RASK was driven by a 22% increase in average fare for the year to RM195. Improved metrics all round contributed to a positive full-year Aviation EBITDA of RM393 million.

While Aviation's turnaround stole the thunder in 2022, we were very pleased with the uptick in performance of all our non-aviation businesses.

Despite an increase in staff costs with the opening of two new lines for base maintenance in Senai, ADE recorded profits for every quarter in its first full year of operations, ending 2022 with an EBITDA of RM61.4 million. Revenue, meanwhile, grew by 182% YoY to RM286 million. Additionally, Teleport achieved a remarkable improvement in its financial performance in 2022, as evidenced by a reduction in EBITDA losses from RM69 million to RM27 million – with 2023 prospects looking very bright along with China's reopening, full recovery of the AirAsia fleet and delivery of its first A321 Freighter.

airasia Super App has been growing phenomenally, recording positive EBITDA at RM8.1 million on the back of a 167% increase in revenue YoY to RM400 million. This has been supported by the surge in air travel, with flight ticket sales and SUPER+ transactions increasing by the day. airasia Super App has also seen its conversion rate grow to 11%.

BigPay is catching up with the other lines of business, its full year revenue increasing by 48% YoY to RM32 million, backed by a 30% growth in carded users to 1.3 million. This contributed to significant growth in transaction fees and international remittance, the latter hitting RM1 billion in the fourth quarter.

ALLSTARS: ALWAYS OUR HEROES

Recognising that happy staff make happy customers which make happy shareholders, we have always placed Allstars at the heart of everything we do. From the beginning, our vision was to create an organisation that was different, by not just democratising travel but also the way we work. While being selective in bringing on board people who have the passion and drive to contribute to our success, we have also consistently broken down barriers to empower our Allstars, encouraging them to step out of their comfort zones in order to realise their dreams. This has resulted in a can-do culture that has contributed to Capital A's non-stop evolution. In 2022, the same never-say-no attitude saw us emerge intact from the darkest period in commercial aviation history, ready to take off again bigger and stronger than ever as more than just an airline. We could not have done this without the unrelenting commitment of our Allstars across the region to the success of our ongoing journey.

SUSTAINABILITY: PN17 AND EMISSIONS

Similar to airlines the world over, in the last three years, one of the most critical issues we have had to manage has been our own financial sustainability due to the unprecedented and ongoing effects of the pandemic. Losses from the grounding of aircraft placed Capital A under tremendous financial strain, leading to Practice Note (PN) 17 classification by Bursa Malaysia in early 2022.

Since then, we have been working assiduously on a PN17 regularisation plan. We seek to obtain Bursa Malaysia's approval of this plan by mid 2023, following which we hope to complete the transaction by the end of 2023.

As we return to the skies our sustainability strategy is back on track as a key priority. We will continue to be a leader in the region and support the International Civil Aviation Organization (ICAO)'s Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which has set the target for the aviation industry to achieve net zero carbon emissions by 2050.

AirAsia has always sought to be fuel efficient as part of our low-cost model, with fuel accounting for about 50% of our operational expenditure. Our

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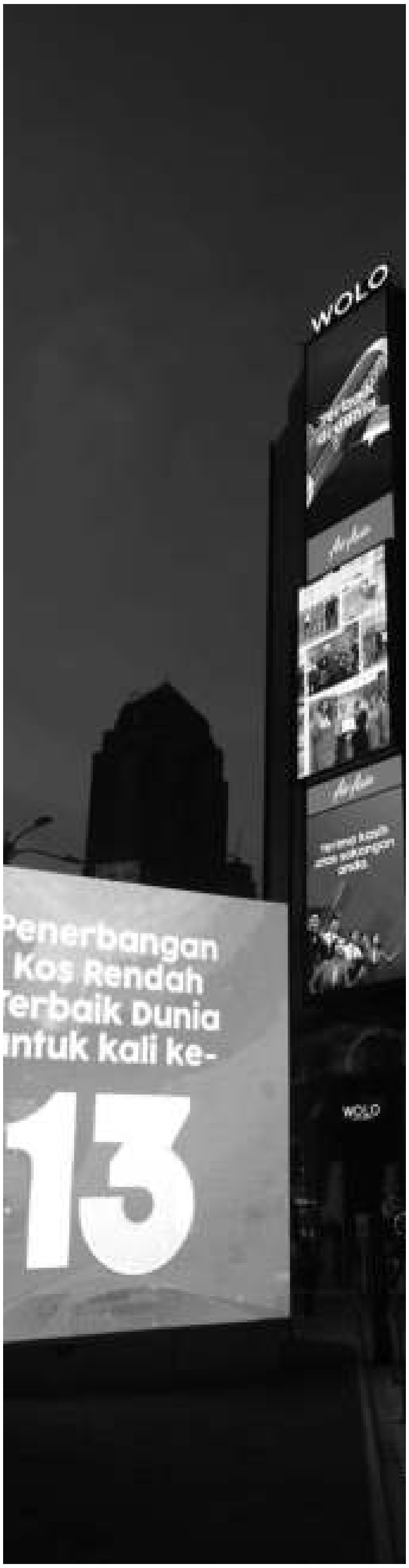
choice of building a young and single type fleet of Airbus A320 aircraft was partly based on this aircraft family's reputation for fuel and operational efficiency. We are now gradually switching to the new specification A321neo model, which will further reduce our emissions per seat by up to 20%. Supplementing our fuel-efficient fleet, we have been reducing our consumption through various flight-related practices including the one-engine taxi, idle reverse landing and required navigation performance-authorisation required (RNP-AR) approach. In 2022, when the oil price increased by 70% compared to 2019, we invested in a new aircraft software modification, Descent Profile Optimiser (DPO), which reduces the time spent in descent (a particularly fuel-intensive phase) enabling reductions in the region of 100kg of CO_2 per flight.

To achieve net zero emissions, however, we will need to intensify our carbon reduction initiatives as well as invest in efficient offsetting mechanisms. We are currently focused on numerous measures including managing the emissions from our supply chain and Allstars' work-related activities, even down to their commute to work and business travel. These indirect Scope 3 emissions require more effort to track, but we have already made numerous initial steps in the right direction. At the same time, we are exploring different forms of carbon credits and will be offering our guests the option of reducing their travel-related carbon footprint through offsetting platforms from the second quarter of 2023.



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OUTLOOK

Finally we see blue skies ahead. The outlook for our airlines and all of our associated businesses is looking bright with the pace of recovery established in 2022 set to accelerate in 2023, especially with the opening of China which is one of our biggest and most important markets.

To fully leverage the expected spike in travel, we are determined to get our planes back flying as quickly as possible with the entire fleet in the air by the third quarter 2023. After more than two years of travel restrictions, we are already experiencing huge pent-up demand which we are confident will continue throughout the year. Together with a general capacity shortage in the market, we expect to enjoy very healthy load factors as well as increasingly higher and more rational fares. All else being equal, this should lead to Capital A building on our fourth quarter performance in 2022 to end 2023 in a much better position.

This will be supported by continued growth of all our other businesses within the Capital A ecosystem, with all the companies creating greater synergies by supporting each other. airasia Super App and BigPay for example will collaborate closely to offer guests unbeatable hotel and airline rates. Teleport will continue to leverage our belly space to ride on the e-commerce boom. After ensuring AirAsia aircraft are returned to servicability as soon as possible, ADE will shift its focus to third-party airlines, capitalising on the new approvals it has obtained to broaden its customer and revenue base around Asean.

Meanwhile, having invested in numerous digital systems and innovations, flying with AirAsia will be more contactless, convenient and seamless. Our guests' satisfaction continues to be our top priority. Accordingly, we will do what it takes to bring back their trust and confidence in AirAsia's commitment to delivering the very best in terms of safe, affordable and on-time service consistently.