

Chairman & CEO's Statement

In December 2021, AirAsia celebrated the significant milestone of 20 years in operation. With innovation always in our DNA, we spent the year laying the foundations to mark yet another new era in our ongoing journey of transformation. In January 2022, we achieved shareholder approval to change the name of the investment holding company from AirAsia Group (AAGB) to Capital A - the underlying rationale being to reflect our evolution from just an airline into Asean's leading digital travel and lifestyle company. Change is one of the few constants at Capital A and in keeping with the spirit of continuous change for the better, we have also adopted an enhanced and integrated approach to reporting. Among others, this allows us to keep our statement more personal, as all the operational and strategic aspects of our performance will be captured in the relevant sections. We hope you appreciate the changes and, as always, we welcome your feedback.





OUR 20TH ANNIVERSARY

It was certainly a defining moment to mark our 20th year of existence in 2021, particularly during the most challenging time in commercial aviation history. That we have made it this far, when so many thought we would never get off the ground as a low-cost carrier from the very start, is an achievement in itself. To have reached the milestone by surviving a global pandemic that has wiped out many other airlines makes it even more so. Pandemic aside, our journey over the last 20 years has been far from easy. We have faced many impediments, from natural disasters to wildly fluctuating fuel costs; aggressive competition to conservative and even oppressive regulations. Yet, in true AirAsia spirit, we overcame all of this with a fierce determination and passion that few organisations have ever manifested. It was therefore a shame that we could not celebrate our anniversary in the manner that we normally would, as many Allstars were still furloughed and most of our planes were still on the ground. However, whatever challenge or crisis we face, we always come back stronger.

WHAT WE'RE MOST PROUD OF

Of the many accomplishments we can justifiably feel proud about, three stand out. One, that we have lived up to our promise 'now everyone can fly' by democratising travel, making it affordable for almost everyone. Thus far, we have carried over over half a billion passengers, making dreams come true for 600 million guests, many of them first-time travellers. Secondly, we have created significant employment opportunities. From owning two aircraft when we started out to operating 243 aircraft before the pandemic, we have had to bring on board more and more people to fuel our growth. Pre-pandemic, we had more than 20,000 Allstars from all over Asean and beyond on our payroll while the spinoffs of our services created thousands more jobs in aviation, tourism and hospitality everywhere we fly to. One of our core values is to always put our people first, and we continue to provide them with more than just employment. We remain committed to help our Allstars realise both their personal and professional dreams. Breaking down traditional employment barriers, we have allowed for reskilling, upskilling and movement across functions and levels, enabling a dispatch boy to become a pilot; a cabin crew member to become a CEO... Now, we're even training a ramp officer to become a data analyst. We were also one of the first airlines in the region to positively encourage women to become pilots. How many other airlines have had a former beauty queen fly their planes?

Chairman & CEO's Statement (cont'd.)

HOW WE'VE MADE IT

Twenty years ago, we brought the low-cost revolution to Asia making it affordable and accessible for everyone to fly. For the past 12 consecutive years, AirAsia has been named the world's best low-cost airline and, in the process, has also become one of the best-known brands in the region.

Value, choice and innovation are key cornerstones to our brand. Recently, we've been able to pivot successfully into one of Asean's fastest growing online travel and lifestyle platforms by remaining nimble and agile and leveraging the huge database we have accumulated over the past two decades, to create an ecosystem of synergistic lifestyle brands which embrace the digital era. This was something we were planning well before Covid-19 hit, but the downtime in flying caused by the pandemic gave us the opportunity to accelerate our transformation.

Our airasia Super App now has over 16 travel and lifestyle services on the one platform to facilitate almost everything people want or need to do in their daily lives at a price they can afford. We have also created many other new businesses over the past two years including our own in-house digital engineering company called Asia Digital Engineering (ADE), BigPay fintech services and our logistics venture Teleport, to name just a few. Importantly, every new business we create is underpinned by the strength of the AirAsia brand and all remain committed to the same model which made us successful to begin with. Today, we are democratising much more than just air travel.

OUR ORGANISATIONAL RESTRUCTURING

In last year's annual report, we had announced two core businesses under the Group – Airlines and Digital. In 2021, given the rapid development of the airasia Super App and readiness of some of our ventures to become stand-alone independent entities, we have further streamlined our portfolio companies.



In effect, we now have six core businesses under Capital A (or the Group). The name change was to better reflect what we are today, namely an investment holding company with a portfolio of synergistic travel and lifestyle businesses which all deliver the best value at the lowest cost, supported by strong data. Expanding what the airline has done from day one, all the Group's different lines of business will make travel and everyday lifestyle services affordable, accessible and inclusive to all.

When we first started out, we had entertained the idea of naming the airline Tune Air, because many of us came from the music business and we always wanted to be more than an airline. However, we stuck with the name DRB-HICOM had given, and built it into such a strong brand that when we started diversifying into new digital businesses it was hard to break out of the mould that associated everything we did with the airlines. At the same time, we wanted to maintain a link with 'AirAsia', given the brand is one of the strongest in Asean. That led us to the letter 'A'. 'Capital' was added because this is an investment holding company. Putting it at the front also creates a bold statement, which is reflective of who we are.

We registered Capital A with the Companies Commission of Malaysia (SSM) on 2 January 2022, and received shareholders' approval on our new corporate identity at an Extraordinary General Meeting (EGM) on 27 January 2022. The next day, we received the Notice of Registration of New Name, issued by SSM.

SURVIVING THE PANDEMIC

Without doubt, one of our key achievements in 2021 was to continue to survive in what has been the most disruptive global travel environment ever. This has been made possible by raising close to RM2.5 billion, as we said we would, the sum comprising RM300 million from Sabah Development Bank; RM336.5 million from a private placement; RM975 million from Redeemable Convertible Unsecured Islamic Debt Securities (RCUIDS); up to USD100 million in investment from South Korean conglomerate SK Group for BigPay. In March 2022, we decided not to go ahead with the Danajamin Prihatin Guarantee Scheme club facility because we were unable to accept and/or fulfil certain conditions.

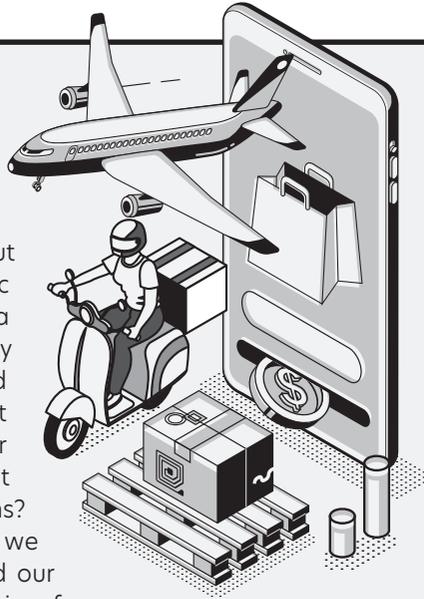
Our success in fund-raising serves as an incredibly strong testament of investors' confidence in the Group's potential to recover as our transformation strategy gains momentum. At the same time, it is a reflection of the calibre of our management, and the support of our partners. One silver lining of the pandemic has been getting to know who our true partners are. The acid test of any relationship is when things go south. That's when we discovered we have some amazing partners. It's been incredibly encouraging.

BECOMING A UNICORN

Another key achievement has been the accelerated development of our airasia Super App during the downtime in flying. Six months ago, nobody was talking about super apps. Today, because of the fantastic work of the team, everyone in Malaysia knows the airasia Super App, and many have used it. We were already very good at moving people by air, so we thought why not move boxes, or deliver food, or people on the ground? Finally, why not help people with their financial transactions? These are just some of the things that we are doing through airasia Super App and our digital businesses, all of which are growing from strength to strength by the day.

Providing access to more than 700 airlines (including the likes of Emirates and KLM) and more than 3,000 destinations, airasia Super App is officially one of the top three online travel agencies (OTAs) in Asean based on website traffic. We're also very pleased with all the new products that have been introduced on the Super App. Among these, airasia food and airasia ride are noteworthy because they have been made possible through strategic acquisitions, that of Malaysia's homegrown DeliverEat, Dacsee as well as Gojek's operations in Thailand. Through DeliverEat and Dacsee, we have not only inherited the food delivery and e-hailing businesses but also on-boarded their founders - three very entrepreneurial Malaysians who have added significantly to our pioneering spirit. It's been very gratifying to see them integrate smoothly into the Group which, to us, indicates that we have been successful in maintaining our entrepreneurial ethos. Thanks to the Gojek acquisition, we have been recognised as a tech unicorn, namely a startup valued at more than USD1 billion. This is truly something to be proud of; according to Credit Suisse, we are one of only three unicorns in Malaysia.

Because of the incredible rate at which we are growing the Super App and other digital businesses, it may seem as if we are going into anything and everything. The fact is, learnings from the airlines have helped us to frame and discipline our expansion by only entering into businesses where we are confident of being profitable and sustainable. All our new businesses leverage off one another. Importantly, many of them are already profitable and, with the revival of the airlines in 2022 and beyond, they will all soar to new heights. With the exception of the year 2019 when we suffered losses due to one-off costs and now, because of the pandemic, AirAsia has always made profits.



NON-AIRLINE BUSINESSES

All of our independent digital businesses have made significant progress during the year. We see huge potential in Asia Digital Engineering (ADE), our aircraft maintenance, overhaul and repair (MRO) business which has obtained approvals to conduct base maintenance work from the relevant authorities in Malaysia, Cambodia, India, Indonesia and the Philippines. It has also completed some important aircraft reconfigurations for AirAsia, creating significant cost savings. ADE is well on track to becoming a major MRO player in the region supporting third-party airlines as well as AirAsia. Our fast-growing logistics venture arm Teleport is leveraging the e-commerce and logistics boom, enabling small businesses and entrepreneurs to send their products around the world faster and cheaper than other logistics operators. Serving the underserved underpins all that we do and our fintech portfolio company BigPay is doing precisely this with financial services across the region. Through BigPay, we are excited to offer small entrepreneurs, SMEs and the mass public access to simple low-rate loans and other everyday financial services which they may not be able to get from other providers.

Our ventures arm helps to incubate new ventures such as airasia grocer, IKHLAS and airasia academy. We have been educating our Allstars all these years, but to educate others to be tech-enabled in the new digital era is a big ambition. With the academy, we have partnered Google and offer primarily digital training to Allstars, SMEs, government agencies and any other interested parties. During the year, the academy launched on-demand learning (ODL) which is proving to be extremely popular. And we believe there is still a lot of potential to bridge the skills gap by developing tech talent across the region.

Chairman & CEO's Statement (cont'd.)

OUR ALLSTARS

It has been a very tough time for our people. For two years, the majority have been on reduced salaries, about 18% of Allstars have been on furlough and of those who continue to report to work, 70% have been required to work from home for the most part of the year. However, through various engagement programmes developed by our Culture Department and Internal Communications teams, we've made sure they do not feel cut off even if they are working remotely. We have also sought continuously to assuage any fears they have of our business sustainability by addressing these issues regularly, openly and transparently through numerous communication channels.

Recognising that some may need emotional support, in 2020 we launched an Allstar Peer Support Programme. We are also collaborating with digital health and well-being platform Naluri to provide access to therapists and other psychological well-being practitioners. Additionally, in 2021 we launched the Allstar First initiative to help Allstars in need of monetary support.

Given that our planes have been grounded for the most part of the last 20 months, undoubtedly among the most affected of our Allstars throughout the pandemic have been our pilots and cabin crew. While many of them have pivoted to other roles within the business during the downturn in flying, they can't wait to get back in the air. The last quarter of 2021 saw a pleasing upturn in domestic flying; and with a global air travel revival expected throughout 2022, we look forward to bringing them all back into service as soon as possible.

In appreciation of Allstars' loyalty and commitment, as mentioned in last year's annual report, we introduced a Long Term Incentive Scheme (LTIS) consisting of an Employee Share Option Scheme and a Share Grant Scheme. Following approval by the Board, the LTIS was tabled at an EGM on 21 June 2021 and subsequently approved by our shareholders. The equity-based incentive enables us to reward and retain Allstars who attain their individual key performance indicators which have been aligned with achieving our overarching company goals.

FINANCIAL PERFORMANCE

For the year 2021, the Consolidated Group recorded RM1.8 billion in revenue, marking a 44% decrease year on year (YoY). Despite a healthy load factor of 74%, revenue from our airlines dropped by 62% as the Consolidated Group was operating at only 36% of capacity compared to 2020. Meanwhile, our Digital business saw its revenue grow by a significant 76% YoY as it captured greater market share through aggressive expansion across the different lines of business.

Overall, aviation contributed to 58% of our total revenue while the remaining 42% was from our Digital segment. Within the Digital segment, Teleport was the main contributor (at 71%), its revenue increasing more than 87% YoY.

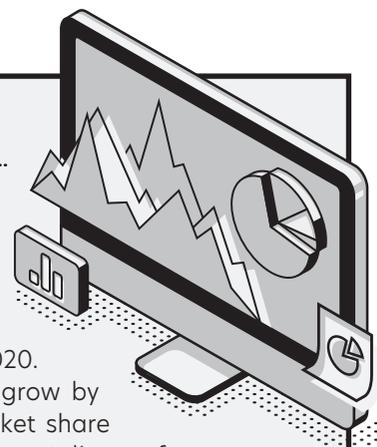
Meanwhile, we reported a loss in earnings before income, taxes, depreciation and amortisation (EBITDA) of RM1 billion, which was 70% less than the loss of RM3.3 billion in 2020. This was the result of strict cost control measures which helped to reduce our operating costs by 47% YoY. Similarly, our net loss after tax was RM3.7 billion, 37% less than the RM5.9 billion loss in 2020.

The Group ended the year with RM1.26 billion in cash balance, based on the RM974.5 million raised from the RCUIDS; drawdown of the USD100 million term loan; and increasing cash inflow from the recovery of the airline business. Of note, the Group also managed to report our first quarter of positive net operating cash flow since the pandemic in 4Q 2021, when we saw an average inflow of RM105 million per month.

In terms of cost, the Aviation segment saw its operating expenses reduce by 63% along with a 53% reduction in staff costs as a result of headcount rationalisation, salary cuts and natural attrition. Other operating expenses reduced by 80% due to the absence of the one-off expenses incurred in 2020. We expect our financial performance to improve across all key metrics in 2022 as international borders reopen in all of our core markets.

PN17

On 7 January 2022, we were classified by Bursa Malaysia as falling under Practice Note 17 (PN17). We are in the process of redressing the matter as it does not reflect the reality of our cash flow position. While we were provided with an 18 month relief period from being classified as a PN17 company from 8 July 2020, and were subsequently not required to comply with the obligations in the listing requirements, we have undertaken various fundraising exercises of over RM2.5 billion to improve our liquidity position, to see us through the effects of the pandemic. We are, moreover, set to raise another RM1 billion, and have also put in place a solid foundation to not only survive but recover from the effects of the pandemic stronger than ever. Our robust and diverse company portfolios will allow us to fasttrack the regularisation of our financial position, and affirm the strong viability of our business moving forward. The outlook for our airline business in 2022 is positive with the reopening of international borders. We aim to return to pre-Covid capacity on many of our core routes by the end of 2022.



SUSTAINABILITY

Given the reality of climate change and the airline industry's contribution to emissions, reducing our carbon footprint is currently one of our top sustainability priorities; and we are pleased to share that significant progress has been made on this front during the year. Of note, we reviewed our climate strategy to ensure alignment with the International Civil Aviation Organization (ICAO)'s target for the industry to have net zero emissions by 2050 while also taking into consideration the Task Force on Climate-Related Financial Disclosure (TCFD). This is quite an ambitious undertaking but we are already building the foundations for a low-carbon future. In addition to managing our own emissions through various operational initiatives, we have been engaging actively with the relevant civil aviation authorities in Malaysia, Indonesia and the Philippines to support ICAO's State Action Plan on Emissions Reduction. We have formed a Sustainable

Aviation Fuel (SAF) committee to assess the operational and financial feasibility of utilising SAF and will soon be implementing voluntary carbon offsetting so guests can choose to contribute to offsetting projects.

The other top sustainability priority in 2021 has been to keep our Allstars and guests safe from the pandemic. In addition to the standard operating procedures (SOPs) that have been implemented on the ground and inflight starting from 2020, we have done all we can to encourage our Allstars and the public to be vaccinated. Vaccination corners were set up in RedQ and RedHouse to provide free shots to Allstars and their families in Malaysia and Indonesia. Once vaccinated, our Allstars contributed to others becoming protected by volunteering at various Mega Vaccination Centres in the Klang Valley.

With rapid development of our Digital arm and the sheer volume of transactions taking place every day on our site/app, we are also enhancing our cybersecurity by aligning with international best practices and standards, especially the US National Institute of Standards and Technology (NIST) Cybersecurity Framework and the ISO 27001 - Information Security Management System standards. We are pleased to announce that, in November 2021, we became ISO 27001-certified. We have also established a dedicated governance committee that proactively manages and monitors the Group's information security due diligence to protect data belonging to our customers, employees, and all relevant stakeholders.

OUTLOOK

The new year commenced with the emergence of a new variant of concern, Omicron, which has spread widely and rapidly. While being more contagious than some of the previous variants, many leading experts agree that it is not as severe with proportionally low hospitalisation rates. We therefore remain cautiously optimistic that this is the beginning of the end of the pandemic. Many countries in Asean are already opening their borders to international tourists thanks to high vaccination rates, better education and testing, as the world is learning to live with Covid. At AirAsia, we have been bringing more and more of our aircraft out of hibernation as travel restrictions gradually ease, in order to meet strong pent-up demand. After almost two years of having their wings clipped, people simply cannot wait to travel again. We believe all the signs point towards regional air travel returning to some measure of normalcy within the year and that international air travel will recover rapidly throughout 2022 and the years ahead.

Meanwhile, we will maintain our focus on creating value in our portfolio businesses, all of which are expanding exponentially as they are still in the early stages of development. Each business represents huge growth potential which Capital A is committed to realising. Our goal is to ensure these portfolio businesses become leaders in their respective fields in Malaysia and across our key markets.

As a Group, we have been stress-tested many times before and always come out stronger. This time will be no different.

