

PERFORMANCE REVIEW

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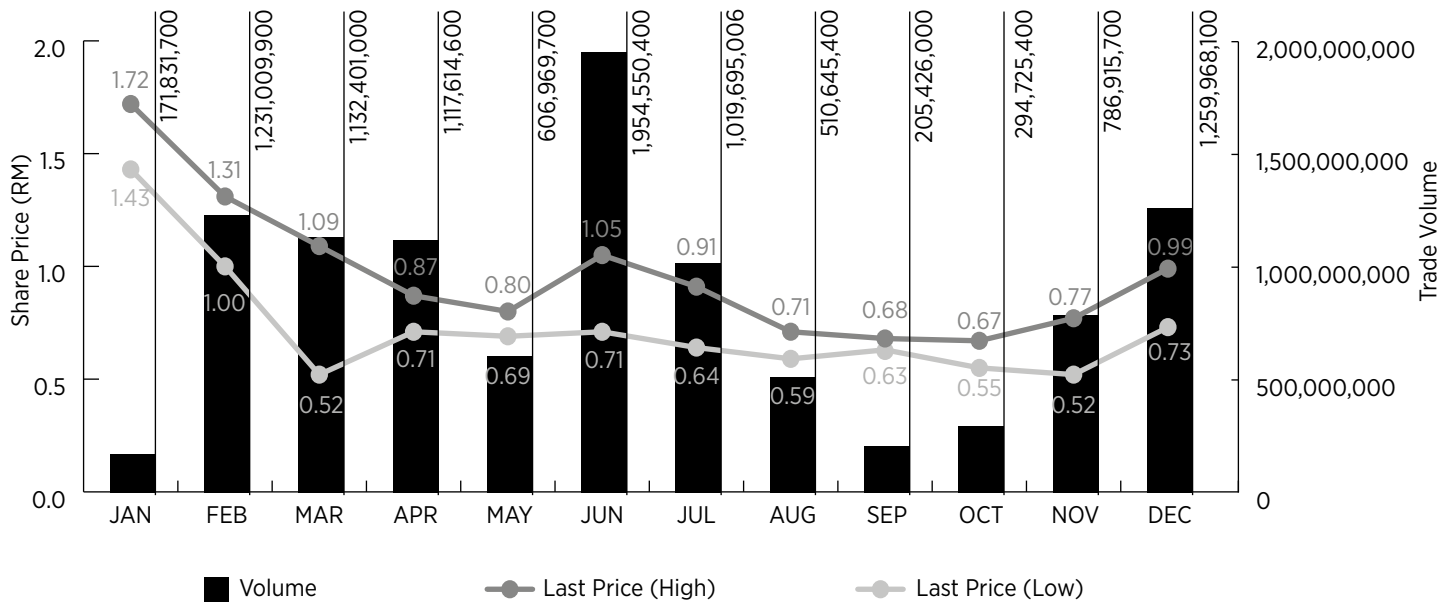


FIVE-YEAR FINANCIAL & OPERATING HIGHLIGHTS

(RM MILLION, UNLESS OTHERWISE STATED)	2016	2017	2018	2019	2020
INCOME STATEMENT					
Revenue	6,846	9,710	10,638	11,860	3,131
Net total expenses	4,780	7,549	9,419	11,136	8,553
Operating profit/(loss)	2,066	2,161	1,219	725	-5,422
Profit/(loss) before taxation	1,705	2,088	1,335	-522	-5,551
Taxation	-86	-516	360	238	-337
Net profit/(loss)	1,619	1,571	1,695	-283	-5,888
BALANCE SHEET					
Deposits, cash and bank balances	1,742	1,882	3,327	2,588	533
Total assets	21,986	21,674	18,550	25,595	19,664
Net debt (Total debt - Total cash)	-8,838	-7,426	287	-2,159	756
Total equity	6,628	6,710	6,185	2,911	-3,570
CASH FLOW STATEMENTS					
Cash flow from operating activities	2,167	2,154	353	2,081	-2,168
Cash flow from investing activities	-642	-1,584	9,049	4,660	489
Cash flow from financing activities	-2,433	-478	-8,087	-7,584	-412
Net Cash Flow	-908	91	1,316	-842	-2,091
FINANCIAL PERFORMANCE (%)					
Return on total assets	7.4	7.3	9.1	-1.1	-29.94
Return on total equity	24.4	23.4	27.4	-9.7	N/A
R.O.C.E. (EBIT/(Net Debt + Equity))	13	17	30	34	N/A
Operating profit margin	30.2	22.3	11.5	6.1	-173.2
Net profit margin	23.6	16.2	15.9	-2.4	-188.1
OPERATING STATISTICS					
Passengers carried	26,410,922	39,092,972	44,437,381	51,559,070	13,309,353
Capacity	30,282,671	44,435,006	52,536,954	60,884,616	17,941,988
Load factor (%)	87	88	85	85	74
RPK (million)	34,676	50,805	55,962	63,382	14,268
ASK (million)	40,086	58,311	66,261	74,642	19,121
Aircraft utilisation (hours per day)	12.4	12.6	13.3	13.0	9.6
Average fare (RM)	167	176	173	178	175
Revenue per ASK (sen)	14.19	15.13	14.71	15.60	16.37
Cost per ASK (sen)*	11.27	13.13	14.80	15.02	39.75
Cost per ASK - excluding fuel (sen)*	7.22	8.29	8.90	9.39	29.48
Revenue per ASK (USc)	3.43	3.53	3.64	3.77	3.58
Cost per ASK (USc)*	2.72	3.07	3.67	3.62	9.44
Cost per ASK - excluding fuel (USc)*	1.74	1.94	2.20	2.27	7.00
Number of stages	166,983	246,162	290,461	335,399	98,259
Average stage length (km)	1,316	1,290	1,253	1,225	1,070
Size of fleet at year end (Group)	174	205	226	246	247
Number of employees at year end (Group)	7,615	12,404	18,122	21,059	18,848
Percentage revenue via internet (%)	72	70	76	75	78
Average RM-USD exchange rate	4.14	4.28	4.04	4.14	4.21

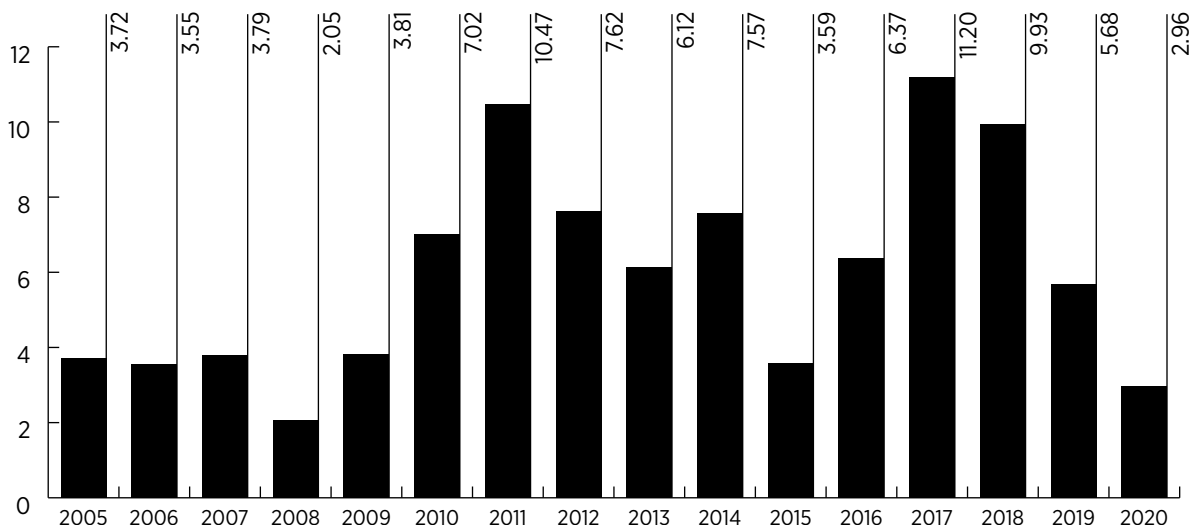
* excluding one-off items

2020 SHARE PERFORMANCE



MARKET CAPITALISATION

(As at 31 December of Respective Years) (RM Billion)



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AirAsia and CFM: Stronger Together

With a relationship that spans nearly 20 years, AirAsia and CFM International have made aviation history together. We are proud that CFM engines have helped power the growth of this pioneer airline from the very beginning.

Amidst the challenges of the global pandemic, CFM support of its largest LEAP-1A-powered Airbus A320neo/A321neo customer has remained steadfast, and the relationship has remained as strong as ever.

As the aviation industry begins to recover, there is at least one certainty: AirAsia and CFM will remain stronger together.





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PERSPECTIVE

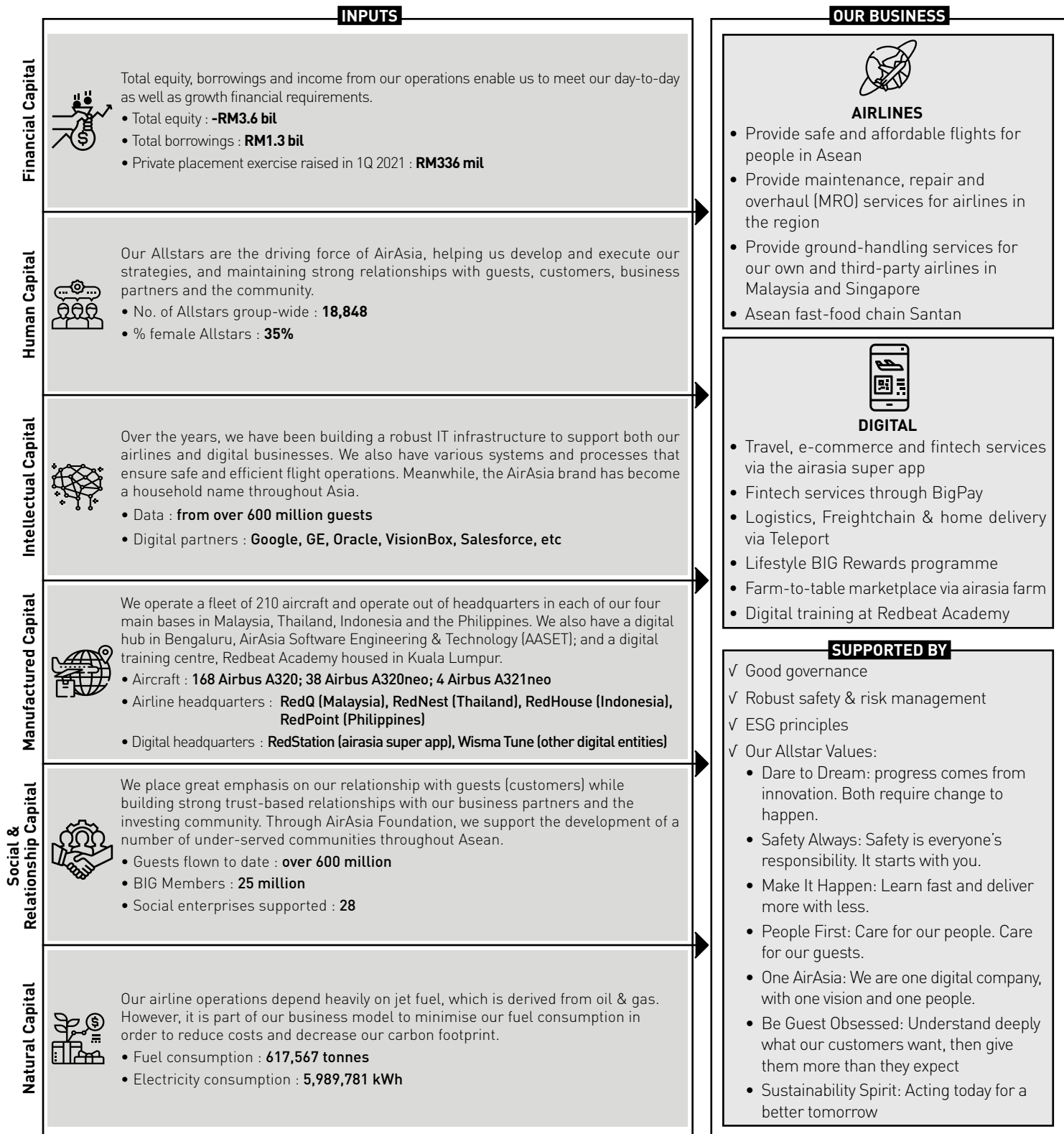
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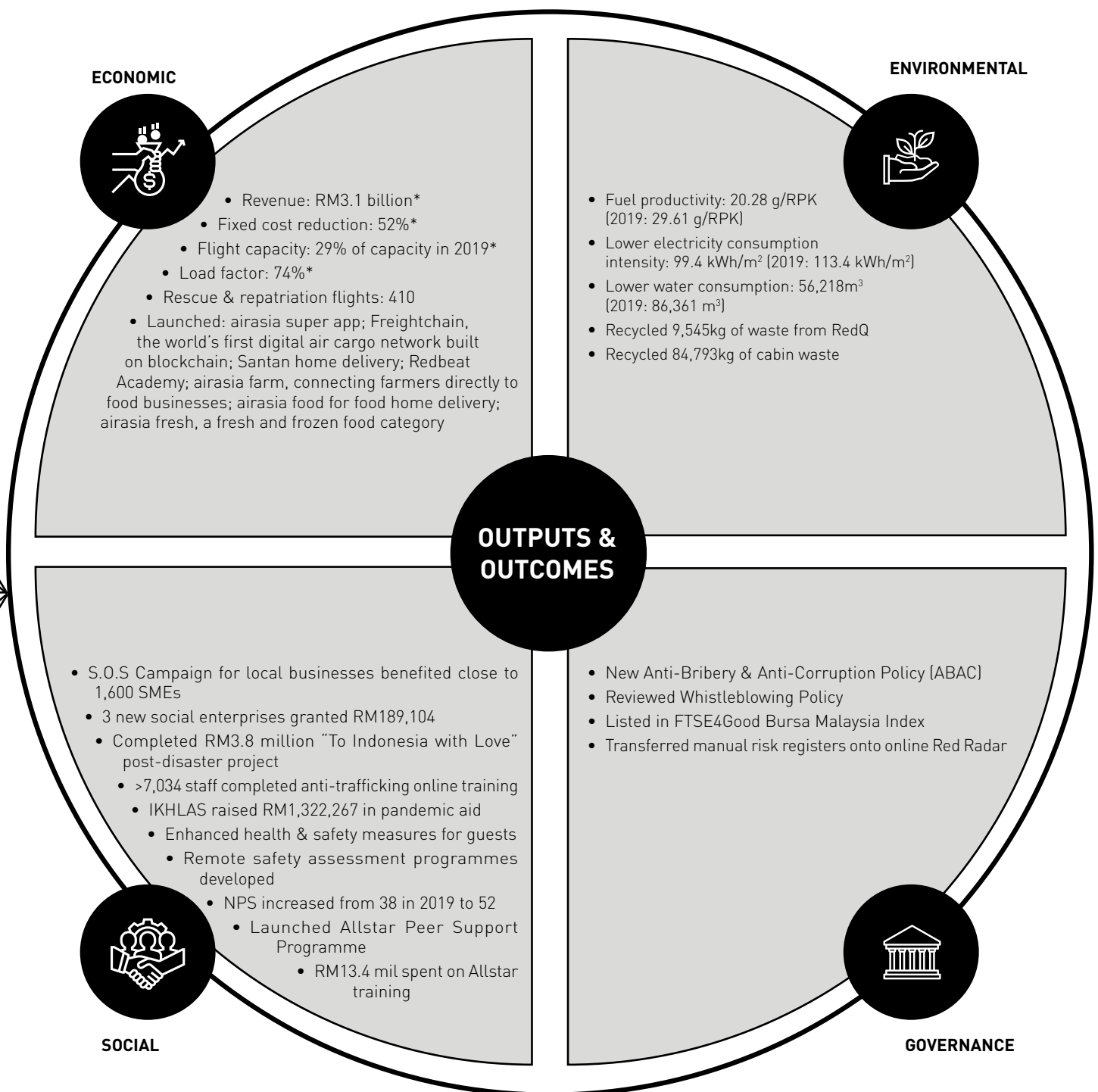
VALUE CREATION BUSINESS MODEL

How We Create Value

AirAsia is a pioneer in low-cost air travel in Asean, adapting the lean, no-frills business model employed in US and Europe to the local landscape in order to democratise air travel. A key component of our model has been to do away with physical sales outlets by encouraging travellers to book their flights online. Over the years, digital data accumulated in this manner have opened up new business possibilities. Seizing these opportunities, we have transformed into what we are today – a digital travel and lifestyle company.



The year 2020 was an anomaly due to the pandemic, which severely impacted our financial performance while enhancing various environmental parameters given the significant reduction in number of flights and introduction of the work from home (WFH) programme. The outcomes are reflected in the model depicted below.



* These figures refer to the Consolidated Group, ie AirAsia Malaysia, AirAsia Indonesia, AirAsia Philippines and other subsidiaries. We have been presenting consolidated financial reporting for AAGB in accordance with MFRS 10 since 1 January 2017.

MANAGEMENT DISCUSSION & ANALYSIS

Covid-19 threw the world into turmoil, impacting almost all industries across the board; but none perhaps as badly as travel and tourism. Along with international border closures as well as restrictions on domestic movements, aircraft have been grounded the world over, resulting in an unprecedented reduction in number of passengers as well as revenue. Never has the global travel environment been disrupted to this extent. Yet, as always, AirAsia has proven our resilience through an underlying spirit of innovation and agility which has seen us continue to evolve despite the immense challenges faced.





Management Discussion & Analysis

Never one to “waste” a crisis, we have used the downtime in flying over the past year to pivot from being primarily an airline into an all-in-one digital lifestyle company anchored on travel. Our digital transformation, which began in 2018, was accelerated in 2020 with the creation of airasia super app on which we are now offering a variety of product lines – from food and fresh produce to skincare, cosmetics and spa treatments – to satisfy users’ everyday as well as health and travel-related needs. What’s more, through BIG Rewards, our loyalty programme, earning and burning points has never been easier or more rewarding. Every spend earns points that can be used for any other purchase on the platform. Members can even convert points from partner merchants and vice versa.

Each one of our other digital businesses has also grown tremendously. Teleport is no longer just a cargo operator; leveraging demand for e-commerce logistics, it now offers home delivery in 77 Asean cities. With BigPay, users in both Malaysia and Singapore can now send money to bank accounts in 10 countries - with India, Nepal, Bangladesh, Australia and China being the latest additions. We have even set up a franchise for our restaurant, Santan, which now boasts nine outlets throughout the Klang Valley, as well as three satellite kitchens catering specifically to home deliveries.

Of particular pride, we recently also established our own digital training academy. Through this learning hub, we will be able to equip not just our Allstars but also SMEs and other third parties with the skills to reap the multifarious benefits of technology in order to thrive in the digital era.

Structurally, AirAsia now comprises two core businesses – Airlines and Digital – the latter encompassing all the digital businesses that had previously been grouped under Redbeat Ventures (RBV). Although RBV has been renamed airasia digital, we have kept the Redbeat brand going with the newly set up digital training centre, Redbeat Academy, in collaboration with Google.

Overall, there can be no denying that it has been a tumultuous year, with the need to survive superseding everything else. And yet, as described above, we have managed to celebrate many successes with the pivot to become more than just an airline. While rationalising capacity in each AirAsia airline and focusing on capturing domestic demand, we have made significant advances in our digital businesses. Our performance given the pandemic has been very commendable; thanks, as always, to our fantastic and malleable team. For AirAsia, the biggest casualty has not been the huge loss in revenue, which we are confident we will be able to build up again; but having to let go of many Allstars through no fault of their own, while

reducing the salaries of those who stayed on. We recognise how incredibly tough the year has been on our people and would like to express our fervent desire to put things right again. To Allstars who have left us, rest assured that once our operations start picking up, we hope to welcome you back to AirAsia. To those who have remained on board, and continue to give your all despite the challenges, we have been working on a scheme to demonstrate our appreciation for your sacrifices. More on this is briefly explained below.

THE YEAR OF COVID-19

On 11 March 2020, the World Health Organization (WHO) declared Covid-19 a pandemic. To protect lives and livelihoods, governments reacted by closing down businesses and imposing various social as well as movement restrictions. As cases emerged in Asia before the virus spread to the four corners of the world, lockdowns were imposed in this region even earlier. While necessary, these containment measures led to a global recession – and 4.3% economic contraction – a magnitude not seen since the Great Depression. On





a country by country basis, performance has depended on the severity and effectiveness of initiatives undertaken to break the chain of infection. Among major economies, China emerged with positive GDP growth of 2.3% while, within Asean, Vietnam has been a frontrunner in recovery, its GDP expanding 2.9% year-on-year (y-o-y). Malaysia, Thailand, Indonesia and the Philippines, meanwhile, saw their GDPs shrink by 5.6%, 7.1%, 1.9% and 9.6% respectively.

Although almost all economic sectors have been affected, travel and tourism have been among the worst hit due to restrictions on domestic travel and, more importantly, international border closures which have yet to be reversed. According to the International Civil Aviation Organization (ICAO), global revenue passenger kilometres (RPK) dropped by 65.9% y-o-y, marking the sharpest decline in aviation history with the total number of passengers carried decreasing by 60%.

The number of international passengers flown dropped by 75.6% while capacity reduced by 68.1% and the passenger load factor fell 19.2 percentage points to 62.8%. Domestic travel fared a little better, as movement restrictions were relaxed intermittently within national borders. ICAO reports a 48.8% reduction in domestic demand y-o-y with capacity shrinking by 35.7% and the load factor dropping 17 percentage points to 66.6%.

OUR RESPONSE TO THE CRISIS

As a going business concern, it has been imperative for AirAsia to ensure the ability to survive and recover stronger following a period that has been described as nothing less than catastrophic for airlines. This saw the Group launch into the most stringent cost containment efforts while ensuring sufficient liquidity, as well as protecting the safety of our Allstars and guests. In keeping with our DNA – of being

guest obsessed – we also continued to do everything possible to manage the hundreds of thousands of guests whose flights were disrupted. At the same time, as mentioned above, the pandemic provided the opportunity to push full steam ahead with the development of our non-airline digital businesses.

SAFETY, ALWAYS OUR TOP PRIORITY

Safety has always been the single most critical aspect of our flight operations. In 2020, this extended to ensuring minimum risk of contracting the virus from travelling with AirAsia. No stone was left unturned in adhering to all relevant regulations as well as guidelines issued by local governments and regulators as well as civil aviation and health authorities, including the Malaysian Ministry of Health (MoH), WHO and ICAO.

In addition to implementing the standard operating procedures (SOPs) for any public facility – such as temperature checking, enforcing the use of face masks and physical distancing – we have been encouraging the application of various contactless procedures to protect our guests as well as airport personnel. These include checking in and obtaining boarding passes as well as baggage tags online; and making use of our automated baggage drop service as well as FACES, our biometric facial recognition system that does away with the need to have one's passport checked physically at the boarding gate. This year, we also tested a Passenger Reconciliation System (PRS) at klia2 which allows guests to scan their boarding passes, doing away with the need for any physical exchange between guests and security personnel at any point in guests' trajectory through the airport.

Management Discussion & Analysis



Further enhancing guests' sense of security and peace of mind, we introduced Scan2Fly, which enables guests to upload and obtain real time verification of any medical documentation required for their flights, before they arrive at the airport. Further fool-proofing our flight operations, our aircraft are properly sanitised in line with the manufacturer's and international requirements.

These efforts contributed to every one of our airlines, which we call our AOCs (Airline Operating Certificates), receiving the highest safety ranking of seven stars for Covid-19 precautions from aviation safety experts at Airlineratings.com. Seven criteria were used in their evaluation, which took into account recommendations by WHO, ICAO and the International Air Transport Association (IATA). We are proud to share that AirAsia was noted as being among the first airlines to adopt all seven criteria.

BUILDING OUR DOMESTIC NETWORKS

Our AOCs suffered the brunt of the pandemic in the second quarter, when most of the region was under lockdown and we hibernated our fleet. From the third quarter, however, we started to rebuild domestic capacity focusing on popular routes as travel restrictions within countries relaxed.

Driven by strategic capacity and route planning as well as robust demand, by December 2020 AirAsia Thailand exceeded its pre-Covid domestic capacity while AirAsia Indonesia had recovered 93% of its capacity. At the Group level, we ended the year with close to 60% of the number of seats flown prior to the pandemic, and achieved a commendable load factor of 74%, which compared very favourably against our peers. AirAsia Philippines launched two new destinations which proved popular and contributed towards an impressive load factor of 80% for the year.

For financial reasons and to focus on Asean where our brand and foothold are the strongest, we made the strategic decision in 2020 to close down our operations in Japan while reducing our equity in India.

MANAGING GUESTS' EXPECTATIONS

The pandemic caused a great deal of flight rescheduling, changes and cancellations which, in turn, saw a spike in the number of queries from guests on the different channels of communication we have made available. From an average of about 60,000 calls, messages or online messages a day pre-pandemic, we were having to manage some 250,000 queries daily at the peak of the pandemic.

Fortuitously, we had introduced our chatbot, AVA in 2019, before Covid-19 hit. Programmed in 15 languages, AVA was able to resolve about 80% of all guest queries. Supporting the chatbot, we also quickly trained our pilots and cabin crew to respond to guests professionally and accurately. These efforts were not in vain, as indicated by a recent customer satisfaction survey in which we scored above 90% for first contact resolution and guest satisfaction. This is incredibly high for any contact centre under normal circumstances; but to have achieved these results during a period as challenging as we were going through points to the exceptional performance of AVA as well as our Customer Happiness team.

Supporting this survey, our Net Promoter Score (NPS) for the year also increased significantly – from 38 in 2019 to 52.

What's more, as a result of clear communication, the vast majority of our guests have been understanding of our cash situation and chose to take credit for cancelled flights over refunds. This has been a substantial boon to support our strict cost containment measures and efforts to manage our cash flow.



COST & CASH FLOW MANAGEMENT

From the time it became evident that Covid-19 was going to have a deep impact on airlines globally, we embarked on strict cost-cutting strategies and tight cash flow management across the Group. We negotiated, and were granted payment deferrals from various suppliers and lenders. We also restructured a major portion of our fuel hedges with supportive counterparties.

Maintenance costs were reduced substantially via asset optimisation, and the use of newer aircraft that are further away from major checks. Through headcount rationalisation, salary cuts and natural attrition, we saw our staff costs decrease by 38%. We also managed to lower our user charge expenses from savings in ground handling as a result of the implementation of new innovations including contactless procedures. Other operational expense reductions were achieved from cuts in marketing spend, renegotiation of ICT costs and the deferment of all non-essential expenditures.

As a result of our concerted efforts, we managed to bring down the Group's fixed costs by 52%, surpassing our target of 50%. We expect to derive even greater

savings in the immediate future as we drive further efficiencies in headcount, fuel, maintenance and user charges via digital improvement initiatives.

Exceptional times unfortunately also necessitate some exceptionally tough decisions. For AirAsia, it meant having to close down AirAsia Japan as well as greatly reduce our equity in AirAsia India which, now, is no longer an associate airline. While motivated primarily by financial reasons, these decisions also support a key strategic decision to focus our efforts and resources on Asean, our home ground where we have enjoyed the strongest growth and where our brand continues to garner the most loyal support.

In addition, we seek to raise between RM2.0 billion and RM2.5 billion via a combination of debt and equity funding to ensure sufficient liquidity for the Group. Towards this end, we are pleased to share that two banks have committed to provide funding for AirAsia under the Malaysian Government's Danajamin PRIHATIN Guarantee Scheme, and we are continuing with efforts to secure additional commitments from other banks.

We have also explored opportunities in the international market; and in the first quarter of 2021, successfully completed

two tranches of a private placement exercise through which we raised a total of RM336 million. Both tranches make up 470.21 million shares, representing 14.07% of our total issued shares. Key investors include Hong-Kong based Dr Stanley Choi; several partners including David Bonderman at US-based global investment firm TPG, investing in their personal capacity; as well as Aimia Inc. This exercise is meaningful as it indicates a high level of investor confidence in our prospects with our digital transformation coupled with air travel revival in the near future.

ADVANCING OUR DIGITAL BUSINESSES

As mentioned above, one of the most exciting developments within airasia digital was the launch of the airasia super app in October 2020. The app is the current iteration of the airasia.com platform that has been used since day 1 for guests to book their flights with us. Today, we are thrilled to offer more than 15 different types of products and services, with a single sign-on and the ability to earn and burn loyalty points, all within one platform. Among the super app's hero product is the Unlimited Flight Pass, launched in June 2020 offering unlimited domestic travel in our four

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key markets, namely Malaysia, Thailand, Indonesia and the Philippines. As at end 2020, over 200,000 passes had been sold, prompting the launch of Unlimited Asean in March 2021, this time adding unlimited travel within Asean and free e-commerce delivery services to the unlimited domestic flights. Another star product that has gained great traction is SNAP, which allows guests to book flight + hotel combos hassle free, competitively at the best value prices.

Among the other new additions to the airasia super app are: airasia food, a complete food ordering solution which was recently also rolled out in Singapore; and airasia fresh, through which we offer fresh and frozen produce directly from the provider. Both services have proven to be relevant, meeting market needs during the lockdown when there were restrictions on eating out and, at times, issues faced by consumers in obtaining fresh produce. airasia fresh also provides an invaluable service to help serve the underserved, namely local farmers and other agricultural suppliers, by ensuring steady demand for their produce even during phases of movement and social restrictions.

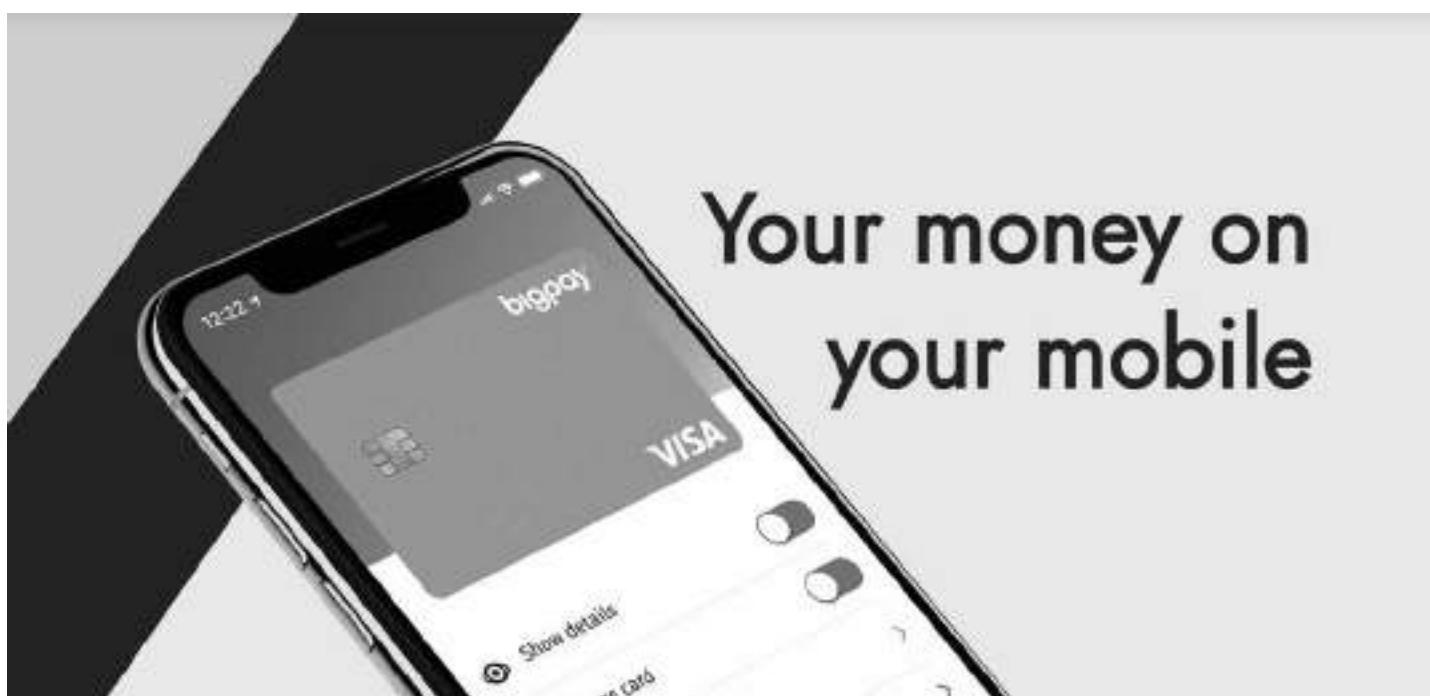
Meanwhile, BigPay was launched in Singapore in September 2020. We also expanded our international money transfer service, where users in Malaysia and Singapore can now send money to bank accounts in 10 countries - with India, Nepal, Bangladesh, Australia and China being the latest additions. More recently, BigPay added bill payments and a lifestyle insurance to its financial marketplace - with more exciting announcements coming in 2021.

Among several milestones achieved in 2020, Teleport consolidated the cargo operations of all our AOCs in early 2020, and became the first in Malaysia to use passenger aircraft for purely cargo flights. In April, it also launched Freightchain, the world's first digital air cargo network run on blockchain. In addition, the team did us proud by transporting medical supplies and essential cargo while the world was under lockdown. As the situation improved towards the year end, Teleport partnered with Alibaba's Cainiao for cross-border deliveries. It also successfully expanded delivery services to each of the 77 major cities across five

key countries that AirAsia flies to. This marks a major step towards making 24-hour door-to-door delivery anywhere within Asean a reality.

Another key achievement within airasia digital was the rebranding of BIG Loyalty as BIG Rewards along with its transformation from an airline loyalty programme into a digital currency platform. With over 300 partners across lifestyle, travel and financial services categories, BIG Rewards is one of the largest points platforms that allows borderless earn and burn activities across Asean and beyond. Further enhancing BIG Points as a digital currency, we launched BIG Xchange, a universal points exchange hub allowing two-way points conversion.

Santan, our on-ground restaurant, also achieved significant growth. We were proud to announce the launch of our first Santan outlet, at Mid Valley Megamall, Kuala Lumpur in December 2019. In 2020, not only did we open our second Santan outlet, in Sunway Pyramid; we also secured a franchise licence and obtained seven franchise partners who are now





operating outlets in KL Sogo, 163 Retail Park Mont Kiara, Aeon Shah Alam, PKNS Shah Alam, Nu Sentral, KL East Mall and IOI City Kiara. In addition, during the Movement Control Order (MCO), Santan introduced a home delivery service, which was further strengthened by the establishment of three satellite kitchens that cater only to home delivery.

In addition to building existing businesses, we launched two new affiliated companies - Asia Digital Engineering and Redbeat Academy. Through Asia Digital Engineering we seek to leverage our expertise in aircraft engineering to become Asia's leading data and technology-driven maintenance, repair and overhaul (MRO) service provider for commercial airlines in the region. Our vision for Redbeat Academy, meanwhile, is to become a centre of tech leadership and innovation where we can train Allstars and others to be future-ready. Since its launch, more than 1,200 Allstars have enrolled in various programmes and over 500 have graduated, some landing tech-related roles in AirAsia with no prior experience in technology or IT. We are very excited about this venture, which was opened to the public in October 2020, as we believe it will serve as a vital catalyst in the development of a vibrant digital economy not only in Malaysia but also Asean.

Our digital businesses accounted for 42% of the Group's revenue in the fourth quarter and achieved break-even earnings before interest, tax, depreciation and amortisation (EBITDA) for the year. We are encouraged by these early signs of success and expect our digital and non-airline revenues to contribute around 50% to the Group by the year 2025.

FINANCIAL REVIEW

Revenue for the Consolidated AirAsia Group (AAGB) in 2020 came in at RM3.1 billion, which was 74% less than the previous year. This was primarily due to a 75% decrease in airline revenue as AAGB operated at only 29% of its capacity in 2019. Nonetheless, strict capacity management in line with demand contributed to a commendable load factor of 74%.

The Consolidated Group reported an EBITDA loss of RM3.4 billion, compared to positive EBITDA of RM2.2 billion in 2019. Excluding one-off costs - namely RM1.9 billion from the impairment of right-of-use assets, receivables and finance lease receivables; RM972 million from fuel swap losses; and RM20 million in AirAsia Japan's bankruptcy costs - EBITDA loss would have been about one tenth of the actual, at RM386 million.

Meanwhile, net loss after tax further deepened to RM5.9 billion from a loss of RM283 million in 2019, mainly due to the revenue shortfall and one-off costs, including a fuel hedging loss of RM972 million as well as the impairment and bankruptcy costs. Excluding these one-offs, AAGB would have reported a net loss after tax of RM2.9 billion, of which RM2.5 billion was related to depreciation of right-of-use assets and interest on lease liabilities. This was despite deferrals from lessors, as we were unable to adjust our income statement charges for depreciation and interest due to Amendments to MFRS16: Covid-19 Related Rent Concessions.

SEGMENTAL PERFORMANCE

Our Airlines - AirAsia Malaysia, AirAsia Thailand, AirAsia Indonesia and AirAsia Philippines - were impacted by the restrictions on travel; however, all four demonstrated strong signs of recovery in the third quarter and, with the exception of Malaysia, this carried through into the fourth quarter. AirAsia Indonesia flew five times more guests in the fourth quarter compared to the third quarter. AirAsia Philippines saw an almost doubling of the number of guests carried, while in December AirAsia Thailand exceeded its pre-Covid domestic capacity by 16% and

Management Discussion & Analysis



was utilising 70% of its fleet by the end of the month. Malaysia's performance in the fourth quarter was, unfortunately, hampered by partial lockdowns imposed in October and November due to a resurgence in Covid-19 cases.

Each of our digital businesses grew steadily throughout 2020 and, by the fourth quarter, airasia digital accounted for 42% of AAGB's total revenue, while reporting positive EBITDA of RM34 million, marking a 13 percentage point increase y-o-y. For the year as a whole, airasia digital's EBITDA was an encouraging RM2 million.

ALLSTAR INCENTIVE SCHEME

At our upcoming Extraordinary General Meeting (EGM), the Board will be proposing a long-term incentive scheme for our Allstars comprising an employee share option scheme (ESOS) and share grant, subject to shareholders' approval. We believe this represents a sustainable and meaningful manner in which to recognise the sacrifices our Allstars have made in terms of salary cuts during the year, while aligning our shareholder value creation with wealth creation opportunities for those responsible for generating our income.

RISK REVIEW

The most critical risks during the year were related to the pandemic, which has not only caused billions of dollars in global airline losses but also imposed the need for enhanced safety/hygiene standards. At AirAsia, to avoid insolvency, we have embarked on various initiatives to maintain our cash flow and manage our operating losses. We also mounted extra precautionary measures to keep guests and Allstars safe from infection. Details on these are provided in the section "Our Response to the Crisis" above in this Management Discussion & Analysis.

Additionally, we have continued to place emphasis on ongoing risks, key among which are operational safety, cyber security and protection of customers' personal data.

Operationally, as we rebuild our capacity and start introducing more flights, we will ensure the highest standards of safety integrity are maintained at all times. We remain guided by our robust Safety Management System, and have also adopted digital tools that capture relevant data which are continuously processed to provide prescriptive as well as predictive analysis, promoting continuous improvement.



As we grow our digital businesses, we are exposed to greater cyber security risk. However, this is managed by having a dedicated information security team that focuses on detecting, containing and remediating all cyber-related threats. Our digital systems, moreover, are protected by an information security system based on the ISO/IEC 27001 process and methodology.

Meanwhile, we have in place a robust data governance framework, supported by working groups, that ensures the security and privacy of customers' data. Our policies and procedures are constantly reviewed to ensure compliance with all relevant regulations.

SUSTAINABILITY

We have always believed in being a business with conscience. The very essence of our initial business model – that of enabling everybody to fly – had as its premise the democratisation of a deep-rooted human desire, namely to travel and discover the many wonders of the world. Building on the underlying value of respecting the needs/desires of everyone, we have over the years developed a strong sustainability platform built on the three pillars of environmental, social and economic/governance (ESG or EES) values.

Guided by ESG/EES principles, we strive to play our part in redressing global inequities and environmental issues. Although recognition for our efforts has never been a primary factor, it is always encouraging to receive industry acknowledgement as it indicates that we are on the right track. We were therefore extremely pleased when, in December 2020, AirAsia was listed on the FTSE4Good Bursa Malaysia Index for the first time – validating our ESG/EES practices and principles.

ENVIRONMENT: GOING FOR GREEN

As an airline, we are keenly aware of our responsibility to ensure optimum fuel efficiency in order to reduce our carbon footprint. While fuel efficiency has always been part of our low-cost business model, in recent years we have adopted a more structured approach – as advocated by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) initiated by ICAO. Guided by CORSA, we have set the goals of achieving carbon neutral growth for international flights by 2023 and reducing our net CO₂ emissions to 50% of what they were in 2005 by 2050. As first steps towards these targets, in 2020 we set up a carbon monitoring dashboard for all our AOCs and obtained third-party verification of each AOC's emissions in 2019. The latter is to serve as the baseline upon which future emissions offsetting and reduction obligations will be calculated.

Underlying our commitment towards climate change adaptation, we appointed a team from Imperial College London, the UK, to conduct a climate risk scenario analysis. Based on its recommendations, we are putting in place various systems and controls to mitigate our climate change risks.

Once Covid-19 restrictions lift further, we plan to organise our first climate-related disaster simulation. Some of the airports that we operate in are particularly

vulnerable to weather related events such as floods and typhoons so we will be selecting one of these two scenarios. This exercise will enable us to test our evacuation, asset protection and recovery measures while helping to identify any gaps in our preparedness plans.

At the same time, we are pleased to share that AirAsia Foundation has been funding the efforts of several post-disaster rehabilitation partners since 2013 to help rebuild communities devastated by natural calamities. This includes designing disaster-resilient structures to coastline mapping, which would be invaluable in future recovery strategies following various crises we have faced in the past, including those related to climate change.

SOCIAL: CARING FOR PEOPLE

Our social citizenry is further demonstrated by the value we place on our guests, Allstars and local communities. Being always guest obsessed, we do not just do whatever it takes to ensure our guests enjoy an exceptional experience when flying with AirAsia, we also ensure their safety and well-being at all times. This is reflected in all the measures – including the contactless procedures

– that have been undertaken to ensure we keep our guests and staff safe from infection; and we remain committed to our efforts to maintain the IATA Operational Safety Audit (IOSA) registration of each AOC through the development and execution of remote assessments as on-site audits were not possible during the year. The IOSA accreditation is the global benchmark for upholding the highest standards of safety at all times.

We have always recognised our Allstars as being the true engines of growth for AirAsia and sought to provide them with an exceptional, highly engaging work environment that encourages and rewards performance. This has seen AirAsia provide continuous training for Allstars (in 2020 our training spend exceeded that for 2019 by 7.2%) and even sponsor 13 Allstars to undergo a Master of Business (MBA) Programme at the Asia School of Business in partnership with MIT Sloan. In addition to helping them develop professionally, we also strive to ensure their physical and emotional well-being. The latter was especially pertinent in 2020 due to the stress brought about by the pandemic. In addition to free online counselling, an Allstar Peer Support team was set up to provide emotional support. By year end, about 500 Allstars undergoing mental stress benefitted from this system.



Management Discussion & Analysis

As an airline, we also recognise the important role we can play to halt human trafficking. This is an increasingly critical global issue and we are proud of the work done by AirAsia Foundation to help Allstars recognise the signs of trafficking on board and respond appropriately. Currently 33% of all Allstars have undergone #KnowtheSigns training, and the plan is to increase this number to 50% by the end of 2021. Meanwhile, AirAsia Foundation has also continued to support social enterprises across the region, and added three new organisations to its list of funding recipients in 2020, bringing the total number of enterprises supported to 28. Through its efforts, we have made a positive impact on the lives of 11,501 individuals in seven countries across the region.

GOVERNANCE: INTEGRITY IN EVERYTHING

To protect our operations, including our sustainability initiatives, we have in place a robust governance framework that ensures integrity and transparency across the Group. Although good governance is the principal responsibility of our Board, we ensure that the principles are shared and understood by everyone representing AirAsia.

In 2020, for example, we developed a new Anti-Bribery and Anti-Corruption (ABAC) Policy in response to the recent amendment to Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009. This policy has since been communicated to all Allstars as well as our vendors, suppliers and consultants. The policy is now part of the Code of Conduct training provided to all new recruits. It is also available on the Group's intranet portal, along with all other Group policies, for easy access by Allstars.



OUTLOOK

As we go to print with this annual report, Covid-19 vaccination programmes are ongoing across Asean and beyond. In Malaysia itself, close to two million individuals have been fully vaccinated, with the second of a three-phased programme beginning on 19 April. The expectation is that most countries in the region will have vaccinated 40%-50% of their populations by the third quarter of the year. As increasing numbers of people are protected against the virus, travel will slowly open up again, first domestically, then regionally and eventually internationally.

Although it is too early to predict with certainty when international travel will resume, we are prepared to continue to build our domestic markets as travel restrictions and market conditions allow and are confident of the ability to record improved performance based on ever-intensifying pent-up demand.

As experienced in 2020 and early 2021, whenever there has been a relaxation in domestic travel, there has been a spike in spontaneous travel and an increase in forward bookings. If anything, the prohibitions imposed have further increased the desire to travel.

At the same time, we will continue to build on the momentum of growth achieved in our digital businesses. Our plan for the airasia super app is to roll out its products and services to more of our Asean markets. airasia food expanded into Singapore in March and will soon be in Indonesia and Thailand. airasia beauty has been launched in Malaysia and Indonesia and we are working on expanding airasia health services in Thailand, Indonesia and the Philippines in the future, while offering SNAP deals in Vietnam and Singapore soon. We have also worked on new product offerings, including airasia taxi which will be launched in Malaysia



in the coming months. These will add to the huge success currently seen with Unlimited Asean in Malaysia and Thailand, supporting our vision to become the Asean super app of choice.

We will also continue to develop BigPay, BIG Rewards and Teleport to fully tap into their potential.

Our ability to survive 2020 was due to undertaking a comprehensive and realistic review of every aspect of our operations, followed by instituting wide-ranging measures which have resulted in our airline operations becoming leaner and more optimised than ever before. This has effectively created a stronger and more viable platform for AirAsia in the long haul, providing us an excellent edge to be able to soar again once domestic and international travel fully recover.

There is a silver lining to every crisis and the best thing to come out of this pandemic is our recovery as a stronger, more resilient travel and lifestyle platform. We are today a "new look" AirAsia – with the right focus and foundations to better meet the needs of the digital revolution as we embark on an exciting new phase of growth.

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BUSINESS REVIEW

AIRLINES

International border closures forced a shift in focus among our AOCs towards domestic operations in all of our key markets. Although these too have been impacted by various periods of lockdown, we still flew a total of 335 days during the year, and experienced solid pent-up demand for certain routes, as well as growing demand for new destinations. This led to the launch of 32 new routes Group-wide, mainly to second and third-tier cities. Nevertheless, route rationalisation was imperative, leading to a drop in total capacity during the year to 29%* of that in 2019.

Cost containment was crucial and saw AirAsia undertake various measures to further streamline our operations. We engaged intensively with and received support from lessors, suppliers and partners for deferrals. We have restructured our fuel hedging position and expect minimal mark-to-market in 2021. We have also right-sized our human resources, redeploying some Allstars to growing segments in airasia digital while cutting salaries across the board. As a result, we managed to reduce our fixed costs by 52%* compared to 2019. Meanwhile, various digital initiatives are being implemented to bring further operational savings and grow new revenue streams.

Cessation of our operations in Japan and reduced equity in India were also partly motivated by the need to reduce our cash burn; the other defining reason being a decision to concentrate our resources in Asean, our home ground where the brand is strongest. In line with this strategy, we are looking to further expand and have made positive advances in Indochina, with the possibility of a new AOC in Singapore and other Asean destinations on the radar.

We did not take in any aircraft delivery during the year. Instead, we managed to offload one aircraft, resulting in our fleet size decreasing from 149 to 148*.

SAFETY IN A TIME OF PANDEMIC

Prioritising safety above all else, AirAsia implemented all the recommendations and guidelines released by civil aviation and health authorities, including the International Civil Aviation Organization (ICAO) and World Health Organization (WHO). We also maintained strict adherence to travel regulations imposed by the local governments of countries we serve.



Safety measures put in place include the following:

Aircraft cleaning

- Aircraft undergo two-hour deep-cleaning at every night stop, in addition to regular disinfection by professional cleaning teams in accordance with Airbus' Aircraft Maintenance Manual (AMM).

Pre-flight

- Temperature checks on guests are conducted at different points, including boarding gates. Cabin crew undergo temperature checks before and after every shift.
- Face masks must be worn by guests, and hand sanitisers are available at various points in the airport.
- Seat signage and floor markers at queuing areas ensure social distancing.
- Guests are encouraged to use contactless check-in kiosks (available at all operating airports across Malaysia, Thailand, Indonesia, the Philippines and Japan) and payments (at airports in Malaysia and the Philippines) as well as the Passenger Reconciliation System (PRS) in Malaysia.
- Guests can also identify and verify relevant medical documentation they need and scan these into their mobiles before arriving at the airport using Scan2Fly, which is our version of a digital passport.
- Aircraft cabins are disinfected with industry-approved aerosols before departure.
- Pre-flight briefings on safety and hygiene are conducted for cabin crew to ensure we consistently follow the most up-to-date advice from the relevant health and safety authorities.

* These figures refer to the Consolidated Group, ie AirAsia Malaysia, AirAsia Indonesia, AirAsia Philippines and other subsidiaries. We have been presenting consolidated financial reporting for AAGB in accordance with MFRS 10 since 1 January 2017.

Business Review



In-flight

- All aircraft are equipped with High Efficiency Particulate Arrestors (HEPA), which filter out 99.99% of dust particles and airborne contaminants including viruses and bacteria.
- All cabin crew wear protective equipment including masks and gloves.
- All meals are produced and packaged following strict food safety requirements. Production staff are regularly monitored while cabin crew handling food wear disposable gloves.
- Cabin crew are trained to assist with any medical situation in-flight including identification and isolation of anyone who may feel unwell.
- Temperature checks are conducted before arrival at destinations where this is mandatory.

On Arrival

- Health declaration forms are handed to guests before or on arrival.
- Thermal screening takes place upon arrival.
- Transit passengers may be asked to stay at the airport.
- Mandatory quarantine may take place as per regulations at destination countries.

All guest safety requirements, including those of the local authorities at the destinations served, are made available on our website.

As a result of efforts taken to safeguard our guests and Allstars, every airline in the AirAsia Group was awarded the top seven stars for Covid-19 health ratings from aviation safety experts at [Airlineratings.com](https://www.airlineratings.com).

AIRASIA MALAYSIA

Travel restrictions have been in place in Malaysia since the government imposed the Movement Control Order (MCO) on 18 March. The severity of these restrictions, however, varied at different points in the year according to the incidence of fresh Covid-19 cases in the country.

AirAsia Malaysia grounded its entire fleet when the MCO was first implemented, and resumed domestic flights when travel restrictions relaxed, from 29 April.





Although scheduled international flights have yet to take off, a total of 515 flights out of Malaysia were undertaken during the year - 385 for charter and repatriation; and 130 for cargo. Destinations included Ho Chi Minh City, Hyderabad, Jakarta, Manila, Shenzhen, Vientiane and Yangon; as well as non-operating routes such as Manado, Koror, Dili and Xiamen.

In addition to adhering to WHO and ICAO regulations, our Malaysian operations launched a number of digital innovations to ensure safer and more hygienic travel. Those travelling without baggage, for example, can now “do it all themselves” online. During the year, a new system which does away with physical exchange of boarding passes, as these are scanned, was tested at klia2. It is to be rolled out at klia2 in 2021, followed by other airports in

Malaysia served by AirAsia. The team also introduced Scan2Fly enabling guests to scan and upload any medical certificates required during the online self-check-in process. The system provides real time verification of relevant health documentation and determines guests’ eligibility to fly before they arrive at the airport.

These new technologies add to the biometric facial recognition system, FACES, which was trialed in a couple of airports in 2018 and is now being rolled out in a more concerted manner across Malaysia in 2021.

Constantly monitoring demand and adapting its operations to remain commercially viable, AirAsia Malaysia reinstated most of its popular domestic

routes in the third and fourth quarters of the year, serving destinations such as Kota Bharu, Kota Kinabalu, Kuching, Langkawi, Penang, Sibul and Tawau. These corresponded to spikes in domestic demand, which reached about 60% of pre-Covid-19 levels in September and December. Demand was further reflected in a marginal increase in RASK y-o-y, from 3.42 US cents to 3.44 US cents.

Despite performing commendably under the circumstances, for the first time in 18 years, AirAsia Malaysia was required to right-size its human resources. However, the numbers furloughed or let go were minimised by training and reskilling a significant number of Allstars in digital technologies and absorbing them into AirAsia’s digital businesses. Coincidentally, 2020 was also the year that AirAsia launched Redbeat Academy, our digital training centre, which is where our Allstars received training – mainly online - to help them upskill and pivot into new roles. In addition, a number of Allstars were reassigned to the Customer Happiness Team in order to help manage the significant surge in number of calls and queries received through various digital channels due to flight changes and cancellations.

Going forward, AirAsia Malaysia expects to resume flying to a large part of its domestic network by end 2021, and to expand regionally as international borders open up again. With vaccinations, better testing, education and greater immunity, more travel bubbles and green zones will surface, adding to demand.



Business Review

AIRASIA THAILAND

The pandemic was relatively well contained in Thailand, until December 2020 when the number of cases spiked. Nevertheless, international borders have been closed since 26 March 2020 while domestic flights were suspended from 1 April to 1 May 2020. Since May 2020, domestic flights have been operating, helping to keep the nation's vital travel and tourism industry afloat. In July, travel and tourism received a welcome boost when the government launched its We Can Travel Together campaign offering subsidies of up to 40% discount on hotel rates and up to 40% off on the cost of flights. The campaign proved very popular to help stimulate demand.

Tapping on demand, our associate launched new unique routes, such as Chiang Mai and Udon Thani to Hua Hin. It also became the first domestic airline in the country to operate out of both the main airports in Bangkok when it resumed operations in Suvarnabhumi Airport after shifting to Don Mueang International Airport in 2012. From Suvarnabhumi, it now serves five destinations, namely Chiang Mai, Phuket, Hatyai, Nan and Nakhon Sri Thammarat. Suvarnabhumi also represents a strategic base for AirAsia Thailand to expand its cargo operations, as it commands about 90% of the cargo market.

Throughout the year, AirAsia Thailand flew 69,368 flights, inclusive of charter and cargo operations. Overall capacity reduced by 52%; however our associate was able to maintain its RASK at 1.34 Baht, compared to 1.49 Baht in the previous year.

While domestic flights were suspended, AirAsia Thailand made the most of its resources to maintain a steady source of revenue – initiating home delivery (by Allstars) of popular items on its inflight Santan menu. These included its Boba Tea alongside food favourites such as Stir-Fried Yentafo, Teriyaki Chicken and Rice, Basil Rice with Fried Egg and Mango with Two-Tone Sticky Rice.



It also launched the airasia super app, offering various deals including SNAP, which bundles great value flight and accommodation deals.

Despite the pandemic casting its shadow on all airline operations, the year 2020 was also marked by two milestones for AirAsia Thailand. The first, in January, was to welcome two brand new Airbus A321neo aircraft, which offer the attractive combination of added seat capacity with reduced fuel consumption. The second, in February, was to complete the IATA Operational Safety Audit (IOSA) by the International Air Transport Association (IATA), affirming its world-class safety standards.

Although the start of 2021 has been marred by an increase in Covid-19 cases, the government is confident of managing this second wave with enhanced SOPs and the rollout of a vaccination programme. Tourism Authority of Thailand (TAT) anticipates 6.5 million tourist arrivals this year, compared to 6.7 million in 2020 along with an increase in domestic travel.

Operationally, AirAsia Thailand will begin the process of replacing its A320 fleet with the A321neo. A number of the former will be retired, while new deliveries have been deferred. This will result in a reduced fleet of 54 aircraft, from 62 in 2020, which will be strategically deployed according to demand.

AIRASIA INDONESIA

The timing of the pandemic was very unfortunate for AirAsia Indonesia, which had achieved a remarkable turnaround in 2019, and was looking at accelerating the momentum gained in 2020. Its performance in the fourth quarter of the year, however, indicates much pent-up demand for travel that is just waiting for the right conditions to translate into resumption of growth for our associate.

The government shut down Indonesia's international borders on 29 February including foreign tourists. Although a number of international flights were still undertaken, for repatriation reasons as well as to meet charter and cargo demand, the loss of foreign tourism had a significant impact on AirAsia Indonesia as our associate has traditionally carried the largest number of international tourists into the country.



At the same time, various restrictions and requirements were imposed on domestic travel, with individual provinces enforcing their own conditions. At the outset, the Ministry of Transport limited the passenger load factor on aircraft to 50%. From 24 April to 31 May 2020 most major airports in the country ceased all commercial flights – including domestic routes – in line with large-scale social restrictions. In February 2021, the Ministry of Transport relaxed its load requirement to 70%; however, domestic air travellers are required to test negatively to the antigen rapid-test or polymerase chain reaction (PCR) test.

AirAsia Indonesia resumed domestic operations on 19 June 2020, after a three-month hiatus, prioritising popular routes such as Jakarta-Bali and Jakarta-Medan. Demand picked up gradually, and by the fourth quarter our associate's domestic capacity had increased by 631% quarter on quarter while the number of guests carried increased by 844%. For the year, its passenger load averaged 68.3%.

Our associate is optimistic of international borders reopening in the last quarter of 2021 and looks forward to resuming its

well-established routes. Meanwhile, it will continue to focus on its domestic network and has plans to open more new routes in the year ahead. Potential destinations include Makassar and West Papua in East Indonesia.

AIRASIA PHILIPPINES

Like AirAsia Indonesia, AirAsia Philippines also achieved a much-awaited turnaround in 2019 which has been set back due to the pandemic. Nonetheless, as a result of strict cost containment, route rationalisation, constant stakeholder engagement and reskilling of Allstars, our associate still performed commendably.

International travel restrictions in the country began on 2 February 2020 when the government banned tourist-related travel between China and the Philippines. On 15 March, a Community Quarantine (lockdown) was imposed in Manila, which was then extended to other parts of the country. Domestic travel was banned from 17 March to 4 June and again from 4-19 August, due to a second wave of the pandemic.

These restrictions were reflected in our associate's numbers. In the pre-lockdown months of January and February, AirAsia Philippines averaged 1,760 domestic return flights and 620 international return flights per month. By June-September the average was 80 domestic and three international return services. Towards year end, domestic demand started to pick up, averaging 157 roundtrips per month from October till December.

To further stimulate demand, our associate broadened its domestic network by launching two new destinations – Zamboanga and General Santos – in the southern island of Mindanao. Initially targeted to commence in March, flights to the "Tuna Capital of the Philippines" and "Asian's Latin City" took off in October. Prior to launching these destinations, a number of chartered repatriation flights

to and from the two cities had been mounted to assist in bringing Filipinos back to their hometowns. Subsequently the two destinations have been forecasted to provide vast economic opportunities including delivering a welcome boost for tourism in the region.

Strategic capacity and route planning contributed to our associate achieving an 8% increase in RASK y-o-y from 4.70 US cents in 2019 to 5.06 US cents.

A major priority during the year was to lend all the support it could to the government to repatriate stranded tourists and workers – both Filipino and foreign – as well as to transport essential cargo to areas where they were needed. This saw our associate operate 952 chartered flights in partnership with the Department of Foreign Affairs, the Civil Aviation Authority of the Philippines, Overseas Workers Welfare Administration, and other partners in the private sector. AirAsia Philippines also mounted 323 cargo flights to transport more than 1.5 million kilogrammes of medical equipment and supplies.

As Chair of the Air Carriers Association of the Philippines (ACAP), AirAsia Philippines also used the downtime to collaborate with other major airlines in the country in lobbying for government support to uplift the aviation sector, and tourism more generally. In addition, our associate contributed in a significant manner by maintaining the highest level of safety in the current pandemic by reviewing all available guidelines and best practices for airlines and proposing new standards to be adopted by the local aviation industry.

In addition, to better serve its guests, AirAsia Philippines engaged closely with Local Government Units (LGUs) and the national government to ensure strict adherence to all travel-related policies and protocols, which were constantly changing. These updates were shared with guests via email and text messages, ensuring they had sufficient time to fulfil all requirements before their flights.

Business Review

In 2021, AirAsia Philippines will continue to support all efforts to stimulate domestic travel by opening more routes in line with demand. Firm in the belief that innovation and collaboration will be key in the new normal, the team will strengthen its internal and external engagement to enhance efficiency and productivity as well as to come up with new ideas and strategies for solutions that benefit everyone.

AIRLINE ANCILLARY

Ancillary forms an important source of revenue for AirAsia and is something we have been working on conscientiously over the last few years. Using data and machine learning to better understand our guests' behaviours/preferences, we are able to engage with them on a more personal basis via online channels to encourage maximum take up of the products and services offered. Digital tools have also enabled us to significantly enhance our product/service innovations and to develop

dynamic pricing to match demand. This, in turn, has resulted in steady improvement in our total airline ancillary revenue as well as revenue per passenger (RPP).

In 2020, however, the 74% drop in total number of guests who travelled with AirAsia meant a reduction in ancillary income. This was further exacerbated by restrictions on in-flight sales, affecting the take-up of items such as food & beverage (F&B), duty-free and merchandise. For the year, we achieved total ancillary revenue of RM128.6 million, which was significantly less than the RM2.1 billion in 2019.

As always, the top ancillary performers were Baggage (which accounted for 47.4% of the total), Fees (29.2%) and Pick-A-Seat (12.7%).

Pick-A-Seat

With Pick-A-Seat, guests are able to choose their seats when booking their flights to ensure they get their preferred window or

aisle seat, for example, or to be able to sit with their travel companions. Seat selection was the best performing ancillary offering, its RPP and take-up rate dropping only 6% and 11% respectively year on year. Revenue outperformed the take-up rate due to the application of a revamped dynamic pricing strategy by our airlines in Malaysia, Thailand and Indonesia. Initial A/B (or split) testing on the new system predicts an RPP uplift of 13%.

Baggage

Guests are required to pay a fee for checked-in baggage. As with seats, we implemented a revamped dynamic pricing model for baggage in our Malaysian, Thai and Indonesian operations, which produced an RPP uplift of 14% in A/B testing. This has been further supplemented by a Baggage Recommendation Engine which automatically recommends the most suitable baggage option for the guest. The upselling strategy has been shown to enhance RPP by 18%.

We also established a retargeting framework incorporating data science capabilities to deliver personalised offers based on guests' profiles. The initial pilot showed a 13% uplift in conversion for guests who are likely to pay for baggage but have yet to make a purchase.

In addition, we introduced two new baggage services. Xpress Baggage, launched on 15 June, ensures guests' baggage appears before the others at destination airports. This service is currently available for travel to Australia, Bangladesh, Cambodia, China, Macau, Malaysia, Myanmar, Singapore, South Korea, Sri Lanka, Taiwan, Vietnam and the US. Meanwhile, Xtra Carry-on, introduced on 8 December, allows guests to carry an additional 7kg of cabin baggage on top of the free 7kg allowance. The facility is offered for travel to Bangladesh, Cambodia, China, Japan, Hong Kong, Laos, Macau, Malaysia, Maldives, Myanmar, the Philippines, Singapore, Taiwan and Vietnam.



Fees

Fees are charged on a number of services provided such as the purchase of tickets at the counter, changes made to bookings, fees for infants as well as for payments made with credit cards. During the year, certain fees were waived due to Covid-19. At the same time, to encourage guests to avail of the self-check-in service available in Brunei, Cambodia, Hawaii, India, Laos, Malaysia, Taiwan and Vietnam, we introduced a fee for international flight check-in at the counter.

In-flight Food & Beverage

In-flight Food & Beverage was severely disrupted not just by the reduction in the number of flights and guests carried, but also by the prohibition on serving food onboard for at least six months during the year in Thailand, Indonesia and the Philippines.

On flights where food could be served, we ensured adherence to all SOPs, while enhancing our back-end food handling and logistics procedures to ensure the highest level of hygiene and food safety. We also made available our menu and catered to specific food requests, on chartered flights.

Meanwhile, we continued to innovate our digital platforms to create optimum efficiency, leveraging predictive demand planning. With machine learning, for example, we were able to reduce food inventory waste by more than 50%. We also implemented a new Warehouse Management System (WMS) to enable complete automation and tracking of our logistics processes. In-flight, we launched ePOS 2.0 for enhanced interaction with guests, and replaced printed catalogues with digital catalogues for contactless purchase.



In 2021, we will roll out the predictive demand planning system ePOS 2.0 and WMS in our other Asean markets. Further revolutionising our food delivery, we plan to enable direct orders from mobiles in-flight.

Duty Free

Duty Free is now part of our digital platform, and has been rebranded as airasia beauty, with an expanded range of items on offer including AirAsia merchandise. Our new e-commerce venture made its debut in Malaysia in August, followed by the Philippines in December, offering goods at duty-free prices for guests who are flying international routes, and at duty-paid prices for everyone else. Purchases can be picked up in-flight, at the airport or delivered to the home. To be able to manage a significantly expanded inventory, and to enhance our stock visibility, we have implemented a new digitalised WMS. airasia beauty will be launched in Thailand and Indonesia in 2021.

AirAsia WiFi

In 2014, AirAsia became one of the first airlines in the region to offer WiFi services in-flight, with ROKKI. This has evolved into our current high-speed AirAsia WiFi, powered by Inmarsat's GX network, which enables guests to perform real-time video streaming. In addition, they can access a range of entertainment services and play games, read/watch the news as well as listen to music for free, as these are hosted on a server in the aircraft itself. The aircraft server also supports e-commerce services with a choice of in-flight fulfillment or pick-up at the airport, or home delivery.

Spurred by Covid-19, in 2020 we leveraged AirAsia WiFi to expedite our cabin digitisation efforts for an enhanced contactless experience. We have, for example, removed physical copies of our in-flight magazine (Travel360), Santan menu and duty-free catalogue, incorporating these into the wifi portal. Moving forward, passengers will also be able to purchase their food and beverages as well as duty-free products via AirAsia WiFi.

Business Review



Although priority on cash conservation meant a slowdown in AirAsia WiFi development in 2020, we were still able to expand the service to three more aircraft in AirAsia Thailand. In addition, in October we launched our first Unlimited Internet plan, which has proven to be popular.

Going forward, we have developed a lower-cost hardware and software solution to be deployed fleet-wide in 2021. The software has been upgraded to be more data and analytics-driven in order to further personalise the guest experience. The platform has also been enhanced with more digital advertising capabilities to offer a wholesome experience for our passengers.

ASIA DIGITAL ENGINEERING (ADE)

ADE is a wholly-owned subsidiary set up to provide Maintenance, Repair and Overhaul (MRO) services for airlines in the region. As reflected in its name, ADE's operations are digital-based, lending it an edge in the delivery of cost-effective data and technology-driven services including line maintenance, workshop repairs, engineering support, and the provision of components as well as warehousing.

The company has the added strength of an experienced team that has operated and maintained AirAsia's fleet for 19 years.



ADE became operational on 9 September 2020 when it obtained approval from the Civil Aviation Authority of Malaysia (CAAM). While the objective, initially, was to provide centralised technical support for our fleet of aircraft, in the space of three months ADE made very encouraging progress and even secured contracts from three external airlines.

In 2021, ADE seeks to obtain the relevant civil aviation authority approvals in Thailand, Indonesia, the Philippines and India; as well as the European Union Aviation Safety Agency (EASA) approval to be able to expand its customer base. It also has plans to build three more workshops for enhanced capacity to serve all AOCs within the Group.

GROUND TEAM RED

Ground Team Red (GTR) is our technology-based ground handling arm, which serves all AirAsia as well as third-party airlines in Malaysia and Singapore. Since its establishment in 2017, this 50:50 joint venture with Singapore's SATS Limited has set up a fully digitalised Airport Control Centre in klia2, as well as an Air Cargo Hub at KLIA Air Cargo Terminal 1 (KACT1), catering to diversification into the provision of cargo service.

Business for the year was greatly impacted by the reduced number of flights, necessitating stringent cost management to maintain sustainable margins. This included a reduction in headcount, placing additional pressure to

maintain a high level of productivity and efficiency. Cross departmental deployment of personnel, however, helped to build and improve internal capabilities proving that more can be done with less.

Among the highlights of the year were handling repatriation/rescue flights as well as cargo only flights, where cargo had to be securely strapped in the cabin area. The utmost priority, however, was keeping Allstars safe, and this was reflected in complete adherence to all relevant standard operating procedures (SOPs) while maintaining a high level of service delivery.

Going forward, GTR is preparing for a gradual recovery in air travel and freight operations. As the National Covid-19

Vaccination Programme gets under way, its immediate focus is to ensure readiness to be able to contribute to vaccine handling in Malaysia with industry leading cold chain facilities in KACT1. At the same time, GTR is looking to expand its cargo terminal operations across Malaysia as it creates synergies with Teleport's growing business.

Eventually, GTR will resume plans to expand to other key Asean markets such as Indonesia, Vietnam and Thailand. All the while, it will continue to invest in digital technologies for enhanced productivity and service quality.



airasia digital

airasia digital represents the digital arm of AirAsia. Previously known as Redbeat Ventures, it comprises all our digital-based businesses such as airasia super app, BigPay, BIGLIFE, Teleport and Redbeat Academy. With the slowdown in travel due to the pandemic, we have been able to focus more intently on building these businesses during the year. For the year 2020, airasia digital contributed 14% to overall Group revenue; and we are confident of increasing this figure to 50% by 2025.



AIRASIA SUPER APP

The year 2020 was significant as it saw airasia.com complete its transformation from a platform for the purchase of AirAsia flights into airasia super app. Now, our valued guests from the region not only get to book flights on 700 airlines to over 3,000 destinations on the app, but can also shop for everything from skincare to salads, order meals, indulge in spa and wellness treatments, and even contribute to the well-being of the less fortunate.

Although officially launched in October 2020, the super app has been a work in progress for the last three years, driven by AirAsia founders' vision of transforming AirAsia into a digital lifestyle brand. Today, the platform consolidates over 15 lines of business, all accessible with one single sign-on and payment checkout. Reflecting the fact that the airasia platform is now much more than a website for flights, but a way of life, its tagline is no longer "Now Everyone Can Fly" but "For Everyone".

Not only has it become a lifestyle app serving the everyday needs of its customers, every transaction on the platform earns points which can be redeemed for a wealth of other products or services – from hotels to health screenings, duty-free to dinner. Incorporating Big Exchange, guests can even convert points earned from partner merchants into AirAsia BIG Points.

Last year, we reported the platform having eight core products. This year, more products were added and the entire portfolio was streamlined into three verticals: travel, e-commerce and money. airasia super app's rapid expansion in the last 12 months has been supported by the team's collaborative approach – of forming strategic partnerships that are mutually beneficial. Creating win-win situations was definitely the way to go in a year that was challenging for everyone.

Travel

Under the travel vertical, airasia super app has continued to expand its flight and hotel offerings by partnering more airlines, hotels and online travel agencies (OTAs) such as Turkish Airlines, Sunway Hotels & Resorts, Agoda and Trip.com. Tapping into pent-up demand to fly following relaxation of domestic travel restrictions in the third and fourth quarters of the year, it launched the Unlimited Flight Pass in Malaysia, Thailand, Indonesia and the Philippines which proved so popular that over 200,000 passes were snapped up within the seven-day promotion period. Leveraging its expanded inventory, including direct partnerships with over 500 hotels across Asean, the super app also came out with exciting SNAP flight+hotel bundles. Response to weekly flash sales has been very positive, at times seeing more than 2,000 room nights taken up within four hours.

The team also supported the Airlines in marketing its charter flight services, organising no less than 600 chartered flights during the year to various destinations in Asia across all the AOCs. While most of these were for repatriation or cargo, others catered to medical or religious-related travel under two new services introduced, namely airasia health and IKHLAS.

Through airasia health, we connect 400 cities across Asia with more than 1,000 specialists offering world-class treatment. Supporting this platform, airasia super app has formed partnerships with leading healthcare centres including Sunway Medical Group, Subang Jaya Medical Centre and LifeCare Medical Centre in Malaysia; BDMS in Thailand, which owns a network of 45 hospitals; as well as India's Apollo Hospital with over 60 hospitals. Within three months of its launch, airasia health had attracted over 100,000 unique visitors. Our vision is to enable guests to access world-class medical treatment within the region.



Recently, IKHLAS launched its e-commerce function 'Shop with IKHLAS' to meet increasing demand by Muslim friendly customers in the market.

Accessible via ikhlas.com and the mobile app, Shop With Ikhlas offers a wide range of products from praying mats and amenities, dry food, pre-packaged meals, halal fresh meats, beauty, health supplements, books, Islamic art, garments, merchandise and much more. Eventually, guests will be able to organise everything for their Hajj, Umrah and other religious travel needs using IKHLAS' comprehensive suite of products and services.

e-Commerce

Leveraging the immense growth in demand for last-mile fulfilment and the delivery of essential goods to the home, airasia super app launched three new e-commerce services which have not only boosted our revenue but also helped over 2,000 merchants sustain a healthy level of sales during the pandemic.

- airasia food: offers a selection of Asian, Western, fusion, healthy meals and desserts, including items from Santan

- airasia fresh: delivers fresh produce – fruit, vegetables, fish and meat – to guests' doorstep
- airasia beauty: offers a range of items from cosmetics to skincare and fragrances

These three services gained traction over the course of the year along with brand building efforts. During a Super Sale week held in November, sales by gross book value increased by more than 700% for airasia beauty, and more than 500% for airasia food and airasia fresh.

Money

The money vertical completes the super app's ecosystem and includes BigPay, AirAsia's payment solution; BIG Rewards, the Group's loyalty programme; and BigXchange, a loyalty points exchange platform. This vertical is still being developed and will soon include our own financial services marketplace offering a suite of products catering to the key financial needs of guests at various stages of their lives.