



AIRASIA GROUP BERHAD
201701030323 (1244493-V)
THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2020

ANNOUNCEMENT

The Board of Directors of AirAsia Group Berhad (“AirAsia” or “the Company”) hereby announce the following unaudited consolidated results of AirAsia Group and its subsidiaries (collectively known as “the Group”) for the third quarter ended 30 September 2020.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue	10	387,275	2,945,157	2,611,967	8,752,882
Operating expenses:					
- Staff costs		(205,894)	(434,201)	(899,733)	(1,257,365)
- Aircraft fuel expenses		(75,551)	(1,066,543)	(922,591)	(3,109,239)
- Fuel swap losses		(280,531)	-	(581,346)	-
- Maintenance and overhaul		(64,149)	(272,362)	(516,331)	(909,425)
- User charges and other related expenses		(116,724)	(434,609)	(576,218)	(1,270,337)
- Other operating expenses		(527,288)	(171,142)	(796,264)	(483,226)
Other income	11	436,032	157,783	608,640	362,380
Share of results of associates **		(4,096)	(61,762)	(54,562)	(255,857)
Airline EBITDA		(450,926)	662,321	(1,126,438)	1,829,813
Non Airline EBITDA					
- Teleport (Logistics)	29	20,123	62,122	77,928	169,799
- AirAsia.com	29	(2,930)	(10,458)	(13,499)	(9,526)
- BigPay Group	29	(17,141)	(21,293)	(70,497)	(49,713)
- Other AirAsia Digital Entities	29	(3,425)	(1,399)	(18,070)	(59,358)
Share of results of associate/ joint venture		193	-	553	-
EBITDA		(454,106)	691,293	(1,150,023)	1,881,015
Depreciation of property, plant and equipment		(36,202)	(45,626)	(110,185)	(189,479)
Depreciation of right of use asset	2	(531,647)	(443,157)	(1,471,114)	(1,240,659)
Finance costs - lease liabilities	2	(131,430)	(136,334)	(372,918)	(367,589)
Finance income	12	28,603	16,107	68,690	40,195
Finance costs	12	(38,336)	(80,164)	(114,992)	(206,615)
Net Operating (Loss)/ Profit		(1,163,118)	2,119	(3,150,542)	(83,132)
Foreign exchange gain/(losses)	12	44,471	(111,995)	52,454	(19,638)
Fair value loss on derivatives		(41,085)	(237,725)	(248,996)	(214,518)
Loss before taxation		(1,159,732)	(347,601)	(3,347,084)	(317,288)
Tax expense	13	(205)	(12,165)	(15,216)	(16,881)
Deferred taxation	13	75,850	292,306	156,712	433,635
Net (loss)/profit for the financial period/year		(1,084,087)	(67,460)	(3,205,588)	99,466
Attributable to:					
- Owners of the company		(851,779)	(51,443)	(2,656,226)	80,715
- Non-controlling interests		(232,308)	(16,017)	(549,362)	18,751
		(1,084,087)	(67,460)	(3,205,588)	99,466
Earnings per share attributable to owners of the Company (sen)					
- Basic		(25.5)	(1.5)	(79.5)	2.4
- Diluted		(25.5)	(1.5)	(79.5)	2.4

* Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”)

**share of results of associates is disclosed above the EBITDA line to facilitate disclosure of Airline performance. The performance of the associates and AirAsia Digital entities are disclosed in Note 29.

The Condensed Income Statement in compliance with MFRS 134 is as disclosed in Note 1.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Net loss for the financial period	(1,084,087)	(67,460)	(3,205,588)	99,466
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(12,387)	(1,381)	(11,539)	4,083
Fair value reserve	(43,922)	16,246	(249,467)	99,798
Cash flow hedges	231,349	34,668	(536,412)	278,944
Foreign currency translation differences	(177,243)	(623)	115,583	(17,392)
Total comprehensive (loss)/income for the period	(1,086,290)	(18,550)	(3,887,423)	464,899
Total comprehensive income attributable to:				
Owners of the Company	(781,096)	(2,533)	(3,177,680)	446,148
Non-controlling interests	(305,194)	(16,017)	(709,743)	18,751
	(1,086,290)	(18,550)	(3,887,423)	464,899

The condensed consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30/09/2020 RM'000	AS AT 31/12/2019 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	14	1,146,167	1,201,576
Right of use assets	21	10,406,823	11,215,954
Finance lease receivables	21	1,386,453	927,429
Investment in associates	16	551,485	703,325
Investment in joint venture		1,610	-
Investment securities	15	355,506	603,215
Intangible assets		640,287	635,024
Deferred tax assets		1,166,070	1,130,830
Receivables and prepayments	17	3,057,290	3,423,984
Deposits on aircraft purchase		603,708	252,293
Derivative financial instruments	23	-	208,725
		19,315,399	20,302,355
CURRENT ASSETS			
Inventories		147,733	146,086
Receivables and prepayments	17	1,120,074	1,133,011
Finance lease receivables	22	7,847	293,571
Deposits on aircraft purchase		-	344,036
Amounts due from associates		607,609	432,709
Amounts due from related parties		321,630	107,200
Derivative financial instruments	23	523,885	230,479
Tax recoverable		336	17,174
Deposits, bank and cash balances		618,423	2,588,097
		3,347,536	5,292,363
CURRENT LIABILITIES			
Trade and other payables	18	3,198,044	2,175,150
Aircraft maintenance provisions and liabilities	19	317,943	572,312
Sales in advance		971,687	1,182,155
Amounts due to associates		44,912	151,812
Amounts due to related parties		41,685	260,354
Borrowings	20	413,933	342,152
Lease liabilities	21	1,667,015	2,271,662
Derivative financial instruments	22	879,146	126,977
Provision of taxation		36,268	52,895
		7,570,632	7,135,469
NET CURRENT LIABILITIES		(4,223,096)	(1,843,106)



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30/09/2020 RM'000	AS AT 31/12/2019 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	18	324,274	320,455
Aircraft maintenance provisions and liabilities	19	5,141,443	4,720,621
Borrowings	20	38,600	86,714
Lease liabilities	21	10,336,719	10,188,139
Deferred tax liabilities		111,782	84,279
Derivative financial instruments	22	39,763	73,350
Provision for retirement benefits		79,496	74,951
		16,072,078	15,548,509
		(979,775)	2,910,740
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other reserves		(650,351)	147,067
Foreign exchange reserve		311,536	171,137
Retained earnings		(991,774)	1,664,452
		1,185,085	4,498,330
Non-controlling interests		(2,164,860)	(1,587,590)
Total equity		(979,775)	2,910,740
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.35	1.35

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Number of shares '000	Share Capital RM'000	Merger Deficit RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Remeasurement loss on employee benefits liability RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2020	3,341,974	8,023,268	(5,507,594)	171,137	38,466	103,768	4,833	1,664,452	4,498,330	(1,587,590)	2,910,740
Net profit for the financial period	-	-	-	-	-	-	-	(2,656,226)	(2,656,226)	(549,362)	(3,205,588)
Other comprehensive income	-	-	-	140,399	(536,412)	(249,467)	(11,539)	-	(657,019)	(27,908)	(684,927)
At 30 September 2020	3,341,974	8,023,268	(5,507,594)	311,536	(497,946)	(145,699)	(6,706)	(991,774)	1,185,085	(2,164,860)	(979,775)
At 1 January 2019	3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,389,073	7,631,815	(1,622,087)	6,009,728
Net profit for the financial period	-	-	-	-	-	-	-	80,715	80,715	18,751	99,466
Other comprehensive income	-	-	-	(17,392)	278,944	99,798	4,083	-	365,433	-	365,433
Dividend paid	-	-	-	-	-	-	-	(3,408,813)	(3,408,813)	-	(3,408,813)
At 30 September 2019	3,341,974	8,023,268	(5,507,594)	161,123	(198,666)	121,514	8,530	2,060,975	4,669,150	(1,603,336)	3,065,814

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/09/2020	30/09/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,347,084)	(317,288)
Adjustments:		
Property, plant and equipment		
- Depreciation	110,185	189,479
- Gain on disposal	(404,186)	(92,100)
Depreciation of Right of Use asset	1,471,114	1,240,659
Intangible assets		
- Amortisation	2,681	(3,155)
Provision for retirement benefit	5,382	-
Impairment of receivables, related parties, joint ventures and investment securities	454,916	-
Fair value loss/(gain) on derivative financial instruments	248,996	214,518
Share of results of associates and joint venture	54,009	255,857
Net unrealised foreign exchange (gain)/losses	(77,552)	127,632
Interest expense	114,992	206,615
Interest on lease liabilities	372,918	367,589
Interest income	(68,690)	(40,195)
	(1,062,319)	2,149,611
Changes in working capital		
Inventories	657	(48,874)
Receivables and prepayments	416,422	224,782
Trade and other payables and provisions	876,541	444,305
Sales in advance	(234,201)	(10,288)
Intercompany balances	(1,122,733)	(206,489)
Cash (used in)/generated from operations	(1,125,633)	2,553,047
Interest paid	(49,961)	(174,958)
Interest received	10,879	41,978
Tax paid	(3,570)	(5,012)
Net cash (used in)/ generated from operating activities	(1,169,324)	2,415,055



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/09/2020	30/09/2019
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(141,064)	(85,329)
- Proceeds from disposal	237,372	3,901,753
Addition in intangible assets	(7,944)	(12,459)
Refund of deposits for aircraft	-	407,784
Additional subscription in other investments	(1,758)	-
Additional investments in investment securities	-	(30,826)
Additional subscription of shares in associates	-	(147,001)
Investment in joint venture	(2,025)	-
Net cash generated from investing activities	84,581	4,033,922
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	148,957	520,724
Dividends paid	-	(3,408,813)
Interest on lease liabilities	(372,918)	(367,589)
Repayment of borrowings and lease liabilities	(689,338)	(4,168,604)
Net cash used in financing activities	(913,299)	(7,424,282)
NET DECREASE FOR THE FINANCIAL PERIOD	(1,998,042)	(975,305)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,588,097	3,326,921
CURRENCY TRANSLATION DIFFERENCES	28,369	(173,240)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	618,423	2,178,376

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE QUARTERLY REPORT

1. Basis of preparation

The Interim Financial Report is unaudited and has been prepared in accordance with paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements. The Consolidated Income Statement on page 1 has been presented to better reflect the Airline and Non-Airline activities of the Group.

The Interim Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2019.

The Consolidated Income Statement for the quarter ended 30 September 2020, in compliance with MFRS134: Interim Financial Reporting is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	442,914	3,066,262	2,869,821	9,086,399
Operating expenses:				
- Staff costs	(221,087)	(454,989)	(962,606)	(1,320,597)
- Depreciation of property, plant and equipment	(567,849)	(488,783)	(1,581,299)	(1,430,138)
- Aircraft fuel expenses	(75,551)	(1,066,543)	(922,591)	(3,109,239)
- Fuel swap losses	(280,531)	-	(581,346)	-
- Maintenance and overhaul	(64,149)	(272,362)	(516,331)	(909,425)
- User charges and other related expenses	(129,878)	(434,609)	(618,500)	(1,270,337)
- Other operating expenses	(577,401)	(289,333)	(1,047,848)	(851,544)
Other income	455,480	204,629	683,387	511,615
Operating (loss)/profit	(1,018,052)	264,272	(2,677,313)	706,734
Finance income	28,603	16,107	68,690	40,195
Finance costs	(169,766)	(216,498)	(487,910)	(574,204)
Net operating (loss)/profit	(1,159,215)	63,881	(3,096,533)	172,725
Share of results of associates / joint venture	(3,903)	(61,762)	(54,009)	(255,857)
Foreign exchange gains/(loss)	44,471	(111,995)	52,454	(19,638)
Fair value loss on derivatives	(41,085)	(237,725)	(248,996)	(214,518)
Loss before taxation	(1,159,732)	(347,601)	(3,347,084)	(317,288)
Tax expense	(205)	(12,165)	(15,216)	(16,881)
Deferred taxation	75,850	292,306	156,712	433,635
Net (loss)/profit for the financial period	(1,084,087)	(67,460)	(3,205,588)	99,466

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the Audited Financial Statements for the financial year ended 31 December 2019. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2020 or later are provided in the notes to the financial statements in the Audited Financial Statements of the Group for the financial year ended 31 December 2019. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

For the beginning of the financial year 1 January 2020, the standards that becomes effective does not have any material impact to the financial statements of the Group and the Company for the year.

On 1 June 2020, Malaysian Accounting Standards Board issued an Amendment to MFRS 16: Covid 19 Related Rent Concessions that can be applied for annual reporting periods beginning on or after 1 June 2020 where earlier application is also permitted. The accounting standard provides a practical expedient, whereby the lessee may elect not to assess whether a rent concession granted by lessors (which can include waiver, deferral or extension for the period of up until 30 June 2021) is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change in applying this Standard if the change were not a lease modification.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion with an emphasis of matter on material uncertainty relating to going concern, in view of the current economic condition and Covid-19 Pandemic, in respect of the Company's audited financial statements for the financial year ended 31 December 2019 in their report dated 6 July 2020. The Emphasis of matter by Independent Auditors were as follows:

“We draw attention to Note 2.1 and Note 48 to the financial statements, which indicate that the Group has a net loss of RM283 million for the financial year ended 31 December 2019 and the current liabilities exceeded its current assets by RM1,843 million. Further, in early 2020, the global economy, in particular the commercial airlines industry, faces uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for air travel which impacted the Group's financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 48 to the financial statements, indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.”



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3. Auditors' report on preceding annual financial statements (cont'd.)

Nevertheless, with the recent progressive uplifting of restriction on interstate travel and domestic tourism activities within the operating countries, the Group has seen positive developments on its business operations as passenger seat booking trends, flight frequencies and load factors are gradually improving to cater for the increasing demand. The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which is dependent on successful recovery from the COVID-19 pandemic in conjunction with the actions undertaken by the government of the respective countries, favorable outcome of the ongoing discussions with the financial institutions and investors to obtain required funding and successful implementation of the management's plans for future actions in responding to the conditions above as disclosed in Note 2.1 and Note 48 to the financial statements.

Our opinion is not modified in respect of this matter.”

4. Seasonality of operations

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. However, due to the current Covid 19 situation and the various lockdowns in countries where the Group operates the operations have been adversely impacted.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date except for those arising from the Covid 19 outbreak fuel hedges, as disclosed in Note 22(c), the filing of bankruptcy by AirAsia Japan and the announcement of creditors restructuring of AirAsia X Berhad, a related party of the Group, as disclosed in Note 29.

6. Changes in composition of the Group

There were no material changes in the composition of the Group during the current quarter.

7. Changes in estimates

There were no changes in estimates that have had a material effect on the results of the current quarter and financial period-to-date.

8. Capital and reserves

There was no cancellation, repurchase, resale and repayment of debt and equity securities for the period ended 30 September 2020.



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9. Dividends paid and proposed

No dividend has been proposed during the quarter ended 30 September 2020.

10. Revenue

	Quarter ended 30/9/2020 RM million	Quarter ended 30/9/2019 RM million
Passenger revenue		
- seat sales	324.1	2,261.8
- others	45.0	588.9
Aircraft operating lease income	18.2	94.5
	<hr/> 387.3	<hr/> 2,945.2
Teleport (Logistics)	55.6	121.1
	<hr/> 442.9	<hr/> 3,066.3

Passenger revenue “Others” includes ancillary income such as administrative fees, baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sales of meals and merchandise.

11. Other income

	Quarter ended 30/9/2020 RM million	Quarter ended 30/9/2019 RM million
Fees charged for provision of commercial air transport services	5.2	25.3
Gain on disposal of property, plant and equipment	393.5	92.1
Others	37.3	40.4
	<hr/> 436.0	<hr/> 157.8

Other income “Others” includes commission and advertising income, forfeited revenue and insurance claims.



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12. Finance income/(costs) and foreign exchange gains/(losses)

	Quarter ended 30/09/2020 RM million	Quarter ended 30/09/2019 RM million	Year ended 30/09/2020 RM million	Year ended 30/09/2019 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	1.2	16.1	9.8	39.8
- from associates	24.9	-	29.2	-
- finance lease receivables	2.2	-	28.6	-
Discounting effect on financial instruments and others	0.3	-	1.1	0.4
	<u>28.6</u>	<u>16.1</u>	<u>68.7</u>	<u>40.2</u>
(b) Finance costs				
Bank borrowings	(9.1)	(77.8)	(25.7)	(193.4)
Amortisation of premiums for interest rate caps	(0.7)	(0.6)	(1.2)	(2.6)
Discounting effect on financial instruments, bank facilities and other charges	(28.5)	(1.8)	(88.1)	(10.6)
	<u>(38.3)</u>	<u>(80.2)</u>	<u>(115.0)</u>	<u>(206.6)</u>
(c) Foreign exchange gains/(losses)				
- realized	30.6	9.0	(25.1)	29.8
- unrealized	13.9	(206.3)	77.6	(127.6)
- fair value movement recycled from cash flow hedge reserve	-	85.3	-	78.2
	<u>44.5</u>	<u>(112.0)</u>	<u>52.5</u>	<u>(19.6)</u>

13. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM0.3 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Net deferred tax asset of RM75.9 million was recognised in the current quarter.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

14. Property, plant and equipment

(a) acquisition and disposals

During the period ended 30 September 2020, the Group acquired property, plant and equipment with a cost of RM141.1 million (period ended 30 September 2019: RM85.3 million).

During the period ended 30 September 2020, proceeds from disposal of property, plant and equipment is RM237.4 million (period ended 30 September 2019: RM3,901.8 million).

(b) revaluation

There was no revaluation of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

(c) impairment

There was no impairment of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

15. Quoted investments and properties

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

16. Investments in associates

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
Investment at cost	1,526.2	819.0
Reclassified from investment in joint venture	-	572.7
Share of results and reserves	(974.7)	(688.4)
	<u>551.5</u>	<u>703.3</u>

MFRS128 provides that entities discontinues recognizing its share of further losses when its share of the loss equals to or exceeds its interest in the associate. Accordingly, the Group has only recognised losses to the extent of its interest in these associates. The unrecognized losses at the reporting date is RM833.8 million



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17. Receivables and prepayments

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
<u>Non-current</u>		
Prepayments	2,603.1	2,512.0
Deposits and other receivables	454.0	912.0
	<hr/> 3,057.1	<hr/> 3,424.0
<u>Current</u>		
Trade and other receivables	356.3	450.7
Prepayments	630.5	594.6
Deposits	133.3	87.7
	<hr/> 1,120.1	<hr/> 1,133.0

Prepayments include advances for the purchase of fuel as well as prepaid engine maintenance costs to the service provider.

18. Trade and other payables

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
<u>Non-current</u>		
Other payables	324.3	320.5
<u>Current</u>		
Trade payables	2,412.2	449.0
Other payables	450.4	453.5
Accruals for fuel	11.6	270.5
Collateral for derivatives	-	7.8
Others	323.8	994.4
	<hr/> 3,198.0	<hr/> 2,175.2

Other payables and accruals include accruals for operational expenses and passenger service charges payable to airport authorities



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19. Aircraft maintenance provision/ payables

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
Aircraft maintenance provision	1,797.7	1,274.3
Aircraft maintenance payables	2,398.7	2,435.5
Aircraft maintenance reserves	1,263.0	1,583.1
	<hr/> 5,459.4	<hr/> 5,292.9
Current	317.9	572.3
Non Current	5,141.5	4,720.6
	<hr/> 5,459.4	<hr/> 5,292.9

- (i) Aircraft maintenance provision relates to provision of maintenance of aircraft contractually obligated by the Group to maintain during the lease period until redelivery based on pre-agreed conditions
- (ii) Aircraft maintenance payables relates to provision set aside at the point of sales and leaseback that is contractually obligated by the Group to incur to return the aircraft at the pre-agreed conditions
- (iii) Aircraft maintenance reserve relates to payments made by lessee for agreed maintenance work that has yet to be carried out

The liabilities of the aircraft provisions/ payables are covered through the Group's prepaid engine maintenance cost to a service provider as disclosed in Note 17.

20. Borrowings

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
<u>Short term</u>		
Term loans	312.1	238.5
Commodity Murabahah Finance	1.8	3.6
Revolving credit	100.0	100.0
	<hr/> 413.9	<hr/> 329.9
<u>Long term</u>		
Term loans	38.6	86.7
Total	<hr/> 452.5	<hr/> 428.9



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20. Borrowings (Contd.)

The currency profile of borrowings are as follows:

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
Ringgit Malaysia	148.7	103.7
US Dollar	155.8	184.3
Philippine Peso	102.6	90.0
Indonesian Rupiah	45.4	50.9
	<u>452.5</u>	<u>428.9</u>

21. Lease liabilities

Lease liabilities is supported by the corresponding Rights-of-Use asset of RM10.4 billion and finance lease receivables of RM1.4 billion. The lease liabilities are repayable on a monthly basis based on the lease agreement.

22. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 30 September 2020, the Group has Foreign Currency Swaps with outstanding amount of USD11.9 million.

(b) Interest Rate Hedging.

As at 30 September 2020, the Group has interest rate swaps which have an outstanding amount of US\$263.3 million.

(c) Fuel Hedging

As the Covid-19 pandemic resulted in closure of borders and increased travel restrictions, the expected fuel consumption of the Group has tremendously reduced.

Hence, the Group is in an over-hedged position due to flight cancellations and aircraft grounding. Mark-to-market losses due to ineffectiveness of fuel hedging has been accounted for.



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22. Derivative financial instruments (cont'd.)

Type of Derivatives	Notional Value As at 30/9/2020	Fair value 30/9/2020
	Barrels million	Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	5.0	(346.3)
- 1 year to 3 years	-	-
Total	5.0	(346.3)
<u>Interest rate contracts</u>		
	RM million	RM million
- less than 1 year	184.1	(1.9)
- More than 3 years	911.0	(92.7)
Total	1,095.1	(94.6)
<u>Foreign currency contracts</u>		
	RM million	RM million
- 1 year to 3 years	49.6	49.6
Total	49.6	49.6

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

23. Status of corporate proposals announced

There are no outstanding corporate proposal.

24. Post balance sheet events

There are no post balance sheet events to be reported.

25. Contingent assets

As at the date of this report, the Group does not have any contingent assets.

26. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the audited financial statements of the Group for the financial year ended 31 December 2019.



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27. Capital commitments outstanding not provided for in the interim financial report

Capital commitments for property, plant and equipment:

	As at 30/9/2020 RM million	As at 31/12/2019 RM million
Approved and contracted for	128,626.2	99,665.2

28. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 30 September 2020 are set out below:

	Quarter ended 30/9/2020 RM million	Quarter ended 30/9/2019 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	50.0	68.2
- India AirAsia	16.9	24.3
- Japan AirAsia	11.2	12.0
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	17.5	-
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	18.2	26.0
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	47.1	44.2



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29. Review of Group Performance

Consolidated Group Performance

The impact of the Covid 19 pandemic continues to affect the Group's operations adversely. While international borders remained closed, the Group focused on resuming limited domestic operations in the areas we operate. This is an improvement over the previous quarter where most of our fleet was put into hibernation.

Consequently, Group Revenue for the third quarter of financial year 2020 saw a 272% quarter-on-quarter ("QoQ") growth to RM442.9 million. On a corresponding quarter basis, Group revenue declined by 85% from RM3,066.3 million. The Group continues with its cost containment measures, including the right sizing of manpower and salary cuts for management, staff and directors, while efforts to preserve cash include negotiations for restructuring of payments with lessors, suppliers and partners as well as restructuring of fuel hedging positions. At the same time, the Group is actively managing capacity to be in line with demand.

The Group's digital business continues to improve with the launch of airasia.com, our one digital travel and lifestyle super app for Asean.

The Group reported a loss for 3Q20 of RM1,084.1 million, of which RM663.1 million was related to depreciation of Right-of-use assets and interest on lease liabilities. Whilst the Group had successfully negotiated for deferrals with lessors, pursuant to the practical expedient available under Amendments to MFRS16: Covid 19 Related Rent Concessions, as explained in Note 2 above, the income statement charge for depreciation and interest were not adjusted. Nonetheless, the main effect on cash flows would be the reduction in cash outflows for lease payments during the period of the rent concession.

On 17th November 2020, the Group announced that AirAsia Japan would be filing for bankruptcy as a result of unfavourable operating conditions brought about by the Covid 19 pandemic. On 6th October 2020, a related party of the Group, AirAsia X Berhad, announced that it proposed to undertake a debt and corporate restructuring exercise. In view of these two events, the Group provided an impairment of receivables totaling RM444.2 million. The cessation of operations at AAJ had also resulted in the exercise of a bank guarantee issued in favour of AAJ.

In the third quarter of 2020, the Group had also disposed its spare engines to raise liquidity to weather through this challenging period. This resulted in a gain of RM393.5 million



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29. Review of Group Performance (cont'd.)

Analysis of the quarterly results excluding one-off adjustments is as follows:

	INDIVIDUAL QUARTER	
	Quarter ended	Quarter ended
	30/09/2020	30/09/2019
	RM million	RM million
Net Operating (Loss)/ Profit	(1,163.1)	2.1
Adjustments:		
- Fuel swap losses	(280.5)	-
- Impairment of receivables	(444.2)	-
- Gain on disposal of property, plant and equipment	393.5	92.1
	(831.9)	(90.0)

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended	Period ended
	30/9/2020	30/9/2019
	RM million	RM million
Cash from/(to) Operating activities	(1,169.3)	2,415.1
Cash from/(to) Investing activities	84.6	4,033.9
Cash from/(to) Financing activities	(913.3)	(7,424.3)
	(1,998.0)	(975.3)

The Group's cashflow was a net outflow as the Covid 19 pandemic continued to adversely affect demand for flights. Investing activities in the corresponding period included proceeds from disposals of aircrafts under sale and leaseback transactions whereas financing activities included the special dividend paid in August 2019. The decrease in financing activities for the current period ended 30 September 2020 was as a result of cost containment activities as well as lower restructured payments to lessors and creditors.

The net gearing ratio as at 30 September 2020 and 31 December 2019 are as follows:

	As at	As at
	30/9/2020	31/12/2019
	RM million	RM million
Borrowings	452.5	428.9
Lease liabilities	12,003.7	12,459.8
Less: Deposit, cash and bank balances	618.4	2,588.1
Net Debt	11,837.8	10,300.6
Total equity	1,185.1	4,498.3
Net gearing ratio (times) – excluding lease liabilities	Nil	Nil
Net gearing ratio (times)	10.0	2.3



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29. Review of Group Performance (cont'd.)

(a) AIRLINE

Performance indicators

	Jul - Sep 2020	Jul - Sep 2019	Change %
Passengers Carried	1,916,424	13,002,178	-85%
Capacity	2,882,662	15,501,606	-81%
Seat Load Factor	66%	84%	-18
RPK (million)	1,854	16,021	-88%
ASK (million)	2,598	19,024	-86%
Average Fare (RM)	169	176	-4%
Unit Passenger Revenue (RM)	194	215	-10%
Revenue / ASK (sen)	14.69	15.02	-2%
Revenue / ASK (US cents)	3.51	3.59	-2%
Cost / ASK (sen)	46.85	15.29	206%
Cost / ASK (US cents)	11.19	3.65	206%
Cost / ASK-ex Fuel (sen)	34.05	9.63	253%
Cost / ASK-ex Fuel (US cents)	8.13	2.30	253%
Aircraft (end of period)	147	147	-
Average Stage Length (km)	906	1,224	-26%
Number of Flights	16,305	85,403	-81%
Fuel Consumed (Barrels)	442,294	3,045,478	-85%
Average Fuel Price (US\$ / Barrel)	192	85	126%

Exchange Rate: RM:USD – 4.1883 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$83/barrel

Revenue for the airline business for 3Q20 was RM387.3 million, as capacity reduced by 81% as compared to 3Q19. Nonetheless, on a QoQ basis, capacity increased as all the countries that the Group operates in slowly eased travel restrictions. With this, the revenue generated in 3Q20 was 5 times more than the revenue seen in 2Q20. The average load factor for was at a reasonable 66%, with Malaysia hitting a load factor of 70% in September while operating only 30% of the fleet. Average fare was higher as more charter flights were flown, which generally generates higher average fare per passenger.

The Airline Group reported a negative EBITDA for 3Q20 at RM450.9 million, compared to a positive EBITDA of RM662.3 million in 3Q19. Excluding the impairment of receivables of RM444.2 million, the fuel swap losses of RM280.5 million and a one off the gain on disposal of spare engines, the Airline Group adjusted EBITDA would be a negative RM119.7 million.



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29. Review of Group Performance (cont'd.)

(b) Airline Associate Companies

Thai AirAsia (“TAA”) reported a revenue of THB2,126.9 million for 3Q20 as compared to THB9,419.1 million in 3Q19, with capacity reducing by 56% YoY. Despite the international borders remaining closed, TAA saw a strong demand for its domestic market, achieving an average load factor of 65% while operating only half of its fleet. In September 2020, TAA achieved 95% of its domestic capacity as compared to September 2019.

AirAsia India (“AAI”) reported a revenue of INR2,215.5 million for 3Q20 as compared to INR7,242.4 million in 3Q19, with capacity reducing by 64% YoY. Average fare also saw an increase of 12% to INR3,143 as compared to 3Q19. Average load factor was 62% with AAI operating 65% of its fleet.

TAA, AAI and AAJ, which had ceased its operations, all suffered losses due to the decline in revenue. As noted in Note 16, these losses are not equity accounted as the past losses had exceeded the Group’s cost of investments in these airline operating entities.

(c) AirAsia Digital

	Quarter ended 30/9/2020				Quarter ended 30/9/2019			
	Teleport (Logistics)	AirAsia.com	Big Pay Group	Others	Teleport (Logistics)	AirAsia.com	Big Pay Group	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	55,676	2,339	4,316	12,793	121,105	7,423	4,168	35,254
Operating expenses	(62,748)	(5,269)	(21,457)	(16,218)	(113,475)	(17,881)	(25,461)	(36,653)
Elimination of Cargo Belly Costs	27,196	-	-	-	54,492	-	-	-
EBITDA	20,123	(2,930)	(17,141)	(3,425)	62,122	(10,458)	(21,293)	(1,399)

(i) Teleport

Teleport business was impacted by the decline in cargo capacity caused by regional closing of borders, with revenue falling by 54%. Teleport have adapted to current conditions by utilizing the passengers carrier as for cargo but the growing competition in the delivery space has reduced the delivery profit margin. Teleport delivered an EBITDA of RM20.1 million.



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29. Review of Group Performance (cont'd.)

(i) Teleport (cont'd)

With the new reality of post Covid-19 where customers are inclined to order home delivery, Teleport transformed from cargo logistic to last mile delivery and launched e-commerce market space of Food by AirAsia, Fresh by AirAsia and AirAsia shop.

(ii) AirAsia.com

AirAsia had built an All-in- One- Digital Travel and Lifestyle for Asean and recently launched the new mobile application and have seen encouraging uptake despite the depressed travel industry. Q4 will see AirAsia signing up with all the airline operating entities within the Group to overall better manage the strategy of ticket sales and an opportunity for bundling with the current offerings of AirAsia.com.

(iii) BigPay Group

BigPay revenue grew by 11% from 2Q20, testament of its strong foothold and unique offerings as it is the only player in the market building in house full key stack fully deployable across markets. Big Pay was granted a community credit license in Malaysia and launched BigPay in Singapore in September. Currently it is working on securing licenses to do payments in Thailand and Philippines and lending in Philippines.

(iv) Other AirAsia Digital Entities

The other AirAsia Digital Entities include predominantly contributions from BigLoyalty which is a rewards and points company that allow members in Asean to earn and burn points from various merchants in the region and Santan which currently have 2 restaurants under its belt and was granted the official franchise registration certificate in September 2020.

30. Variation of results against preceding quarter

The Group recorded a lower Net Loss of RM1,084,1 million for the quarter under review, against the Net Loss of RM1,159.5 million in the immediately preceding quarter ended 30 June 2020, as the Group ramped up its operations following the easing of travel restrictions.



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31. Profit forecast

No profit forecast has been issued.

32. Commentary on prospects

AirAsia Group has been severely affected by the global COVID-19 pandemic. AirAsia temporarily hibernated most of its fleet across the network in late March 2020 due to increasing movement restrictions and only slowly easing up with domestic travel in end May. We are guided by the government and health authorities of various countries in adding our frequencies and opening routes. Encouraging performance was seen in the third quarter as domestic travel in Malaysia, Indonesia and Philippines which casted an encouraging trend. However, in the fourth quarter of 2020, there has been a spike in cases in Malaysia which has led to a majority of states being placed in under Conditional Movement Control Order and inter-state travel has been banned except for essential travel. Accordingly, AirAsia Malaysia has reduced its capacity in October and November 2020. AirAsia Group is looking forward to the gradual reopening of domestic travel and international borders in recognition that air transport provides the connectivity that is essential for the resumption of economic activities.

We have applied for bank loans in our operating countries to shore up our liquidity. In Malaysia, we are securing commitments from the banks for the government guarantee loan under the Danajamin Prihatin Guarantee Scheme while our Philippines and Indonesia entities are currently in various stages of bank loan applications. We have also been presented with proposals to raise capital to strengthen our equity base and/or liquidity from a number of investment bankers, lenders as well as potential investors to help the Company weather the storm caused by the Covid-19 pandemic. In addition, AirAsia has ongoing deliberations with a number of parties for joint-ventures and collaborations that may result in additional third party investments in specific segments of the group's business.

With the group reorganisation completed in 2019 into two pillars, the group will push further to build the AirAsia way of life ecosystem. Other than the airline group of companies, AirAsia Group has a strong and growing digital pillar which brings together all our digital businesses. AirAsia Digital is positioned to be an Asean triple play business covering e-commerce, logistics and finance, leveraging our extensive reach on AirAsia.com and its low customer acquisition cost.

Through various fundraising exercises that the Group is working on, the Group foresee it will hae sufficient working capital to sustain the business operations.



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33. Material Litigation

As at 30 September 2020, there was no material litigation against the Group.

34. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
Net (loss)/profit attributable to owners of the Company (RM'000)	(851,779)	(51,443)	(2,656,226)	80,715
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974
Basic and diluted earnings per share (sen)	(25.5)	(1.5)	(79.5)	2.4

The Group does not have in issue any financial instruments on other contracts that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

35. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

HARMINDER SINGH A/L JAILA SINGH
(P.C Reg No: 201908001591)(LS0009855)
COMPANY SECRETARY
24 NOVEMBER 2020