



AIRASIA GROUP BERHAD
201701030323 (1244493-V)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2020

ANNOUNCEMENT

The Board of Directors of AirAsia Group Berhad (“AirAsia” or “the Company”) hereby announces the following unaudited consolidated results of AirAsia Group and its subsidiaries (collectively known as “the Group”) for the fourth quarter ended 31 December 2020.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue	10	233,429	3,079,012	2,844,381	11,379,669
Operating expenses:					
- Staff costs		(193,520)	(527,120)	(1,157,325)	(1,779,310)
- Aircraft fuel expenses		(68,836)	(1,095,532)	(991,428)	(4,204,771)
- Fuel swap losses		(390,823)	-	(972,168)	-
- Maintenance and overhaul		(25,997)	(411,395)	(542,299)	(1,331,260)
- User charges and other related expenses		(85,521)	(489,704)	(703,465)	(1,758,689)
- Other operating expenses		(1,620,684)	(186,447)	(2,153,894)	(603,652)
Other income	11	30,571	61,592	503,414	432,688
Share of results of associates **		(9,611)	(225,709)	(65,702)	(448,874)
Airline EBITDA		(2,130,993)	204,697	(3,238,487)	1,685,801
AirAsia Digital EBITDA					
- Teleport	29	17,193	69,654	95,121	241,969
- airasia App	29	(11,538)	(974)	(48,670)	(10,500)
- BigPay Group	29	(17,268)	(29,118)	(83,153)	(78,831)
- Other AirAsia Digital Entities	29	45,756	(9,283)	38,600	(99,484)
Share of results of associate/ joint venture		(140)	-	413	-
EBITDA		(2,096,989)	234,976	(3,236,175)	1,738,955
Depreciation of property, plant and equipment		(40,298)	(35,470)	(150,920)	(221,502)
Depreciation of right of use assets ("ROU")	2	(448,028)	(389,004)	(1,919,141)	(1,241,749)
Finance costs - lease liabilities	2	(206,170)	(138,284)	(578,595)	(503,093)
Finance income	12	38,656	31,364	107,346	119,990
Finance costs	12	(13,716)	(77,531)	(130,751)	(272,640)
Net Operating loss		(2,766,545)	(373,949)	(5,908,236)	(380,039)
Foreign exchange gain	12	182,677	174,556	231,798	105,973
Fair value gain/(loss) on derivatives		112,393	(33,075)	(136,603)	(247,593)
Gain on disposal of an associate	6	152,912	-	152,912	-
Fair value of retained interest in a previous associate company	6	76,456	-	76,456	-
Loss before taxation		(2,242,108)	(232,468)	(5,583,674)	(521,659)
Tax expense	13	(2,893)	(13,370)	(17,787)	(34,815)
Deferred taxation	13	(422,078)	(139,592)	(265,243)	273,252
Net loss for the financial period/year		(2,667,079)	(385,430)	(5,866,704)	(283,222)
Attributable to:					
- Owners of the company		(2,444,779)	(384,438)	(5,096,650)	(315,807)
- Non-controlling interests		(222,300)	(992)	(770,054)	32,584
		(2,667,079)	(385,430)	(5,866,704)	(283,222)
Earnings per share attributable to owners of the Company (sen)					
- Basic		(73.2)	(11.5)	(152.5)	(9.4)
- Diluted		(73.2)	(11.5)	(152.5)	(9.4)

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

**share of results of airline 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
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Net loss for the financial period	(2,667,079)	(385,430)	(5,866,704)	(283,223)
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(9,450)	(781)	(8,602)	2,299
Fair value reserve	(1,163)	(17,746)	(206,708)	82,052
Cash flow hedges	575,152	237,132	(192,609)	516,076
Foreign currency translation differences	(513,570)	(37,348)	(220,744)	(7,378)
Total comprehensive (loss)/income for the period	(2,616,110)	(204,173)	(6,495,367)	309,826
Total comprehensive income attributable to:				
Owners of the Company	(2,310,916)	(203,437)	(5,731,671)	275,329
Non-controlling interests	(305,194)	(736)	(763,696)	34,497
	(2,616,110)	(204,173)	(6,495,367)	309,826

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 31/12/2020 RM'000	AS AT 31/12/2019 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	14	1,120,228	1,201,576
Right of use assets ("ROU")	14	9,283,970	11,215,954
Finance lease receivables	14	946,809	927,429
Investment in associates	16	540,252	703,325
Investment in joint venture		1,332	-
Investment securities	15	479,116	603,215
Intangible assets		640,553	635,024
Deferred tax assets		872,729	1,130,830
Receivables and prepayments	17	3,180,756	3,423,984
Deposits on aircraft purchase		590,179	252,293
Derivative financial instruments	23	-	208,725
		17,655,924	20,302,355
CURRENT ASSETS			
Inventories		141,421	146,086
Receivables and prepayments	17	806,410	1,133,011
Finance lease receivables	22	9,891	293,571
Deposits on aircraft purchase		-	344,036
Amounts due from associates		558,053	432,709
Amounts due from related parties		174,570	107,200
Derivative financial instruments	23	77,808	230,479
Tax recoverable		1,457	17,174
Deposits, bank and cash balances		540,602	2,588,097
		2,310,212	5,292,363
CURRENT LIABILITIES			
Trade and other payables	18	2,252,259	2,175,150
Aircraft maintenance provisions and liabilities	19	251,660	572,312
Sales in advance		971,688	1,182,155
Amounts due to associates		35,907	151,812
Amounts due to related parties		170,656	260,354
Borrowings	20	787,060	342,152
Lease liabilities	21	3,532,826	2,271,662
Derivative financial instruments	22	134,655	126,977
Provision of taxation		27,718	52,895
		8,164,429	7,135,469
NET CURRENT LIABILITIES		(5,854,217)	(1,843,106)



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31/12/2020 RM'000	AS AT 31/12/2019 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	18	249,723	320,455
Aircraft maintenance provisions and liabilities	19	5,157,557	4,720,621
Borrowings	20	495,880	86,714
Lease liabilities	21	9,204,057	10,188,139
Deferred tax liabilities		111,782	84,279
Derivative financial instruments	22	64,818	73,350
Provision for retirement benefits		102,517	74,951
		15,386,334	15,548,509
		(3,584,627)	2,910,740
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other reserves		(261,842)	147,067
Foreign exchange reserve		(54,975)	171,137
Retained earnings		(3,432,198)	1,664,452
		(1,233,341)	4,498,330
Non-controlling interests		(2,351,286)	(1,587,590)
Total equity		(3,584,627)	2,910,740
Net assets per share attributable to ordinary equity holders of the Company (RM)		(0.37)	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									Non-controlling interests RM'000	Total equity RM'000
	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		
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	-	-	-	-	-	-	-	(5,096,650)	(5,096,650)	(770,054)	(5,866,704)
Other comprehensive income	-	-	-	(226,112)	(195,495)	(206,708)	(6,706)	-	(635,021)	6,358	(628,663)
At 31 December 2020	3,341,974	8,023,268	(5,507,594)	(54,975)	(157,029)	(102,940)	(1,873)	(3,432,198)	(1,233,341)	(2,351,286)	(3,584,627)
At 1 January 2019	3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,389,072	7,631,814	(1,622,087)	6,009,727
Net profit for the financial period	-	-	-	-	-	-	-	(315,807)	(315,807)	32,584	(283,223)
Other comprehensive income	-	-	-	(7,378)	516,076	82,052	386	-	591,136	1,913	593,049
Dividend paid	-	-	-	-	-	-	-	(3,408,813)	(3,408,813)	-	(3,408,813)
At 31 December 2019	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

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 31/12/2020 RM'000	PERIOD ENDED 31/12/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(5,583,674)	(521,660)
Adjustments:		
Property, plant and equipment		
- Depreciation	150,920	221,502
- Gain on disposal	(378,399)	(101,544)
ROU and Finance lease receivables		
- Depreciation	1,919,141	1,241,749
- Impairment	579,269	-
- Gain on derecognition	-	(22,458)
Intangible assets		
- Amortisation	2,415	471
Provision for retirement benefit	5,382	16,343
Impairment of receivables, related parties, joint ventures and investment securities	1,299,930	5,415
Gain on partial disposal of shares in an associate	(152,912)	-
Remeasurement gain on retained interest in a previous associate	(76,456)	-
Fair value loss on derivative financial instruments	136,603	247,593
Share of results of associates and joint venture	65,289	448,874
Net unrealised foreign exchange (gain)/losses	(223,284)	(125,146)
Dividend income from:		
- investment securities	(5,033)	(6,330)
Interest expense	130,751	262,640
Interest on lease liabilities	578,595	503,093
Interest income	(107,346)	(119,990)
	(1,658,808)	2,050,552
Changes in working capital		
Inventories	6,969	(38,547)
Receivables and prepayments	293,591	154,254
Trade and other payables and provisions	783,380	452,064
Sales in advance	(234,200)	41,555
Intercompany balances	(1,282,331)	15,918
Cash (used in)/generated from operations	(2,091,399)	2,675,796
Interest paid	(58,707)	(192,968)
Interest received	10,905	37,348
Tax (paid)/recovered	(3,905)	9,741
Retirement benefit paid	(8,601)	(7,099)
Net cash (used in)/ generated from operating activities	(2,151,707)	2,522,818



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/12/2020 RM'000	PERIOD ENDED 31/12/2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(172,174)	(295,686)
- Proceeds from disposal	237,372	4,799,035
Addition in intangible assets	(7,944)	(10,278)
Additional deposit for aircraft purchase	-	(39,287)
Refund of deposits for aircraft	-	417,900
Acquisition of		
- subsidiaries, net of cash acquired	-	(3,415)
- other investments	-	(34,482)
Net movement other investments	(4,600)	-
Additional investments in investment securities	-	(8,821)
Additional subscription of shares in associates	-	(280,482)
Loans to an associate	-	(165,376)
Investment in joint venture	(2,025)	-
Proceeds from partial disposal of interest in an associate	152,912	-
Dividend received from :		
- investment securities	3,637	6,330
Finance lease receivables	162,047	398,322
Net cash generated from investing activities	369,225	4,783,760
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	978,785	710,724
Dividends paid	-	(3,408,813)
Interest on lease liabilities	(578,595)	(503,093)
Repayment of borrowings and lease liabilities	(739,720)	(4,885,727)
Net cash used in financing activities	(339,530)	(8,086,909)
NET DECREASE FOR THE FINANCIAL PERIOD	(2,122,012)	(780,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,588,097	3,326,921
CURRENCY TRANSLATION DIFFERENCES	74,518	41,507
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	540,602	2,588,097

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 Digital 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 31 December 2020, in compliance with MFRS134: Interim Financial Reporting is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue	267,435	3,226,229	3,136,274	11,860,403
Operating expenses:				
- Staff costs	(215,354)	(553,129)	(1,179,159)	(1,876,196)
- Depreciation of property, plant and equipment	(488,326)	(424,474)	(2,070,061)	(1,463,251)
- Aircraft fuel expenses	(68,836)	(1,095,532)	(991,428)	(4,204,771)
- Fuel swap losses	(390,823)	-	(972,168)	-
- Maintenance and overhaul	(25,997)	(411,395)	(542,299)	(1,331,260)
- User charges and other related expenses	(85,521)	(489,704)	(703,465)	(1,758,689)
- Other operating expenses	(1,678,369)	(339,922)	(2,582,208)	(1,150,485)
Other income	110,227	124,138	663,567	648,826
Operating (loss)/profit	(2,575,564)	36,211	(5,240,947)	724,577
Finance income	38,656	31,364	107,346	119,990
Finance costs	(219,886)	(215,815)	(709,346)	(775,733)
Net operating (loss)/profit	(2,756,794)	(148,240)	(5,842,947)	68,834
Share of results of associates / joint venture	(9,751)	(225,709)	(65,289)	(448,874)
Foreign exchange gains	182,677	174,556	231,798	105,973
Fair value gain/(loss) on derivatives	112,393	(33,075)	(136,603)	(247,593)
Gain on disposal of an associate	152,912	-	152,912	-
Fair value of retained interest in a previous associate company	76,456	-	76,456	-
Loss before taxation	(2,242,108)	(232,468)	(5,583,674)	(521,660)
Tax expense	(2,893)	(13,370)	(17,787)	(34,815)
Deferred taxation	(422,078)	(139,592)	(265,243)	273,252
Net loss for the financial period	(2,667,079)	(385,430)	(5,866,704)	(283,223)

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

AAGB's air transportation business is subject to the seasonal demand for air travel. This segment of the Group's business has been severely affected by travel restrictions due to the Covid-19 pandemic.

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

Unusual items affecting the Group's Income Statement, Balance Sheet and cash flows, apart from the overall effects of the Covid-19 pandemic, are in relation to the unwinding of fuel hedges, written down of some receivables, the filing for bankruptcy by AirAsia Japan, the filing for creditors restructuring by AirAsia X Berhad and the sale of 32.7% of AirAsia India.

6. Changes in composition of the Group

On 29 December 2020, the Group announced that its wholly owned subsidiary, AirAsia Investment Limited (“AAIL”) executed a Share Purchase Agreement (“SPA”) with Tata Sons Private Limited (“TSL”) to sell 32.7% of AirAsia India (“AAI”), comprising 490 million ordinary shares of INR10 each, for a consideration of USD37.7 million (or approximately RM152.6 million).

The SPA also provides for an option for the sale of AAIL's remaining 16.3% stake in AAI. The total consideration in respect of the Option is USD18.8 million (or approximately RM76.3 million)



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 31 December 2020.

9. Dividends paid and proposed

No dividend has been proposed during the quarter ended 31 December 2020.

10. Revenue

	Quarter ended 31/12/2020 RM million	Quarter ended 31/12/2019 RM million
Passenger revenue		
- seat sales	174.7	2,567.9
- others	40.7	490.7
Aircraft operating lease income	18.0	20.4
	<hr/>	<hr/>
	233.4	3,079.0
Teleport	34.0	147.2
	<hr/>	<hr/>
	267.4	3,226.2

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.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

11. Other income

	Quarter ended 31/12/2020 RM million	Quarter ended 31/12/2019 RM million
Fees charged for provision of commercial air transport services	3.3	28.4
Dividend income from an investment	1.4	-
Others	25.9	33.2
	30.6	61.6

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

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

	Quarter ended 31/12/2020 RM million	Quarter ended 31/12/2019 RM million	Year ended 31/12/2020 RM million	Year ended 31/12/2019 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	-	0.6	9.6	38.8
- from associates	-	-	29.0	11.4
- finance lease receivables	21.7	22.1	50.8	61.4
Discounting effect on financial instruments and others	16.9	8.7	18.0	8.3
	38.6	31.4	107.3	119.9
(b) Finance costs				
Bank borrowings	(15.4)	(27.9)	(41.1)	(157.8)
Amortisation of premiums for interest rate caps	-	(1.5)	(1.2)	(1.5)
Discounting effect on financial instruments, bank facilities and other charges	1.7	(48.1)	(88.5)	(113.3)
	(13.7)	(77.5)	(130.8)	(272.6)
(c) Foreign exchange gains/(losses)				
- realized	33.6	(46.8)	8.5	(17.2)
- unrealized	149.1	221.4	223.3	125.1
- fair value movement recycled from cash flow hedge reserve	-	-	-	(1.9)
	182.7	174.6	231.8	106.0



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13. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM2.9 million and year to date of RM17.8 million comprises mainly of under-provision of taxes in prior year and foreign branch taxes.

Deferred taxation

Deferred tax liability of RM265.2 million was recognised during the year mainly arising from the derecognition of unabsorbed losses that is probable to be utilized against taxable income in the short term horizon based on market expectations of the recovery of the aviation industry.

14. Property, plant and equipment, ROU and Finance Lease receivables

(a) acquisition and disposals

During the period ended 31 December 2020, the Group acquired property, plant and equipment with total cost of RM172.2 million (period ended 31 December 2019: RM295.7 million).

During the period ended 31 December 2020, proceeds from the disposal of property, plant and equipment amounted to RM237.4 million (period ended 31 December 2019: RM4,799.0 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

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

(ii) The Group recorded an impairment of RM579.3 million on ROU and RM46.6 million on its finance lease receivables representing approximately 5% of the carrying amount as at 31 December 2020 considering the current impact of Covid 19 pandemic to the airline business.

15. Quoted investments and properties

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



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16. Investments in associates

	As at 31/12/2020 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
Disposed during the year	(292.2)	-
Reclassified to investment securities	(146.1)	-
Share of results and reserves	(985.9)	(688.4)
Disposed during the year	438.3	-
	<u>540.3</u>	<u>703.3</u>

MFRS128 provides that entities discontinue recognizing their 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 amounted to RM557.0 million.

During the year, the Group disposed its interest in AAI as disclosed in Note 6.

17. Receivables and prepayments

	As at 31/12/2020 RM million	As at 31/12/2019 RM million
<u>Non-current</u>		
Prepayments	2,751.7	2,512.0
Deposits and other receivables	429.0	912.0
	<u>3,180.7</u>	<u>3,424.0</u>
<u>Current</u>		
Trade and other receivables	378.1	450.7
Prepayments	301.4	594.6
Deposits	126.9	87.7
	<u>806.4</u>	<u>1,133.0</u>

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



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18. Trade and other payables

	As at 31/12/2020 RM million	As at 31/12/2019 RM million
<u>Non-current</u>		
Other payables	249.7	320.5
<u>Current</u>		
Trade payables	1,211.1	449.0
Other payables	119.7	453.5
Accruals for fuel	8.5	270.5
Collateral for derivatives	1.2	7.8
Others	911.7	994.4
	<u>2,252.2</u>	<u>2,175.2</u>

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

19. Aircraft maintenance provision/ payables

	As at 31/12/2020 RM million	As at 31/12/2019 RM million
Aircraft maintenance provision	1,660.7	1,274.3
Aircraft maintenance payables	2,332.4	2,435.5
Aircraft maintenance reserves	1,416.1	1,583.1
	<u>5,409.2</u>	<u>5,292.9</u>
Current	251.6	572.3
Non Current	5,157.6	4,720.6
	<u>5,409.2</u>	<u>5,292.9</u>



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19. Aircraft maintenance provision/ payables (Contd.)

- (i) Aircraft maintenance provision relates to contractual obligations by the Group to maintain the aircraft during the lease period until redelivery, based on pre-agreed conditions
- (ii) Aircraft maintenance payables relates to provision for the Group's contractual obligations, in a sales and leaseback agreement, to incur on the return of an aircraft in a pre-agreed conditions
- (iii) Aircraft maintenance reserve relates to payments made by the lessee subscribing to the engine maintenance programme 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 31/12/2020 RM million	As at 31/12/2019 RM million
<u>Short term</u>		
Term loans	84.5	238.5
Term loans (Deferred fuel hedge settlements)	582.6	-
Commodity Murabahah Finance	-	3.6
Revolving credit	120.0	100.0
	<hr/> 787.1	<hr/> 329.9
<u>Long term</u>		
Term loans	495.8	86.7
Total	<hr/> 1,282.9	<hr/> 428.9

The currency profile of borrowings are as follows:

	As at 31/12/2020 RM million	As at 31/12/2019 RM million
Ringgit Malaysia	262.3	103.7
US Dollar	712.3	184.3
Philippine Peso	83.7	90.0
Indonesian Rupiah	45.8	50.9
	<hr/> 1,282.9	<hr/> 428.9



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20. Borrowings (Cont'd.)

In October 2020, the Group, through 3 of its wholly owned subsidiaries, secured a RM300 million loan from Sabah Development Bank to fund specific development projects in/ for Sabah.

The increase in borrowings also arose from loans / installment plans provided by fuel hedge counterparties for settlement of fuel hedges crystallised / unwound in 2020.

21. Lease liabilities

The lease liabilities amounting to RM12.7 billion includes deferred aircraft leases of approximately RM1.5 billion. The lease liabilities are supported by ROU of RM9.2 billion (net of impairment) and finance lease receivables of RM0.9 million (net of impairment)

22. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 31 December 2020, there is no outstanding amount for forward foreign exchange contract.

(b) Interest Rate Hedging.

As at 31 December 2020, the Group has six (6) interest rate swaps with an outstanding amount of US\$213.53 million. These interest rate swaps are entered with one (1) counterparty and will mature between 2028 and 2029.

(c) Fuel Hedging

Due to the Covid-19 pandemic impact and continued uncertainty regarding available flight plans for 2021, the Group is unable to provide an estimate for its full year 2021 fuel consumption.

The Group's current fuel derivative contracts contain only Brent crude oil fixed swaps representing about 2.89 million barrels.



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22. Derivative financial instruments (cont'd.)

Type of Derivatives	Notional Value As at 31/12/2020	Fair value 31/12/2020 Assets/(Liabilities) RM million
	Barrels million	
<u>Fuel contract</u>		
- less than 1 year	2.9	(56.8)
<u>Interest rate contracts</u>	RM million	RM million
- More than 3 years	862.5	(64.8)

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

Proposed Private Placement

On 21st January 2021, the Company announced that it proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company or 668,394,816 shares ("Placement shares") ("Proposed Private Placement"). The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Malaysia Securities Berhad ("Bursa") on 16 April 2020 which increased the prescribed limit under Paragraph 6.03 of the Main Market Listing Requirements from 10% to 20%. The Company has obtained approval from its shareholders for the 20% General Mandate at its Annual General Meeting held on 28 September 2020.

The Placement Shares will rank equally in all aspects with the existing Company shares in issue. The actual amount of proceeds to be raised from the Proposed Private Placement will depend on the actual number of Placement Shares issued and the issue price of the Placement Shares.

The proposed utilisation of the proceeds (on an estimated amount raised of RM454.5 million are as follows:



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23. Status of corporate proposals announced (Cont'd)

Proposed Private Placement

Utilisation of Proceeds	Expected timeframe	Proposed Utilisation (RM m)	Actual Utilisation (RM m)
Fuel Hedging Settlement	6 -12 months	146.6	53.6
Aircraft lease and maintenance	3 months	95.2	51.4
AirAsia Digital Sdn Bhd business units development cost, product and market expansion costs and marketing expenses	Within 12 months	77.0	20.0
General working capital expenses	Within 6 months	135.5	38.0
Estimated expenses for the Proposed Private Placement	Immediate	0.2	0.2
		<u>454.5</u>	<u>163.1</u>

The above Proposed Private Placement is approved by Bursa on 3 February 2021. On 10 February 2021, the Company announced that the first tranche of placement shares of 369,846,852 is price fixed at RM0.675 per share. On 9 March 2021, the Company announced that the second tranche of placement shares of 100,367,362 is price fixed at RM0.865 per share.

Proposed acquisition of remaining 20% equity interest in BigLife Sdn Bhd

On 22 March 2021 entered into a Memorandum of Understanding with Aimia Holdings UK II Limited in relation to the proposed acquisition of remaining 20% equity interest in BigLife Sdn Bhd to be satisfied by the issuance of 85,864,583 ordinary shares in the Company's shares to be allotted at an issue price of RM1.20 per share amounting to RM103 million (approximately USD25 million). The completion of the share sale and purchase agreement will be require shareholders' approval.

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.



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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.

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

Capital commitments for property, plant and equipment:

	As at 31/12/2020 RM million	As at 31/12/2019 RM million
Approved and contracted for	124,855.1	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 31 December 2020 are set out below:

	Quarter ended 31/12/2020 RM million	Quarter ended 31/12/2019 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	44.8	63.2
- AirAsia India (up to date of disposal)	14.2	21.5
- AirAsia Japan	13.0	11.9
b. Purchase of cargo transportation capacity		
- Thai AirAsia	0.7	-
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	-	27.5
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	21.8	53.8
- Thai AirAsia	0.1	-



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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. Lockdowns announced in Malaysia for the month of October and November further dampened sales in the fourth quarter.

Consequently, Group Revenue for the fourth quarter of financial year 2020 fell by 40% quarter-on-quarter ("QoQ") to RM267.4 million. On a corresponding quarter basis, Group revenue declined by 92% from RM3,226.2 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 revenue continues to improve with the launch of airasia App in October 2020.

The Group reported a loss for 4Q20 of RM2,667.1 million and a year to date loss of RM5,866.7 million. Based on the current economic conditions impacting the airlines, the following unusual charges/(credits) were included in arriving at the loss for the quarter and year to date:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM million	RM million	RM million	RM million
Loss for the period/ year	(2,667.1)	(385.4)	(5,866.7)	(283.2)
Adjustments:				
- Impairment of ROU	579.3	-	579.3	-
- Impairment of Finance Lease receivables	46.6	-	46.6	-
- Impairment of receivables	837.6	-	1,299.9	-
- Fuel Swap losses	390.8	-	972.2	-
- Bankruptcy costs of AirAsia Japan	19.7	-	19.7	-
- Gain on disposal of property, plant and equipment from sales and leaseback transaction	-	-	-	(82.7)
- Gain on disposal of engine	-	-	(377.2)	-
- Gain on disposal of AirAsia India	(229.4)	-	(229.4)	-
- One off consultant costs for sales and leaseback transactions	-	12.9	-	25.2
- One off tax provisions of a subsidiary	-	49.3	-	49.3
	<u>(1,022.5)</u>	<u>(323.2)</u>	<u>(3,555.7)</u>	<u>(291.4)</u>



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

A major portion of the loss for the period relates to depreciation of ROU and interest on lease liabilities amounting to RM654.2 million for 4Q20 and RM2,497.7 million for FY2020. While 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 as reflected below.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 31/12/2020 RM million	Period ended 31/12/2019 RM million
Cash from/(to) Operating activities	(2,151.7)	2,522.8
Cash from/(to) Investing activities	369.2	4,783.8
Cash from/(to) Financing activities	(339.5)	(8,086.9)
	<u>(2,122.1)</u>	<u>(780.3)</u>

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 aircraft 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 31 December 2020 was as a result of lower restructured payments to lessors and creditors. Further, financing activities included payment for deferred settlements from hedge counterparties for the crystallised fuel swaps losses.



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

(a) AIRLINE

Performance indicators

	Sep - Dec 2020	Sep - Dec 2019	Change %	YTD 2020	YTD 2019	Change %
Passengers Carried	1,342,171	13,169,228	-90%	13,308,895	51,559,070	-74%
Capacity	1,999,180	16,021,444	-88%	17,940,200	60,884,616	-71%
Seat Load Factor	67%	82%	-15	74%	85%	-10
RPK (million)	1,051	15,916	-93%	14,267	63,382	-77%
ASK (million)	1,621	19,185	-92%	19,118	74,642	-74%
Average Fare (RM)	129	190	-32%	175	179	-2%
Unit Passenger Revenue (RM)	172	234	-27%	215	224	-4%
Revenue / ASK (sen)	14.20	16.09	-12%	15.06	15.53	-3%
Revenue / ASK (US cents)	3.45	3.91	-12%	3.58	3.69	-3%
Cost / ASK (sen)	80.00	16.25	392%	35.24	15.74	124%
Cost / ASK (US cents)	19.46	3.95	392%	8.37	3.74	124%
Cost / ASK-ex Fuel (sen)	60.96	11.16	446%	24.96	10.10	147%
Cost / ASK-ex Fuel (US cents)	14.83	2.71	446%	5.93	2.40	147%
Aircraft (end of period)	149	149	-	149	149	-
Average Stage Length (km)	842	1,207	-30%	1,001	1,225	-18%
Number of Flights	10,942	88,175	-88%	98,249	335,399	-71%
Fuel Consumed (Barrels)	284,513	3,114,176	-91%	3,198,665	12,003,621	-73%
Average Fuel Price (US\$ / Barrel)	59	83	-29%	74	82	-10%

Exchange Rate: quarter RM:USD – 4.111 and year RM:USD – 4.2111 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference
 CASK exclude one off income gain and impairment losses

Revenue for the airline business for 4Q20 was RM233.4 million, as capacity reduced by 88% as compared to 4Q19 mainly as a result of the lower capacity in Malaysia, the Philippines and Indonesia as international borders remained closed. The partial lockdown in Malaysia in October and November largely contributed to revenue falling 40% QoQ. It is notable, however, that the Philippines doubled its passengers carried whilst Indonesia multiplied its number of passenger carried by 11 times QoQ. This is testament that for areas where travel restrictions are lifted, there is a solid domestic rebound for air travel.

Revenue for the airline business for YTD 2020 saw a 75% drop as compared to YTD 2019 impacted by the Covid 19 pandemic. Capacity reduced by 71%. With active capacity management, load factor was at a relatively healthy level of 74%.



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

(a) AIRLINE

The Airline Group reported a negative EBITDA for 4Q20 at RM2,131.0 million, compared to a positive EBITDA of RM337.7 million in 4Q19. Excluding the one off adjustments of impairment of ROU and finance lease receivables, receivables, fuel swap losses and the bankruptcy costs borne for AirAsia Japan, the Airline Group would have reported a negative EBITDA of RM257.1 million.

YTD 2020 reported a negative EBITDA of RM3,238.4 million as compared to EBITDA of RM1,469.3 million for YTD 2019. Excluding the one off adjustments of impairment of ROU and finance lease receivables, receivables, fuel swap losses and the bankruptcy costs borne for AirAsia Japan, YTD 2020 would have reported a negative EBITDA of RM320.7 million.

(b) Airline Associate Companies

Thai AirAsia (“TAA”) reported a revenue of THB3,433.1 million for 4Q20 as compared to THB9,997.5 million in 4Q19, with capacity reducing by 39% YoY. Despite international borders remaining closed, TAA saw a strong demand for its domestic market, achieving an average load factor of 75% while operating 70% of its fleet. In November 2020, TAA achieved a load factor of 79% just on domestic market representing 116% of its pre covid domestic capacity.

As disclosed in Note 6, we have disposed 32.7% of the Group stake in AAI and AAI ceased to be an associate. AirAsia Japan is currently undergoing bankruptcy proceedings.

(c) AirAsia Digital

	Quarter ended 31/12/2020				Quarter ended 31/12/2019			
	Teleport	airasia App	Big Pay Group	Others	Teleport	airasia App	Big Pay Group	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	34,006	12,837	4,431	62,388	147,218	11,138	6,083	45,324
Operating expenses	(31,557)	(24,375)	(21,699)	(16,631)	(133,830)	(12,112)	(35,201)	(54,607)
Elimination of Cargo Belly Costs	14,743				56,266			
EBITDA	17,193	(11,538)	(17,268)	45,756	69,654	(974)	(29,118)	(9,283)



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

(i) Teleport

Teleport business was impacted by the decline in cargo capacity caused by regional closing of borders, with revenue falling by 77%. Teleport has adapted to current conditions by utilizing passenger carrier for cargo but the growing competition in the delivery space has reduced the delivery profit margin. Despite the decline in cargo capacity, Teleport delivered a positive EBITDA of RM17.2 million.

With the new reality of the Covid-19 pandemic where customers are inclined to order home delivery, Teleport transformed from cargo logistics to last mile delivery and launched new e-commerce market space of Food, Fresh and Shop. Platform business more than doubled its performance in 3Q20 in terms of GMV. The order amounts with Food continues its growth trajectory at more than 5x in 4Q20 compared with 3Q20.

(ii) airasia App

Airasia App, the Group's all in one digital travel and lifestyle super app for ASEAN, launched its mobile app during the year. Despite the depressed travel industry, downloads have been encouraging. AirAsia has signed up all the airline operating entities within the Group to overall better manage the strategy for ticket sales and the opportunity for bundling with current offerings of airasia App. The centralisation of offerings to airasia.com provides a seamless experience for visitors while providing the Group tremendous opportunities to leverage on its products. Airasia App registered a negative EBITDA in 4Q20 as it is still in its early phase of operations.

(iii) BigPay Group

BigPay revenue declined as compared to 4Q19 as there were lower carded customer due to limited marketing spend during the Covid-19 pandemic. However, BigPay remittance revenue, introduced during the year, has shown an increase of 38% QoQ. To increase the usage, BigPay launched bill payments with selected providers and launched an auto top up feature across both Malaysia and Singapore.



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

(iv) Other AirAsia Digital Entities

The other AirAsia Digital Entities include predominantly contributions from BigLoyalty which is a rewards and points company that allows members to earn and burn points from various merchants in the region and Santan which currently has 2 owned and 7 franchised restaurants under its belt since it was granted the official franchise registration certificate in September 2020. The positive EBITDA was as a result of a one off deferred revenue breakage recognised by BigLoyalty as the points remain unredeemed and had expired.

30. Variation of results against preceding quarter

The Group recorded a higher Net Loss of RM2,667.1 million for the quarter under review, against the Net Loss of RM1,084.1 million in the immediately preceding quarter ended 30 September 2020, arising from the one off adjustments of impairment of receivables and rights of use asset.

31. Profit forecast

No profit forecast has been issued.

32. Commentary on prospects

Throughout 2020 the Group focused on turning the crisis into an opportunity. We accelerated our digital transformation strategy to boost our non-airline contributions to the Group. We have also used the downtime to not only set the right foundations and platforms in place as a leaner and optimized airline operations to recover faster than many of our competitors, but also will return stronger than ever. The Group have reviewed every aspect of our operations and made great strides in establishing a leaner and more optimised airline operation as we prepare for an expected surge in demand post-pandemic. Even if borders remain closed, the Group is well-prepared to rely solely on domestic operations alone this year. We remain focused and committed to further strengthen our domestic position at this juncture as we await developments in regards to international air travel. Going forward, we expect to see improved stability in our operations as vaccinations continue to be rolled out in phases across all key markets coupled with better education and testing, alongside strong support for leisure travel bubbles among low risk countries and territories, and the push for global digital health passports.



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32. Commentary on prospects (cont'd.)

Our digital pillar has transformed remarkably in comparison to where it was a year ago. Teleport will soon be delivering vaccines in Malaysia and around the region. Teleport expects to convert two A320 aircraft into cargo only freighter and to expand on our partnership with other airlines to allow more cargo belly space availability. The airasia app is offering over 15 different types of products and services leveraging off one another, including bundles for customers. The recent launch of the Asean Unlimited in Malaysia and Thailand which offers unlimited domestic flights and within Asean as well as unlimited free delivery for airasia Food, airasia Fresh and airasia Shop has been hugely successful. Airasia Food has expanded into Singapore and will soon be in Indonesia and Thailand. BigPay users will soon be able to apply for loans with low interest rates. We are encouraged by the early signs from our digital transformation to become Asean's super app of choice and expect our digital and non-airline revenues to contribute around 50% to the Group in five years.

Finally, in 1Q21, we completed two tranches of private placement, raising RM336 million. The private placement is part of our overall plans to raise between RM2.0 billion to RM2.5 billion in a combination of debt and equity funding to ensure sufficient liquidity for the Group. Also, in Malaysia, we have secured commitments from banks for government guarantee loan under the Danajamin Prihatin Guarantee Scheme and it is in its final stages of terms discussion and finalization. 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. Through these various fundraising exercises that the Group is working on, the Group foresees it will have sufficient liquidity to sustain the business operations.

33. Material Litigation

As at 31 December 2020, there was no material litigation against the Group.



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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
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Net loss attributable to owners of the Company (RM'000)	(2,444,779)	(384,438)	(5,096,650)	(315,807)
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)	(73.2)	(11.5)	(152.5)	(9.4)

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
29 MARCH 2021