



AIRASIA GROUP BERHAD
201701030323 (1244493-V)
FIRST QUARTER REPORT ENDED 31 MARCH 2021

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 first quarter ended 31 March 2021.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
Revenue	10	205,076	2,161,411	205,076	2,161,411
Operating expenses:					
- Staff costs		(162,994)	(434,172)	(162,994)	(434,172)
- Aircraft fuel expenses		(72,825)	(767,330)	(72,825)	(767,330)
- Fuel swap losses		(30,109)	(102,941)	(30,109)	(102,941)
- Maintenance and overhaul		(56,905)	(429,175)	(56,905)	(429,175)
- User charges and other related expenses		(61,015)	(391,621)	(61,015)	(391,621)
- Other operating expenses		(44,137)	(120,931)	(44,137)	(120,931)
Other income	11	63,098	85,641	63,098	85,641
Share of results of associates **		(15,550)	(29,419)	(15,550)	(29,419)
Airline EBITDA		(175,361)	(28,537)	(175,361)	(28,537)
airasia digital EBITDA					
- Teleport (Logistics)	29	3,165	63,180	3,165	63,180
- airasia super app	29	(16,187)	(5,268)	(16,187)	(5,268)
- BigPay Group	29	(17,527)	(28,239)	(17,527)	(28,239)
- Other airasia digital entities	29	(11,818)	(1,107)	(11,818)	(1,107)
Share of results of associate/ joint venture		507	-	507	-
EBITDA		(217,221)	29	(217,221)	29
Depreciation of property, plant and equipment		(35,672)	(61,966)	(35,672)	(61,966)
Depreciation of right of use asset	2	(410,227)	(437,001)	(410,227)	(437,001)
Finance costs - lease liabilities	2	(116,833)	(141,369)	(116,833)	(141,369)
Finance income	12	9,289	29,775	9,289	29,775
Finance costs	12	(38,221)	(54,732)	(38,221)	(54,732)
Net Operating loss		(808,885)	(665,264)	(808,885)	(665,264)
Foreign exchange loss	12	(179,281)	(31,839)	(179,281)	(31,839)
Fair value gain/(loss) on derivatives		22,414	(270,051)	22,414	(270,051)
Loss before taxation		(965,752)	(967,154)	(965,752)	(967,154)
Tax expense	13	(1,680)	(6,566)	(1,680)	(6,566)
Deferred taxation	13	(8,790)	20,396	(8,790)	20,396
Net loss for the financial period		(976,222)	(953,324)	(976,222)	(953,324)
Attributable to:					
- Owners of the company		(767,422)	(803,845)	(767,422)	(803,845)
- Non-controlling interests		(208,800)	(149,479)	(208,800)	(149,479)
		(976,222)	(953,324)	(976,222)	(953,324)
Earnings per share attributable to owners of the Company (sen)					
- Basic		(21.6)	(24.1)	(21.6)	(24.1)
- Diluted		(21.6)	(24.1)	(21.6)	(24.1)

* 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
	31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
Net loss for the financial period	(976,222)	(953,324)	(976,222)	(953,324)
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	15,333	(988)	15,333	(988)
Fair value reserve	108,918	(256,253)	108,918	(256,253)
Cash flow hedges	30,058	(1,107,432)	30,058	(1,107,432)
Foreign currency translation differences	(135,278)	638,771	(135,278)	638,771
Total comprehensive loss	(957,191)	(1,679,226)	(957,191)	(1,679,226)
Total comprehensive income attributable to:				
Owners of the Company	(651,997)	(1,409,926)	(738,086)	(1,409,926)
Non-controlling interests	(305,194)	(269,300)	(219,105)	(269,300)
	(957,191)	(1,679,226)	(957,191)	(1,679,226)

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 2020 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 31/03/2021 RM'000	AS AT 31/12/2020 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	14	1,102,473	1,085,639
Right of use assets	21	9,076,325	9,444,946
Finance lease receivables	21	379,960	505,499
Investment in associates	16	467,755	482,754
Investment in joint venture		1,288	1,332
Investment securities	15	579,385	472,719
Intangible assets		641,184	640,553
Deferred tax assets		745,170	774,155
Receivables and prepayments	17	3,226,609	3,106,941
Deposits on aircraft purchase		606,836	590,179
Derivative financial instruments	23	-	-
		16,826,985	17,104,717
CURRENT ASSETS			
Inventories		147,393	141,421
Receivables and prepayments	17	810,084	903,294
Finance lease receivables	22	618,330	432,666
Amounts due from associates		464,348	360,385
Amounts due from related parties		46,029	107,047
Derivative financial instruments	23	-	77,808
Tax recoverable		3,724	3,442
Deposits, bank and cash balances		447,722	533,278
		2,537,630	2,559,341
CURRENT LIABILITIES			
Trade and other payables	18	2,627,299	2,307,125
Aircraft maintenance provisions and liabilities	19	445,938	711,764
Sales in advance		908,448	933,376
Amounts due to associates		36,422	35,907
Amounts due to related parties		53,687	49,923
Borrowings	20	846,592	1,016,312
Lease liabilities	21	4,041,312	3,247,138
Derivative financial instruments	22	10,335	134,655
Provision for taxation		20,899	25,629
		8,990,932	8,461,829
NET CURRENT LIABILITIES		(6,453,302)	(5,902,488)



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31/03/2021 RM'000	AS AT 31/12/2020 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	18	305,973	273,455
Aircraft maintenance provisions and liabilities	19	5,237,055	4,857,292
Borrowings	20	289,519	272,557
Lease liabilities	21	8,569,207	9,188,102
Deferred tax liabilities		18,132	18,132
Derivative financial instruments	22	45,188	64,818
Provision for retirement benefits		99,131	97,667
		14,564,205	14,772,023
		(4,190,522)	(3,569,794)
CAPITAL AND RESERVES			
Share capital		8,359,731	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other reserves		(82,348)	(225,368)
Foreign exchange reserve		(171,062)	(57,378)
Retained earnings		(4,214,637)	(3,447,215)
		(1,615,910)	(1,214,287)
Non-controlling interests		(2,574,612)	(2,355,507)
Total equity		(4,190,522)	(3,569,794)
Net assets per share attributable to ordinary equity holders of the Company (RM)		(0.48)	(0.36)

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021	3,341,974	8,023,268	(5,507,594)	(57,378)	(101,222)	(105,506)	(18,640)	(3,447,215)	(1,214,287)	(2,355,507)	(3,569,794)
Net profit for the financial period	-	-	-	-	-	-	-	(767,422)	(767,422)	(208,800)	(976,222)
Other comprehensive income	-	-	-	(113,684)	26,481	108,918	7,621	-	29,336	(10,305)	19,031
Issuance of new shares	470,214	336,463	-	-	-	-	-	-	336,463	-	336,463
At 31 March 2021	3,812,188	8,359,731	(5,507,594)	(171,062)	(74,741)	3,412	(11,019)	(4,214,637)	(1,615,910)	(2,574,612)	(4,190,522)
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	-	-	-	-	-	-	-	(803,845)	(803,845)	(149,479)	(953,324)
Other comprehensive income	-	-	-	638,771	(1,107,432)	(256,253)	(988)	-	(725,902)	(119,821)	(845,723)
At 31 March 2020	3,341,974	8,023,268	(5,507,594)	171,137	38,466	103,768	4,833	860,607	2,968,583	(1,856,890)	1,111,693

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 2020 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/03/2021 RM'000	PERIOD ENDED 31/03/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(965,752)	(967,154)
Adjustments:		
Property, plant and equipment		
- Depreciation	35,672	61,966
- Gain on disposal	(39,662)	(9,382)
Rights of Use Asset		
- Depreciation	410,227	437,001
Intangible assets		
- Amortisation	70	152
Provision for retirement benefit	4,327	1,257
Fair value loss/(gain) on derivative financial instruments	(22,414)	270,051
Share of results of associates and joint venture	15,043	29,419
Net unrealised foreign exchange (gain)/losses	149,923	(200)
Interest expense	58,967	54,732
Interest on lease liabilities	116,834	141,369
Interest income	(9,289)	(29,775)
	(246,054)	(10,564)
Changes in working capital		
Inventories	(5,972)	(9,163)
Receivables and prepayments	25,880	(91,378)
Trade and other payables and provisions	187,247	846,693
Sales in advance	(24,928)	(460,705)
Intercompany balances	(182,133)	(358,040)
Cash used in operations	(245,960)	(83,157)
Interest paid	(17,241)	(54,732)
Interest received	932	29,775
Tax paid	(2,483)	(8,008)
Retirement benefit paid	(242)	-
Net cash used in operating activities	(264,994)	(116,122)



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/03/2021 RM'000	PERIOD ENDED 31/03/2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(6,281)	(82,143)
- Proceeds from disposal	44,606	9,382
Addition in intangible assets	(701)	(2,354)
Net movement other investments	(4,787)	-
Net cash generated from investing activities	32,837	(75,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	336,464	-
Proceeds from borrowings	-	148,317
Repayment of borrowings and lease liabilities	(181,545)	(761,774)
Net cash generated from/(used in) financing activities	154,919	(613,457)
NET DECREASE FOR THE FINANCIAL PERIOD	(77,238)	(804,694)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	533,278	2,588,097
CURRENCY TRANSLATION DIFFERENCES	(8,318)	(176,086)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	447,722	1,607,317

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2020. 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 2020.

The Consolidated Income Statement for the quarter ended 31 March 2021, in compliance with MFRS134: Interim Financial Reporting is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
Revenue	298,217	2,311,761	298,217	2,311,761
Operating expenses:				
- Staff costs	(209,644)	(455,219)	(209,644)	(455,219)
- Depreciation of property, plant and equipment	(445,899)	(498,967)	(445,899)	(498,967)
- Aircraft fuel expenses	(72,825)	(767,330)	(72,825)	(767,330)
- Fuel swap losses	(30,109)	(102,941)	(30,109)	(102,941)
- Maintenance and overhaul	(56,905)	(429,175)	(56,905)	(429,175)
- User charges and other related expenses	(71,824)	(391,621)	(71,824)	(391,621)
- Other operating expenses	(145,589)	(253,409)	(145,589)	(253,409)
Other income	86,501	117,382	86,501	117,382
Operating (loss)/profit	(648,077)	(469,519)	(648,077)	(469,519)
Finance income	9,289	29,775	9,289	29,775
Finance costs	(155,054)	(196,101)	(155,054)	(196,101)
Net operating (loss)/profit	(793,842)	(635,845)	(793,842)	(635,845)
Share of results of associates / joint venture	(15,043)	(29,419)	(15,043)	(29,419)
Foreign exchange loss	(179,281)	(31,839)	(179,281)	(31,839)
Fair value gain/(loss) on derivatives	22,414	(270,051)	22,414	(270,051)
Loss before taxation	(965,752)	(967,154)	(965,752)	(967,154)
Tax expense	(1,680)	(6,566)	(1,680)	(6,566)
Deferred taxation	(8,790)	20,396	(8,790)	20,396
Net loss for the financial period	(976,222)	(953,324)	(976,222)	(953,324)

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2020. 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 2020. 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 2021, 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 April 2021, Malaysian Accounting Standards Board issued a further extension to the Amendment to MFRS 16: Covid 19 Related Rent Concessions to cover periods beyond 30 June 2021 that can be applied for reporting periods beginning on or after 1 April 2021 but earlier application is also permitted. The Group and the Company continues to apply the practical expedient allowed by the amendment whereby the lessee shall account for any change in lease payments resulting from the rent concession the same way it would account for as if there is no lease modification.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion with 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 2020 in their report dated 27 May 2021. The extract of which is as below:

“We draw attention to Note 2.1 and Note 45 to the financial statements, which indicate that the Group has a net loss of RM5,888 million for the financial year ended 31 December 2020 and the current liabilities exceeded its current assets by RM5,902 million. In addition, the Group also reported a shareholders' deficit of RM1,214 million. The Company reported a net loss of RM262 million for the financial year ended 31 December 2020. The global economy, in particular the commercial airlines industry, faces an uncertainty over the expected timing of recovery of the 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 position, financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 45 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.)

The recent development of vaccination against the COVID-19 pandemic and the implementation of national vaccination programmes in countries in which the Group operates as well as elsewhere around the world provide positive outlook for the commercial airlines industry. Nevertheless, the ability of the Group and of the Company to continue as a going concern is dependent on the successful implementation and favorable outcome of various ongoing plans to respond to the conditions above, including ongoing discussions with the financial institutions and investors to obtain required funding, as well as negotiations with its lessors to restructure the existing lease arrangements. Further details are disclosed in Note 2.1 and Note 45 to the financial statements.

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

4. Seasonality of operations

The Group'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

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 that from the Covid 19 outbreak.

6. Changes in composition of the Group

There are no changes in 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 31 March 2021.



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9. Dividends paid and proposed

No dividend has been proposed during the quarter ended 31 March 2021.

10. Revenue

	Quarter ended 31/3/2021 RM million	Quarter ended 31/3/2020 RM million
Passenger revenue		
- seat sales	155.1	1,790.4
- others	30.5	354.5
Aircraft operating lease income	19.5	16.5
	<hr/>	<hr/>
	205.1	2,161.4
Teleport	93.1	150.4
	<hr/>	<hr/>
	298.2	2,311.8

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 31/3/2021 RM million	Quarter ended 31/3/2020 RM million
Fees charged for provision of commercial air transport services	-	27.3
Gain on disposal of property, plant and equipment	39.7	-
Dividend income from an investment	-	9.3
Others	23.4	49.0
	<hr/>	<hr/>
	63.1	85.6

Other income “Others” includes commission and advertising income, forfeited revenue, insurance claims and management fee for provision of shared services to associates.



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

	Quarter ended 31/03/2021 RM million	Quarter ended 31/03/2020 RM million	Year ended 31/03/2021 RM million	Year ended 31/03/2020 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	0.7	1.1	0.7	1.1
- from associates	1.1	2.8	1.1	2.8
- finance lease receivables	7.3	25.9	7.3	25.9
Discounting effect on financial instruments and others	0.2	-	0.2	-
	<u>9.3</u>	<u>29.8</u>	<u>9.3</u>	<u>29.8</u>
(b) Finance costs				
Bank borrowings	(12.9)	(28.6)	(12.9)	(28.6)
Amortisation of premiums for interest rate caps	(0.0)	(0.2)	(0.0)	(0.2)
Discounting effect on financial instruments, bank facilities and other charges	(25.3)	(25.9)	(25.3)	(25.9)
	<u>(38.2)</u>	<u>(54.7)</u>	<u>(38.2)</u>	<u>(54.7)</u>
(c) Foreign exchange gains/(losses)				
- realized	(29.4)	(32.0)	(29.4)	(32.0)
- unrealized	(149.9)	0.2	(149.9)	0.2
	<u>(179.3)</u>	<u>(31.8)</u>	<u>(179.3)</u>	<u>(31.8)</u>

13. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM1.7 million mainly relates to foreign branches taxes.

Deferred taxation

Deferred tax liability of RM8.8 million was recognised during the quarter



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

(a) acquisition and disposals

During the period ended 31 March 2021, the Group acquired property, plant and equipment with total cost of RM6.3 million (period ended 31 March 2020: RM82.1 million).

During the period ended 31 March 2021, proceeds from the disposal of property, plant and equipment amounted to RM44.6 million (period ended 31 March 2020: RM9.3 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.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

16. Investments in associates

	As at 31/3/2021 RM million	As at 31/12/2020 RM million
Cost		
Investment	1,087.1	1,087.1
Share of results and reserves	(560.2)	(545.1)
Impairment loss	(59.2)	(59.2)
	<u>467.7</u>	<u>482.8</u>

MFRS128 provides that entities discontinue recognising their share of further losses when its share of the losses 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 unrecognised losses at the reporting date amounted to RM615.9 million.

17. Receivables and prepayments

	As at 31/3/2021 RM million	As at 31/12/2020 RM million
<u>Non-current</u>		
Prepayments	2,651.2	2,739.3
Deposits and other receivables	575.5	367.7
	<u>3,226.7</u>	<u>3,107.0</u>
<u>Current</u>		
Trade and other receivables	479.0	450.7
Prepayments	289.9	594.6
Deposits	41.2	87.7
	<u>810.1</u>	<u>903.3</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 31/3/2021 RM million	As at 31/12/2020 RM million
<u>Non-current</u>		
Other payables	305.9	273.4
<u>Current</u>		
Trade payables	1,616.8	1,312.8
Other payables	111.1	119.8
Accruals for fuel	13.2	5.2
Others	886.2	869.3
	<u>2,627.3</u>	<u>2,307.1</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 31/3/2021 RM million	As at 31/12/2020 RM million
Aircraft maintenance provision	1,393.8	1,367.7
Aircraft maintenance payables	2,461.9	2,377.1
Aircraft maintenance reserves	1,827.3	1,824.2
	<u>5,683.0</u>	<u>5,569.1</u>
Current	445.9	711.7
Non Current	<u>5,237.1</u>	<u>4,857.3</u>
	<u>5,683.0</u>	<u>5,569.1</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 31/3/2020 RM million	As at 31/12/2020 RM million
<u>Short term</u>		
Term loans	251.7	313.7
Term loans (Deferred fuel hedge settlements)	499.9	582.6
Revolving credit	95.0	120.0
	<hr/> 846.6	<hr/> 1,016.3
<u>Long term</u>		
Term loans	289.5	272.6
Total	<hr/> 1,136.1	<hr/> 1,288.9

The currency profile of borrowings are as follows:

	As at 31/3/2021 RM million	As at 31/12/2020 RM million
Ringgit Malaysia	404.3	429.3
US Dollar	600.8	730.1
Philippine Peso	83.5	83.5
Indonesian Rupiah	47.5	45.9
	<hr/> 1,136.1	<hr/> 1,288.9



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21. Lease liabilities

The lease liabilities amounting to RM12.5 billion includes deferred aircraft leases of approximately RM1.8 billion. The lease liabilities are supported by ROU of RM9.1 billion (net of impairment) and finance lease receivables of RM1.0 billion (net of impairment)

22. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 31 March 2021, there is no outstanding amount for forward foreign exchange contract.

(b) Interest Rate Hedging.

As at 31 March 2021, the Group has six (6) interest rate swaps with an outstanding amount of US\$178.24 million. These interest rate swaps are entered with one (1) counterparty and will mature between 2028 and 2029.

(c) Fuel Hedging

As at 31 March 2021, there is no outstanding fuel derivative contracts.

Type of Derivatives	Notional Value As at 31/3/2021	Fair value 31/3/2021 Assets/(Liabilities)
	RM million	RM million
<u>Interest rate contracts</u>		
- More than 3 years	740.2	(45.2)

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.



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23. Status of corporate proposals announced

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:

Utilisation of Proceeds	Expected timeframe	Proposed Utilisation (RM m)	Actual Raised	Actual Utilisation (RM m)
Fuel Hedging Settlement	6 -12 months	146.6	108.6	89.3
Aircraft lease and maintenance	3 months	95.2	70.5	70.5
AirAsia Digital Sdn Bhd business units development cost, product and market expansion costs and marketing expenses	Within 12 months	77.0	57.0	39.1
General working capital expenses	Within 6 months	135.5	100.4	94.7
Estimated expenses for the Proposed Private Placement	Immediate	0.2	0.2	0.2
		454.5	336.5	293.9

The above Proposed Private Placement was 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 was price fixed at RM0.675 per share which was completed on 19 February 2021. On 9 March 2021, the Company announced that the second tranche of placement shares of 100,367,362 was price fixed at RM0.865 per share which was completed on 17 March 2021.



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

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

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

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 2020.

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

Capital commitments for property, plant and equipment:

	As at 31/3/2021 RM million	As at 31/12/2020 RM million
Approved and contracted for	136,617.8	124,855.1



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28. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 31 March 2021 are set out below:

	Quarter ended 31/3/2021 RM million	Quarter ended 31/3/2020 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	49.6	59.9
- AirAsia Japan	-	12.1
b. Purchase of cargo transportation capacity		
- Thai AirAsia	4.3	
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	-	17.6
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	-	27.6
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	14.7	47.1
- Thai AirAsia X	28.6	-



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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 remain closed, the Group focused on providing limited domestic operations in the countries we operate. Lockdowns announced in Malaysia in January 2021 further dampened the sales in this quarter. However, there were more chartered cargo operations, thus tripling cargo revenue quarter on quarter ("QoQ").

Group revenue for 1Q21 was RM298.2 million. This is an increase of 12% against the immediately preceding quarter. Against 1Q20, revenue declined 87% from RM2,311.7 million. The Group continues with its cost containment measures, including the right sizing of manpower and salary cuts for management, staff and directors whilst actively managing capacity to be in line with demand. To preserve cash, the Group is currently in negotiations with lessors to restructure lease terms.

The Group reported a loss for 1Q21 of RM976.2 million as compared to a loss of RM953.3 million in 1Q20. A major portion of the loss for the period relates to depreciation of ROU Assets and interest on lease liabilities amounting to RM410.2 million (1Q20: RM437.0 million) and RM116.8 million (1Q20: RM141.4 million), respectively. Foreign exchange losses for the quarter were RM179.2 million (1Q20: RM31.8 million). Comprehensive Loss for the quarter was RM961.4 million, compared to loss of RM1,679.2 million in the corresponding quarter. 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 charges for depreciation of ROU Assets and interest on lease liabilities were not adjusted. Nonetheless, the main effect on the Group's cash flows would be the reduction in cash outflows for the deferred lease payments during the period of the rent concession.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 31/3/2021 RM million	Period ended 31/3/2020 RM million
Cash from/(to) Operating activities	(265.0)	(116.1)
Cash from/(to) Investing activities	32.8	(75.1)
Cash from/(to) Financing activities	154.9	(613.5)
Net Cashflow for the Period	<u>(77.3)</u>	<u>(804.7)</u>



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

The Group's cashflow was a net outflow as the Covid 19 pandemic continued to adversely affect demand for flights. Investing activities during the current period includes proceeds from sale and leaseback of 1 engine and the sale of one engine. The cash inflow from financing activities for the current period was as a result of placement shares raised net off payment for deferred fuel hedges settlements from year 2020.

(a) AIRLINE

Performance indicators

	Jan to Mac 2021	Jan to Mac 2020	
Passengers Carried	976,968	9,847,010	-90%
Capacity	1,463,826	12,714,176	-88%
Seat Load Factor	67%	77%	-11
RPK (million)	888	11,156	-92%
ASK (million)	1,329	14,393	-91%
Average Fare (RM)	159	182	-12%
Unit Passenger Revenue (RM)	204	225	-9%
Revenue / ASK (sen)	15.03	15.33	-2%
Revenue / ASK (US cents)	3.66	3.73	-2%
Cost / ASK (sen)	72.75	19.81	267%
Cost / ASK (US cents)	17.70	4.82	267%
Cost / ASK-ex Fuel (sen)	64.97	13.76	372%
Cost / ASK-ex Fuel (US cents)	15.81	3.35	372%
Aircraft (end of period)	149	149	-
Average Stage Length (km)	906	1,121	-19%
Number of Flights	8,036	69,782	-88%
Fuel Consumed (Barrels)	230,043	2,385,296	-90%
Average Fuel Price (US\$ / Barrel)	78	86	-10%

Exchange Rate: quarter RM:USD – 4.11 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference

Revenue for the airline business for 1Q21 was RM205.1 million, 91% YoY reduction as compared to 1Q20 due to the Covid-19 pandemic on the back of a similar 91% YoY reduction in Available Seat-km (“ASK”).

In Malaysia, travel demand during the quarter had softened QoQ due to the lockdown and interstate travel restrictions imposed in January 2021. However, through stringent capacity management, AirAsia Malaysia reported load factor of 73% in 1Q21 with encouraging statistics seen in March 2021 with load factor improving by 9 pts YoY to 76% as a result of a higher number of passengers carried. AirAsia Philippines also reported good load factor of 74% in 1Q21 with March 2021 recording a commendable load factor of 81%. In all markets, month on month shows an increase of passengers carried in line with ongoing vaccination drives.



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

(a) AIRLINE

The Airline Group reported a negative EBITDA for 1Q21 of RM175.3 million, compared to a negative EBITDA of RM28.5 million in 1Q20, mainly on the back of reduced revenue. The losses recorded in 1Q21 is lower than the four preceding quarters, demonstrating the Airline Group's prudent capacity and cost management to manage its cash flow.

(b) Airline Associate Companies

Thai AirAsia ("TAA") reported a revenue of THB1,350.8 million for 1Q21 as compared to THB9,398.9 million in 1Q20, with capacity reducing by 73% YoY. TAA saw a decline of passengers carried as compared to 4Q20 as a new wave of Covid 19 pandemic began middle of December 2020. However, in March 2021 domestic travel rebound due to roll out of vaccines, the extension of domestic tourism stimulus schemes and lower new infections in the later part of the quarter. TAA achieved an average load factor of 66% in 1Q21.

(c) airasia digital

	Quarter ended 31/3/2021				Quarter ended 31/3/2020			
	Teleport (Logistics)	airasia super app	Big Pay Group	Other airasia digital entities	Teleport (Logistics)	airasia super app	Big Pay Group	Other airasia digital entities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	93,100	10,056	4,667	8,204	150,350	6,924	5,059	19,755
Operating expenses	(103,270)	(26,244)	(22,194)	(20,021)	(138,386)	(12,192)	(33,298)	(20,862)
Elimination of Cargo Belly Costs	13,335	-	-	-	51,216	-	-	-
EBITDA	3,165	(16,187)	(17,527)	(11,818)	63,180	(5,268)	(28,239)	(1,107)

(i) Teleport

Teleport business was impacted by the decline in cargo capacity due to reduced airline capacity caused by regional closing of borders. Revenue fell by 38% to RM93.1 million. Despite the lower revenue, Teleport delivered a positive EBITDA of RM3.1 million. Teleport revenue tripled that reported in 4Q20 as there were more charter flights, especially to China, India and Thailand. Teleport has initiated its aspiration to establish a cargo-only core network, and is working to establish a stable network of core routes that is independent from the passenger network as the region prepares for the rebound from Covid 19.



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

(ii) airasia super app

Airasia super app registered a negative EBITDA in 1Q21 as it ramped up its offerings whilst still lacking the major revenue contribution from airlines. During the quarter, it launched airasia food in Singapore and expanded to Penang. It will launch a Muslim friendly e-commerce platform under IKHLAS in 2Q21. The sale of unlimited passes in Malaysia, Thailand and Indonesia exceeded more than 100,000 passes. In 2Q21, airasia super app launched airasia beauty in Malaysia and Indonesia, with the next country launch targeted for Thailand.

(iii) BigPay Group

BigPay revenue declined as compared to 1Q20 as there were lower new carded customers due to limited marketing spend during the Covid-19 pandemic. However, revenue increased by 5% QoQ primarily through the increase of payment and remittance revenue. Through careful cost control, BigPay EBITDA loss was the same as reported in 4Q20.

30. Variation of results against preceding quarter

The Group recorded lower net loss of RM976.2 million for the quarter under review, against the Net Loss of RM2,667.1 million in the immediately preceding quarter ended 31 December 2020 as it records one off adjustments on impairment of receivables and rights of use asset.

31. Profit forecast

No profit forecast has been issued.



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32. Commentary on prospects

With the right foundations and platforms in place as a leaner and optimised airline operations that was pursued by the Group in 2020, the Group was able see fruits in 1Q21 with lower cost and cash burn. This was despite starting 2021 with international borders remaining closed and further domestic travel restrictions put into place as many countries experienced its third wave of the pandemic. The Group will continue to ensure that cash burn remain low and cost optimisation measures continue to be implemented. 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.

We continue to accelerate our offerings within the digital pillars with the launch of airasia beauty in Malaysia and Indonesia and airasia food bringing its offerings to Singapore and Penang. We have also launched airasia money in April 2021, beginning with a partnership with financial comparison platform RinggitPlus. Through its partnership with the platform, airasia money currently provides credit card and loan application services. The financial marketplace will also allow users to obtain the best personal finance news, information, guidance and make the best choices for their immediate needs. 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. Teleport is focusing on building out a reliable cargo network and a 24 hour delivery end-to-end infrastructure to increase independence from passenger networks during these tough times and is in the midst of leasing a freighter aircraft and is converting two A320 passenger planes to cargo-only freighter planes in order to achieve the plan.

We have 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. We are also currently renegotiating lease terms with all our lessors. 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 foresee it will have sufficient liquidity to sustain the business operations.



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33. Material Litigation

As at 31 March 2021, 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 31/3/2021	Quarter ended 31/3/2020	Year ended 31/3/2021	Year ended 31/3/2021
Net loss attributable to owners of the Company (RM'000)	(767,422)	(803,845)	(767,422)	(803,845)
Weighted average number of ordinary shares in issue ('000)	3,558,948	3,341,974	3,558,948	3,341,974
Basic and diluted earnings per share (sen)	(21.6)	(24.1)	(21.6)	(24.1)

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
27 MAY 2021