



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
FIRST QUARTER REPORT ENDED 31 MARCH 2020

ANNOUNCEMENT

The Board of Directors of AirAsia Group Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia Group and its subsidiaries (collectively known as “the Group”) for the first quarter ended 31 March 2020.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | Quarter ended | Quarter ended | Year ended | Year ended |
| | | 31/03/2020 RM'000 | 31/03/2019 RM'000 | 31/03/2020 RM'000 | 31/03/2019 RM'000 |
| Revenue | 11 | 2,161,411 | 2,627,337 | 2,161,411 | 2,627,337 |
| Operating expenses: | | | | | |
| - Staff costs | | (434,172) | (428,204) | (434,172) | (428,204) |
| - Aircraft fuel expenses | | (870,271) | (956,664) | (870,271) | (956,664) |
| - Maintenance and overhaul | | (429,175) | (279,500) | (429,175) | (279,500) |
| - User charges and other related expenses | | (391,621) | (419,520) | (391,621) | (419,520) |
| - Other operating expenses | | (120,931) | (129,747) | (120,931) | (129,747) |
| Other income | 12 | 85,641 | 80,879 | 85,641 | 80,879 |
| Share of results of associates ** | | (29,419) | 31,053 | (29,419) | 31,053 |
| Airline EBITDA | | (28,537) | 525,634 | (28,537) | 525,634 |
| Non Airline EBITDA | | | | | |
| - Teleport (Logistics) | 30 | 63,180 | 51,805 | 63,180 | 51,805 |
| - AirAsia.com | 30 | (5,268) | 557 | (5,268) | 557 |
| - BigPay Group | 30 | (28,239) | (12,042) | (28,239) | (12,042) |
| - Red Beat Ventures Group (“RBV Group”) Others | 30 | (1,107) | (1,380) | (1,107) | (1,380) |
| EBITDA | | 29 | 564,574 | 29 | 564,574 |
| Depreciation of property, plant and equipment | | (61,966) | (69,244) | (61,966) | (69,244) |
| Depreciation of right of use asset | 2 | (437,001) | (243,887) | (437,001) | (243,887) |
| Finance costs - lease liabilities | 2 | (141,369) | (106,949) | (141,369) | (106,949) |
| Finance income | 13 | 29,775 | 28,793 | 29,775 | 28,793 |
| Finance costs | 13 | (54,732) | (59,343) | (54,732) | (59,343) |
| Net Operating (Loss)/ Profit | | (665,264) | 113,943 | (665,264) | 113,943 |
| Foreign exchange (losses)/gain | 13 | (31,839) | 92,217 | (31,839) | 92,217 |
| Fair value loss on derivatives | | (270,051) | 8,145 | (270,051) | 8,145 |
| (Loss)/Profit before taxation | | (967,154) | 214,306 | (967,154) | 214,306 |
| Tax expense | 14 | (6,566) | (3,862) | (6,566) | (3,862) |
| Deferred taxation | 14 | 20,396 | (108,835) | 20,396 | (108,835) |
| Net (loss)/profit for the financial period/year | | (953,324) | 101,609 | (953,324) | 101,609 |
| Attributable to: | | | | | |
| - Owners of the company | | (803,845) | 96,089 | (803,845) | 96,089 |
| - Non-controlling interests | | (149,479) | 5,520 | (149,479) | 5,520 |
| | | (953,324) | 101,609 | (953,324) | 101,609 |
| Earnings per share attributable to owners of the Company (sen) | | | | | |
| - Basic | | (24.1) | 2.9 | (24.1) | 2.9 |
| - Diluted | | (24.1) | 2.9 | (24.1) | 2.9 |

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

**share of results of associates is disclosed above the EBITDA line to facilitate disclosure of Airline performance. The performance of the associates are disclosed in Note 30.

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 |
| | 31/3/2020 RM'000 | 31/3/2019 RM'000 | 31/3/2020 RM'000 | 31/3/2019 RM'000 |
| Net (loss)/profit for the financial period | (953,324) | 101,609 | (953,324) | 101,609 |
| Other comprehensive income/(loss) | | | | |
| Remeasurement loss on employee benefits liability, net of tax | (988) | (2,252) | (988) | (2,252) |
| Fair value reserve | (256,253) | 41,358 | (256,253) | 41,358 |
| Cash flow hedges | (1,107,432) | 517,118 | (1,107,432) | 517,118 |
| Foreign currency translation differences | 638,771 | 50,234 | 638,771 | 50,234 |
| Total comprehensive (loss)/income for the period | (1,679,226) | 708,067 | (1,679,226) | 708,067 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | (1,409,926) | 701,976 | (1,409,927) | 701,976 |
| Non-controlling interests | (269,300) | 6,091 | (269,300) | 6,091 |
| | (1,679,226) | 708,067 | (1,679,226) | 708,067 |

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.



AIRASIA GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | AS AT 31/03/2020 RM'000 | AS AT 31/12/2019 RM'000 |
|---|------|-------------------------------|-------------------------------|
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 1,180,483 | 1,201,576 |
| Right of use assets | 22 | 11,640,554 | 11,215,954 |
| Finance lease receivables | 22 | 951,569 | 927,429 |
| Investment in associates | 17 | 576,463 | 703,325 |
| Investment securities | 16 | 348,126 | 603,215 |
| Intangible assets | | 637,226 | 635,024 |
| Deferred tax assets | | 958,395 | 1,130,830 |
| Receivables and prepayments | 18 | 3,604,900 | 3,423,984 |
| Deposits on aircraft purchase | | 630,156 | 252,293 |
| Derivative financial instruments | 23 | 309,186 | 208,725 |
| | | 20,837,058 | 20,302,355 |
| CURRENT ASSETS | | | |
| Inventories | | 154,896 | 146,086 |
| Receivables and prepayments | 18 | 1,170,346 | 1,133,011 |
| Finance lease receivables | 22 | 319,496 | 293,571 |
| Deposits on aircraft purchase | | - | 344,036 |
| Amounts due from associates | | 326,306 | 432,709 |
| Amounts due from related parties | | 206,652 | 107,200 |
| Derivative financial instruments | 23 | 1,088,959 | 230,479 |
| Tax recoverable | | 19,796 | 17,174 |
| Deposits, bank and cash balances | | 1,607,317 | 2,588,097 |
| | | 4,893,768 | 5,292,363 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 2,470,445 | 2,175,150 |
| Aircraft maintenance provisions and liabilities | 20 | 665,206 | 572,312 |
| Sales in advance | | 711,923 | 1,182,155 |
| Amounts due to associates | | 55,037 | 151,812 |
| Amounts due to related parties | | 36,618 | 260,354 |
| Borrowings | 21 | 486,693 | 342,152 |
| Lease liabilities | 22 | 2,223,295 | 2,271,662 |
| Derivative financial instruments | 23 | 1,750,927 | 126,977 |
| Provision of taxation | | 58,937 | 52,895 |
| | | 8,459,081 | 7,135,469 |
| NET CURRENT LIABILITIES | | (3,565,313) | (1,843,106) |



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | AS AT 31/03/2020 RM'000 | AS AT 31/12/2019 RM'000 |
|--|------|-------------------------------|-------------------------------|
| NON CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 434,180 | 320,455 |
| Aircraft maintenance provisions and liabilities | 20 | 5,013,858 | 4,720,621 |
| Borrowings | 21 | 78,151 | 86,714 |
| Lease liabilities | 22 | 10,021,564 | 10,188,139 |
| Deferred tax liabilities | | 32,088 | 84,279 |
| Derivative financial instruments | 23 | 508,045 | 73,350 |
| Provision for retirement benefits | | 72,166 | 74,951 |
| | | 16,160,052 | 15,548,509 |
| | | 1,111,693 | 2,910,740 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 8,023,268 | 8,023,268 |
| Merger deficit | | (5,507,594) | (5,507,594) |
| Other Reserves | | (1,217,606) | 147,067 |
| Foreign exchange reserve | | 809,908 | 171,137 |
| Retained earnings | 10 | 860,607 | 1,664,452 |
| | | 2,968,583 | 4,498,330 |
| Non-controlling interests | | (1,856,890) | (1,587,590) |
| Total equity | | 1,111,693 | 2,910,740 |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | 0.89 | 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 | - | - | - | - | - | - | - | (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) | 809,908 | (1,068,966) | (152,485) | 3,845 | 860,607 | 2,968,583 | (1,856,890) | 1,111,693 |
| At 1 January 2019 | 3,341,974 | 8,023,268 | (5,507,594) | 178,515 | (477,610) | 21,716 | 4,447 | 5,389,073 | 7,631,815 | (1,622,087) | 6,009,728 |
| Net profit for the financial period | - | - | - | - | - | - | - | 96,089 | 96,089 | 5,520 | 101,609 |
| Other comprehensive income | - | - | - | 50,234 | 517,118 | 41,358 | (2,823) | - | 605,887 | 571 | 606,458 |
| At 31 March 2019 | 3,341,974 | 8,023,268 | (5,507,594) | 228,749 | 39,508 | 63,074 | 1,624 | 5,485,162 | 8,333,791 | (1,615,996) | 6,717,795 |

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



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | PERIOD ENDED | PERIOD ENDED |
|--|------------------|----------------|
| | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before taxation | (967,154) | 214,306 |
| Adjustments: | | |
| Property, plant and equipment | | |
| - Depreciation | 61,966 | 69,244 |
| - Gain on disposal | (9,382) | (2,270) |
| Depreciation of Right of Use asset | 437,001 | 243,887 |
| Amortisation of intangible assets | 152 | 152 |
| Provision for retirement benefit | 1,257 | - |
| Fair value (loss)/gain on derivative financial instruments | 270,051 | (5,920) |
| Share of results of associates | 29,419 | (31,053) |
| Net unrealised foreign exchange (gain)/loss | 200 | (73,100) |
| Interest expense | 54,732 | 59,343 |
| Interest on lease liabilities | 141,369 | 106,949 |
| Interest income | (29,775) | (28,793) |
| | (10,164) | 552,745 |
| Changes in working capital | | |
| Inventories | (9,163) | (3,319) |
| Receivables and prepayments | (91,378) | (196,079) |
| Trade and other payables and provisions | 385,588 | 187,602 |
| Intercompany balances | (358,040) | (236,359) |
| Cash (used in)/generated from operations | (83,157) | 304,590 |
| Interest paid | (54,732) | (44,634) |
| Interest received | 29,775 | 28,793 |
| Tax paid | (8,008) | 206 |
| Net cash (used in)/ generated from operating activities | (116,122) | 288,956 |



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | PERIOD ENDED | PERIOD ENDED |
|---|------------------|------------------|
| | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment | | |
| - Additions | (82,143) | (37,739) |
| - Proceeds from disposal | 9,382 | 2,156 |
| Addition in intangible assets | (2,354) | - |
| Refund of /(Additional) deposits for aircraft | - | (2,336) |
| Additional investments in investment securities | - | (15,899) |
| Net cash used in investing activities | (75,115) | (53,818) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 148,317 | 111,224 |
| Payment of interest on lease liabilities | (141,369) | (106,949) |
| Repayment of borrowings and lease liabilities | (620,405) | (476,362) |
| Net cash used in financing activities | (613,457) | (472,087) |
| NET DECREASE FOR THE FINANCIAL PERIOD | (804,694) | (236,950) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 2,588,097 | 3,326,921 |
| CURRENCY TRANSLATION DIFFERENCES | (176,086) | (146,004) |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 1,607,317 | 2,943,967 |

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.



AIRASIA GROUP BERHAD

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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.

For the financial period under review, the Consolidated Income Statement has been presented to better reflect the Airline and Non-Airline activities of the Group. The comparative Quarter and Period to Date have been restated for comparison purposes.

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.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The Consolidated Income Statement for the quarter ended 31 March 2020, in compliance with MFRS134: Interim Financial Reporting is as follows:

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Quarter ended | Quarter ended | Year ended | Year ended |
| | 31/03/2020 RM'000 | 31/03/2019 RM'000 | 31/03/2020 RM'000 | 31/03/2019 RM'000 |
| Revenue | 2,311,761 | 2,728,228 | 2,311,761 | 2,728,228 |
| Operating expenses: | | | | |
| - Staff costs | (455,219) | (445,314) | (455,219) | (445,314) |
| - Depreciation of property, plant and equipment | (498,967) | (313,131) | (498,967) | (313,131) |
| - Aircraft fuel expenses | (870,271) | (956,664) | (870,271) | (956,664) |
| - Maintenance and overhaul | (429,175) | (279,500) | (429,175) | (279,500) |
| - User charges and other related expenses | (391,621) | (419,520) | (391,621) | (419,520) |
| - Other operating expenses | (253,409) | (217,284) | (253,409) | (217,284) |
| Other income | 117,382 | 123,575 | 117,382 | 123,575 |
| Operating (loss)/profit | (469,519) | 220,390 | (469,519) | 220,390 |
| Finance income | 29,775 | 28,793 | 29,775 | 28,793 |
| Finance costs | (196,101) | (166,293) | (196,101) | (166,293) |
| Net operating (loss)/profit | (635,845) | 82,891 | (635,845) | 82,891 |
| Share of results of associates | (29,419) | 31,053 | (29,419) | 31,053 |
| Foreign exchange (loss)/gains | (31,839) | 92,217 | (31,839) | 92,217 |
| Fair value loss on derivatives | (270,051) | 8,145 | (270,051) | 8,145 |
| (Loss)/Profit before taxation | (967,154) | 214,306 | (967,154) | 214,306 |
| Tax expense | (6,566) | (3,862) | (6,566) | (3,862) |
| Deferred taxation | 20,396 | (108,835) | 20,396 | (108,835) |
| Net (loss)/profit for the financial period/ year | (953,324) | 101,609 | (953,324) | 101,609 |

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 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.

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 AAGB'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 are as follows:

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



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

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

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

4. Seasonality of operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date except for 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, repurchases, resale and repayment of debt and equity securities for the period ended 31 March 2020.



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9. Dividends paid and proposed

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

10. Retained earnings

Retained earnings of RM877.5 million, being the retained earnings of the Company, is available for distribution to shareholders of the Company.

11. Revenue

| | Quarter ended 31/3/2020 RM million | Quarter ended 31/3/2019 RM million |
|---------------------------------|---|---|
| Passenger revenue | | |
| - seat sales | 1,790.4 | 2,094.6 |
| - others | 354.5 | 515.3 |
| Aircraft operating lease income | 16.5 | 17.4 |
| | <hr/> 2,161.4 | <hr/> 2,627.3 |
| Teleport (Logistics) | 150.4 | 100.9 |
| | <hr/> 2,311.8 | <hr/> 2,728.2 |

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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12. Other income

| | Quarter ended 31/3/2020 RM million | Quarter ended 31/3/2019 RM million |
|---|---|---|
| Fees charged for provision of commercial air transport services | 27.3 | 34.8 |
| Gain on disposal of property, plant and equipment | 9.3 | 2.3 |
| Others | 49.0 | 43.7 |
| | <u>85.6</u> | <u>80.8</u> |

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

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

| | Quarter ended 31/03/20 RM million | Quarter ended 31/03/19 RM million | Year ended 31/03/20 RM million | Year ended 31/03/19 RM million |
|--|--|--|---|---|
| (a) Finance income | | | | |
| Interest income from: | | | | |
| - deposits with licensed banks | 1.1 | 12.9 | 1.1 | 12.9 |
| - from associates | 2.8 | - | 2.8 | - |
| - finance lease receivables | 25.9 | 15.5 | 25.9 | 15.5 |
| Discounting effect on financial instruments and others | - | 0.4 | - | 0.4 |
| | <u>29.8</u> | <u>28.8</u> | <u>29.8</u> | <u>28.8</u> |
| (b) Finance costs | | | | |
| Bank borrowings | (28.6) | (55.4) | (28.6) | (55.4) |
| Amortisation of premiums for interest rate caps | (0.2) | (0.8) | (0.2) | (0.8) |
| Discounting effect on financial instruments, bank facilities and other charges | (25.9) | (3.1) | (25.9) | (3.1) |
| | <u>(54.7)</u> | <u>(59.3)</u> | <u>(54.7)</u> | <u>(59.3)</u> |
| (c) Foreign exchange gains/(losses) | | | | |
| - realized | (32.0) | 25.9 | (32.0) | 25.9 |
| - unrealized | 0.2 | 73.1 | 0.2 | 73.1 |
| - fair value movement recycled from cash flow hedge reserve | - | (6.8) | - | (6.8) |
| | <u>(31.8)</u> | <u>92.2</u> | <u>(31.8)</u> | <u>92.2</u> |



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

14. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM6.6 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Net deferred tax asset of RM20.4 million was recognised in the current quarter.

15. Property, plant and equipment

(a) acquisition and disposals

During the period ended 31 March 2020, the Group acquired property, plant and equipment with a cost of RM82.1 million (period ended 31 March 2019: RM37.7 million).

During the period ended 31 March 2020, proceeds from disposal of property, plant and equipment is RM9.3 million (period ended 31 March 2019: RM2.2 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.

16. 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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17. Investments in associates

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|---|---|--|
| Investment at cost | 1,525.4 | 819.0 |
| Reclassified from investment in joint venture | - | 572.7 |
| Share of results and reserves | (947.8) | (688.4) |
| | <u>576.6</u> | <u>703.3</u> |

As permitted by MFRS 128, the Group recognized losses from the associates to the extent of the Group's interest in these associates. The unrecognized losses at the reporting date is RM342.3 million.

18. Receivables and prepayments

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|--------------------------------|---|--|
| <u>Non-current</u> | | |
| Prepayments | 2,711.9 | 2,512.0 |
| Deposits and other receivables | 893.0 | 912.0 |
| | <u>3,604.9</u> | <u>3,424.0</u> |
| <u>Current</u> | | |
| Trade and other receivables | 435.8 | 450.7 |
| Prepayments | 620.8 | 594.6 |
| Deposits | 113.7 | 87.7 |
| | <u>1,170.3</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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19. Trade and other payables

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|----------------------------|---|--|
| <u>Non-current</u> | | |
| Other payables | 434.2 | 320.5 |
| <u>Current</u> | | |
| Trade payables | 668.7 | 449.0 |
| Other payables | 282.6 | 453.5 |
| Accruals for fuel | 88.0 | 270.5 |
| Collateral for derivatives | - | 7.8 |
| Others | 1,431.1 | 994.4 |
| | 2,470.4 | 2,175.2 |

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

20. Aircraft maintenance provision/ payables

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|--------------------------------|---|--|
| Aircraft maintenance provision | 1,394.6 | 1,274.3 |
| Aircraft maintenance payables | 1,761.3 | 2,435.5 |
| Aircraft maintenance reserves | 2,523.2 | 1,583.1 |
| | 5,679.1 | 5,292.9 |
| Current | 665.2 | 572.3 |
| Non Current | 5,013.9 | 4,720.6 |
| | 5,679.1 | 5,292.9 |

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



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21. Borrowings

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|-----------------------------|---|--|
| <u>Short term</u> | | |
| Term loans | 279.5 | 238.5 |
| Commodity Murabahah Finance | 1.8 | 3.6 |
| Revolving credit | 205.4 | 100.0 |
| | <hr/> 486.7 | <hr/> 329.9 |
| <u>Long term</u> | | |
| Term loans | 78.2 | 86.7 |
| Total | <hr/> 564.9 | <hr/> 428.9 |

The currency profile of borrowings are as follows:

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|-------------------|---|--|
| Ringgit Malaysia | 249.3 | 103.7 |
| US Dollar | 177.6 | 184.3 |
| Philippine Peso | 99.0 | 90.0 |
| Indonesian Rupiah | 39.0 | 50.9 |
| | <hr/> 564.9 | <hr/> 428.9 |

22. Lease liabilities

The lease liabilities is supported by the corresponding Rights of Use asset of RM11.6 billion and finance lease receivables of RM1.3 billion. The lease liabilities are repayable on a monthly basis based on the lease agreement.

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(a) Forward Foreign Exchange Contracts

As at 31 March 2020, the Group has entered into Foreign Currency Swaps to hedge the USD dollar liabilities into Malaysia Ringgit (“MYR”).

(b) Interest Rate Hedging.

As at 31 March 2020, the Group has interest rate swaps which have an outstanding amount of US\$289 million.

(c) Fuel Hedging

As of 31 March 2020, the Group has entered into Brent and Jet/Brent cracks swaps to mitigate the risk of fuel price volatility. It represents 74% of the Group’s budgeted fuel consumption.

Type of Derivatives

| | Notional Value Barrels million | Fair value 31/3/2020 Assets/(Liabilities) RM million |
|--|---|---|
| <u>Fuel contract</u> | | |
| - less than 1 year | 3.1 | (794.9) |
| - 1 year to 3 years | 2.2 | (187.3) |
| Total | 5.3 | (982.2) |
| <u>Interest rate contracts</u> | RM million | RM million |
| - less than 1 year | 244.0 | (5.0) |
| - 1 year to 3 years | - | - |
| - More than 3 years | 1,010.2 | (96.6) |
| Total | 1,254.2 | (101.6) |
| <u>Foreign currency contracts</u> | RM million | RM million |
| - More than 3 years | 184.0 | 52.7 |
| Total | 184.0 | 52.7 |

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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24. Status of corporate proposals announced

There are no outstanding corporate proposal.

25. Post balance sheet events

There are no post balance sheet events to be reported.

26. Contingent assets

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

27. 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 2018.

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

Capital commitments for property, plant and equipment:

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|-----------------------------|---|--|
| Approved and contracted for | 115,626.3 | 99,665.2 |



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29. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 31 March 2020 are set out below:

| | Quarter ended 31/3/2020 RM million | Quarter ended 31/3/2019 RM million |
|---|---|---|
| 1. Transaction of the Group with associates of a subsidiary | | |
| a. Lease rental income on aircraft | | |
| - Thai AirAsia | 59.9 | 66.6 |
| - India AirAsia | 21.8 | 21.5 |
| - Japan AirAsia | 12.1 | 10.0 |
| 2. Transaction of the Group with company with common directors and shareholders | | |
| a. Lease rental income on aircraft | | |
| - PT Indonesia AirAsia Extra | 17.6 | 17.1 |
| b. Wet lease expenses on aircraft | | |
| - PT Indonesia AirAsia Extra | 27.6 | 26.1 |
| c. Purchase of cargo transportation capacity | | |
| - AirAsia X Berhad | 47.1 | 42.7 |



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30. Review of Group Performance

Consolidated Group Performance

The Group entered the first quarter with strong performance in the January 2020. However, market conditions deteriorated abruptly in February 2020 as the Covid-19 outbreak started to spread rapidly. Fears of the spread of the virus, as well as travel restrictions and border controls announced by Government of different countries led to a collapsed in demand for air travel in the month of February and March 2020.

Despite the significant challenges in the airline industry, with proactive capacity and cost management, coupled with a strong performance from the non-airline businesses, the Group reported a breakeven EBITDA.

The Group's Loss for the year at RM954.2 million was mainly impacted by RM270.1 million of fair value losses on derivatives, loss on settlement of fuel hedges of RM110.0 million and RM243.0 million additional depreciation and lease liabilities interest on operating lease aircraft as 1Q20 includes the additional sales and leaseback transactions completed in August 2019.

Airline

Performance indicators

| | Jan -Mac 2020 | Jan -Mac 2019 | Change % |
|------------------------------------|---------------|---------------|----------|
| Passengers Carried | 9,847,010 | 12,548,460 | -22% |
| Capacity | 12,714,176 | 14,268,918 | -11% |
| Seat Load Factor | 77% | 88% | -11% |
| RPK (million) | 11,156 | 15,678 | -29% |
| ASK (million) | 14,393 | 17,788 | -19% |
| Average Fare (RM) | 182 | 168 | 8% |
| Unit Passenger Revenue (RM) | 225 | 213 | 5% |
| Revenue / ASK (sen) | 15.33 | 15.10 | 2% |
| Revenue / ASK (US cents) | 3.64 | 3.58 | 2% |
| Cost / ASK (sen) | 19.81 | 14.57 | 36% |
| Cost / ASK (US cents) | 4.70 | 3.46 | 36% |
| Cost / ASK-ex Fuel (sen) | 13.76 | 9.14 | 51% |
| Cost / ASK-ex Fuel (US cents) | 3.26 | 2.17 | 51% |
| Aircraft (end of period) | 149 | 141 | 8 |
| Average Stage Length (km) | 1,121 | 1,239 | -10% |
| Number of Flights | 69,782 | 78,709 | -11% |
| Fuel Consumed (Barrels) | 2,385,296 | 2,851,983 | -16% |
| Average Fuel Price (US\$ / Barrel) | 86 | 83 | 4% |

Exchange Rate: RM:USD – 4.216 - Prior year US cent and dollar are restated at current average exchange rate during the quarter and year to date for ease of reference

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$80/barrel

Statistics exclude Logistic and Leasing operations



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30. Review of Group Performance - Airline (cont'd.)

Total Group Revenue for the airline business for 1Q20 contracted by 18% to RM2,161.4 million, from RM2,627.3 million recorded in 1Q19 amid increasing and unprecedented travel restrictions due to the Covid-19 pandemic. The Group had responded proactively with capacity management which had shown results with 1Q20 reporting a healthy load factor of 77%.

Capacity reductions were mainly from Malaysia and Philippines with a reduction of capacity of 17% and 1% respectively as domestic routes and international routes were halted mid-March. Indonesia however increased its capacity by 10% by redeploying the additional international routes capacity to domestic markets.

Malaysia saw average fares increase by 12%, Indonesia 11% whilst Philippines average fare fell by 9%. Group RASK improved by 2% to 3.64 US cents from 3.58 US cents on improved pricing strategy in Malaysia and Indonesia. Group CASK increased by 36% 4.70 US cents from 3.46 US cents as a result of fuel hedge losses as prices fell on the back of lower demand of oil, higher maintenance and depreciation and lease liabilities interest as higher number of aircraft is on operating lease in 1Q20 as compared to 1Q19.

The Airline Group reported a negative EBITDA for 1Q20 at RM28.5 million, compared to a positive EBITDA of RM525.6 million in 1Q19. Excluding the share of associates' losses, Airline EBITDA reported a marginally positive EBITDA despite the challenging circumstances. The negative EBITDA of Malaysia and Indonesia operations is cushioned by positive EBITDA of Philippines.

Cashflow commentary for current quarter against corresponding quarter

| Net Cash Flow | Period ended 31/3/2020 RM million | Period ended 31/3/2019 RM million |
|-------------------------------------|--|--|
| Cash from/(to) Operating activities | (116.1) | 289.0 |
| Cash from/(to) Investing activities | (75.1) | (53.8) |
| Cash from/(to) Financing activities | (613.5) | (472.1) |
| | <u>(824.7)</u> | <u>(236.9)</u> |

The Group's cashflow reported a net outflow as the current Covid 19 pandemic contributed to the lower demand for flights. The increase in financing activities correspond with the higher number of aircraft that is on sales and leaseback transactions whereby payment of operating lease expenses is reflected under financing activities.



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30. Review of Group Performance - Airline (cont'd.)

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

| | As at 31/3/2020 RM million | As at 31/12/2019 RM million |
|--|----------------------------------|-----------------------------------|
| Borrowings | 564.8 | 428.9 |
| Lease liabilities | 12,244.8 | 12,459.8 |
| Less: Deposit, cash and bank balances | 1,607.3 | 2,588.1 |
| Net Debt | 11,202.3 | 10,300.6 |
| Total equity | 2,968.6 | 4,498.3 |
| Net gearing ratio (times) – excluding lease liabilities | Nil | Nil |
| Net gearing ratio (times) | 3.8 | 2.3 |



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30. Review of Group Performance - Airline (cont'd.)

Associate's Performance

(a) Thai Air Asia Co. Ltd ("Thai AirAsia")

Performance indicators

| | Jan-Mar | Jan-Mar | Change % |
|------------------------------------|-----------|-----------|-------------|
| | 2020 | 2019 | |
| Passengers Carried | 4,531,142 | 5,861,824 | -23% |
| Capacity | 5,420,286 | 6,507,990 | -17% |
| Seat Load Factor | 84% | 90% | -6 |
| RPK (million) | 3,988 | 6,151 | -35% |
| ASK (million) | 4,834 | 6,874 | -30% |
| Average Fare (THB) | 1,401 | 1,554 | -10% |
| Unit Passenger Revenue (THB) | 1,718 | 1,906 | -10% |
| Revenue / ASK (THB) | 1.62 | 1.62 | 0% |
| Revenue / ASK (US cents) | 5.05 | 5.05 | 0% |
| Cost / ASK (THB) | 1.85 | 1.54 | 20% |
| Cost / ASK (US cents) | 5.77 | 4.80 | 20% |
| Cost / ASK-ex Fuel (THB) | 1.29 | 1.00 | 29% |
| Cost / ASK-ex Fuel (US cents) | 4.02 | 3.12 | 29% |
| Aircraft (end of period) | 62 | 62 | - |
| Average Stage Length (km) | 896 | 1,056 | -15% |
| Number of Flights | 29,629 | 36,061 | -18% |
| Fuel Consumed (Barrels) | 891,740 | 1,254,354 | -29% |
| Average Fuel Price (US\$ / Barrel) | 95 | 91 | 4 |

Exchange Rate: THB:USD – 32.05 - Prior year US cent and dollar are restated at current average exchange rate for ease of reference

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$90/barrel



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30. Review of Group Performance - Airline (cont'd.)

(a) Thai Air Asia Co. Ltd (“Thai AirAsia”)

Financial Statements

| | Jan-Mar 2020 THB'000 | Jan-Mar 2019 THB'000 |
|---|-------------------------------------|-------------------------------------|
| Revenue | 7,812,613 | 11,155,313 |
| Operating expenses: | | |
| - Staff costs | (1,492,362) | (1,604,628) |
| - Aircraft fuel expenses | (2,714,252) | (3,628,000) |
| - Maintenance and overhaul | (1,160,031) | (880,548) |
| - User charges and other related expenses | (922,677) | (1,328,871) |
| - Other operating expenses | (919,740) | (1,276,527) |
| Other income | 1,586,289 | 323,472 |
| EBITDAR | 2,189,840 | 2,760,211 |
| Depreciation of property, plant and equipment | (1,463,581) | (430,361) |
| Aircraft operating lease expenses | - | (1,344,606) |
| Finance income | 7,973 | 4,439 |
| Finance costs | (551,289) | (191,810) |
| Foreign exchange (loss)/gains | (2,096,812) | 138,827 |
| (Loss)/profit before taxation | (1,913,869) | 936,700 |
| Tax expense | - | - |
| Deferred taxation | 690,422 | (33,781) |
| (Loss)/profit after taxation | (1,223,447) | 902,919 |

*EBITDAR – Earnings Before Interest, Depreciation, Amortisation and Rental



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30. Review of Group Performance - Airline (cont'd.)

(a) Thai Air Asia Co. Ltd (“Thai AirAsia”)

Financial Statements

| Year Ended | Mar 2020 THB'000 | Dec 2019 THB'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Property, plant and equipment | 38,891,161 | 24,821,094 |
| Intangible assets | 20,632 | 22,770 |
| Inventory | 300,464 | 294,641 |
| Aircraft maintenance reserve | 5,792,362 | 5,963,213 |
| Other debtors and prepayments | 4,073,309 | 2,155,980 |
| Amounts due from related parties | 273,243 | 1,919,708 |
| Cash and Short term deposits | 4,756,158 | 3,889,581 |
| Total Assets | 54,107,329 | 39,066,987 |
| Sales in advance | 2,665,888 | 4,648,343 |
| Other creditors and accruals | 7,196,439 | 5,162,137 |
| Amount due to related parties | 708,378 | 373,823 |
| Borrowings | 12,318,154 | 10,486,213 |
| Lease liabilities | 29,486,099 | 11,493,614 |
| Deferred tax liabilities | - | 64,421 |
| Total Liabilities | 52,374,958 | 32,228,551 |
| Share capital | 435,556 | 435,556 |
| Retained earnings | 1,296,815 | 6,402,880 |
| Total Equity | 1,732,371 | 6,838,436 |

Thai AirAsia recorded Total Revenue of THB7,812.6 million in 1Q20, 30% lower than 1Q19 of THB11,155.3 million. Passengers carried reduced by 23% with load factor falling to 84% as compared to 90% in 1Q19 as Thai AirAsia adapted its network and capacity to match travel demand, reducing flight frequencies and cancelling routes to at-risk countries. Thai AirAsia had suspended domestic flights and international flights commencing 1 April 2020 and 22 March 2020 respectively.

Thai AirAsia adopted TFRS16 Leases which was effective 1 January 2020 for Thailand which saw the increase in depreciation and interest costs and a substantial foreign exchange loss of THB2,096.8 million which was attributable to the exchange differences on leases liabilities.

Thai AirAsia reported a loss for the period of THB1,223.4 million impacted by the lower revenue and adoption of TFRS16, offset by the one-time gain on sales and leaseback transactions of 9 aircraft and 1 outright sale of THB1,331.6 million.



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30. Review of Group Performance - Airline (cont'd.)

(b) AirAsia (India) Limited (“AirAsia India”)

Performance indicators

| | Jan-Mar 2020 | Jan-Mar 2019 | Change % |
|------------------------------------|-----------------|-----------------|-------------|
| Passengers Carried | 2,518,884 | 1,936,888 | 30% |
| Capacity | 3,115,800 | 2,173,680 | 43% |
| Seat Load Factor | 81% | 89% | -8 |
| RPK (million) | 2,765 | 2,093 | 32% |
| ASK (million) | 3,358 | 2,322 | 45% |
| Average Fare (INR) | 3,310 | 2,978 | 11% |
| Unit Passenger Revenue (INR) | 3,843 | 3,384 | 14% |
| Revenue / ASK (INR cents) | 276.32 | 271.93 | 2% |
| Revenue / ASK (US cents) | 3.78 | 3.72 | 2% |
| Cost / ASK (INR cents) | 346.93 | 337.85 | 3% |
| Cost / ASK (US cents) | 4.74 | 4.62 | 3% |
| Cost / ASK-ex Fuel (INR cents) | 212.78 | 207.73 | 2% |
| Cost / ASK-ex Fuel (US cents) | 2.91 | 2.84 | 2% |
| Aircraft (end of period) | 30 | 20 | 10 |
| Average Stage Length (km) | 1,078 | 1,068 | 1% |
| Number of Flights | 17,310 | 12,076 | 43% |
| Fuel Consumed (Barrels) | 600,785 | 419,346 | 43% |
| Average Fuel Price (US\$ / Barrel) | 103 | 102 | 1 |

Exchange Rate: RM:USD – 73.14- Prior year US cent and dollar are restated at current average exchange rate during the quarter and year to date for ease of reference

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$99/barrel



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30. Review of Group Performance - Airline (cont'd.)

(b) AirAsia (India) Limited (“AirAsia India”)

Financial Statements

| | Jan-Mar 2020 INR'000 | Jan-Mar 2019 INR'000 |
|---|-------------------------------------|-------------------------------------|
| Revenue | 9,280,005 | 6,314,381 |
| Operating expenses: | | |
| - Staff costs | (1,643,070) | (1,061,212) |
| - Aircraft fuel expenses | (4,505,188) | (3,021,403) |
| - Maintenance and overhaul | (2,508,184) | (1,145,226) |
| - User charges and other related expenses | (1,703,032) | (1,032,537) |
| - Other operating expenses | (332,478) | (273,462) |
| Other income | 1,235,594 | 240,474 |
| EBITDA | (176,352) | 21,015 |
| Depreciation of property, plant and equipment | (1,042,229) | (1,093,064) |
| Finance income | 37,571 | 15,723 |
| Finance costs | (643,998) | (474,150) |
| Foreign exchange loss | (1,521,696) | 62,564 |
| Loss before tax | (3,346,705) | (1,467,912) |
| Tax expense | - | - |
| Deferred taxation | - | - |
| Loss after tax | (3,346,705) | (1,467,912) |



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30. Review of Group Performance - Airline (cont'd.)

(b) AirAsia (India) Limited (“AirAsia India”)

Financial Statements

| Year Ended | Mar 2020 INR'000 | Dec 2019 INR'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Property, plant and equipment | 807,751 | 857,305 |
| Rights of Use Asset | 27,963,671 | 25,126,174 |
| Inventory | 431,444 | 407,522 |
| Other debtors and prepayments | 2,872,349 | 3,239,066 |
| Amounts due from related parties | 4,149,565 | 5,674,426 |
| Cash and Short term deposits | 3,684,092 | 4,981,350 |
| Total Assets | 39,908,872 | 40,285,843 |
| Sales in advance | 1,388,188 | 2,045,362 |
| Other creditors and accruals | 3,614,292 | 3,856,244 |
| Amount due to related parties | 5,089,818 | 8,870,530 |
| Lease liabilities | 30,806,811 | 27,094,238 |
| Borrowings | 5,500,000 | 1,699,564 |
| Total Liabilities | 46,399,109 | 43,565,938 |
| Share capital | 15,000,000 | 15,000,000 |
| Retained earnings | (21,490,237) | (18,280,095) |
| Total Equity | (6,490,237) | (3,280,095) |

AirAsia India recorded Total Revenue of INR9,280.0 million in 1Q20, a 47% increase from that of 1Q19 which only recorded INR6,314.4 million. The increase in revenue was in line with the additional capacity introduced with the additional 10 aircraft. Capacity grew by 43% whilst passenger carried grew by 30%. Despite the Covid 19 pandemic and rising travel concerns, AirAsia India was not severely impacted by the global travel restrictions as it operates domestic routes only. The load factor remained steady at 81%. RASK increased by 2% to US Cents 3.78 with the corresponding increase in CASK ex fuel of US Cents 2.91.

AirAsia India reported a loss for the period of INR3,346.7 million which is more than doubled the losses in 1Q19 mainly attributable to the increase in operating expenses from operating 10 additional aircraft and foreign exchange loss of INR1,521.7 million.



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30. Review of Group Performance - Airline (cont'd.)

(c) AirAsia Japan Co. Ltd (“AirAsia Japan”)

AirAsia Japan is an associate company which is incorporated in Japan. The Group’s equity interest in AirAsia Japan is 66.91% with voting rights of 33%.

AirAsia Japan recorded a Net loss of JPY1,238.4 million. AirAsia Japan has not adopted MFRS 16: Leases. The adoption of MFRS16 did not result in a material impact to income statement of AirAsia Japan.

Non-Airline

The EBITDA for Non Airline businesses are as follows:

| | Quarter ended 31/3/2020 | | | | Quarter ended 31/3/2019 | | | |
|---|-------------------------|----------------|-----------------|------------------|-------------------------|-------------|-----------------|------------------|
| | Teleport (Logistics) | AirAsia.com | Big Pay Group | RedBeat Ventures | Teleport (Logistics) | AirAsia.com | Big Pay Group | RedBeat Ventures |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 150,350 | 6,924 | 5,059 | 19,755 | 100,891 | 3,174 | 1,941 | 37,581 |
| Operating expenses | (138,386) | (12,192) | (33,297) | (20,863) | (85,811) | (2,617) | (13,983) | (38,961) |
| Adjustment for intercompany elimination | 51,216 | - | - | - | 36,725 | - | - | - |
| EBITDA | 63,180 | (5,268) | (28,238) | (1,108) | 51,805 | 557 | (12,042) | (1,380) |

During the quarter, Teleport recorded a 49% increase in revenue to RM150.4 million as it had successfully completed its cargo consolidation across the Group’s ASEAN airline operating companies. Big Pay reported a 161% growth in revenue as it gains traction with the expansion of remittance corridors to include India, Bangladesh and Nepal. AirAsia.com revenue is up 118% as it rolls out new offers, promotions, flight and hotel bundle packages.

31. Variation of results against preceding quarter

The Group recorded a Net Loss of RM953.3 million for the quarter under review, against the Net Loss of RM385.4 million in the immediately preceding quarter ended 31 December 2019 mainly due to the impact of Covid 19 pandemic.

32. Profit forecast

No profit forecast has been issued.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FIRST QUARTER REPORT ENDED 31 MARCH 2020

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

33. Commentary on prospects

AirAsia Group has been severely affected by the global COVID-19 pandemic. AirAsia temporarily hibernated most of its fleet across the network in late March 2020 due to increasing movement restrictions.

Since the end of April 2020, AirAsia has resumed domestic travel in Malaysia (29 April), Thailand (1 May), India (25 May), Philippines (5 June) and Indonesia (18 June). We are gradually adding frequencies and opening routes in the domestic sector, with the advice and regulations from government and health authorities. Since the resumption of domestic services, demand has been positive, with our load factors increasing week by week. Competition has also been rational in their pricing.

AirAsia Group is looking forward to the gradual reopening of international borders in recognition that air transport provides the connectivity that is essential for the resumption of economic activities. The formation and discussion of “travel bubbles” and “green lanes” with key economic partners with a low infection rate and proven pandemic curbing systems, is a step in the right direction. The aviation and tourism sectors account for around 4% and 10% of world GDP, respectively. Over 65 million jobs are supported worldwide in the aviation sector, while 1 in 10 jobs around the world is contributed by the tourism sector.

To ensure sufficient working capital during these challenging times, we have sought payment deferrals from our suppliers and lenders. We have also restructured a major portion of the fuel hedges with our supportive counterparties and are still in process of restructuring the remaining exposure. This will help deal with the excess of hedged volume against expected fuel consumption post-COVID-19 and reduce the hedging losses if fuel price remains at today’s prices. Further measures in managing and containing cost include both the management and senior employees of AirAsia Group volunteering a salary sacrifice, re-negotiating contracts and deferring all non-essential expenditures. While confirmed initiatives so far is expected to result in at least a 30% cost reduction YoY in 2020, we are hopeful of further cost reduction than 30% in 2020.

We have applied for bank loans in our operating countries to shore up our liquidity. We have also been presented with proposals to raise capital to strengthen its 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.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FIRST QUARTER REPORT ENDED 31 MARCH 2020

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33. Commentary on prospects (Contd.)

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

Barring any reversal of flight resumption plans and any major shock to demand, we foresee that we have sufficient working capital to sustain the business operations. This is despite our forecast that our capacity would be reduced by 50% in 2020.

34. Material Litigation

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



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

35. 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 31/3/2020 | Quarter ended 31/3/2019 | Year ended 31/3/2020 | Year ended 31/3/2019 |
| Net (loss)/profit attributable to owners of the Company (RM'000) | (803,845) | 96,089 | (803,845) | 96,089 |
| 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) | (24.1) | 2.9 | (24.1) | 2.9 |

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.

36. Authorisation for issue

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

By order of the Board

REBECCA KONG SAY TSUI
(MAICSA 7039304)
COMPANY SECRETARY
6 JULY 2020