



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

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 third quarter ended 30 September 2019.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Revenue	11	2,945,157	2,527,174	8,752,882	7,673,532
Operating expenses:					
- Staff costs		(434,201)	(376,693)	(1,257,365)	(1,121,200)
- Aircraft fuel expenses		(1,066,543)	(1,032,910)	(3,109,239)	(2,799,356)
- Maintenance and overhaul		(272,362)	(125,076)	(909,425)	(461,311)
- User charges and other related expenses		(434,609)	(341,884)	(1,270,337)	(1,060,411)
- Aircraft operating lease expenses	2	-	(289,469)	-	(710,278)
- Other operating expenses		(171,142)	(130,379)	(483,226)	(405,999)
Other income	12	157,783	98,370	362,380	354,437
Share of results of associates **		(61,762)	(59,306)	(255,857)	(53,286)
Share of results of joint ventures		-	3,194	-	6,798
Airline EBITDA		662,321	273,021	1,829,813	1,422,926
Non Airline EBITDA					
- Teleport (Logistics)	32	62,122	54,084	169,799	78,056
- AirAsia.com	32	(10,458)	(1,107)	(9,526)	(2,942)
- BigPay Group	32	(21,293)	(6,537)	(49,713)	(13,273)
- Red Beat Ventures Group ("RBV Group") Others	32	(1,399)	(3,270)	(59,358)	(9,968)
EBITDA		691,293	316,191	1,881,015	1,474,799
Depreciation of property, plant and equipment		(45,626)	(119,582)	(189,479)	(432,875)
Depreciation of right of use asset	2	(443,157)	-	(1,240,659)	-
Finance costs - lease liabilities	2	(136,334)	-	(367,589)	-
Finance income	13	16,107	14,357	40,195	28,485
Finance costs	13	(80,164)	(142,222)	(206,615)	(374,772)
Net Operating Profit/(Loss)		2,119	68,744	(83,132)	695,637
Foreign exchange (loss)/ gains	13	(111,995)	45,923	(19,638)	63,786
Fair value (loss)/gain on derivatives		(237,725)	22,992	(214,518)	(34,398)
Gain on partial disposal of investment in a former subsidiary	14	-	-	-	350,317
Remeasurement gain on retained interest in a former subsidiary	14	-	-	-	534,712
Net gain on disposal of associate		-	170,880	-	170,880
(Loss)/Profit before taxation		(347,601)	308,539	(317,288)	1,780,934
Tax expense	15	(12,165)	(19,956)	(16,881)	(30,626)
Deferred taxation	15	292,306	515,430	433,635	462,652
Net (loss)/profit for the financial period		(67,460)	804,013	99,466	2,212,960
Attributable to:					
- Owners of the company		(51,443)	915,878	80,715	2,419,360
- Non-controlling interests		(16,017)	(111,865)	18,751	(206,400)
		(67,460)	804,013	99,466	2,212,960
Earnings per share attributable to owners of the Company (sen)					
- Basic		(1.5)	27.4	2.4	72.4
- Diluted		(1.5)	27.4	2.4	72.4

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

**share of results of associates is disclosed above the EBITDA line to facilitate disclosure of Airline performance. The performance of the associates are disclosed in Note 32.

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

**AIRASIA GROUP BERHAD**

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Net (loss)/profit for the financial period	(67,460)	804,013	99,466	2,212,960
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(1,381)	-	4,083	-
Fair value reserve	16,246	20,878	99,798	41,256
Cash flow hedges	34,668	(25,700)	278,944	(13,807)
Foreign currency translation differences	(623)	(3,072)	(17,392)	83,220
Total comprehensive (loss)/income for the period	(18,550)	796,119	464,899	2,323,629
Total comprehensive income attributable to:				
Owners of the Company	(2,533)	907,984	446,148	2,530,029
Non-controlling interests	(16,017)	(111,865)	18,751	(206,400)
	(18,550)	796,119	464,899	2,323,629

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 2018 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/9/2019	31/12/2018
	Note	RM'000	RM'000
NON CURRENT ASSETS			
Property, plant and equipment	16	1,811,075	2,851,917
Right of use assets	24	12,081,516	-
Investment in associates	18	732,287	282,738
Investment in a jointly controlled entity	14	-	583,854
Investment securities		608,484	477,860
Intangible assets		631,027	615,413
Deferred tax assets		1,319,143	891,445
Receivables and prepayments	19	3,280,360	3,067,583
Deposits on aircraft purchase		473,027	578,002
Derivative financial instruments	25	440,544	383,111
		21,377,463	9,731,923
CURRENT ASSETS			
Inventories		156,631	106,326
Receivables and prepayments	19	1,253,769	1,394,970
Deposits on aircraft purchase		95,406	398,215
Amounts due from joint ventures		-	6,792
Amounts due from associates		478,190	404,139
Amounts due from related parties		28,727	124,277
Derivative financial instruments	25	82,718	267,311
Tax recoverable		2,768	13,576
Deposits, bank and cash balances		2,178,376	3,326,921
Assets classified as held for sale	22	-	2,775,321
		4,276,585	8,817,848
CURRENT LIABILITIES			
Trade and other payables	20	1,694,510	1,969,125
Aircraft maintenance provisions/ payables	21	783,831	878,941
Sales in advance		1,133,220	1,128,447
Derivative financial instruments	25	91,758	465,277
Amounts due to associates		124,264	32,228
Amounts due to related parties		179,739	103,078
Amounts due to joint ventures		-	11,032
Borrowings	23	570,946	423,163
Lease liabilities	24	2,357,328	-
Provision of taxation		5,802	4,741
Liabilities directly associated with assets held for sale	22	-	1,834,326
		6,941,398	6,850,358
NET CURRENT (LIABILITIES)/ ASSET		(2,664,813)	1,967,490



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(Company No. 1244493-V)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30/9/2019 RM'000	AS AT 31/12/2018 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	20	358,398	308,609
Aircraft maintenance provisions/ payables	21	4,643,917	4,049,068
Amounts due to associates		12,218	45,436
Borrowings	23	120,258	781,966
Lease liabilities	24	10,040,475	-
Deferred tax liabilities		65,253	59,905
Derivative financial instruments	25	413,176	199,334
Provision for retirement benefits		64,499	69,830
		15,718,194	5,514,148
		2,994,456	6,185,265
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other Reserves		(68,622)	(451,447)
Foreign exchange reserve		161,123	178,515
Retained earnings	10	1,989,887	5,541,712
		4,598,062	7,784,454
Non-controlling interests		(1,603,606)	(1,599,189)
Total equity		2,994,456	6,185,265
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.38	2.33

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Note	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		
At 1 January 2019											
As previously stated		3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,541,712	7,784,454	6,185,265
Effects of changes in accounting policies	2	-	-	-	-	-	-	-	(223,727)	(223,727)	(246,895)
At 1 January 2019, as restated		3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,317,985	7,560,727	5,938,370
Net profit for the financial period		-	-	-	-	-	-	-	80,715	80,715	99,466
Other comprehensive income		-	-	-	(17,392)	278,944	99,798	4,083	-	365,433	365,433
Dividend paid	9	-	-	-	-	-	-	-	(3,408,813)	(3,408,813)	(3,408,813)
At 30 September 2019		3,341,974	8,023,268	(5,507,594)	161,123	(198,666)	121,514	8,530	1,989,887	4,598,062	2,994,456
At 1 January 2018		3,341,974	8,023,032	(5,507,594)	195,359	(236,270)	169,353	(691)	5,391,628	8,034,817	6,699,218
Treasury shares		-	237	-	-	-	-	-	-	237	237
Net profit for the financial period		-	-	-	-	-	-	-	2,419,360	2,419,360	2,212,960
Other comprehensive income		-	-	-	83,220	(13,807)	41,256	-	-	110,669	110,669
Dividend paid		-	-	-	-	-	-	-	(401,037)	(401,037)	(401,037)
At 30 September 2018		3,341,974	8,023,269	(5,507,594)	278,579	(250,077)	210,609	(691)	7,409,951	10,164,046	8,622,047

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 2018 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/9/2019	30/9/2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(317,288)	1,780,934
Adjustments:		
Property, plant and equipment		
- Depreciation	189,479	432,875
- Gain on disposal	(92,100)	(10,800)
Depreciation of Right of Use asset	1,240,659	-
Amortisation of intangible assets	(3,155)	5,702
Write back of employee benefit expenses	-	1,994
Gain on disposal of interest in a subsidiary	-	(521,197)
Remeasurement gain on retained interest in a former subsidiary	-	(534,712)
Fair value loss on derivative financial instruments	214,518	34,398
Share of results of joint ventures	-	(6,798)
Share of results of associates	255,857	53,286
Net unrealised foreign exchange (gain)/loss	127,632	63,786
Interest expense	206,615	374,772
Interest on lease liabilities	367,589	-
Interest income	(40,195)	(28,485)
	2,149,611	1,645,755
Changes in working capital		
Inventories	(48,874)	(50,144)
Receivables and prepayments	224,782	(866,152)
Trade and other payables and provisions	434,017	1,493,516
Intercompany balances	(206,489)	(303,685)
Cash generated from operations	2,553,047	1,919,290
Interest paid	(174,958)	(324,587)
Interest received	41,978	42,185
Tax paid	(5,012)	(3,003)
Net cash generated from operating activities	2,415,055	1,633,885



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THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 30/9/2019 RM'000	PERIOD ENDED 30/9/2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(85,329)	(2,097,804)
- Proceeds from disposal	3,901,753	8,304,473
Addition in intangible assets	(12,459)	-
Refund of /(Additional) deposits for aircraft	407,784	(41,409)
Additional investments in investment securities	(30,826)	(266,678)
Additional subscription of shares in associates	(147,001)	(175,246)
Additional subscription of shares in joint venture	-	(32,692)
Proceeds from disposal of interest in a subsidiary	-	358,774
Proceeds from disposal of associates/ joint venture	-	245,754
Dividend received from :		
- associates	-	166,058
Net cash generated from investing activities	4,033,922	6,461,230
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	397
Dividends paid	(3,408,813)	(401,037)
Proceeds from borrowings	520,724	1,114,974
Repayment of borrowings and lease liabilities	(4,536,193)	(6,242,619)
Net cash used in financing activities	(7,424,282)	(5,528,285)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(975,305)	2,566,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,326,921	1,882,195
CURRENCY TRANSLATION DIFFERENCES	(173,240)	(16,589)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	2,178,376	4,432,436

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

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 2018. 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 2018.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The Consolidated Income Statement for the quarter ended 30 September 2019, in compliance with MFRS134: Interim Financial Reporting is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Revenue	3,066,262	2,608,794	9,086,399	7,779,604
Operating expenses:				
- Staff costs	(454,989)	(388,680)	(1,320,597)	(1,150,736)
- Depreciation of property, plant and equipment	(488,783)	(119,582)	(1,430,138)	(432,875)
- Aircraft fuel expenses	(1,066,543)	(1,032,910)	(3,109,239)	(2,799,356)
- Maintenance and overhaul	(272,362)	(125,076)	(909,425)	(461,311)
- User charges and other related expenses	(434,609)	(368,605)	(1,270,337)	(1,087,131)
- Aircraft operating lease expenses	-	(289,469)	-	(710,278)
- Other operating expenses	(289,333)	(148,815)	(851,544)	(439,403)
Other income	204,629	117,064	511,615	740,215
Operating profit	264,272	252,721	706,734	1,438,729
Finance income	16,107	14,357	40,195	28,485
Finance costs	(216,498)	(142,222)	(574,204)	(374,772)
Net operating profit	63,881	124,856	172,725	1,092,442
Share of results of associates	(61,762)	(59,306)	(255,857)	(53,286)
Share of results of joint ventures	-	3,194	-	6,798
Foreign exchange (loss)/ gains	(111,995)	45,923	(19,638)	63,786
Fair value (loss)/gains on derivatives	(237,725)	22,992	(214,518)	(34,398)
Remeasurement gain on retained interest in a former subsidiary	-	-	-	534,712
Net gain on disposal of associate	-	170,880	-	170,880
(Loss)/Profit before taxation	(347,601)	308,539	(317,288)	1,780,934
Tax expense	(12,165)	(19,956)	(16,881)	(30,626)
Deferred taxation	292,306	515,430	433,635	462,652
Net (loss)/profit for the financial period	(67,460)	804,013	99,466	2,212,960

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements



AIRASIA GROUP BERHAD

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THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

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 2018. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2019 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 2018. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

At the beginning of the current financial year, the Group and the Company adopted MFRS 16: Leases. MFRS 16 will replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The Group's operating leases are primarily for aircraft.

MFRS 16 has been adopted by the Group from 1 January 2019 using the modified retrospective transition approach, which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the right-of-use ("ROU") assets is based on the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

**AIRASIA GROUP BERHAD**

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****2. Summary of significant accounting policies (cont'd.)**

The adoption of MFRS 16 has the following impact:

(a) To the opening balances as at 1 January 2019:

	Audited 31/12/18 RM million	Adjustments RM million	After MFRS 16 Adoption RM million
Right of use asset	-	9,377.6	9,377.6
Lease liabilities	-	(9,520.5)	(9,520.5)
Investment in associates	282.7	(100.6)	182.1
Retained earnings	5,541.7	(223.7)	5,317.0
Minority interest	(1,599.2)	(24.8)	(1,624.0)

(b) To the unaudited Consolidated Financial Statements for the quarter ending 30 September 2019:

- (i) On the Consolidated Income Statement, expenses which were previously included under aircraft operating leases will be replaced by finance costs – lease liabilities and depreciation of right of use asset;
- (ii) On the Consolidated Cash Flow Statement, operating lease rental outflows, previously recorded within net cashflow from operating activities, are classified as “net cashflow used in financing activities” for repayment of principal of lease liabilities.

	Quarter ended 30/9/19 before MFRS 16 RM million	MFRS 16 Adjustments RM million	Quarter ended Unaudited 30/9/19 RM million
Depreciation	(45,626)	(443,157)	(488,783)
Aircraft Operating Leases	(573,228)	573,228	-
Finance expenses	(80,164)	(136,334)	(216,498)



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the financial year ended 31 December 2018 in their report dated 5 April 2019.

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.

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.

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 30 September 2019.

9. Dividends paid and proposed

On 29 August 2019, Company paid special dividend of 90sen, amounting to RM3,007.8 million.

No dividend has been proposed during the quarter ended 30 September 2019.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

10. Retained earnings

Retained earnings of RM881.6 million, being the retained earnings of the Company, is available for distribution to shareholders of the Company.

11. Revenue

	Quarter ended 30/9/2019 RM million	Quarter ended 30/9/2018 RM million
Passenger revenue		
- seat sales	2,261.8	1,896.1
- others	588.9	427.7
Aircraft operating lease income	94.5	203.4
	<hr/> 2,945.2	<hr/> 2,527.2
Teleport (Logistics) *	121.1	81.6
	<hr/> 3,066.3	<hr/> 2,608.8

* Freight services is centralised and undertaken by the Group through logistics business provider, Teleport. Previously, freight services was handled by the respective AOCs and the amount included in previous quarter is approximately RM33.4 million

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.



AIRASIA GROUP BERHAD

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

12. Other income

	Quarter ended 30/9/2019 RM million	Quarter ended 30/9/2018 RM million
Fees charged for provision of commercial air transport services	25.3	25.6
Gain on disposal of property, plant and equipment	92.1	10.8
Charter income	-	22.8
Others	40.4	39.2
	157.8	98.4

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

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

	Quarter ended 30/9/19 RM million	Quarter ended 30/9/18 RM million	Year ended 30/9/19 RM million	Year ended 30/9/18 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	16.1	2.3	39.8	15.0
Discounting effect on financial instruments and others	-	12.0	0.4	13.5
	16.1	14.3	40.2	28.5
(b) Finance costs				
Bank borrowings	(77.8)	(89.0)	(193.4)	(306.0)
Amortisation of premiums for interest rate caps	(0.6)	(36.5)	(2.6)	(47.9)
Discounting effect on financial instruments, bank facilities and other charges	(1.8)	(16.7)	(10.6)	(20.9)
	(80.2)	(142.2)	(206.6)	(374.8)
(c) Foreign exchange gains/(losses)				
- realized	9.0	31.4	29.8	52.3
- unrealized	(206.3)	(6.0)	(127.6)	7.8
- fair value movement recycled from cash flow hedge reserve	85.3	20.5	78.2	3.7
	(112.0)	45.9	(19.6)	63.8



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14. Remeasurement gain on retained interest in a former subsidiary

On 4 January 2018, the share swap agreement between Ground Team Red Holdings Sdn Bhd (“GTRH”) and SATS Ltd. (“SATS”) was completed, wherein GTRH acquired 80% equity stake in SATS Ground Services Singapore Pte. Ltd in exchange for an 11.4% equity stake in GTRH. On 14th February 2018, the Group further completed the sale and transfer of 38.6% interest in GTRH to SATS for a consideration of SGD119.3 million.

The transaction above resulted in the Group recognizing GTRH as a joint venture in prior year. A re-measurement gain of RM534.7 million had been recognized in the financial statements of the Group arising from this deemed disposal in prior year.

Reclassification of investment in joint venture to investment in associate

On 1 January 2019, SATS recognized GTRH as a subsidiary on the basis of control of key activities and consolidated the said entity in its financial statements. As the Group can now only exercise significant influence, pursuant to the requirements of the accounting standards, the Group reclassified the investment from “investments in joint venture” to “investments in associates”. This reclassification does not have any financial impact to the consolidated income statement.

15. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM12.2 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Net deferred tax asset of RM292.3 million was recognised in the current quarter mainly due to reversal of deferred tax liabilities upon completion of sales and leaseback transaction.

16. Property, plant and equipment

(a) acquisition and disposals

During the period ended 30 September 2019, the Group acquired property, plant and equipment with a cost of RM85.3 million (period ended 30 September 2018: RM2,097.8 million).

During the period ended 30 September 2019, proceeds from disposal of property, plant and equipment totaled RM3,901.8 million (period ended 30 September 2018: RM8,304.5million).



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16. Property, plant and equipment (cont.d)

(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.

17. Quoted investments and properties

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

18. Investments in associates

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
Investment at cost	819.0	672.2
Adjustment due to adoption of MFRS 16	(100.6)	-
Reclassified from investment in joint venture	572.7	-
Share of results and reserves	(558.8)	(389.5)
	<u>732.3</u>	<u>282.7</u>

As permitted by MFRS 128, the Group has not recognized our share of losses relating to AirAsia India and AirAsia Japan, where the respective entities share of losses exceeds the Group's interest in these associates. The unrecognized losses the reporting date is RM94.8 million and RM13.0 million respectively.



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19. Receivables and prepayments

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Prepayments	2,066.1	2,011.2
Deposits and other receivables	1,214.3	1,056.4
	<u>3,280.4</u>	<u>3,067.6</u>
<u>Current</u>		
Trade and other receivables	414.2	485.9
Prepayments	803.8	829.9
Deposits	35.8	79.2
	<u>1,253.8</u>	<u>1,395.0</u>

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

20. Trade and other payables

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Other payables	358.4	308.6
<u>Current</u>		
Trade payables	393.9	538.2
Other payables	512.7	436.2
Accruals for fuel	243.1	149.6
Collateral for derivatives	40.9	79.4
Others	503.9	765.7
	<u>1,694.5</u>	<u>1,969.1</u>

Other payables and accruals include accruals for operational expenses, passenger service charges payable to airport authorities and security deposits for leased aircraft.



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21. Aircraft maintenance provision/ payables

Aircraft maintenance provision/ payables relates to maintenance costs that needs to be incurred for maintaining the aircraft as long as it is currently still in use and on the return of lease aircraft.

22. Assets classified as held for sale and liabilities associated with assets held for sale

On 24 December 2018, an indirect subsidiary of the Group, Asia Aviation Capital Limited (“AACL”) entered into a Sale and Purchase Agreement with AS Air Lease Holdings 5T DAC and AS Air Lease 8 (Offshore) LP, both entities controlled by Castl lake L.P for the disposal of Merah Aviation Asset Holding Limited, Merah Aviation Asset Holdings Two Limited, Merah Aviation Holdings Three Limited, Merah Aviation Asset Holding Four Limited and Merah Aviation Asset Holding Five Limited, which collectively own twenty five (25) aircrafts to be leased to AirAsia Berhad, for an aggregate consideration of USD768 million (approximately RM3,216.4 million).

The above are completed as at 30 September 2019 and accordingly, no further disclosure is required.

23. Borrowings

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
<u>Short term</u>		
Term loans	365.5	325.4
Finance lease liabilities	-	58.3
Commodity Murabahah Finance	5.4	22.2
Revolving credit	200.0	17.3
	<hr/> 570.9	<hr/> 423.2
<u>Long term</u>		
Term loans	120.3	530.2
Finance lease liabilities	-	178.5
Commodity Murabahah Finance	-	73.3
	<hr/> 120.3	<hr/> 782.0
Liabilities directly associated with asset held for sale	-	1,834.3
Total	<hr/> 691.2	<hr/> 3,039.5



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23. Borrowings (cont'd)

The currency profile of borrowings are as follows:

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
Ringgit Malaysia	205.4	95.5
US Dollar	336.0	2,719.9
Euro	-	56.2
Philippine Peso	97.0	94.5
Indonesian Rupiah	52.8	73.4
	<u>691.2</u>	<u>3,039.5</u>

Total borrowings include secured liabilities of the Group of RM394.2 million. These are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft; and
- (c) Assignment of airframe and engine warranties of each aircraft.

The maturity period of non-current borrowing is 8 years and below. The Group has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 25 (a).

24. Lease liabilities

The Group has adopted MFRS 16: Leases beginning 1 January 2019. The lease liabilities is supported by the corresponding Rights of Use asset of RM12.4 billion. The lease liabilities are repayable on a monthly basis based on the lease agreement.

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THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2019**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****25. Derivative financial instruments**

(a) Forward Foreign Exchange Contracts

As at 30 September 2019, the Group has entered into Foreign Currency Swaps to hedge the USD dollar liabilities into Malaysia Ringgit (“MYR”).

(b) Interest Rate Hedging.

As at 30 September 2019, the Group has interest rate swaps and cross-currency interest rate swaps which have an outstanding amount of US\$507 million.

(c) Fuel Hedging

As at 30 September 2019, the Group has entered into Brent swaps which represent up to 86% of the Group’s total budgeted fuel consumption for remaining of year 2019.

For the year 2020 and 2021, Brent swaps represents up to 73% and 20% of the Group’s total budgeted fuel consumption each of the years respectively.

Type of Derivatives

	Notional Value Barrels million	Fair value 30/9/2019 Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	4.6	(43.9)
- 1 year to 3 years	10.2	(159.8)
Total	14.8	(203.7)
<u>Interest rate contracts</u>		
	RM million	RM million
- less than 1 year	231.7	(1.3)
- 1 year to 3 years	530.4	(25.2)
- More than 3 years	1,062.1	(63.5)
Total	1,824.2	(90.0)
<u>Foreign currency contracts</u>		
	RM million	RM million
- less than 1 year	217.8	38.9
- 1 year to 3 years	442.3	89.8
- More than 3 years	542.9	139.0
Total	1,203.0	267.7

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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26. Status of corporate proposals announced

Proposed sales and leaseback for twenty five (25) aircraft to CastleLake L.P

On 8th August 2019, AACL completed the disposal of its entire equity interest in Merah Aviation Asset Holding Limited, Merah Aviation Asset Holding Two Limited, Merah Aviation Asset Holding Three Limited, Merah Aviation Asset Holding Four Limited and Merah Aviation Asset Holdings Five Limited which holds five (5) aircraft assets each. The total gross proceeds received to date from the proposed sales and leaseback of a total of twenty-five (25) aircraft is USD739.4 million.

27. Post balance sheet events

There are no post balance sheet events to be reported.

28. Contingent assets

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

29. 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.

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

Capital commitments for property, plant and equipment:

	As at 30/9/2019 RM million	As at 31/12/2018 RM million
Approved and contracted for	116,472.0	88,640.5



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31. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 30 September 2019 are set out below:

	Quarter ended 30/9/2019 RM million	Quarter ended 30/9/2018 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	68.2	93.9
- India AirAsia	24.3	57.2
- Japan AirAsia	12.0	8.1
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	-	17.2
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	26.0	21.5
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	44.2	-



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32. Review of Group Performance

Consolidated Group Performance

The Group's nearly doubled its EBITDA for 3Q19, increasing from RM316.2 million recorded in 3Q18 to RM691.2 million. However, the Group reported a Loss Before Tax ("LBT") of RM347.6 million compared to a Profit Before Tax ("PBT") of RM308.5 million in 3Q18. Included in the LBT was an amount of RM237.7 million, being the fair value loss on derivatives and RM206.3 million of unrealized losses on foreign exchange, net off against gain on disposal of property, plant and equipment of RM92.1 million. 3Q18 also reported a one off gain from disposal of its investment in an associate of RM170.8 million.

Airline

Performance indicators

	Jul - Sep 2019	Jul - Sep 2018	Change %
Passengers Carried	13,002,178	10,878,146	20%
Capacity	15,501,606	12,722,682	22%
Seat Load Factor	84%	86%	-2
RPK (million)	16,021	13,612	18%
ASK (million)	19,024	15,962	19%
Average Fare (RM)	176	172	2%
Unit Passenger Revenue (RM)	215	217	-1%
Revenue / ASK (sen)	15.02	14.83	1%
Revenue / ASK (US cents)	3.59	3.55	1%
Cost / ASK (sen)	15.29	13.77	11%
Cost / ASK (US cents)	3.66	3.30	11%
Cost / ASK-ex Fuel (sen)	9.63	8.05	20%
Cost / ASK-ex Fuel (US cents)	2.31	1.93	20%
Aircraft (end of period)	147	124	23
Average Stage Length (km)	1,224	1,249	-2%
Number of Flights	85,403	70,368	21%
Fuel Consumed (Barrels)	3,045,478	2,587,339	18%
Average Fuel Price (US\$ / Barrel)	85	89	-5%

Exchange Rate: RM:USD – 4.172 - 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\$96/barrel

@ Capacity 2019 include capacity for IAAX aircrafts that was transferred to IAA in 4Q2018.

Statistics exclude Logistic and Leasing operations



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

Total Group Revenue for the airline business for 3Q19 grew 17% to RM2,945.2 million, from RM2,527.2 million recorded in 3Q18. The growth was mainly attributed to 20% increase in total passengers carried and a 1% increase in RASK to 3.59 US cents.

In Malaysia, capacity for the quarter grew 10%, while IAA added 10% (excluding transfers of aircrafts of IAAX in 4Q18) and PAA added the highest capacity at 19%. Unit Passenger Revenue grew 1% for IAA, 3% for PAA while MAA showed a reduction of 5%. Group RASK improved to 3.59 US cents in the current quarter compared to 3.55 US cents previously. Group CASK for 3Q19 increased to 3.66 US cents from 3.30 US cents in the corresponding quarter. For 3Q19, CASK ex fuel has increased to 2.31 US cents from 1.93 US cents in 3Q18. This was mainly brought about by increases in staff costs, provisions for maintenance and overhaul, user charges and other related expenses and other operating expenses, due to the increase in operations, as well as the impact of adopting MFRS16: Leases.

The Group's airline EBITDA for 3Q19 was RM662.3 million, compared to RM273.0 million in 3Q18. EBITDA for MAA, IAA and PAA were all positive. However, TAA and AAJ, the Group's airline associates, reported losses totaling RM61.8 million with unrecognized losses for AAI and AAJ as disclosed in Note 18.



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

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended	Period ended
	30/9/2019	30/9/2018
	RM million	RM million
Cash from Operating activities	2,415.1	1,633.9
Cash from/(to) Investing activities	4,033.9	6,461.2
Cash from/(to) Financing activities	(7,424.3)	(5,528.3)
	<u>(975.3)</u>	<u>2,566.8</u>

The Group's cash inflow from operations was RM2,415.1 million, compared to inflow of RM1,633.9 million in the same period last year. The increase in investing activities arose mainly from the completion of disposal of aircrafts whilst the increase in outflow from financing activities is as a result of repayment of borrowings and payment of dividend to shareholders.

The net gearing ratio as at 30 September 2019 and 31 December 2018 are as follows:

	As at	As at
	30/9/2019	31/12/2018
	RM million	RM million
Borrowings	691.2	3,039.4
Lease liabilities	12,397.8	-
Less: Deposit, cash and bank balances	2,178.4	3,326.9
Net Debt	10,910.6	Nil
Total equity	4,598.1	7,784.5
Net gearing ratio (times) – excluding lease liabilities	Nil	Nil
Net gearing ratio (times)	2.4	-



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

Associate's Performance

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

Performance indicators

	Jul - Sep	Jul - Sep	Change %
	2019	2018	
Passengers Carried	5,284,489	5,117,230	3%
Capacity	6,547,152	6,336,912	3%
Seat Load Factor	81%	81%	-
RPK (million)	5,444	4,979	9%
ASK (million)	6,766	6,167	10%
Average Fare (THB)	1,457	1,420	3%
Unit Passenger Revenue (THB)	1,786	1,755	2%
Revenue / ASK (THB)	1.42	1.48	-4%
Revenue / ASK (US cents)	4.51	4.71	-4%
Cost / ASK (THB)	1.47	1.59	-8%
Cost / ASK (US cents)	4.68	5.07	-8%
Cost / ASK-ex Fuel (THB)	0.98	0.97	1%
Cost / ASK-ex Fuel (US cents)	3.12	3.09	1%
Aircraft (end of period)	62	60	2
Average Stage Length (km)	1,034	972	6%
Number of Flights	36,253	35,105	3%
Fuel Consumed (Barrels)	1,237,829	1,131,683	9%
Average Fuel Price (US\$ / Barrel)	88	101	-13%

Exchange Rate: THB:USD – 31.39 - 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\$108/barrel # CASK with adjustments of MFRS16 remains unchanged.



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

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

Financial Statements

	Jul-Sep 2019 THB'000	Jul-Sep 2018 THB'000
Revenue	9,419,090	8,944,849
Operating expenses:		
- Staff costs	(1,624,146)	(1,363,111)
- Aircraft fuel expenses	(3,433,079)	(3,775,203)
- Maintenance and overhaul	(853,823)	(841,313)
- User charges and other related expenses	(1,212,643)	(1,058,716)
- Other operating expenses	(1,210,288)	(1,002,848)
Other income	237,996	194,205
EBITDAR	1,323,107	1,097,863
Depreciation of property, plant and equipment	(436,233)	(424,957)
Aircraft operating lease expenses	(1,296,165)	(1,321,668)
Finance income	4,327	9,914
Finance costs	(198,177)	(187,895)
Foreign exchange (loss)/gains	(80,075)	104,297
Loss before taxation	(683,215)	(722,446)
Tax expense	-	-
Deferred taxation	(77,431)	66,731
Loss after taxation	(760,646)	(655,715)

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

Thai AirAsia is an associate company owned 45% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board MFRS128, Investments in Associates. Thai AirAsia have not adopted MFRS 16: Leases as shown above but adjustments were made at the Group consolidated financial statements to align the accounting policy to the Group.



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

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

Financial Statements

Year Ended	Sep 2019 THB'000	Dec 2018 THB'000
Property, plant and equipment	25,104,170	26,129,012
Intangible assets	21,527	26,991
Inventory	280,350	188,318
Aircraft maintenance reserve	5,047,561	4,532,741
Other debtors and prepayments	2,081,764	2,131,639
Amounts due from related parties	2,222,451	872,217
Cash and Short term deposits	2,475,946	4,036,976
Total Assets	37,233,769	37,917,894
Sales in advance	4,372,789	4,986,935
Other creditors and accruals	4,292,811	3,593,021
Amount due to related parties	518,385	699,190
Borrowings	9,172,666	7,583,055
Lease liabilities	11,900,045	13,219,322
Deferred tax liabilities	69,415	58,303
Total Liabilities	30,326,111	30,139,826
Share capital	435,555	435,555
Retained earnings	6,472,103	7,342,513
Total Equity	6,907,658	7,778,068

Thai AirAsia recorded Total Revenue of THB9,419.1 million in 3Q19, 5% higher than 3Q18 of THB8,944.8 million. Whilst passengers carried increased by 3%, Load Factor remain unchanged at 81%. Unit Passenger Revenue increased marginally by 2%.

As a result of increase in revenue and better fuel prices, Thai AirAsia reported EBITDAR of THB1,323.1 million which is 21% higher than EBITDAR of THB1,097.9 million in 3Q18. RASK continues to be pressured as a result of low pricing from competitors, showing a decrease of 4% from THB1.48 to THB1.42. The CASK show a decrease of 8% on the back of lower fuel costs whilst CASK ex fuel remains relatively unchanged due to cost containment.



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

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

Performance indicators

Quarter Ended	Jul-Sep 2019	Jul-Sep 2018	Change %
Passengers Carried	2,352,141	1,600,684	47%
Capacity	2,621,520	2,100,240	25%
Seat Load Factor	90%	76%	14
RPK (million)	2,549	1,722	48%
ASK (million)	2,814	2,252	25%
Average Fare (INR)	2,800	2,574	9%
Unit Passenger Revenue (INR)	3,160	3,046	4%
Revenue / ASK (INR cents)	257.38	203.46	27%
Revenue / ASK (US cents)	3.65	2.88	27%
Cost / ASK (INR cents)	350.12	332.59	5%
Cost / ASK (US cents)	4.97	4.70	5%
Cost / ASK-ex Fuel (INR cents)	209.58	176.91	18%
Cost / ASK-ex Fuel (US cents)	2.97	2.50	18%
Aircraft (end of period)	22	19	3
Average Stage Length (km)	1,073	1,072	0%
Number of Flights	14,564	11,668	25%
Fuel Consumed (Barrels)	519,413	406,911	28%
Average Fuel Price (US\$ / Barrel)	108	122	-11%

Exchange Rate: RM:USD – 70.48- 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\$122/barrel



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

	Jul - Sep 2019 INR'000	Jul-Sep 2018 INR'000
Revenue	7,242,439	4,581,651
Operating expenses:		
- Staff costs	(1,468,564)	(907,993)
- Aircraft fuel expenses	(3,954,675)	(3,505,868)
- Maintenance and overhaul	(1,469,150)	(995,242)
- User charges and other related expenses	(1,272,271)	(916,858)
- Aircraft operating lease expenses	-	(1,091,138)
- Other operating expenses	(459,060)	(341,375)
Other income	190,827	294,450
EBITDA	(1,190,454)	(2,882,373)
Depreciation of property, plant and equipment	(1,148,341)	(33,452)
Finance income	33,435	14,805
Finance costs	(304,194)	(6,987)
Foreign exchange loss	(498,931)	(174,143)
Loss before tax	(3,108,485)	(3,082,150)
Tax expense	-	-
Deferred taxation	-	-
Loss after tax	(3,108,485)	(3,082,150)



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

Year Ended	Sep 2019 INR'000	Dec 2018 INR'000
Property, plant and equipment	19,328,310	802,913
Inventory	333,257	171,309
Other debtors and prepayments	2,427,371	551,028
Amounts due from related parties	7,417,136	46,193
Cash and Short term deposits	2,710,042	1,678,616
Total Assets	32,216,116	3,250,059
Sales in advance	2,536,868	2,032,864
Other creditors and accruals	3,102,118	3,241,982
Amount due to related parties	12,102,854	2,332,227
Lease liabilities	20,186,688	-
Borrowings	1,000,000	111,432
Total Liabilities	38,928,528	7,718,505
Share capital	10,337,000	5,337,000
Retained earnings	(17,049,412)	(9,805,446)
Total Equity	(6,712,412)	(4,468,446)

AirAsia India recorded Total Revenue of INR7,242.4 million in 3Q19 more than double that of 3Q18, which only recorded INR4,581.7 million. The increase in revenue was in line with the 47% increase in number of passengers carried. Average Fare and Unit Passenger Revenue increased by 9% and 4% respectively whilst Load Factor increased by 14 points to 90%.

AirAsia India reported a negative EBITDA of INR1,190.5 million, which have more than halved that of 3Q18 which was reported at INR2,882.4 million. RASK increased by 27% to INR257.38 whilst CASK-ex fuel increased by 18% to INR209.58. Costs have increased in line with the additional capacity for AirAsia India.



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32. 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%.

AirAsia Japan recorded a Net loss of JPY3,710.3 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 30/9/2019				Quarter ended 30/9/2018			
	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	121,105	7,423	4,168	35,254	81,620	3,145	845	12,066
Operating expenses	(58,983)	(17,881)	(25,461)	(36,653)	(27,536)	(4,252)	(7,382)	(15,336)
EBITDA	62,122	(10,458)	(21,293)	(1,399)	54,084	(1,107)	(6,537)	(3,270)

Teleport shows an increase in revenue and EBITDA as it consolidates the belly space of Indonesia, Philippines and Malaysia long haul to better bring value to the Group. Airasia.com will slowly start to generate revenue as Ourshop, and Shop365 increases its sales. Big Pay revenue increases as it starts to gain traction in the market.

33. Variation of results against preceding quarter

The Group recorded a Net Loss of RM67.5 million for the quarter under review, against the Net Profit of RM46.8 million in the immediately preceding quarter ended 30 June 2019 mainly due to additional impact on recognition of fair value loss on derivative as a result of completion of sales and leaseback transactions.

34. Profit forecast

No profit forecast has been issued.



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35. Commentary on prospects

For the airline business, load factors and fares for the rest of 2019 are expected to remain strong in a seasonally strong period. Our strategy remains to gain dominance in the countries we operate in, especially within the ASEAN region, and building tourism in lower tier cities. In 2019, we plan for a net fleet growth of 18 aircraft across our AOCs. We received our first A321neo in November 2019 that will be operated on populous routes and at airports with infrastructure constraints. Initially, AirAsia will operate the A321neo from our Kuala Lumpur hub to cities across Asia, with the first destinations including Kuching, Kota Kinabalu, Singapore, Bangkok and Shenzhen. With its operational efficiencies and 50 more seats as compared to the A320neo, the A321neo will help us meet ongoing strong demand as well as reduce the airlines cost per available seat kilometre.

We continue to work on reducing costs including investment in digitalization which we believe will help reduce costs in the long run. We have also hedged 86% our fuel requirement for 4Q 2019 at average Brent hedge prices of US\$60.72/bbl. For the year forward, we have hedge 73% of the year 2020 requirement at average Brent hedge prices of USD\$60.22.

The Group continues to invest in building digital platforms, in line with its vision to be the leading travel and financial platform. We are proud to announce in November 2019 that airasia.com has expanded its online offerings to include flights on other airlines. Powered by Kiwi.com, AirAsia's website users will be able to book travel on more than 100 airlines to destinations currently not served by AirAsia, including Europe, Australia, New Zealand, the Middle East and the Americas. Teleport, our logistics arm, also took a significant step in disrupting the logistics industry by launching Teleport.social in September 2019, where Teleport will provide beyond the traditional B2B air cargo business and facilitate C2C commerce via social media. BigPay, our financial service provider also passed a milestone by launching its fully digital international remittance service, enabling customers to instantly Transfer money from their BigPay account directly to bank accounts in Singapore, Thailand, the Philippines and Indonesia. BigPay plans to roll out new products and services over time, including targeting to get an e-money license in Singapore.

The Board remain positive that the Group's core performance will be positive in the last quarter of the year. As the Group reposition the business to adapt to the evolving business environment along with new accounting treatment and restructured aircraft ownership, we look forward to a better year in 2020.

36. Material Litigation

As at 27 November 2019, there was no material litigation against the Group.



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37. Other matters

- (a) In prior year, AirAsia Berhad (“AAB”), a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim (“Claim”) dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn Bhd (“MASSB”) filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges (“PSC”) which AAB was required to collect effective 1 July 2018.

On 18 September 2019 paid a sum of RM14,156,818.47 (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by AAB without prejudice to AAB’s rights, including AAB’s rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, AAB filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a the sum of RM479,781,285.00, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

- (b) On 14 May 2019, the District Collector of the Bureau of Customs (BOC) issued the Notice of Resolution to PAA. PAA has sought court approval for the amount indicated whilst it appeal the Notice in Court. Management is of the view that based on the facts available that PAA will be able to withheld the arguments raised.



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38. 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 30/9/2019	Quarter ended 30/9/2018	Year ended 30/9/2019	Year ended 30/9/2018
Net (loss)/profit attributable to owners of the Company (RM'000)	(51,443)	915,878	80,715	2,419,360
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)	(1.5)	27.4	2.4	72.4

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

39. Authorisation for issue

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)

COMPANY SECRETARY

27 November 2019