



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 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 second quarter ended 30 June 2019.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		30/6/2019 RM'000	30/6/2018 RM'000	30/6/2019 RM'000	30/6/2018 RM'000
Revenue	11	3,028,824	2,599,176	5,807,725	5,154,354
Operating expenses:					
- Staff costs		(408,522)	(373,929)	(828,296)	(745,602)
- Aircraft fuel expenses		(1,076,259)	(914,236)	(2,042,697)	(1,766,693)
- Maintenance and overhaul		(358,348)	(174,855)	(637,063)	(345,445)
- User charges and other related expenses		(415,976)	(361,479)	(835,728)	(719,050)
- Aircraft operating lease expenses	2	-	(220,376)	-	(420,598)
- Other operating expenses		(185,887)	(131,409)	(281,317)	(275,142)
Other income	12	77,727	128,777	146,408	256,456
Share of results of associates **		(225,149)	(49,482)	(194,095)	6,020
Share of results of joint ventures		-	3,604	-	3,604
Airline EBITDA		436,410	505,791	1,134,937	1,147,904
Non Airline EBITDA					
- Teleport (Logistics)	32	55,872	23,407	107,677	23,407
- AirAsia.com	32	1,851	(673)	932	(1,835)
- BigPay Group	32	(16,378)	(3,961)	(28,420)	(6,736)
- Red Beat Ventures Group ("RBV Group") Others	32	(5,115)	(4,110)	(34,940)	(6,698)
EBITDA		472,640	520,455	1,180,186	1,156,042
Depreciation of property, plant and equipment		(77,684)	(127,882)	(143,853)	(313,325)
Depreciation of right of use asset	2	(412,701)	-	(797,503)	-
Finance costs - lease liabilities	2	(120,503)	-	(231,141)	-
Finance income	13	10,452	6,645	23,745	14,131
Finance costs	13	(69,841)	(120,247)	(129,162)	(232,491)
Net Operating (Loss)/ Profit		(197,637)	278,971	(97,728)	624,357
Foreign exchange (loss)/ gains	13	(19,894)	10,735	82,692	16,905
Fair value gain/(loss) on derivatives		15,062	(14,698)	23,207	(57,389)
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
(Loss)/Profit before taxation		(202,469)	275,008	8,171	1,468,902
Tax expense	15	(853)	(6,911)	(4,713)	(13,090)
Deferred taxation	15	250,135	47,185	141,323	(50,634)
Net profit for the financial period		46,813	315,282	144,781	1,405,178
Attributable to:					
- Owners of the company		17,340	361,814	111,778	1,503,353
- Non-controlling interests		29,473	(46,532)	33,003	(98,175)
		46,813	315,282	144,781	1,405,178
Earnings per share attributable to owners of the Company (sen)					
- Basic		0.5	10.8	3.3	45.0
- Diluted		0.5	10.8	3.3	45.0

* 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)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	30/6/2019 RM'000	30/6/2018 RM'000	30/6/2019 RM'000	30/6/2018 RM'000
Net profit for the financial period	46,813	315,282	144,781	1,405,178
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(1,231)	-	(1,486)	-
Fair value reserve	42,194	(15,422)	83,552	8,480
Cash flow hedges	(272,842)	13,085	244,276	11,892
Foreign currency translation differences	(67,003)	(26,767)	(16,365)	88,222
Total comprehensive (loss)/income for the period	(252,069)	286,178	454,758	1,513,772
Total comprehensive income attributable to:				
Owners of the Company	(280,716)	332,710	418,227	1,611,947
Non-controlling interests	28,647	(46,532)	36,531	(98,175)
	(252,069)	286,178	454,758	1,513,772

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)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/6/2019	31/12/2018
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	16	2,964,983	2,851,917
Right of use assets	24	10,811,095	-
Investment in associates	18	794,049	282,738
Investment in a jointly controlled entity	14	-	583,854
Investment securities		569,137	477,860
Intangible assets		627,568	615,413
Deferred tax assets		974,400	891,445
Receivables and prepayments	19	3,234,170	3,067,583
Deposits on aircraft purchase		774,757	578,002
Derivative financial instruments	25	343,650	383,111
		21,093,809	9,731,923
CURRENT ASSETS			
Inventories		123,618	106,326
Receivables and prepayments	19	1,272,658	1,394,970
Deposits on aircraft purchase		201,176	398,215
Amounts due from joint ventures		-	6,792
Amounts due from associates		504,844	404,139
Amounts due from related parties		164,798	124,277
Derivative financial instruments	25	132,640	267,311
Tax recoverable		14,971	13,576
Deposits, bank and cash balances		3,226,964	3,326,921
Assets classified as held for sale	22	1,895,996	2,775,321
		7,537,665	8,817,848
CURRENT LIABILITIES			
Trade and other payables	20	1,689,929	1,969,125
Aircraft maintenance provisions/ payables	21	763,595	878,941
Sales in advance		1,178,171	1,128,447
Derivative financial instruments	25	66,959	465,277
Amounts due to associates		23,413	32,228
Amounts due to related parties		147,120	103,078
Amounts due to joint ventures		-	11,032
Borrowings	23	789,146	423,163
Lease liabilities	24	2,145,659	-
Provision of taxation		9,682	4,741
Liabilities directly associated with assets held for sale	22	1,300,235	1,834,326
		8,113,909	6,850,358
NET CURRENT (LIABILITIES)/ ASSET		(576,244)	1,967,490



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30/6/2019 RM'000	AS AT 31/12/2018 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	20	373,443	308,609
Aircraft maintenance provisions/ payables	21	4,601,779	4,049,068
Amounts due to associates		12,619	45,436
Borrowings	23	440,207	781,966
Lease liabilities	24	8,847,852	-
Deferred tax liabilities		64,056	59,905
Derivative financial instruments	25	139,697	199,334
Provision for retirement benefits		64,094	69,830
		14,543,747	5,514,148
		5,973,818	6,185,265
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other Reserves		(125,105)	(451,447)
Foreign exchange reserve		162,150	178,515
Retained earnings	10	5,021,357	5,541,712
		7,574,076	7,784,454
Non-controlling interests		(1,600,258)	(1,599,189)
Total equity		5,973,818	6,185,265
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.27	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)

SECOND QUARTER REPORT ENDED 30 JUNE 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	Retained earnings RM'000			Total 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	(1,599,189)	6,185,265
Effects of changes in accounting policies	2	-	-	-	-	-	-	-	(231,096)	(231,096)	(35,836)	(266,932)
At 1 January 2019, as restated		3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,310,616	7,553,358	(1,635,025)	5,918,333
Net profit for the financial period		-	-	-	-	-	-	-	111,778	111,778	33,003	144,781
Other comprehensive income		-	-	-	(16,365)	244,276	83,552	(1,486)	-	309,977	1,764	311,741
Dividend paid		-	-	-	-	-	-	-	(401,037)	(401,037)	-	(401,037)
At 30 June 2019		3,341,974	8,023,268	(5,507,594)	162,150	(233,334)	105,268	2,961	5,021,357	7,574,076	(1,600,258)	5,973,818
At 1 January 2018		3,341,974	8,023,267	(5,507,594)	196,050	(236,270)	169,353	(691)	5,393,218	8,037,333	(1,336,468)	6,700,865
Net profit for the year		-	-	-	-	-	-	-	1,503,353	1,503,353	(98,175)	1,405,178
Other comprehensive income		-	-	-	88,222	11,892	8,480	-	-	108,594	-	108,594
At 30 June 2018		3,341,974	8,023,267	(5,507,594)	284,272	(224,378)	177,833	(691)	6,896,571	9,649,280	(1,434,643)	8,214,637

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)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 30/6/2019 RM'000	PERIOD ENDED 30/6/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,171	1,468,902
Adjustments:		
Property, plant and equipment		
- Depreciation	143,853	313,325
- Loss/(Gain) on disposal	(1,081)	(63,725)
Depreciation of Right of Use asset	797,503	-
Amortisation of intangible assets	304	-
Write back of employee benefit expenses	-	563
Gain on disposal of interest in a subsidiary	-	(350,317)
Remeasurement gain on retained interest in a former subsidiary	-	(534,712)
Fair value (gain)/loss on derivative financial instruments	(23,207)	57,389
Share of results of joint ventures	-	(3,604)
Share of results of associates	194,095	(6,020)
Net unrealised foreign exchange (gain)/loss	(156,661)	(16,905)
Dividend income from:		
- investment securities	-	(3,078)
Interest expense	129,162	232,491
Interest on lease liabilities	231,141	-
Interest income	(23,745)	(14,131)
	1,299,535	1,080,178
Changes in working capital		
Inventories	(16,381)	(23,235)
Receivables and prepayments	(115,510)	(72,577)
Trade and other payables and provisions	323,178	450,025
Intercompany balances	(142,726)	(76,007)
Cash generated from operations	1,348,096	1,358,384
Interest paid	(121,993)	(185,330)
Interest received	26,982	4,828
Tax paid	(220)	-
Net cash generated from operating activities	1,252,865	1,177,882



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 30/6/2019 RM'000	PERIOD ENDED 30/6/2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(56,700)	(1,869,666)
- Proceeds from disposal	1,013,210	1,516,568
Addition in intangible assets	(12,459)	-
Additional investments in investment securities	(7,725)	-
Additional subscription of shares in associates	(147,001)	(175,246)
Proceeds from disposal of associates/ joint venture	-	358,774
Dividend received from :		
- investment securities	-	3,078
- associates	-	99,353
Net cash generated from/(used in) investing activities	789,325	(67,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	395
Dividends paid	(401,037)	-
Proceeds from borrowings	311,224	985,236
Repayment of borrowings and lease liabilities	(1,887,786)	(2,037,978)
Net cash used in financing activities	(1,977,599)	(1,052,347)
NET INCREASE FOR THE FINANCIAL PERIOD	64,591	58,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,326,921	1,882,195
CURRENCY TRANSLATION DIFFERENCES	(164,548)	(7,085)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	3,226,964	1,933,506

* Included within the balance at end of the financial period is an amount RM17.5 million restricted cash pledged as securities for banking facilities

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)

SECOND QUARTER REPORT ENDED 30 JUNE 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)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/6/2019 RM'000	Quarter ended 30/6/2018 RM'000	Year ended 30/6/2019 RM'000	Year ended 30/6/2018 RM'000
Revenue	3,140,345	2,623,628	6,020,137	5,178,806
Operating expenses:				
- Staff costs	(424,058)	(383,588)	(865,608)	(763,151)
- Depreciation of property, plant and equipment	(490,385)	(127,882)	(941,356)	(313,325)
- Aircraft fuel expenses	(1,076,259)	(914,236)	(2,042,697)	(1,766,693)
- Maintenance and overhaul	(358,348)	(174,855)	(637,063)	(345,445)
- User charges and other related expenses	(415,976)	(361,479)	(835,728)	(719,050)
- Aircraft operating lease expenses	-	(220,376)	-	(420,598)
- Other operating expenses	(297,820)	(137,206)	(511,116)	(290,175)
Other income	129,905	134,445	246,356	623,041
Operating profit	207,404	438,451	432,925	1,183,410
Finance income	10,452	6,645	23,745	14,131
Finance costs	(190,344)	(120,247)	(360,303)	(232,491)
Net operating profit	27,512	324,849	96,367	965,050
Share of results of associates	(225,149)	(49,482)	(194,095)	6,020
Share of results of joint ventures	-	3,604	-	3,604
Foreign exchange (loss)/ gains	(19,894)	10,735	82,692	16,905
Fair value loss on derivatives	15,062	(14,698)	23,207	(57,389)
Remeasurement gain on retained interest in a former subsidiary	-	-	-	534,712
(Loss)/Profit before taxation	(202,469)	275,008	8,171	1,468,902
Tax expense	(853)	(6,911)	(4,713)	(13,090)
Deferred taxation	250,135	47,185	141,323	(50,634)
Net profit for the financial period	46,813	315,282	144,781	1,405,178
Attributable to:				
- Owners of the company	17,940	361,814	110,201	1,503,353
- Non-controlling interests	28,873	(46,532)	34,580	(98,175)
	46,813	315,282	144,781	1,405,178

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)

SECOND QUARTER REPORT ENDED 30 JUNE 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 has a number of operating leases which 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)
SECOND QUARTER REPORT ENDED 30 JUNE 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	-	9,365.8	9,365.8
Lease liabilities	-	(9,514.7)	(9,514.7)
Investment in associates	282.7	(100.6)	182.1
Retained earnings	5,541.7	(231.1)	5,310.6
Minority interest	(1,599.2)	(35.8)	(1,635.0)

(b) To the unaudited Consolidated Financial Statements for the quarter ending 30 June 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 30/6/19 before MFRS 16 RM million	MFRS 16 Adjustments RM million	Quarter ended Unaudited 30/6/19 RM million
Depreciation	(77,684)	(412,701)	(490,385)
Aircraft Operating Leases	(535,912)	535,912	-
Finance expenses	(70,200)	(120,503)	(190,703)



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 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 June 2019.

9. Dividends paid and proposed

On 29 May 2019, Company proposed special dividend of 90sen, amounting to RM3,007.8 million, payable on 29 August 2019.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

10. Retained earnings

Retained earnings of RM883.4 million, being the retained earnings of the Company, is available for distribution to shareholders of the Company.

11. Revenue

	Quarter ended 30/6/2019 RM million	Quarter ended 30/6/2018 RM million
Passenger revenue		
- seat sales	2,283.4	1,867.5
- others #	509.6	459.0
Aircraft operating lease income	235.8	272.6
	<hr/>	<hr/>
	3,028.8	2,599.1
Teleport (Logistics) *	111.5	24.5
	<hr/>	<hr/>
	3,140.3	2,623.6

* 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 RM22.5 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
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

12. Other income

	Quarter ended 30/6/2019 RM million	Quarter ended 30/6/2018 RM million
Fees charged for provision of commercial air transport services	28.4	30.2
Gain on disposal of property, plant and equipment	-	22.3
Charter income	-	33.7
Others	49.3	42.6
	<u>77.7</u>	<u>128.8</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 30/6/19 RM million	Quarter ended 30/6/18 RM million	Year ended 30/6/19 RM million	Year ended 30/6/18 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	10.4	6.1	23.3	12.7
Discounting effect on financial instruments and others	-	0.5	0.4	1.4
	<u>10.4</u>	<u>6.6</u>	<u>23.7</u>	<u>14.1</u>
(b) Finance costs				
Bank borrowings	(63.2)	(113.4)	(118.7)	(218.2)
Amortisation of premiums for interest rate caps	(0.8)	(3.3)	(1.6)	(6.8)
Discounting effect on financial instruments, bank facilities and other charges	(5.8)	(3.5)	(8.9)	(7.5)
	<u>(69.8)</u>	<u>(120.2)</u>	<u>(129.2)</u>	<u>(232.5)</u>
(c) Foreign exchange gains/(losses)				
- realized	(3.4)	(13.6)	22.5	20.4
- unrealized	73.1	(27.4)	156.6	13.3
- fair value movement recycled from cash flow hedge reserve	(89.6)	51.7	(96.4)	(16.8)
	<u>(19.9)</u>	<u>10.7</u>	<u>82.7</u>	<u>16.9</u>



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 RM0.9 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Net deferred tax asset of RM250.1 million was recognised in the current quarter mainly due to reversal of deferred tax liabilities upon completion of sales and leaseback transaction and timing differences from MFRS 16 recognition.

16. Property, plant and equipment

(a) acquisition and disposals

During the period ended 30 June 2019, the Group acquired property, plant and equipment with a cost of RM56.7 million (period ended 30 June 2018: RM1,869.7 million).

During the period ended 30 June 2019, proceeds from disposal of property, plant and equipment totaled RM1,013.2 million (period ended 30 June 2018: RM1,516.6 million).



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 30/6/2019 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	(497.1)	(389.5)
	<u>794.0</u>	<u>282.7</u>

For the quarter ended 30 June 2019, the Group injected additional investment in AirAsia India. Accordingly, it recognizes the share of losses up to the extent of the additional investment. Further, as permitted by MFRS 128, the Group has not recognized our share of losses relating to AirAsia India, where this share of losses exceeds the Group's interest in the associate. The unrecognized losses at the reporting date is RM94.6 million.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

19. Receivables and prepayments

	As at 30/6/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Prepayments	2,044.6	2,011.2
Deposits and other receivables	1,189.6	1,056.4
	<hr/> 3,234.2	<hr/> 3,067.6
<u>Current</u>		
Trade and other receivables	409.8	485.9
Prepayments	846.0	829.9
Deposits	16.9	79.2
	<hr/> 1,272.7	<hr/> 1,395.0

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 30/6/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Other payables	373.4	308.6
	<hr/>	<hr/>
<u>Current</u>		
Trade payables	401.3	538.2
Other payables	543.7	436.2
Accruals for fuel	247.6	149.6
Collateral for derivatives	46.3	79.4
Others	451.0	765.7
	<hr/> 1,689.9	<hr/> 1,969.1

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



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

21. Aircraft maintenance provision/ payables

Aircraft maintenance provision/ payables relates to maintenance costs that needs to be incurred 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 Castlake 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).

As such, these aircraft assets have been reclassified to current assets in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Correspondingly, the depreciation on those assets have ceased and aircraft liabilities have also been reclassified to current liabilities.

23. Borrowings

	As at 30/6/2019 RM million	As at 31/12/2018 RM million
<u>Short term</u>		
Term loans	518.9	325.4
Finance lease liabilities	52.0	58.3
Commodity Murabahah Finance	18.2	22.2
Revolving credit	200.0	17.3
	<hr/> 789.1	<hr/> 423.2
<u>Long term</u>		
Term loans	210.6	530.1
Finance lease liabilities	164.4	178.5
Commodity Murabahah Finance	65.2	73.3
	<hr/> 440.2	<hr/> 781.9
Liabilities directly associated with asset held for sale	<hr/> 1,300.2	<hr/> 1,834.3
Total	<hr/> 2,529.5	<hr/> 3,039.4



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

23. Borrowings (cont'd)

The currency profile of borrowings and lease liabilities is as follows:

	As at 30/6/2019 RM million	As at 31/12/2018 RM million
Ringgit Malaysia	283.4	95.5
US Dollar	2,048.1	2,719.9
Euro	47.6	56.1
Philippine Peso	96.8	94.5
Indonesian Rupiah	53.6	73.4
	<u>2,529.5</u>	<u>3,039.4</u>

Total borrowings include secured liabilities of the Group of RM2.5 billion. 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 term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital. The repayment terms of term loans and finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annual basis.

The maturity period of non-current borrowing is 10 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 RM10.8 billion. The lease liabilities are repayable on a monthly basis based on the lease agreement.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

25. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 30 June 2019, the Group has entered into Cross-Currency Swaps and Foreign Currency Swaps to hedge the USD dollar liabilities of its aircraft leases into Malaysian Ringgit (“MYR”).

(b) Interest Rate Hedging

As at 30 June 2019, the Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing.

(c) Fuel Hedging

As at 30 June 2019, the Group has entered into swaps and options for both Brent and Crack, which represent up to 70% of the Group’s total budgeted fuel consumption for the remaining of 2019.

For the years 2020 and 2021, the swaps represents up to 70% and 20% of the Group’s total budgeted fuel consumption respectively.

Type of Derivatives	Notional Value Barrels million	Fair value 30/6/2019 Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	5.6	47.5
- 1 year to 3 years	10.1	53.5
Total	15.7	101.0
<u>Interest rate contracts</u>		
	RM million	RM million
- less than 1 year	253.6	(1.9)
- 1 year to 3 years	300.9	(8.5)
- More than 3 years	1,322.3	(57.2)
Total	1,876.8	(67.6)
<u>Foreign currency contracts</u>		
	RM million	RM million
- less than 1 year	207.2	52.1
- 1 year to 3 years	358.7	92.5
- More than 3 years	619.0	137.1
Total	1,184.9	281.7

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.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 30/6/2019 RM million	As at 31/12/2018 RM million
Approved and contracted for	115,310.9	88,640.5
Approved but not contracted for	48.9	26.4
	<hr/> 115,359.8	<hr/> 88,666.9



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

31. Material related party transactions

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

	Quarter ended 30/6/2019 RM million	Quarter ended 30/6/2018 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	67.9	121.9
- India AirAsia	38.3	55.7
- Japan AirAsia	11.9	7.8
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	-	16.7
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	26.0	31.9
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	42.6	-



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

32. Review of Group Performance

Consolidated Group Performance

The Group's EBITDA for 2Q19 reduced to RM472.6 million from RM520.5 million recorded in 2Q18. For 2Q19, the Group recorded a Loss Before Tax (“LBT”) of RM202.5 million compared to a Profit Before Tax (“PBT”) of RM275.0 million in 2Q18. Included in this loss was an amount of RM147.0 million, being our share of prior years losses at AAI previously not recognised, now recognised as a result of the increase in our investment in AAI. The current quarter LBT was also impacted by a charge of RM19.8 million due to foreign exchange losses.

Airline

Performance indicators

	Apr - Jun 2019	Apr - Jun 2018	Change %
Passengers Carried	12,839,204	10,878,146	18%
Capacity	15,093,048	12,722,682	19%
Seat Load Factor	85%	86%	-0.4%
RPK (million)	15,766	13,612	16%
ASK (million)	18,645	15,962	17%
Average Fare (RM)	178	172	3%
Unit Passenger Revenue (RM)	222	217	2%
Revenue / ASK (sen)	15.40	14.83	4%
Revenue / ASK (US cents)	3.70	3.57	4%
Cost / ASK (sen)	15.77	13.77	15%
Cost / ASK (US cents)	3.79	3.31	15%
Cost / ASK-ex Fuel (sen)	9.95	8.05	24%
Cost / ASK-ex Fuel (US cents)	2.39	1.94	24%
Aircraft (end of period)	146	124	22
Average Stage Length (km)	1,233	1,249	-1%
Number of Flights	83,112	70,368	18%
Fuel Consumed (Barrels)	2,991,983	2,587,339	16%
Average Fuel Price (US\$ / Barrel)	87	89	-3%

Exchange Rate: RM:USD – 4.158 - 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\$85/barrel

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

Statistics exclude Logistic and Leasing operations



AIRASIA GROUP BERHAD
(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

Total Group Revenue for the airline business for 2Q19 grew 17% to RM3,028.8 million, from RM2,599.2 million recorded in 2Q18. The growth was mainly attributed to an 18% increase in total passengers carried and a 2% increase in Unit Passenger Revenue of RM222 from RM217 previously.

In Malaysia, capacity for the quarter grew 13%, while IAA added 5% (excluding transfers of aircrafts of IAAX in 4Q18) and PAA added the highest capacity at 18%. Unit Passenger Revenue grew 6% for IAA, 13% for PAA while MAA showed a reduction of 5%. Group RASK improved to 3.70 US cents in the current quarter compared to 3.57 US cents previously. Group CASK for 2Q19 increased to 3.79 US cents from 3.31 US cents in the corresponding quarter. For 2Q19, CASK ex fuel has increased to 2.39 US cents from 1.94 US cents in 2Q18. 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 2Q19 was RM436.4 million, compared to RM505.8 million in 2Q18. EBITDA for MAA, IAA and PAA were all positive. However, TAA, AAI and AAJ, the Group's airline associates, reported losses of RM225.1 million, including RM147.0 for AAI reported above.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 30/6/2019 RM million	Period ended 30/6/2018 RM million
Cash from Operating activities	1,252.8	1,177.9
Cash from/(to) Investing activities	789.3	(67.1)
Cash from/(to) Financing activities	(1,977.6)	(1,052.3)
	<u>64.5</u>	<u>58.5</u>

The Group's cash inflow from operations was RM1,252.8 million, compared to inflow of RM1,177.9 million in the same quarter last year. The increase in investing activities arose mainly from the disposal of aircrafts which resulted in the net cash inflow for the period ended 30 June 2019 to be RM64.6 million

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

	As at 30/6/2019 RM million	As at 31/12/2018 RM million
Borrowings and lease liabilities (current and non current)	13,523.1	3,039.4
Less: Deposit, cash and bank balances	3,227.0	3,326.9
Net Debt	10,296.1	Nil
Total equity	7,574.1	7,784.5
Net gearing ratio (times)	1.4	Nil



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

Associate's Performance

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

Performance indicators

	Apr -Jun	Apr -Jun	Change %
	2019	2018	
Passengers Carried	5,578,878	5,310,361	5%
Capacity	6,751,500	6,278,154	8%
Seat Load Factor	83%	85%	-2
RPK (million)	5,643	5,194	9%
ASK (million)	6,903	6,147	12%
Average Fare (THB)	1,390	1,402	-1%
Unit Passenger Revenue (THB)	1,726	1,709	1%
Revenue / ASK (THB)	1.39	1.47	-5%
Revenue / ASK (US cents)	0.04	0.05	-5%
Cost / ASK (THB)	1.57	1.59	-1%
Cost / ASK (US cents)	0.05	0.05	-1%
Cost / ASK-ex Fuel (THB)	1.02	1.02	0%
Cost / ASK-ex Fuel (US cents)	0.03	0.03	0%
Aircraft (end of period)	62	59	3
Average Stage Length (km)	1,023	978	5%
Number of Flights	37,364	34,771	7%
Fuel Consumed (Barrels)	1,268,541	1,113,753	14%
Average Fuel Price (US\$ / Barrel)	93	98	-5%

Exchange Rate: THB:USD – 31.65 - 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\$100/barrel
CASK with adjustments of MFRS16 is THB1.01



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

	Apr -Jun 2019 THB'000	Apr -Jun 2018 THB'000
Revenue	9,608,664	9,050,601
Operating expenses:		
- Staff costs	(1,829,845)	(1,411,646)
- Aircraft fuel expenses	(3,730,514)	(3,521,848)
- Maintenance and overhaul	(952,547)	(820,967)
- User charges and other related expenses	(1,313,239)	(1,222,650)
- Other operating expenses	(1,212,537)	(1,145,532)
Other income	185,222	230,924
EBITDAR	755,204	1,158,882
Depreciation of property, plant and equipment	(426,790)	(406,886)
Aircraft operating lease expenses	(1,340,130)	(1,264,245)
Finance income	8,867	21,014
Finance costs	(179,816)	(177,202)
Foreign exchange gains	212,480	(49,165)
Loss before taxation	(970,185)	(717,602)
Tax expense	-	-
Deferred taxation	91,040	150,083
Loss after taxation	(879,145)	(567,519)

*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.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

Year Ended	June 2019 THB'000	Dec 2018 THB'000
Property, plant and equipment	25,449,940	26,129,012
Intangible assets	22,655	26,991
Inventory	286,590	188,318
Aircraft maintenance reserve	5,047,561	4,532,741
Other debtors and prepayments	2,149,105	2,131,639
Amounts due from related parties	1,374,778	872,217
Cash and Short term deposits	2,843,201	4,036,976
Total Assets	37,173,830	37,917,894
Sales in advance	4,163,914	4,986,935
Other creditors and accruals	4,079,255	3,593,021
Amount due to related parties	734,355	699,190
Borrowings	8,275,633	7,583,055
Lease liabilities	12,252,368	13,219,322
Deferred tax liabilities	-	58,303
Total Liabilities	29,505,525	30,139,826
Share capital	435,555	435,555
Retained earnings	7,232,750	7,342,513
Total Equity	7,668,305	7,778,068

Thai AirAsia recorded Total Revenue of THB9,608.7 million in 2Q19, 6% higher than 2Q18 of THB9,050.6 million. Whilst passengers carried increased by 5%, Load Factor is down marginally to 83%. Unit Passenger Revenue increased marginally by 1%.

Thai AirAsia reported EBITDAR of THB755.2 million, against EBITDAR of THB1,158.9 million in 2Q18, a decrease of 35% whilst LBT widens from THB718.6 million to THB970.2 million. This is mainly attributable to lower average fare as a result of low pricing from competitors despite the increase in passengers carried with RASK showing a decrease of 5% from THB1.47 to THB1.39. The CASK show a marginal decrease of 1% to THB1.57 with CASK-ex Fuel remaining constant. The cost remain well controlled.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Performance indicators

Quarter Ended	Apr - Jun 2019	Apr -Jun 2018	Change %
Passengers Carried	2,286,992	1,827,805	25%
Capacity	2,536,380	2,095,740	21%
Seat Load Factor	90%	87%	3
RPK (million)	2,495	1,895	32%
ASK (million)	2,756	2,136	29%
Average Fare (INR)	3,657	3,394	8%
Unit Passenger Revenue (INR)	4,023	3,745	7%
Revenue / ASK (INR cents)	328.25	315.57	4%
Revenue / ASK (US cents)	4.72	4.54	4%
Cost / ASK (INR cents)	336.27	339.72	-1%
Cost / ASK (US cents)	4.84	4.89	-1%
Cost / ASK-ex Fuel (INR cents)	193.84	185.03	5%
Cost / ASK-ex Fuel (US cents)	2.79	2.66	5%
Aircraft (end of period)	21	18	17%
Average Stage Length (km)	1,087	1,019	7%
Number of Flights	14,091	11,643	21%
Fuel Consumed (Barrels)	495,821	397,374	25%
Average Fuel Price (US\$ / Barrel)	114	123	-8%

Exchange Rate: RM:USD – 69.49- 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\$120/barrel



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

	Apr -Jun 2019 INR'000	Apr -Jun 2018 INR'000
Revenue	9,047,367	6,496,798
Operating expenses:		
- Staff costs	(1,184,874)	(859,642)
- Aircraft fuel expenses	(3,925,678)	(3,304,560)
- Maintenance and overhaul	(1,302,679)	(953,645)
- User charges and other related expenses	(1,238,707)	(832,956)
- Aircraft operating lease expenses	-	(1,009,968)
- Other operating expenses	(422,788)	(263,335)
Other income	153,353	242,389
EBITDA	1,125,994	(484,919)
Depreciation of property, plant and equipment	(1,092,002)	(29,438)
Finance income	35,455	6,329
Finance costs	(290,557)	(7,892)
Foreign exchange gains/(loss)	70,052	(102,296)
Loss before tax	(151,058)	(618,216)
Tax expense	-	-
Deferred taxation	-	-
Loss after tax	(151,058)	(618,216)



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

Year Ended	June 2019 INR'000	Dec 2018 INR'000
Property, plant and equipment	19,353,746	819,922
Inventory	278,683	202,784
Other debtors and prepayments	2,535,001	2,017,172
Amounts due from related parties	4,573,585	3,448,262
Cash and Short term deposits	2,937,077	986,740
Total Assets	29,678,092	7,474,880
Sales in advance	1,386,392	1,348,673
Other creditors and accruals	2,877,504	4,735,878
Amount due to related parties	8,711,200	6,399,077
Lease liabilities	19,319,980	-
Borrowings	1,000,000	1,121,216
Total Liabilities	33,295,076	13,604,844
Share capital	10,337,000	5,337,000
Retained earnings	(13,953,984)	(11,466,964)
Total Equity	(3,616,984)	(6,129,964)

AirAsia India recorded Total Revenue of INR9,047.4 million in 2Q19, 39% higher than INR6,496.8 million in 2Q18. The increase in revenue was mainly due to a 25% increase in number of passengers carried. Average Fare and Unit Passenger Revenue increased by 8% and 7% respectively whilst Load Factor increased to 90% for 2Q19.

AirAsia India reported a positive EBITDA of INR1,126.0 million compared to negative EBITDA of INR484.9 million in 2Q18. Loss before tax narrows to INR151.1 million compared to INR618.2 million in 2Q18 mainly attributable to the higher Average Fare, Load Factors and number of passengers carried.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 JPY1,454.9 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 30/6/2019				Quarter ended 30/6/2018			
	Teleport (Logistics) RM'000	AirAsia.com RM'000	Big Pay Group RM'000	RedBeat Ventures RM'000	Teleport (Logistics) RM'000	AirAsia.com RM'000	Big Pay Group RM'000	RedBeat Ventures RM'000
Revenue	111,521	3,740	3,484	44,953	24,452	661	883	4,124
Operating expenses	(55,649)	(1,889)	(19,862)	(50,068)	(1,045)	(1,334)	(4,844)	(8,234)
EBITDA	55,872	1,851	(16,378)	(5,115)	23,407	(673)	(3,961)	(4,110)

Teleport reported 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 and Big Pay also reported an increase in revenue as it gains traction.

33. Variation of results against preceding quarter

The Group recorded a Net Profit of RM46.8 million for the quarter under review, a decrease of 54% against the Net Profit of RM101.6 million in the immediately preceding quarter ended 31 March 2019 mainly due to the recognition of the past share of associate losses of AirAsia India.

34. Profit forecast

No profit forecast has been issued.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

35. Commentary on prospects

For the airline business, load factors for the rest of 2019 is expected to remain strong whilst fares are expected to hold following the 1H19 trends. Our strategy remains to gain dominance in the countries we operate in, especially within the ASEAN region. This year, we have planned for a net fleet growth of 20 aircraft across our AOCs. We expect to receive our first A321neo in November which is more fuel efficient, has longer range on top of bringing additional 50 seats.

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 70% and 85% of our fuel requirement for 3Q and 4Q 2019 at average Brent hedge prices of US\$62/bbl and US\$60.77/bbl respectively.

The Group will continue its focus on its transformation into a travel and financial platform as per our recent announcement of leadership reorganisation. Teleport (logistics business) is expected to see encouraging growth as we continue to seek tie ups with different airlines, as well as SMEs. Teleport aims to launch teleport.social, a social commerce enabler, in 2019. AirAsia.com is being developed as a full-fledged one-stop travel and lifestyle platform whilst BigPay will be rolled out in multiple markets in ASEAN with the target to get a e-money license in Singapore in 2019.

With the initiatives in place, the Board remains positive that the overall core results of the Group in 2019 will be better than 2018.

36. Material Litigation

As at 28 August 2019, there was no material litigation against the Group.

37. Other matters

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 23 January 2019, AAB filed a statement of defence in which it contended that the claims are made without justification and are unreasonable and that the claim by MASSB is misconceived, invalid and/or premature as MASSB has not complied with and/or availed itself of the statutory provisions for dispute resolution. Accordingly, AAB has filed an application to strike out the suit on the above grounds.



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

37. Other matters (cont'd.)

On 14 May 2019, AAB filed a Judicial Review application to compel MAVCOM who had decline to decide on the above dispute, to adjudicate the disputes between AAB and MASSB which was provided under the MAVCOM Act.

On 18 July 2019, the suit was heard and the High Court allowed the Summary Judgement application by MASSB but dismissed AAB application to strike out the suit.

AAB will take necessary act to preserve our interests, including appealing against the said decision and applying for a stay of execution.

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 30/6/2019	Quarter ended 30/6/2018	Year ended 30/6/2019	Year ended 30/6/2018
Net profit attributable to owners of the Company (RM'000)	17,340	361,814	144,781	1,503,353
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)	0.5	10.8	3.3	45.0

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.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

SECOND QUARTER REPORT ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

28 August 2019