



AIRASIA GROUP BERHAD
(Company No. 1244493-V)
FIRST QUARTER REPORT ENDED 31 MARCH 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 first quarter ended 31 March 2019.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/3/2019 RM'000	31/3/2018 RM'000	31/3/2019 RM'000	31/3/2018 RM'000
Revenue	11	2,780,136	2,555,182	2,780,136	2,555,182
Operating expenses:					
- Staff costs		(428,204)	(371,152)	(428,204)	(371,152)
- Aircraft fuel expenses		(956,664)	(852,457)	(956,664)	(852,457)
- Maintenance and overhaul		(279,500)	(170,590)	(279,500)	(170,590)
- User charges and other related expenses		(419,520)	(357,003)	(419,520)	(357,003)
- Aircraft operating lease expenses		-	(200,225)	-	(200,225)
- Other operating expenses		(129,747)	(136,159)	(129,747)	(136,159)
Other income	12	80,879	119,754	80,879	119,754
Share of results of associates **		31,053	55,502	31,053	55,502
Airline EBITDA		678,433	642,852	678,433	642,852
Non Airline EBITDA					
- Teleport (Logistics)	30	51,805	-	51,805	-
- AirAsia.com	30	557	(613)	557	(613)
- Red Beat Ventures Group ("RBV Group")	30	(13,422)	(5,897)	(13,422)	(5,897)
EBITDA		717,373	636,342	717,373	636,342
Depreciation of property, plant and equipment		(69,244)	(185,443)	(69,244)	(185,443)
Depreciation of right of use asset	2	(381,186)	-	(381,186)	-
Finance costs - lease liabilities	2	(106,949)	-	(106,949)	-
Finance income	13	13,293	7,484	13,293	7,484
Finance costs	13	(59,343)	(112,206)	(59,343)	(112,206)
Foreign exchange gains	13	92,217	5,825	92,217	5,825
Fair value gain/(loss) on derivatives		8,145	(42,692)	8,145	(42,692)
Gain on partial disposal of investment in a former subsidiary	14	-	350,317	-	350,317
Remeasurement gain on retained interest in a former subsidiary	14	-	534,712	-	534,712
Profit before taxation		214,306	1,194,339	214,306	1,194,339
Tax expense	15	(3,862)	(6,179)	(3,862)	(6,179)
Deferred taxation	15	(108,835)	(97,819)	(108,835)	(97,819)
Net profit for the financial period		101,609	1,090,341	101,609	1,090,341
Attributable to:					
- Owners of the company		96,089	1,141,985	96,089	1,141,985
- Non-controlling interests		5,520	(51,644)	5,520	(51,644)
		101,609	1,090,341	101,609	1,090,341
Earnings per share attributable to owners of the Company (sen)					
- Basic		2.9	34.2	2.9	34.2
- Diluted		2.9	34.2	2.9	34.2

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

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

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/3/2019 RM'000	31/3/2018 RM'000	31/3/2019 RM'000	31/3/2018 RM'000
Net profit for the financial period	101,609	1,090,341	101,609	1,090,341
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(2,252)	-	(2,252)	-
Fair value reserve	41,358	23,902	41,358	23,902
Cash flow hedges	517,118	(1,193)	517,118	(1,193)
Foreign currency translation differences	50,234	114,989	50,234	114,989
Total comprehensive income for the period	708,067	1,228,039	708,067	1,228,039
Total comprehensive income attributable to:				
Owners of the Company	701,976	1,279,683	701,976	1,279,683
Non-controlling interests	6,091	(51,644)	6,091	(51,644)
	708,067	1,228,039	708,067	1,228,039

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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		31/3/2019	31/12/2018
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	16	2,805,210	2,851,917
Right of use assets	23	9,791,878	-
Investment in associates	18	917,082	282,738
Investment in a jointly controlled entity	14	-	583,854
Investment securities		535,117	477,860
Intangible assets		617,597	615,413
Deferred tax assets		780,942	891,445
Receivables and prepayments	19	3,099,936	3,067,583
Deposits on aircraft purchase		628,660	578,002
Derivative financial instruments	23	387,270	383,111
		19,563,692	9,731,923
CURRENT ASSETS			
Inventories		109,248	106,326
Receivables and prepayments	19	1,540,099	1,394,970
Deposits on aircraft purchase		332,981	398,215
Amounts due from joint ventures		-	6,792
Amounts due from associates		595,305	404,139
Amounts due from related parties		173,702	124,277
Derivative financial instruments	23	253,754	267,311
Tax recoverable		16,440	13,576
Deposits, bank and cash balances		2,943,967	3,326,921
Assets classified as held for sale	21	2,788,792	2,775,321
		8,754,288	8,817,848
CURRENT LIABILITIES			
Trade and other payables	20	2,494,888	2,680,025
Aircraft maintenance provisions		172,681	168,041
Sales in advance		1,190,428	1,128,447
Derivative financial instruments	23	102,500	465,277
Amounts due to associates		31,667	32,228
Amounts due to related parties		111,740	103,078
Amounts due to joint ventures		-	11,032
Borrowings	22	638,245	423,163
Lease liabilities	22	1,796,440	-
Provision of taxation		12,328	4,741
Liabilities directly associated with assets held for sale	21	1,823,147	1,834,326
		8,374,064	6,850,358
NET CURRENT ASSETS		380,224	1,967,490



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP	
		AS AT	AS AT
		31/3/2019 RM'000	31/12/2018 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	20	3,528,906	3,513,909
Aircraft maintenance provisions		881,789	843,768
Amounts due to associates		47,278	45,436
Borrowings	22	520,660	781,966
Lease liabilities	22	8,091,054	-
Deferred tax liabilities		58,374	59,905
Derivative financial instruments	23	121,777	199,334
Provision for retirement benefits		67,323	69,830
		13,317,161	5,514,148
		6,626,755	6,185,265
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other Reserves		104,206	(451,447)
Foreign exchange reserve		228,749	178,515
Retained earnings	10	5,398,097	5,541,712
		8,246,726	7,784,454
Non-controlling interests		(1,619,971)	(1,599,189)
Total equity		6,626,755	6,185,265
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.47	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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Number of shares '000	Share Capital RM'000	Merger Reserve/(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	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019		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
As previously stated		-	-	-	-	-	-	-	(239,704)	(239,704)	(26,873)	(266,577)
Effects of changes in accounting policies	2	-	-	-	-	-	-	-	-	-	-	-
At 1 January 2019, as restated		3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,302,008	7,544,750	(1,626,062)	5,918,688
Net profit for the financial period		-	-	-	-	-	-	-	96,089	96,089	5,520	101,609
Other comprehensive income		-	-	-	50,234	517,118	41,358	(2,823)	-	605,887	571	606,458
At 31 March 2019		3,341,974	8,023,268	(5,507,594)	228,749	39,508	63,074	1,624	5,398,097	8,246,726	(1,619,971)	6,626,755
At 1 January 2018		3,341,974	8,023,268	(5,507,594)	196,050	(236,270)	169,353	(691)	5,393,218	8,037,334	(1,336,468)	6,700,866
Net profit for the year		-	-	-	-	-	-	-	1,141,985	1,141,985	(51,644)	1,090,341
Other comprehensive income		-	-	-	114,989	(1,193)	23,902	-	-	137,698	-	137,698
At 31 March 2018		3,341,974	8,023,268	(5,507,594)	311,039	(237,463)	193,255	(691)	6,535,203	9,317,017	(1,388,112)	7,928,905

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.



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/3/2019	31/3/2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	214,306	1,194,339
Adjustments:		
Property, plant and equipment		
- Depreciation	69,244	185,443
- Gain on disposal	(2,270)	(33,832)
Depreciation of Right of Use asset	381,186	-
Amortisation of intangible assets	152	-
Write back of employee benefit expenses	-	(2,001)
Remeasurement gain on consolidation	-	(350,317)
Remeasurement gain on retained interest in a former subsidiary	-	(534,712)
Fair value (gain)/loss on derivative financial instruments	(5,920)	42,692
Share of results of associates	(31,053)	(55,502)
Net unrealised foreign exchange (gain)/loss	(73,100)	(5,825)
Interest expense	59,343	112,206
Interest on lease liabilities	106,949	-
Interest income	(13,293)	(7,484)
	705,544	545,007
Changes in working capital		
Inventories	(3,319)	(5,714)
Receivables and prepayments	(196,079)	46,163
Trade and other payables and provisions	50,328	(74,543)
Intercompany balances	(236,359)	(57,220)
Cash generated from operations	320,115	453,693
Interest paid	(44,634)	(80,687)
Interest received	13,269	(1,577)
Tax paid	206	-
Net cash generated from operating activities	288,956	371,429



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/3/2019 RM'000	PERIOD ENDED 31/3/2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(37,739)	(792,664)
- Proceeds from disposal	2,156	33,832
Additional deposits for aircraft	(2,336)	-
Additional investments in investment securities	(15,899)	-
Additional subscription of shares in associates	-	(103,477)
Proceeds from disposal of associates/ joint venture	-	358,774
Net cash used in investing activities	(53,818)	(503,535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	395
Proceeds from borrowings	111,224	710,922
Repayment of borrowings and lease liabilities	(583,311)	(408,698)
Net cash used in financing activities	(472,087)	302,619
NET (DECREASE)/ INCREASE FOR THE FINANCIAL PERIOD	(236,950)	170,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,326,921	1,882,195
CURRENCY TRANSLATION DIFFERENCES	(146,004)	(18,831)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	2,943,967	2,033,877

* 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



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NOTES TO THE QUARTERLY REPORT

1. Basis of preparation

The Interim Financial Report is unaudited and has been prepared in accordance with paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements.

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

The Interim Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 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.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The Consolidated Income Statement for the quarter ended 31 March 2019, in compliance with MFRS134: Interim Financial Reporting is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/3/2019 RM'000	31/3/2018 RM'000	31/3/2019 RM'000	31/3/2018 RM'000
Revenue	2,881,027	2,555,182	2,881,027	2,555,182
Operating expenses:				
- Staff costs	(445,314)	(379,070)	(445,314)	(379,070)
- Depreciation of property, plant and equipment	(450,430)	(185,443)	(450,430)	(185,443)
- Aircraft fuel expenses	(956,664)	(852,457)	(956,664)	(852,457)
- Maintenance and overhaul	(279,500)	(170,590)	(279,500)	(170,590)
- User charges and other related expenses	(419,520)	(357,003)	(419,520)	(357,003)
- Aircraft operating lease expenses	-	(200,225)	-	(200,225)
- Other operating expenses	(217,284)	(145,352)	(217,284)	(145,352)
Other income	123,575	480,672	123,575	480,672
Operating profit	235,890	745,714	235,890	745,714
Finance income	13,293	7,484	13,293	7,484
Finance costs	(166,292)	(112,206)	(166,292)	(112,206)
Net operating profit	82,891	640,992	82,891	640,992
Share of results of associates	31,053	55,502	31,053	55,502
Foreign exchange gains	92,217	5,825	92,217	5,825
Fair value gain/(loss) on derivatives	8,145	(42,692)	8,145	(42,692)
Remeasurement gain on retained interest in a former subsidiary	-	534,712	-	534,712
Profit before taxation	214,306	1,194,339	214,306	1,194,339
Tax expense	(3,862)	(6,179)	(3,862)	(6,179)
Deferred taxation	(108,835)	(97,819)	(108,835)	(97,819)
Net profit for the financial period	101,609	1,090,341	101,609	1,090,341

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



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the Audited Financial Statements for the financial year ended 31 December 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.



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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	-	9,429.9	9,429.9
Lease liabilities	-	(9,595.8)	(9,595.8)
Investment in associates	282.7	(100.6)	182.1
Retained earnings	5,541.7	(239.7)	5,302.0
Minority interest	(1,599.2)	(26.8)	(1,626.0)

(b) To the unaudited Consolidated Financial Statements for the period ending 31 March 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.

	31/3/19 before MFRS 16 RM million	MFRS 16 Adjustments RM million	Unaudited 31/3/19 RM million
Depreciation	(69,244)	(381,186)	(450,430)
Aircraft Operating Leases	(449,870)	449,870	-
Finance expenses	(59,343)	(106,949)	(166,292)
Net Operating Profit	121,156	(38,265)	82,891



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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

During the current quarter, the Group has incorporated the following subsidiaries:

- a) On 6 March 2019, Asia Aviation Capital Limited ("AAC"), incorporated 4 wholly owned subsidiaries at USD 1 (approximately RM4.09) each for owning, leasing and/ or financing of aircraft:-
 - (i) Merah Aviation Asset Holding Two Limited;
 - (ii) Merah Aviation Asset Holding Three Limited;
 - (iii) Merah Aviation Asset Holding Four Limited; and
 - (iv) Merah Aviation Asset Holding Five Limited;
- b) On 18 March 2019, the Group incorporated BIGLIFE Philippines Inc with 103,993 ordinary shares to own, operate and develop AirAsia Big Loyalty program in Philippines.
- c) On 19 March 2019, the Group incorporated BIGLIFE Japan Co Ltd with 1 ordinary shares to own, operate and develop AirAsia Big Loyalty program in Japan.
- d) On 21 May 2019, Red Beat Ventures Sdn Bhd ("RBV"), wholly owned subsidiary of the Group, incorporated Teleport Everywhere Pte. Ltd ("Teleport") with 100 ordinary shares at USD100 to enable better organisation of Teleports subsidiaries, associates and investments existing now and in the future.

During the current quarter, the Group, through its subsidiary, RBV completed the acquisition of 629,130 ordinary shares in Touristly Travel Sdn Bhd for a cash consideration of RM1.1 million. Following the acquisition, Touristly Travel Sdn Bhd ceased to be a joint venture as the shareholdings of the Group increased from 50% to 74.6%.



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7. Changes in estimates

There were no changes in estimates that have had a material effect on the results of the current quarter and financial period-to-date.

8. Capital and reserves

There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 March 2019.

9. Dividends paid and proposed

The second interim dividend for the financial year ended 31 December, 2018 of 12 sen per share on 3,341,974,082 Ordinary Shares of the Company, amounting to RM401,036,890, was paid on 10 April 2019.

10. Retained earnings

Retained earnings of RM1,314,109, being the retained earnings of the Company, is available for distribution to shareholders of the Company.

11. Revenue

	Quarter ended 31/3/2019 RM million	Quarter ended 31/3/2018 RM million
Passenger revenue		
- seat sales	2,094.6	1,823.1
- others	515.3	449.8
Aircraft operating lease income	170.2	238.0
	<hr/>	<hr/>
	2,780.1	2,510.9
Teleport (Logistics) *	100.9	44.3
	<hr/>	<hr/>
	2,881.0	2,555.2

* For the current quarter, freight services is centralised and undertaken by the Group through logistics business provider, Teleport. Previously, freight services was handled by the respective AOCs.

Passenger revenue “Others” includes ancillary income such as administrative fees, baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sales of meals and merchandise.



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12. Other income

	Quarter ended 31/3/2019 RM million	Quarter ended 31/3/2018 RM million
Fees charged for provision of commercial air transport services	34.8	33.7
Gain on disposal of property, plant and equipment	2.3	33.8
Charter income	-	19.4
Others	43.7	32.9
	80.8	119.8
Other income – Non airline	42.8	10.6
Gain on partial disposal of investment in a former subsidiary	-	350.3
	123.6	480.7

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

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

	Quarter ended 31/3/19 RM million	Quarter ended 31/3/18 RM million	Year ended 31/3/19 RM million	Year ended 31/3/18 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	12.9	6.5	12.9	6.5
Discounting effect on financial instruments and others	0.4	1.0	0.4	1.0
	13.3	7.5	13.3	7.5
(b) Finance costs				
Bank borrowings	(55.4)	(107.0)	(55.4)	(107.0)
Amortisation of premiums for interest rate caps	(0.8)	(3.5)	(0.8)	(3.5)
Discounting effect on financial instruments, bank facilities and other charges	(3.1)	(1.7)	(3.1)	(1.7)
	(59.3)	(112.2)	(59.3)	(112.2)
(c) Foreign exchange gains/(losses)				
- realized	25.9	27.6	25.9	27.6
- unrealized	73.1	46.7	73.1	46.7
- fair value movement recycled from cash flow hedge reserve	(6.8)	(68.5)	(6.8)	(68.5)
	92.2	5.8	92.2	5.8



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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 of RM3.9 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Deferred tax liabilities of RM108.8 million was charged in the current financial period mainly due to reversal of deferred tax asset on utilisation of unabsorbed capital allowances to offset profit earned.

16. Property, plant and equipment

(a) acquisition and disposals

During the period ended 31 March 2019, the Group acquired property, plant and equipment with a cost of RM37.7 million (period ended 31 March 2018: RM792.7 million).

During the period ended 31 March 2019, proceeds from disposal of property, plant and equipment totaled RM2.2 million (period ended 31 March 2018: RM33.8 million).



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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 31/3/2019 RM million	As at 31/12/2018 RM million
Investment at cost	672.2	672.2
Adjustment due to adoption of MFRS 16	(100.6)	-
Reclassified from investment in joint venture	572.7	-
Share of results and reserves	(227.2)	(389.5)
	<u>917.1</u>	<u>282.7</u>

For the quarter ended 31 March 2019, the Group, as permitted by MFRS 128, 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 RM236.5 million.



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19. Receivables and prepayments

	As at 31/3/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Prepayments	1,835.3	2,011.2
Deposits and other receivables	1,264.6	1,056.4
	<u>3,099.9</u>	<u>3,067.6</u>
<u>Current</u>		
Trade and other receivables	537.8	485.9
Prepayments	985.7	829.9
Deposits	16.6	79.2
	<u>1,540.1</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 31/3/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Other payables	1,443.3	1,428.3
Aircraft maintenance payables	2,085.6	2,085.6
	<u>3,528.9</u>	<u>3,513.9</u>
<u>Current</u>		
Trade payables	365.6	538.2
Accruals for fuel	201.3	149.6
Collateral for derivatives	46.3	79.4
Aircraft maintenance payables	315.5	315.5
Others	1,566.2	1,597.3
	<u>2,494.9</u>	<u>2,680.0</u>

Other payables and accruals include accruals for operational expenses, passenger service charges payable to airport authorities and security deposits for leased aircraft. Aircraft maintenance payables are maintenance costs that will be incurred on the return of leased aircrafts.



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21. 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 Castlelake 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.

22. Borrowings and lease liabilities

	As at 31/3/2019 RM million	As at 31/12/2018 RM million
<u>Short term</u>		
Term loans	541.9	325.4
Finance lease liabilities	54.6	58.3
Lease liabilities - MFRS 16	1,796.4	-
Commodity Murabahah Finance	19.1	22.2
Revolving credit	22.6	17.3
	<hr/> 2,434.6	<hr/> 423.2
<u>Long term</u>		
Term loans	283.8	530.1
Finance lease liabilities	169.5	178.5
Lease liabilities – MFRS 16	8,091.1	-
Commodity Murabahah Finance	67.4	73.3
	<hr/> 8,611.8	<hr/> 781.9
Total	<hr/> 11,046.4	<hr/> 1,205.1



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22. Borrowings and lease liabilities (cont'd)

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

	As at 31/3/2019 RM million	As at 31/12/2018 RM million
Ringgit Malaysia	86.4	95.5
US Dollar	10,757.5	885.6
Euro	55.5	56.1
Philippine Peso	93.0	94.5
Indonesian Rupiah	54.0	73.4
	11,046.4	1,205.1

Total borrowings include secured liabilities of the Group of RM2.9 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 Group has adopted MFRS 16: Leases beginning 1 January 2019. The Lease liabilities indicated above is supported by corresponding Right of Use Asset of RM9,791.9 million. The Lease liabilities repayment is on a monthly basis based on the operating lease agreement.

The maturity period of non-current borrowing is 11 years and below. The Group has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 23 (a).

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(a) Forward Foreign Exchange Contracts

As at 31 March 2019, the Group has entered into Cross-Currency Swaps and Foreign Currency Swaps to hedge the USD dollar liabilities of its aircraft into Malaysian Ringgit (“MYR”).

(b) Interest Rate Hedging

As at 31 March 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 31 March 2019, the Group has entered into swaps and options for both Brent and Crack, which represent up to 52% of the Group’s total budgeted fuel consumption for 2019.

For the years 2020 and 2021, the swaps represents up to 40% and 4% of the Group’s total budgeted fuel consumption respectively.

Type of Derivatives

	Notional Value Barrels million	Fair value 31/3/2019 Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	5.6	23.7
- 1 year to 3 years	4.7	18.4
Total	10.3	42.1
<u>Interest rate contracts</u>		
	RM million	RM million
- less than 1 year	291.8	(1.5)
- 1 year to 3 years	373.0	(7.6)
- More than 3 years	1,420.0	(28.3)
Total	2,084.8	(37.4)
<u>Foreign currency contracts</u>		
	RM million	RM million
- less than 1 year	260.2	55.9
- 1 year to 3 years	430.5	92.5
- More than 3 years	638.7	136.4
Total	1,329.4	284.8

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.



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24. Status of corporate proposals announced

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

As disclosed in Note 21, the current proposal was approved by the shareholders in an Extraordinary General Meeting held on 17th April 2019.

On 14th May 2019, AACL completed the disposal of its entire equity interest in Merah Aviation Asset Holding Limited, which holds five (5) aircraft assets and received gross proceeds of USD87.6 million

Proposed joint venture in Vietnam

On 17th April 2019, AirAsia Investment Limited, a wholly-owned subsidiary of the Company, together with Gumin Company and Hai Au Aviation Joint Stock Company, have amicably agreed to terminate and release each other from all obligations under the transaction agreements in relation to the proposed joint venture in Vietnam.

25. Post balance sheet events

There are no post balance sheet events to be reported.

26. Contingent assets

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

27. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the audited financial statements of the Group for the financial year ended 31 December 2018.

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

Capital commitments for property, plant and equipment:

	As at 31/3/2019 RM million	As at 31/12/2018 RM million
Approved and contracted for	114,528.9	88,640.5
Approved but not contracted for	49.3	26.4
	<u>114,578.2</u>	<u>88,666.9</u>



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29. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 31 March 2019 are set out below:

	Quarter ended 31/3/2019 RM million	Quarter ended 31/3/2018 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	66.6	119.5
- India AirAsia	21.5	46.3
- Japan AirAsia	10.0	7.6
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	17.1	16.3
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	26.1	-
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	42.7	-



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30. Review of Group Performance

Consolidated Group Performance

The Group Revenue for the current quarter recorded a Net Profit Before Tax (“NPBT”) of RM214.3 million. The Q1 2019 NPBT, which includes a RM92 million foreign exchange gain is 82% lower than the corresponding quarter’s NPBT of RM1,194.3 million, which included a gain on a partial disposal of a subsidiary of RM350.3 million and a remeasurement gain on the retained interest in a former subsidiary of RM534.7 million. The current quarter’s NPBT has been impacted by an additional charge of RM38.2 million on the adoption of MFRS 16.

Airline

Performance indicators

	Jan -Mac 2019	Jan - Mac 2018	Change %
Passengers Carried	12,548,460	10,654,194	18%
Capacity	14,268,918	12,204,348	17%
Seat Load Factor	88%	87%	1
RPK (million)	15,678	13,815	13%
ASK (million)	17,788	15,979	11%
Average Fare (RM)	167	171	-3%
Unit Passenger Revenue (RM)	212	218	-3%
Revenue / ASK (sen)	15.10	14.68	3%
Revenue / ASK (US cents)	3.70	3.60	3%
Cost / ASK (sen)	14.57	13.55	8%
Cost / ASK (US cents)	3.57	3.32	8%
Cost / ASK-ex Fuel (sen)	9.14	8.22	11%
Cost / ASK-ex Fuel (US cents)	2.24	2.01	11%
Aircraft (end of period)	141	123	15%
Average Stage Length (km)	1,239	1,290	-4%
Number of Flights	78,709	67,566	16%
Fuel Consumed (Barrels)	2,851,983	2,632,112	8%
Average Fuel Price (US\$ / Barrel)	83	83	0%

Exchange Rate: RM:USD – 4.081 - 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\$79/barrel

@ Capacity 2018 exclude capacity for IAAX aircrafts that was transferred to IAA in 4Q2018.

Statistics exclude Logistic and Leasing operations

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FIRST QUARTER REPORT ENDED 31 MARCH 2019**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****30. Review of Group Performance - Airline (cont'd.)**

During the quarter, Total Group Revenue grew 9%, from RM 2,555.1 million recorded in 1Q18 to RM2,780.1 million in 1Q19. The growth was attributed to an 18% increase in total passengers carried and increase in Load Factor from 87% to 88%. However, Overall Unit Passenger Revenue decreased by 3% from RM218 to RM212.

In line with the growth in revenue, 1Q19 reported EBITDA of RM678.4 million as compared to EBITDA of RM642.9 million for 1Q18, an increase of 6%. The growth in revenue was offset by the increase of staff costs and user charges and related expenses in line with the increase in Capacity of 17%, incurring more operations staff costs, route charges and landing charges. Maintenance and overhaul also increased by 64% as higher provision for engine overhaul was made as a result of higher number of leased aircraft on the completion of sales and leaseback transaction in 4Q18. Following the adoption of MFRS 16: Leases, aircraft operating lease expenses were no longer recognized as part of the income statement but as a reduction of lease liabilities. The aircraft operating lease expense were replaced by recognition of depreciation and interest as explained in Note 2.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 31/3/2019 RM million	Period ended 31/3/2018 RM million
Cash from Operating activities	289.0	371.4
Cash from/(to) Investing activities	(53.8)	(503.5)
Cash from/(to) Financing activities	(472.1)	302.6
	<u>(236.9)</u>	<u>170.5</u>

The Group's cash inflow from operations was RM289.0 million, compared to inflow of RM371.4 million in the same quarter last year. The net cash outflow for the period ended 31 March 2019 amounted to RM236.9 million, mainly due to proceeds payment of operating lease of aircraft.

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

	As at 31/3/2019 RM million	As at 31/12/2018 RM million
Borrowings and lease liabilities (current and non current)	11,046.4	1,205.1
Liabilities directly associated to asset held for sale	1,823.1	1,834.3
Less: Deposit, cash and bank balances	2,943.9	3,326.9
Net Debt	9,925.6	Nil
Total equity	8,246.7	7,784.5
Net gearing ratio (times)	1.2	Nil



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

Associate's Performance

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

Performance indicators

	Jan - Mar	Jan - Mar	Change %
	2019	2018	
Passengers Carried	5,861,824	5,639,204	4%
Capacity	6,507,990	6,224,610	5%
Seat Load Factor	90%	91%	-1
RPK (million)	6,151	5,618	9%
ASK (million)	6,874	6,245	10%
Average Fare (THB)	1,554	1,664	-7%
Unit Passenger Revenue (THB)	1,906	2,000	-5%
Revenue / ASK (THB)	1.62	1.80	-10%
Revenue / ASK (US cents)	5.11	5.68	-10%
Cost / ASK (THB)	1.54	1.54	0%
Cost / ASK (US cents)	4.85	4.86	0%
Cost / ASK-ex Fuel (THB)	1.00	0.99	1%
Cost / ASK-ex Fuel (US cents)	3.16	3.13	1%
Aircraft (end of period)	62	59	5%
Average Stage Length (km)	1,056	1,003	5%
Number of Flights	36,061	34,506	5%
Fuel Consumed (Barrels)	1,254,354	1,154,128	9%
Average Fuel Price (US\$ / Barrel)	91	93	-2%

Exchange Rate: THB:USD – 31.68 - 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\$93/barrel
CASK with adjustments of MFRS16 is THB1.49



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

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

Financial Statements

	Jan - Mac 2019 THB'000	Jan - Mac 2018 THB'000
Revenue	11,155,313	11,254,300
Operating expenses:		
- Staff costs	(1,604,628)	(1,518,018)
- Aircraft fuel expenses	(3,628,000)	(3,384,474)
- Maintenance and overhaul	(880,548)	(748,782)
- User charges and other related expenses	(1,328,871)	(1,087,617)
- Other operating expenses	(1,276,527)	(1,168,411)
Other income	323,472	298,504
EBITDAR	2,760,211	3,645,502
Depreciation of property, plant and equipment	(430,361)	(402,101)
Aircraft operating lease expenses	(1,344,606)	(1,229,125)
Finance income	4,439	12,507
Finance costs	(191,810)	(170,946)
Foreign exchange gains	138,827	77,503
Profit before taxation	936,700	1,933,340
Deferred taxation	(33,781)	(98,732)
Profit after taxation	902,919	1,834,608

After adjusting for MFRS 16, the Profit after tax for Thai Airasia is THB1,007.3 million

*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 but adjustments were made at the Group consolidated financial statements to align the accounting policy to the Group.



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

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

Financial Statements

Year Ended	Mac 2019 THB'000	Dec 2018 THB'000
Property, plant and equipment	25,819,060	26,129,012
Intangible assets	24,518	26,991
Inventory	210,217	188,318
Aircraft maintenance reserve	5,457,828	4,532,741
Other debtors and prepayments	2,285,455	2,131,639
Amounts due from related parties	-	872,217
Cash and Short term deposits	4,309,167	4,036,976
Total Assets	38,106,245	37,917,894
Sales in advance	4,603,708	4,986,935
Other creditors and accruals	3,962,801	3,593,021
Amount due to related parties	52,534	699,190
Borrowings	8,028,581	7,583,055
Lease liabilities	12,774,837	13,219,322
Deferred tax liabilities	136,333	58,303
Total Liabilities	29,558,794	30,139,826
Share capital	435,555	435,555
Retained earnings	8,111,896	7,342,513
Total Equity	8,547,451	7,778,068

Thai AirAsia recorded Total Revenue of THB11,155.3 million in 1Q19, 1% lower than 1Q18 of THB11,254.3 million. Whilst passengers carried increased by 4%, Load Factor is down marginally to 90%. Average Fare and Unit Passenger Revenue decreased by 7% and 5%, respectively. However, when compared to 4Q18 which reported a Loss After Tax, the 1Q19 return to a report a Profit.

Thai AirAsia reported EBITDAR of THB2,760.2 million, against EBITDAR of THB3,645.5 million in 1Q18, a decrease of 24% whilst PBT is at THB936.7 million against 1Q18 PBT of THB1,933.3 million, a decrease of 52%. This is mainly attributable to lower average fare despite the increase in passengers carried with RASK showing a decrease of 10% from THB1.80 to THB1.62. The CASK remain constant as cost remain well controlled.



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

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

Performance indicators

	Jan - Mar	Jan -Mar	Change %
	2019	2018	
Passengers Carried	1,936,888	1,468,931	32%
Capacity	2,173,680	1,769,220	23%
Seat Load Factor	89%	83%	6
RPK (million)	2,093	1,497	40%
ASK (million)	2,322	1,770	31%
Average Fare (INR)	2,978	3,057	-3%
Unit Passenger Revenue (INR)	3,384	3,431	-1%
Revenue / ASK (INR cents)	271.93	273.08	0%
Revenue / ASK (US cents)	3.86	3.88	0%
Cost / ASK (INR cents)	337.85	327.91	3%
Cost / ASK (US cents)	4.80	4.66	3%
Cost / ASK-ex Fuel (INR cents)	207.73	190.72	9%
Cost / ASK-ex Fuel (US cents)	2.95	2.71	9%
Aircraft (end of period)	20	16	25%
Average Stage Length (km)	1,068	1,000	7%
Number of Flights	12,076	9,829	23%
Fuel Consumed (Barrels)	419,346	321,757	30%
Average Fuel Price (US\$ / Barrel)	102	117	-12%

Exchange Rate: RM:USD – 70.36- 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\$107/barrel



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Financial Statements

	Jan - Mac 2019 INR'000	Jan -Mac 2018 INR'000
Revenue	6,314,381	4,832,475
Operating expenses:		
- Staff costs	(1,061,212)	(826,099)
- Aircraft fuel expenses	(3,021,403)	(2,427,846)
- Maintenance and overhaul	(1,145,226)	(711,360)
- User charges and other related expenses	(1,032,537)	(817,669)
- Aircraft operating lease expenses	-	(819,348)
- Other operating expenses	(273,462)	(314,734)
Other income	240,474	152,761
EBITDA	21,015	(931,821)
Depreciation of property, plant and equipment	(1,093,064)	(34,790)
Finance income	15,723	2,568
Finance costs	(474,150)	(6,400)
Foreign exchange gains/(loss)	62,564	(3,826)
Loss before tax	(1,467,912)	(974,268)
Deferred taxation	-	-
Loss after tax	(1,467,912)	(974,268)

AirAsia India is an associate company which is incorporated in India and is 49% owned 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.



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

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

Financial Statements

Year Ended	Mac 2019 INR'000	Dec 2018 INR'000
Property, plant and equipment	14,865,010	819,922
Inventory	221,974	202,784
Other debtors and prepayments	2,330,855	2,017,172
Amounts due from related parties	3,308,443	3,448,262
Cash and Short term deposits	1,025,403	986,740
Total Assets	21,751,685	7,474,880
Sales in advance	1,394,867	1,348,673
Other creditors and accruals	5,949,142	4,735,878
Amount due to related parties	6,875,394	6,399,077
Long term liabilities	15,778,414	1,121,216
Total Liabilities	29,997,817	13,604,844
Share capital	5,337,000	5,337,000
Retained earnings	(13,583,132)	(11,466,964)
Total Equity	(8,246,132)	(6,129,964)

AirAsia India recorded Total Revenue of INR6,314.4 million in 1Q19, 31% higher than INR4,832.5 million in 1Q18. The increase in revenue was mainly due to a 32% increase in number of passengers carried. Average Fare and Unit Passenger Revenue decreased by 3% and 1% respectively whilst Load Factor increased to 89% for 1Q19.

AirAsia India reported a positive EBITDA of INR21.0 million compared to negative EBITDA of INR931.8 million in 1Q18. However, Loss before tax widens to INR1,467.9 million compared to INR974.3 million in 1Q18. This was mainly attributable to the increase in Depreciation and Finance Expenses in line with the adoption of MFRS 16. The increase in operating leases which resulted in the increase in depreciation and finance expenses is in line with the increase in aircraft in AirAsia India.



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

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

AirAsia Japan is an associate company which is incorporated in Japan. The Group’s equity interest in AirAsia Japan is 66.91%.

AirAsia Japan recorded a Net loss of JPY1,262.5 million. AirAsia Japan has not adopted MFRS 16: Leases. The adoption of MFRS16 did not result in a material impact to income statement of AirAsia Japan.

Non-Airline

The EBITDA for Non Airline businesses are as follows:

	Quarter ended 31/3/2019			Quarter ended 31/3/2018		
	Teleport (Logistics)	AirAsia.com	RedBeat Ventures Group	Teleport (Logistics)	AirAsia.com	RedBeat Ventures Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	100,891	3,174	39,522	-	3,353	7,249
Operating expenses						
- Staff Costs	(3,558)	(1,260)	(12,293)	-	(564)	(7,354)
- Other Operating Expenses	(45,528)	(1,357)	(40,652)	-	(3,402)	(5,792)
EBITDA	51,805	557	(13,423)	-	(613)	(5,897)

31. Variation of results against preceding quarter

The Group recorded a Net Profit of RM101.6 million for the quarter under review as compared to a net loss of RM457 million in the immediately preceding quarter ended 31 December 2018.

32. Profit forecast

No profit forecast has been issued.



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33. Commentary on prospects

For the airline business, load factors for the rest of 2019 are showing strong momentum. Fares are holding steady with 1Q19 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 18 aircraft across our AOCs. A substantial number of aircraft is bound for AirAsia India, as we expect to see some changes in India's operating landscape in the near future, on top of our target to fly international by the end of this year. We are also looking to add 2 aircraft in Indonesia to further develop domestic tourism, aided by our strong international presence through our hub strategy, including the recently launched Lombok hub

We have not seen any material negative impact from trade wars. However, currency weakness remains a concern to the Group. To minimise fuel price volatility, we have hedged 52%-57% of our fuel requirement for 2Q-4Q19 at average Brent hedge prices of US\$61-64/bbl.

The Group will continue its focus on its transformation into a travel and financial platform. 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.

Barring any unforeseen circumstances, the Board remains positive that the overall core results of the Group in 2019 will be better than 2018.

34. Material Litigation

As at 29 May 2019, there was no material litigation against the Group.



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35. Other matters

In prior year, AriAsia Berhad, a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim (“Claim”) dated 10 December 2018 and 31 January 2019, filed at the High Court of Malaya at Kuala Lumpur from Messrs Skrine, solicitors acting for Malaysia Airports (Sepang) Sdn Bhd (“MASSB”).

MASSB is claiming approximately RM14 million in relation to additional PSC for which AAB was required to collect additional RM23 per passenger, effective since 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.

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.

36. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
Net profit attributable to owners of the Company (RM'000)	96,089	1,141,985	96,089	1,141,985
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)	2.9	34.2	2.9	34.2



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36. Earnings per share (cont'd.)

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.

37. 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
29 May 2019