



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

ANNOUNCEMENT

The Board of Directors of AirAsia Group Berhad (“AirAsia” or “the Company”) would like to announce the following unaudited consolidated results of AirAsia Group and its subsidiaries (collectively known as “the Group”) for the fourth quarter ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue	11	3,212,012	2,725,014	11,964,894	10,430,793
Operating expenses:					
- Staff costs		(527,120)	(445,402)	(1,776,840)	(1,624,400)
- Aircraft fuel expenses		(1,095,532)	(1,110,195)	(4,204,771)	(3,908,417)
- Maintenance and overhaul		(411,395)	(423,101)	(1,320,820)	(938,369)
- User charges and other related expenses		(489,704)	(434,731)	(1,760,041)	(1,407,200)
- Aircraft operating lease expenses	2	-	(413,406)	-	(1,155,680)
- Other operating expenses		(186,447)	(336,874)	(581,486)	(716,002)
Other income	12	61,592	407,244	358,985	809,458
Share of results of associates **		(225,709)	(59,044)	(481,566)	(115,610)
Share of results of joint ventures		-	4,285	-	11,083
Airline EBITDA		337,697	(86,210)	2,198,355	1,385,656
Non Airline EBITDA					
- Teleport (Logistics)	32	69,654	45,424	239,452	24,966
- AirAsia.com	32	(974)	(4,432)	(10,500)	(7,374)
- BigPay Group	32	(29,118)	(13,160)	(78,831)	(26,433)
- Red Beat Ventures Group ("RBV Group") Others	32	(9,283)	(33,053)	(99,484)	(27,976)
EBITDA		367,976	(91,431)	2,248,992	1,348,839
Depreciation of property, plant and equipment		(35,470)	(151,624)	(224,949)	(584,748)
Depreciation of right of use asset	2	(522,004)	-	(1,762,663)	-
Finance costs - lease liabilities	2	(138,284)	-	(505,873)	-
Finance income	13	31,364	39,782	71,559	63,333
Finance costs	13	(77,531)	(71,897)	(284,146)	(474,761)
Net Operating (Loss)/ Profit		(373,949)	(275,170)	(457,080)	352,664
Foreign exchange gains	13	174,556	69,502	154,918	126,833
Fair value loss on derivatives		(33,075)	(165,775)	(247,593)	(200,173)
Impairment of investment in a joint venture		-	-	-	(11,034)
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
Gain on disposal of investment in an associate		-	-	-	181,914
(Loss)/Profit before taxation		(232,468)	(371,443)	(549,755)	1,335,233
Tax expense	15	(13,370)	(21,830)	(30,251)	(38,965)
Deferred taxation	15	(139,592)	(63,762)	294,043	399,126
Net (loss)/profit for the financial period/year		(385,430)	(457,035)	(285,963)	1,695,394
Attributable to:					
- Owners of the company		(384,438)	(394,971)	(303,722)	1,967,006
- Non-controlling interests		(992)	(62,064)	17,759	(271,612)
		(385,430)	(457,035)	(285,963)	1,695,394
Earnings per share attributable to owners of the Company (sen)					
- Basic		(11.5)	(11.8)	(9.1)	58.9
- Diluted		(11.5)	(11.8)	(9.1)	58.9

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

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

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

**AIRASIA GROUP BERHAD**

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Net (loss)/profit for the financial period	(385,430)	(457,035)	(285,963)	1,695,394
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(781)	(1,384)	4,395	11,294
Fair value reserve	(17,746)	(142,910)	82,052	(147,637)
Cash flow hedges	237,132	(279,741)	516,076	(241,340)
Foreign currency translation differences	(37,348)	72,921	(54,740)	(17,535)
Total comprehensive (loss)/income for the period	(204,173)	(808,149)	261,820	1,300,176
Total comprehensive income attributable to:				
Owners of the Company	(203,437)	(746,085)	240,928	1,565,632
Non-controlling interests	(736)	(62,064)	20,892	(265,456)
	(204,173)	(808,149)	261,820	1,300,176

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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		31/12/2019	31/12/2018
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	16	1,165,898	2,851,917
Right of use assets	24	12,219,457	-
Investment in associates	18	675,083	282,738
Investment in a jointly controlled entity	14	-	583,854
Investment securities		603,215	477,860
Intangible assets		632,704	615,413
Deferred tax assets		1,130,830	891,445
Receivables and prepayments	19	3,228,590	3,067,583
Deposits on aircraft purchase		252,293	578,002
Derivative financial instruments	25	208,725	383,111
		20,116,795	9,731,923
CURRENT ASSETS			
Inventories		146,086	106,326
Receivables and prepayments	19	1,158,275	1,394,970
Deposits on aircraft purchase		344,036	398,215
Amounts due from joint ventures		-	6,792
Amounts due from associates		438,465	404,139
Amounts due from related parties		104,901	124,277
Derivative financial instruments	25	230,479	267,311
Tax recoverable		16,946	13,576
Deposits, bank and cash balances		2,590,615	3,326,921
Assets classified as held for sale	22	-	2,775,321
		5,029,803	8,817,848
CURRENT LIABILITIES			
Trade and other payables	20	2,028,068	1,969,125
Aircraft maintenance provisions/ payables	21	1,861,748	878,941
Sales in advance		1,181,529	1,128,447
Amounts due to associates		152,723	32,228
Amounts due to related parties		249,611	103,078
Amounts due to joint ventures		-	11,032
Borrowings	23	329,831	423,163
Lease liabilities	24	2,104,702	-
Derivative financial instruments	25	126,977	465,277
Provision of taxation		41,950	4,741
Liabilities directly associated with assets held for sale	22	-	1,834,326
		8,077,139	6,850,358
NET CURRENT (LIABILITIES)/ ASSET		(3,047,336)	1,967,490



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31/12/2019 RM'000	AS AT 31/12/2018 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	20	199,812	308,609
Aircraft maintenance provisions/ payables	21	3,547,776	4,049,068
Amounts due to associates		-	45,436
Borrowings	23	99,036	781,966
Lease liabilities	24	10,156,869	-
Deferred tax liabilities		69,426	59,905
Derivative financial instruments	25	73,350	199,334
Provision for retirement benefits		70,129	69,830
		14,216,398	5,514,148
		2,853,061	6,185,265
CAPITAL AND RESERVES			
Share capital		8,023,268	8,023,268
Merger deficit		(5,507,594)	(5,507,594)
Other Reserves		151,076	(451,447)
Foreign exchange reserve		123,775	178,515
Retained earnings	10	1,649,736	5,541,712
		4,440,261	7,784,454
Non-controlling interests		(1,587,200)	(1,599,189)
Total equity		2,853,061	6,185,265
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.33	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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company								Non-controlling interests RM'000	Total equity RM'000	
	Note	Number of shares '000	Share Capital RM'000	Merger Deficit RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Remeasurement loss on employee benefits liability RM'000	Retained earnings RM'000			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	-	-	-	-	-	-	-	(177,082)	(177,082)	(8,129)	(185,211)
At 1 January 2019, as restated		3,341,974	8,023,268	(5,507,594)	178,515	(477,610)	21,716	4,447	5,364,630	7,607,372	(1,607,318)	6,000,054
Net profit for the financial period		-	-	-	-	-	-	-	(303,722)	(303,722)	17,759	(285,963)
Other comprehensive income		-	-	-	(54,740)	516,076	82,052	4,395	-	547,783	-	547,783
Dividend paid	9	-	-	-	-	-	-	-	(3,408,813)	(3,408,813)	-	(3,408,813)
Acquisition of non controlling interest in a subsidiary		-	-	-	-	-	-	-	(2,359)	(2,359)	2,359	-
At 31 December 2019		3,341,974	8,023,268	(5,507,594)	123,775	38,466	103,768	8,842	1,649,736	4,440,261	(1,587,200)	2,853,061
At 1 January 2018		3,341,974	8,023,032	(5,507,754)	196,050	(236,270)	169,353	(691)	5,393,218	8,036,938	(1,336,468)	6,700,470
Treasury shares		-	236	160	-	-	-	-	-	396	-	396
Net profit for the financial period		-	-	-	-	-	-	-	1,967,006	1,967,006	(271,612)	1,695,394
Other comprehensive income		-	-	-	(17,535)	(241,340)	(147,637)	5,138	-	(401,374)	6,156	(395,218)
Dividend paid		-	-	-	-	-	-	-	(1,737,827)	(1,737,827)	-	(1,737,827)
Acquisition of non controlling interest in a subsidiary		-	-	-	-	-	-	-	(84,789)	(84,789)	6,839	(77,950)
Dilution of interest in a subsidiary		-	-	-	-	-	-	-	4,104	4,104	(4,104)	-
At 31 December 2018		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

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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/12/2019 RM'000	PERIOD ENDED 31/12/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(549,755)	1,335,233
Adjustments:		
Property, plant and equipment		
- Depreciation	224,949	584,748
- Gain on disposal	(90,896)	(298,816)
-Write Off	-	31,836
Depreciation of Right of Use asset	1,762,663	-
Amortisation of intangible assets	471	611
Provision for retirement benefit	-	17,725
Gain on retained interest in a joint venture	-	(534,712)
Gain on disposal of interest in a subsidiary and an associate	-	(532,231)
Impairment of receivables, related parties, joint ventures and investment securities	10,954	109,492
Fair value loss on derivative financial instruments	247,593	200,173
Share of results of joint ventures	-	(11,083)
Share of results of associates	481,566	115,610
Net unrealised foreign exchange (gain)/loss	173,000	(138,704)
Interest expense	284,146	474,461
Interest on lease liabilities	505,873	-
Interest income	(71,559)	(63,333)
	2,979,005	1,291,010
Changes in working capital		
Inventories	(38,547)	(38,843)
Receivables and prepayments	333,007	(949,355)
Trade and other payables and provisions	749,766	743,246
Intercompany balances	(161,274)	(396,831)
Cash generated from operations	3,861,957	649,227
Interest paid	(191,793)	(323,126)
Interest received	71,559	78,431
Tax paid	(19,938)	(44,988)
Retirement benefit paid	-	(3,385)
Net cash generated from operating activities	3,721,785	356,159



AIRASIA GROUP BERHAD

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 31/12/2019 RM'000	PERIOD ENDED 31/12/2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(362,776)	(1,123,720)
- Proceeds from disposal	4,407,605	9,815,005
Addition in intangible assets	(16,778)	(6,695)
Acquisition of a subsidiary/ non controlling interest, net of cash	(3,909)	(77,944)
Refund of /(Additional) deposits for aircraft	407,784	(41,426)
Additional investments in investment securities	(43,303)	(67,622)
Additional subscription of shares in associates	(280,482)	(175,246)
Additional subscription of shares in joint venture	-	(23,200)
Proceeds from disposal of interest in a subsidiary	-	352,695
Proceeds from disposal of associates/ joint venture	-	245,754
Dividend received from :		
- associates	-	167,918
Net cash generated from investing activities	4,108,141	9,065,519
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,408,813)	(1,737,827)
Proceeds from borrowings	620,724	1,203,073
Repayment of borrowings and lease liabilities	(5,481,164)	(7,551,916)
Net cash used in financing activities	(8,269,253)	(8,086,670)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(439,327)	1,335,008
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,326,921	1,882,195
CURRENCY TRANSLATION DIFFERENCES	(296,979)	109,718
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	2,590,615	3,326,921

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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	3,359,229	2,823,386	12,445,628	10,638,296
Operating expenses:				
- Staff costs	(553,129)	(464,889)	(1,873,726)	(1,669,918)
- Depreciation of property, plant and equipment	(557,474)	(151,624)	(1,987,612)	(584,748)
- Aircraft fuel expenses	(1,095,532)	(1,110,195)	(4,204,771)	(3,908,417)
- Maintenance and overhaul	(411,395)	(423,101)	(1,320,820)	(938,369)
- User charges and other related expenses	(489,704)	(475,257)	(1,760,041)	(1,576,018)
- Aircraft operating lease expenses	-	(413,406)	-	(1,155,680)
- Other operating expenses	(339,922)	(381,201)	(1,130,835)	(779,486)
Other income	124,138	407,991	575,123	1,193,276
Operating profit/(loss)	36,211	(188,296)	742,946	1,218,936
Finance income	31,364	39,782	71,559	63,333
Finance costs	(215,815)	(71,897)	(790,019)	(474,761)
Net operating (loss)/profit	(148,240)	(220,411)	24,486	807,508
Share of results of associates	(225,709)	(59,044)	(481,566)	(115,610)
Share of results of joint ventures	-	4,285	-	11,083
Foreign exchange gains	174,556	69,502	154,918	126,833
Fair value loss on derivatives	(33,075)	(165,775)	(247,593)	(200,173)
Impairment of investment in a joint venture	-	-	-	(11,034)
Remeasurement gain on retained interest in a former subsidiary	-	-	-	534,712
Gain on disposal of investment in an associate	-	-	-	181,914
(Loss)/Profit before taxation	(232,468)	(371,443)	(549,755)	1,335,233
Tax expense	(13,370)	(21,830)	(30,251)	(38,965)
Deferred taxation	(139,592)	(63,762)	294,043	399,126
Net (loss)/profit for the financial period/ year	(385,430)	(457,035)	(285,963)	1,695,394

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)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the Audited Financial Statements for the financial year ended 31 December 2018. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2019 or later are provided in the notes to the financial statements in the Audited Financial Statements of the Group for the financial year ended 31 December 2018. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

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

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

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

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



AIRASIA GROUP BERHAD

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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	-	9,604.3	9,604.3
Lease liabilities	-	(9,693.3)	(9,693.3)
Investment in associates	282.7	(96.2)	186.5
Retained earnings	5,541.7	(177.1)	5,364.6
Minority interest	(1,599.2)	(8.1)	(1,607.3)

(b) To the unaudited Consolidated Financial Statements for the quarter ending 31 December 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 31/12/19 before MFRS 16 RM million	MFRS 16 Adjustments RM million	Quarter ended Unaudited 31/12/19 RM million
Depreciation	(35,470)	(522,004)	(557,474)
Aircraft Operating Leases	(578,651)	578,651	-
Finance expenses	(77,531)	(138,284)	(215,815)



AIRASIA GROUP BERHAD

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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

On 23rd December 2019, Teleport Everywhere Pte Ltd (an indirect wholly owned subsidiary of the Company) subscribed for 469,000 ordinary shares, representing 67% shareholding, in Teleport Commerce In Private Limited.

Other than the above, there are no changes in composition of the Group during the current quarter.

7. Changes in estimates

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

8. Capital and reserves

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

9. Dividends paid and proposed

No dividend has been proposed or paid during the quarter ended 31 December 2019.



AIRASIA GROUP BERHAD

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

10. Retained earnings

Retained earnings of RM869.6 million, being the retained earnings of the Company, is available for distribution to shareholders of the Company.

11. Revenue

	Quarter ended 31/12/2019 RM million	Quarter ended 31/12/2018 RM million
Passenger revenue		
- seat sales	2,567.9	2,067.0
- others	490.7	550.5
Aircraft operating lease income	153.4	107.5
	<hr/>	<hr/>
	3,212.0	2,725.0
Teleport (Logistics) *	147.2	98.4
	<hr/>	<hr/>
	3,359.2	2,823.4

* Freight services is centralised and undertaken by the Group through logistics business provider, Teleport.

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 31/12/2019 RM million	Quarter ended 31/12/2018 RM million
Fees charged for provision of commercial air transport services	28.4	25.1
Gain on disposal of property, plant and equipment	-	254.7
Others	33.2	127.4
	<u>61.6</u>	<u>407.2</u>

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

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

	Quarter ended 31/12/19 RM million	Quarter ended 31/12/18 RM million	Year ended 31/12/19 RM million	Year ended 31/12/18 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	22.7	14.5	62.9	21.4
Discounting effect on financial instruments and others	8.7	25.3	8.7	41.9
	<u>31.4</u>	<u>39.8</u>	<u>71.6</u>	<u>63.3</u>
(b) Finance costs				
Bank borrowings	(27.9)	(37.4)	(187.0)	(334.1)
Amortisation of premiums for interest rate caps	(1.5)	39.9	(3.8)	(12.4)
Discounting effect on financial instruments, bank facilities and other charges	(48.1)	(74.4)	(93.3)	(128.3)
	<u>(77.5)</u>	<u>(71.9)</u>	<u>(284.1)</u>	<u>(474.8)</u>
(c) Foreign exchange gains/(losses)				
- realized	(46.8)	10.5	(16.9)	26.3
- unrealized	221.4	87.7	173.0	125.5
- fair value movement recycled from cash flow hedge reserve	-	(28.7)	(1.2)	(25.0)
	<u>174.6</u>	<u>69.5</u>	<u>154.9</u>	<u>126.8</u>



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14. Remeasurement gain on retained interest in a former subsidiary

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

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

Reclassification of investment in joint venture to investment in associate

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

15. Income tax and Deferred tax

Income tax expense

The current taxation charge for the quarter of RM13.4 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Net deferred tax liability of RM139.6 million was recognised in the current quarter mainly due to recognition of utilisation of investment incentive for taxable profits.

16. Property, plant and equipment

(a) acquisition and disposals

During the year ended 31 December 2019, the Group acquired property, plant and equipment with a cost of RM362.8 million (period ended 31 December 2018: RM1,123.7 million)

During the year ended 31 December 2019, proceeds from disposal of property, plant and equipment totaled RM4,407.6 million (period ended 31 December 2018: RM9,815.0 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 31/12/2019 RM million	As at 31/12/2018 RM million
Investment at cost	952.6	672.2
Adjustment due to adoption of MFRS 16	(96.2)	-
Reclassified from investment in joint venture	572.7	-
Share of results and reserves	(754.0)	(389.5)
	<u>675.1</u>	<u>282.7</u>

As permitted by MFRS 128, the Group recognized share of losses for AirAsia India and AirAsia Japan to the extent of the Group's interest in these associates. The unrecognized losses the reporting date is RM86.1 million and RM40.2 million respectively.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****19. Receivables and prepayments**

	As at 31/12/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Prepayments	2,249.1	2,011.2
Deposits and other receivables	979.5	1,056.4
	<u>3,228.6</u>	<u>3,067.6</u>
<u>Current</u>		
Trade and other receivables	350.6	485.9
Prepayments	787.6	829.9
Deposits	20.1	79.2
	<u>1,158.3</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 31/12/2019 RM million	As at 31/12/2018 RM million
<u>Non-current</u>		
Other payables	199.8	308.6
<u>Current</u>		
Trade payables	395.3	538.2
Other payables	467.5	436.2
Accruals for fuel	290.2	149.6
Collateral for derivatives	7.8	79.4
Others	867.3	765.7
	<u>2,028.1</u>	<u>1,969.1</u>

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



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21. Aircraft maintenance provision/ payables

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

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

On 24 December 2018, an indirect subsidiary of the Group, Asia Aviation Capital Limited (“AACL”) entered into a Sale and Purchase Agreement with AS Air Lease Holdings 5T DAC and AS Air Lease 8 (Offshore) LP, both entities controlled by 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).

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

23. Borrowings

	As at 31/12/2019 RM million	As at 31/12/2018 RM million
<u>Short term</u>		
Term loans	226.2	325.4
Finance lease liabilities	-	58.3
Commodity Murabahah Finance	3.6	22.2
Revolving credit	100.0	17.3
	<hr/> 329.8	<hr/> 423.2
<u>Long term</u>		
Term loans	99.0	530.2
Finance lease liabilities	-	178.5
Commodity Murabahah Finance	-	73.3
	<hr/> 99.0	<hr/> 782.0
Liabilities directly associated with asset held for sale	<hr/> -	<hr/> 1,834.3
Total	<hr/> 428.8	<hr/> 3,039.5



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23. Borrowings (cont'd)

The currency profile of borrowings are as follows:

	As at 31/12/2019 RM million	As at 31/12/2018 RM million
Ringgit Malaysia	103.6	95.5
US Dollar	184.3	2,719.9
Euro	-	56.2
Philippine Peso	90.0	94.5
Indonesian Rupiah	50.9	73.4
	<u>428.8</u>	<u>3,039.5</u>

Total borrowings include secured liabilities of the Group of RM103.9 million. These are secured by the following:

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

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

24. Lease liabilities

The Group has adopted MFRS 16: Leases beginning 1 January 2019. The lease liabilities is supported by the corresponding Rights of Use asset of RM12.2 billion. The lease liabilities are repayable on a monthly basis based on the lease agreement.



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25. Derivative financial instruments

(a) Forward Foreign Exchange Contracts

As at 31 December 2019, the Group has entered into Foreign Currency Swaps to hedge the USD dollar liabilities into Malaysia Ringgit (“MYR”).

(b) Interest Rate Hedging.

As at 31 December 2019, the Group has interest rate swaps and cross-currency interest rate swaps which have an outstanding amount of US\$461 million.

(c) Fuel Hedging

As at 31 December 2019, the Group has entered into Brent swaps which represent up to 82% of the Group’s total budgeted fuel consumption for year 2020.

For the year 2021, it represents up to 20% of the Group’s total budgeted fuel consumption.

Type of Derivatives	Notional Value Barrels million	Fair value 31/12/2019 Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	9.0	24.2
- 1 year to 3 years	2.4	(1.3)
Total	11.4	22.9
<u>Interest rate contracts</u>		
	RM million	RM million
- less than 1 year	357.6	(5.9)
- 1 year to 3 years	292.7	(19.7)
- More than 3 years	956.3	(35.6)
Total	1,606.6	(61.2)
<u>Foreign currency contracts</u>		
	RM million	RM million
- less than 1 year	87.8	11.1
- 1 year to 3 years	456.3	102.2
- More than 3 years	442.7	91.5
Total	986.8	204.8

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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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 31/12/2019 RM million	As at 31/12/2018 RM million
Approved and contracted for	99,665.2	88,640.5



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31. Material related party transactions

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

	Quarter ended 31/12/2019 RM million	Quarter ended 31/12/2018 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	63.2	70.1
- India AirAsia	21.5	21.9
- Japan AirAsia	11.9	8.2
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra	-	17.5
b. Wet lease expenses on aircraft		
- PT Indonesia AirAsia Extra	27.5	25.2
c. Purchase of cargo transportation capacity		
- AirAsia X Berhad	53.8	44.8



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32. Review of Group Performance

Consolidated Group Performance

The Group reported a Net Operating Loss of RM373.9 million for 4Q19, 36% higher than the Net Operating Loss reported in 4Q18. 60% of the Net Operating Loss of 4Q19 was losses from the share of results of associates and joint ventures. Excluding the share of results of associates and joint ventures, the adjusted net operating loss is 33% lower than 4Q18.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM million	RM million	RM million	RM million
Net Operating (Loss)/ Profit	(373.9)	(275.2)	(457.1)	352.7
Share of results of associates and joint venture	(225.7)	(54.8)	(481.6)	(104.5)
Adjusted Net Operating (Loss)/ Profit	(148.2)	(220.4)	24.5	457.2

4Q19 share of results of associates includes RM133.5 million recognized for AirAsia India losses on injection of investment into AirAsia India. Further RM74 million is adjusted to align the accounting policy practices of the associates to the Group.

Adjusting for the major one off items as listed below, Net Operating Loss Q419 is 77% lower than that of 4Q18 as 4Q18 included catch up maintenance adjustments post completion of sales and leaseback transactions.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM million	RM million	RM million	RM million
Adjusted Net Operating (Loss)/ Profit	(148.2)	(220.4)	24.5	457.2
Adjustments:				
- Gain on disposal of property, plant and equipment from sales and leaseback transaction	-	(254.7)	(82.7)	(298.8)
- One off consultant costs for sales and leaseback transactions	12.9	101.0	25.2	166.8
- One off tax provisions of a subsidiary	49.3	-	49.3	-
- Discounting of a long term receivable	40.0	16.2	40.0	16.2
- Impairment of receivables	-	113.4	-	113.4
- Employee redundancy costs	-	44.0	-	44.0
	(46.0)	(200.5)	56.3	498.8

For YTD 2019, the Group reported Net Operating Loss of RM457.1 million as compared to a Net Operating Profit in YTD2018. However, after adjusting the major one off items, YTD2019 will reflect a Net Operating Profit of RM56.3 million.

Whilst Revenue increased by 15%, the full year impact of the sales and leaseback aircraft which was completed in 2018 and further completion of sales and leaseback aircraft in 2019 impacted the Net Operating Profit as the Group adopted MFRS 16. The adoption reduced the Net Operating Profit by RM130.9 million.



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

AIRLINE

Performance indicators

	Oct - Dec 2019	Oct - Dec 2018	Change %	YTD 2019	YTD 2018	Change %
Passengers Carried	13,169,228	12,109,141	9%	51,559,070	44,437,379	16%
Capacity	16,021,044	14,380,134	11%	60,884,616	52,536,954	16%
Seat Load Factor	82%	84%	-2	85%	85%	0
RPK (million)	15,916	14,962	6%	63,382	55,962	13%
ASK (million)	19,185	17,870	7%	74,642	66,261	13%
Average Fare (RM)	190	172	11%	179	173	3%
Unit Passenger Revenue (RM)	234	219	7%	224	219	2%
Revenue / ASK (sen)	16.09	14.80	9%	15.53	14.73	5%
Revenue / ASK (US cents)	3.87	3.56	9%	3.75	3.55	5%
Cost / ASK (sen)	16.25	16.85	-4%	15.74	14.71	7%
Cost / ASK (US cents)	3.91	4.05	-4%	3.80	3.55	7%
Cost / ASK-ex Fuel (sen)	11.16	10.57	6%	10.10	8.82	15%
Cost / ASK-ex Fuel (US cents)	2.68	2.54	6%	2.44	2.13	15%
Aircraft (end of period)	149	141	8	149	141	8
Average Stage Length (km)	1,207	1,240	-3%	1,225	1,253	-2%
Number of Flights	88,175	79,394	11%	335,399	290,461	15%
Fuel Consumed (Barrels)	3,114,176	2,937,604	6%	12,003,621	11,241,572	7%
Average Fuel Price (US\$ / Barrel)	83	92	-9%	82	87	-6%

Exchange Rate: Quarter -RM:USD – 4.1572 Year – RM:USD – 4.1433 - 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\$91/barrel for the quarter and US\$84/ barrel for the year

Statistics exclude Logistic and Leasing operations

Total Group Revenue for the airline business for 4Q19 grew 18% to RM3,212.0 million, from RM2,725.0 million recorded in 4Q18. The growth was mainly attributed to a 9% increase in total passengers carried and RASK. Capacity grew by 32% and 27% in IAA and PAA respectively as they open or reopen new routes whilst MAA added capacity of 4%. The sizable increase in capacity has resulted in a drop in load factor of 2%. Average Fare grew by 18% in IAA whilst Malaysia recorded a modest 9% growth. Overall Group RASK improved to 3.86 US cents from 3.56 US cents in 4Q18. Group CASK ex Fuel grew after accounting for MFRS 16 impact on sales and leaseback of aircrafts.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2019**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****32. Review of Group Performance - Airline (cont'd.)**

Total Group Revenue for airline business for 2019 grew 15% achieving revenue of RM12.0 billion as compared to RM10.4 billion recorded for 2018. Capacity recorded 16% with the highest contributor of growth coming from PAA at 20% growth in capacity. IAA reported a 49% growth in capacity (including the aircraft transferred from IAAX in Q4 2018). Average Fare and RASK also grew by 3% and 5% respectively with PAA reporting a 3% growth in RASK whilst IAA reported a 13% growth in RASK.

The Group's airline EBITDA for 4Q19 was RM337.7 million, compared to a loss of RM86.2 million in 4Q18. The Group's airline EBITDA for YTD 2019 is at RM2.2 billion, 60% higher than the RM1.4 billion reported in YTD 2018. EBITDA for MAA, IAA and PAA were all positive for 4Q19 and YTD 2019. However, all the Group's airline associates reported losses totaling RM225.7 million for the quarter and RM481.6 million for the year.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended	Period ended
	31/12/2019	31/12/2018
	RM million	RM million
Cash from Operating activities	3,721.8	356.2
Cash from/(to) Investing activities	4,108.1	9,065.5
Cash from/(to) Financing activities	(8,269.3)	(8,086.7)
	<u>(439.4)</u>	<u>1,335.0</u>

The Group's cash inflow from operations was RM3,721.8 million, compared to an inflow of RM356.2 million in the same period last year. Cash inflow from investing activities arose mainly from the completion of disposal of aircrafts whilst the increase in outflow from financing activities was as a result of repayment of borrowings and payment of dividend to shareholders.

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

	As at	As at
	31/12/2019	31/12/2018
	RM million	RM million
Borrowings	428.8	3,039.4
Lease liabilities	12,261.6	-
Less: Deposit, cash and bank balances	2,590.6	3,326.9
Net Debt	10,099.8	Nil
Total equity	4,440.3	7,784.5
Net gearing ratio (times) – excluding lease liabilities	Nil	Nil
Net gearing ratio (times)	2.3	-



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

Associate's Performance

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

Performance indicators

	Oct-Dec 2019	Oct-Dec 2018	Change %	YTD 2019	YTD 2018	Change %
Passengers Carried	5,424,283	5,501,938	-1%	22,149,474	21,568,733	3%
Capacity	6,272,148	6,395,670	-2%	26,078,790	25,235,346	3%
Seat Load Factor	86%	86%	-	85%	85%	-
RPK (million)	5,433	5,452	0%	22,670	21,243	7%
ASK (million)	6,398	6,460	-1%	26,940	25,019	8%
Average Fare (THB)	1,505	1,408	7%	1,478	1,475	0%
Unit Passenger Revenue (THB)	1,850	1,737	7%	1,816	1,806	1%
Revenue / ASK (THB)	1.58	1.52	4%	1.51	1.59	-5%
Revenue / ASK (US cents)	5.22	5.01	4%	4.85	5.11	-5%
Cost / ASK (THB)	1.59	1.64	-3%	1.53	1.57	-3%
Cost / ASK (US cents)	5.24	5.40	-3%	4.91	5.04	-3%
Cost / ASK-ex Fuel (THB)	1.09	1.01	8%	1.01	0.98	3%
Cost / ASK-ex Fuel (US cents)	3.59	3.33	8%	3.24	3.15	3%
Aircraft (end of period)	63	62	1	63	62	1
Average Stage Length (km)	1,020	1,009	1%	1,033	991	4%
Number of Flights	34,743	35,466	-2%	144,421	139,848	3%
Fuel Consumed (Barrels)	1,178,800	1,174,807	0%	4,939,525	4,574,372	8%
Average Fuel Price (US\$ / Barrel)	87	102	-15%	92	98	-6%

Exchange Rate: Quarter - THB:USD – 30.36 Year – THB:USD – 31.13- 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\$111/barrel for the quarter and USD\$103/ barrel for the year

CASK with adjustments of MFRS16 remains unchanged.



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

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

Financial Statements

	Oct-Dec 2019 THB'000	Oct-Dec 2018 THB'000	YTD 2019 THB'000	YTD 2018 THB'000
Revenue	9,997,584	9,655,098	40,180,651	38,904,848
Operating expenses:				
- Staff costs	(1,776,816)	(1,417,209)	(6,737,134)	(5,709,984)
- Aircraft fuel expenses	(3,171,587)	(3,954,053)	(13,962,766)	(14,635,578)
- Maintenance and overhaul	(781,735)	(796,702)	(3,618,331)	(3,207,765)
- User charges and other related expenses	(1,416,762)	(1,118,997)	(5,127,691)	(4,487,980)
- Other operating expenses	(1,426,408)	(1,312,812)	(5,263,035)	(4,683,320)
Other income	245,467	208,296	992,157	985,647
EBITDAR	1,669,743	1,263,621	6,463,851	7,165,868
Depreciation of property, plant and equipment	(423,358)	(432,805)	(1,716,741)	(1,666,749)
Aircraft operating lease expenses	(1,296,264)	(1,332,818)	(5,232,751)	(5,147,856)
Finance income	10,427	15,086	28,061	58,521
Finance costs	(195,726)	(207,666)	(765,529)	(743,709)
Foreign exchange (loss)/gains	79,240	117,777	350,472	250,412
Loss before taxation	(155,938)	(576,805)	(872,637)	(83,513)
Tax expense	-	-	-	-
Deferred taxation	21,338	92,972	1,166	211,054
Loss after taxation	(134,600)	(483,833)	(871,471)	127,541

*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 has not adopted MFRS 16: Leases as shown above but adjustments were made at the Group consolidated financial statements to align the accounting policy to the Group.



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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	Dec 2019 THB'000	Dec 2018 THB'000
Property, plant and equipment	24,821,094	26,129,012
Intangible assets	22,770	26,991
Inventory	294,641	188,318
Aircraft maintenance reserve	5,963,213	4,532,741
Other debtors and prepayments	2,155,980	2,131,639
Amounts due from related parties	1,919,708	872,217
Cash and Short term deposits	3,889,581	4,036,976
Total Assets	39,066,987	37,917,894
Sales in advance	4,648,343	4,986,935
Other creditors and accruals	5,162,137	3,593,021
Amount due to related parties	373,823	699,190
Borrowings	10,486,213	7,583,055
Lease liabilities	11,493,614	13,219,322
Deferred tax liabilities	64,421	58,303
Total Liabilities	32,228,551	30,139,826
Share capital	435,556	435,555
Retained earnings	6,402,880	7,342,513
Total Equity	6,838,436	7,778,068

Thai AirAsia recorded Total Revenue of THB9,997.6 million in 4Q19, 4% higher than 4Q18 of THB9,665.1 million. Passengers carried saw a marginal drop of 1% with seat Load factor remaining unchanged at 86%. The increase in revenue is contributed mainly from increase in Average Fare of 7%.

As a result of increase in revenue and better fuel prices, Thai AirAsia reported EBITDAR of THB1,669.7 million which is 32% higher than EBITDAR of THB1,263.6 million in 4Q18. Thai AirAsia show an increase of 4% from THB1.52 to THB1.58 as domestic fares improve. The CASK reported a decrease of 3% on the back of lower fuel costs.

For YTD2019, Total Revenue is recorded at THB40,180.7 million, a 3% increase from YTD 2018 mainly contributed by the increase in passengers carried by 3%. CASK Ex Fuel increased by 3%, mainly from the increase in staff costs.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

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

Performance indicators

	Oct-Dec 2019	Oct-Dec 2018	Change %	YTD 2019	YTD 2018	Change %
Passengers Carried	2,685,418	1,933,337	39%	9,261,439	6,830,757	36%
Capacity	3,099,240	2,253,060	38%	10,430,820	8,218,260	27%
Seat Load Factor	87%	86%	1	89%	83%	6
RPK (million)	2,921	2,094	40%	10,059	7,208	40%
ASK (million)	3,334	2,410	38%	11,226	8,568	31%
Average Fare (INR)	3,603	3,027	19%	3,282	2,972	10%
Unit Passenger Revenue (INR)	4,008	3,493	15%	3,666	3,419	7%
Revenue / ASK (INR cents)	317.19	266.24	19%	295.55	260.60	13%
Revenue / ASK (US cents)	4.45	3.74	19%	4.20	3.70	13%
Cost / ASK (INR cents)	346.77	340.90	2%	343.24	332.89	3%
Cost / ASK (US cents)	4.86	4.79	2%	4.88	4.73	3%
Cost / ASK-ex Fuel (INR cents)	204.62	179.66	14%	203.91	179.71	13%
Cost / ASK-ex Fuel (US cents)	2.87	2.52	14%	2.90	2.55	13%
Aircraft (end of period)	28	19	9	28	19	9
Average Stage Length (km)	1,076	1,040	3%	1,076	1,034	4%
Number of Flights	17,218	12,517	38%	57,949	45,657	27%
Fuel Consumed (Barrels)	610,285	431,384	41%	2,044,865	1,557,426	31%
Average Fuel Price (US\$ / Barrel)	109	127	-14%	109	123	-12%

Exchange Rate: Quarter -RM:USD – 71.17 Year- RM:USD – 70.41- 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\$126/barrel for the quarter to date and US\$120/ barrel for year to date



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

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

Financial Statements

	Oct-Dec 2019 INR'000	Oct-Dec 2018 INR'000	YTD 2019 INR'000	YTD 2018 INR'000
Revenue	10,575,553	6,417,064	33,179,751	22,311,061
Operating expenses:				
- Staff costs	(1,647,385)	(929,893)	(5,362,037)	(3,523,626)
- Aircraft fuel expenses	(4,739,510)	(3,886,378)	(15,641,266)	(13,124,652)
- Maintenance and overhaul	(1,743,533)	(1,242,809)	(5,660,593)	(3,903,056)
- User charges and other related expenses	(1,461,220)	(976,863)	(5,004,736)	(3,544,901)
- Aircraft operating lease expenses	-	(1,164,030)	-	(4,084,484)
- Other operating expenses	(551,148)	(306,984)	(1,745,196)	(1,225,585)
Other income	187,983	335,570	772,638	1,042,096
EBITDA	620,740	(1,754,323)	538,561	(6,053,147)
Depreciation of property, plant and equipment	(1,258,996)	(34,887)	(4,573,293)	(132,856)
Finance income	24,388	9,923	126,133	33,625
Finance costs	(372,394)	(20,058)	(1,444,580)	(41,337)
Foreign exchange loss	(247,310)	137,828	(613,625)	(142,437)
Loss before tax	(1,233,572)	(1,661,517)	(5,966,804)	(6,336,152)
Tax expense	-	-	-	-
Deferred taxation	-	-	-	-
Loss after tax	(1,233,572)	(1,661,517)	(5,966,804)	(6,336,152)



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

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

Financial Statements

Year Ended	Dec 2019 INR'000	Dec 2018 INR'000
Property, plant and equipment	857,305	819,922
Rights of Use Asset	25,126,174	-
Inventory	407,522	202,783
Other debtors and prepayments	3,239,066	2,017,173
Amounts due from related parties	5,674,426	3,448,262
Cash and Short term deposits	4,981,350	986,740
Total Assets	40,285,843	7,474,880
Sales in advance	2,045,362	1,348,673
Other creditors and accruals	3,856,244	4,735,878
Amount due to related parties	8,870,530	6,399,077
Lease liabilities	27,094,238	-
Borrowings	1,699,564	1,121,216
Total Liabilities	43,565,938	13,604,844
Share capital	15,000,000	5,337,000
Retained earnings	(18,280,095)	(11,466,964)
Total Equity	(3,280,095)	(6,129,964)

AirAsia India recorded 4Q19 revenue of INR10,575.6 million, a 65% increase from 4Q18 at the back of a 38% increase in capacity and 19% increase in Average Fare. The increase in overall costs is in tandem with the increase in revenue. Staff costs increased by 77% due to additional operational staffs for increased number of aircraft and also forward hiring to cater for additional aircrafts to be inducted in first half 2020. AirAsia India continues to undertake continuous improvement projects to save costs on fuel. Overall 4Q19 Loss before tax narrowed to INR1,233.6 million compare to INR1,661.5 million in the same quarter last year.



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

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

For YTD19, revenue recorded an increase of 50%, from INR22,311.1 million to INR33,179.8 million on the back of an increase in Average Fare of 10% to INR3,282 and an increase in capacity of 27%. YTD19 only reported a 6% lower Loss before tax at INR5,966.8 million as salary costs increased due to the reasons mentioned above and maintenance costs increased in line with the additional number of aircrafts.

(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 JPY1,086.7 million for 4Q19 and JPY4,797.0 million for YTD19. AirAsia Japan has not adopted MFRS 16: Leases. The adoption of MFRS16 did not result in a material impact to the income statement of AirAsia Japan.

NON-AIRLINE

The EBITDA for Non Airline businesses is as follows:

	Quarter ended 31/12/2019				Quarter ended 31/12/2018			
	Teleport (Logistics)	AirAsia.com	Big Pay Group	RedBeat Ventures	Teleport (Logistics)	AirAsia.com	Big Pay Group	RedBeat Ventures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	147,218	11,138	6,083	45,324	98,372	3,605	1,601	(1,322)
Operating expenses	(133,830)	(12,112)	(35,201)	(54,607)	(13,423)	(8,037)	(14,761)	(31,731)
Adjustment for intercompany elimination	56,266	-	-	-	(39,525)	-	-	-
EBITDA	69,654	(974)	(29,118)	(9,283)	45,424	(4,432)	(13,160)	(33,053)

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 had more than doubled its 4Q18 revenue. BigPay will continue to incur expansion costs as it acquires market share.



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33. Variation of results against preceding quarter

The Group recorded a Net Loss of RM385.4 million for the quarter under review, against the Net Loss of RM67.5 million in the immediately preceding quarter ended 30 September 2019 mainly as a result of recognition of share of losses of associates of RM225.7 million, tax settlement payment one off tax provision of RM49.3 million in a subsidiary and discounting impact of a long term receivable of RM40.0 million. Quarter ended 30 September 2019 also includes a one off deferred tax asset recognized of RM292.3 million as a result of the completion of sales and leaseback transaction.

34. Profit forecast

No profit forecast has been issued.

35. Commentary on prospects

The airline industry, being part of the travel industry, has been severely affected by the rapid spread of the corona virus (Covid 19) in early 2020. Due to health reasons and travel restrictions put in place by many countries, the demand for airline travel has seen a considerable decline. We are not spared the effects of Covid 19. We are taking positive actions to face this challenge by managing capacity and costs. The airline business is still the major contributor to the Group's financial performance. We have undergone previous experiences dealing with viral outbreak and we believe that the Group has the necessary experience and resources to overcome the current challenge. We look forward to the bounce after Covid 19 when demand for airline travel should return.

The Digital business of the Group continues to gain traction. BigPay has seen significant growth in Gross Merchandise Values, App downloads as well as the number of cards issued. Similarly, BigLoyalty has also seen significant improvements in membership, including mobile users. It has also almost doubled the number of active partners in its network. Teleport, the Group's cargo operator, completed the consolidation of the Group's South East Asia cargo network. The company's B2C same day parcel delivery operations is also gaining traction with expansion to various cities in the region. AirAsia.com, our OTA platform, is also performing as planned with significant improvements made to the platform, including opening up for booking of flights of third party airlines.

Based on the above, the Board is projecting that it may not achieve internal projections for the year.



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36. Material Litigation

As at 27 February 2020, there was no material litigation against the Group.

37. Other matters

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

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

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

- (b) On 31 January 2020, the Company is mentioned in the Approved Judgement and Statement of Facts in relation to Regina vs Airbus SE. The Board of Directors have formed an independent committee to review the allegations therein and the executive chairman and chief executive officer relinquished their executive position for 2 months pending investigations but they remain as advisors.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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	Quarter ended	Year ended	Year ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net (loss)/profit attributable to owners of the Company (RM'000)	(384,438)	(394,971)	(303,722)	1,967,006
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)	(11.5)	(11.8)	(9.1)	58.9

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

39. Authorisation for issue

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH
(MAICSA 7002687)
COMPANY SECRETARY
27 February 2020