



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018

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 fourth quarter 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Revenue	11	2,823,386	2,657,444	10,603,755	9,709,721
Operating expenses:					
- Staff costs		(464,889)	(482,403)	(1,624,111)	(1,607,046)
- Depreciation of property, plant and equipment		(151,624)	(222,881)	(591,420)	(863,989)
- Aircraft fuel expenses		(1,110,195)	(748,212)	(3,908,417)	(2,821,124)
- Maintenance and overhaul		(423,101)	(284,101)	(914,669)	(650,401)
- User charges and other related expenses		(475,257)	(305,675)	(1,559,058)	(1,263,282)
- Aircraft operating lease expenses		(413,406)	(191,858)	(1,126,821)	(650,695)
- Other operating expenses		(381,201)	(166,052)	(817,482)	(491,706)
Other income	12	407,991	440,275	1,146,479	799,306
Operating (loss)/ profit		(188,296)	696,537	1,208,256	2,160,784
Finance income	13	39,782	15,107	72,694	55,670
Finance costs	13	(71,897)	(161,803)	(451,212)	(577,748)
Net operating (loss)/ profit		(220,411)	549,841	829,738	1,638,706
Share of results of associates	30	(59,044)	20,860	(112,330)	47,307
Share of results of joint ventures		4,285	1,903	11,083	19,923
Foreign exchange gains	13	69,502	45,919	130,800	187,059
Fair value losses on derivatives		(165,775)	(37,975)	(200,173)	(140,602)
Remeasurement gain on retained interest in a former subsidiary	14	-	-	534,712	-
Remeasurement gain on consolidation		-	-	-	214,350
Net gain on disposal of associate		-	-	170,880	-
Negative goodwill on consolidation		-	(6,279)	-	121,045
(Loss)/Profit before taxation		(371,443)	574,269	1,364,710	2,087,788
Tax expense	15	(21,830)	(40,512)	(52,343)	(52,660)
Deferred taxation	15	(63,762)	(99,534)	399,038	(463,754)
Net (loss)/profit for the financial period		(457,035)	434,223	1,711,405	1,571,374
Attributable to:					
- Owners of the company		(394,971)	372,649	1,979,972	1,628,774
- Non-controlling interests		(62,064)	61,574	(268,567)	(57,400)
		(457,035)	434,223	1,711,405	1,571,374
Earnings per share attributable to owners of the Company (sen)					
- Basic		(11.8)	11.2	59.2	49.3
- Diluted		(11.8)	11.2	59.2	49.3

**AIRASIA GROUP BERHAD**

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Net (loss)/profit for the financial period	(457,035)	434,223	1,711,405	1,571,374
Other comprehensive income/(loss)				
Remeasurement loss on employee benefits liability, net of tax	(1,384)	-	11,283	(691)
Fair value reserve	(142,910)	(37,771)	(147,637)	(55,087)
Cash flow hedges	(279,741)	(607)	(241,340)	(222,660)
Foreign currency translation differences	72,921	12,307	12,096	149,057
Total comprehensive (loss)/ income for the period	(808,149)	408,152	1,345,807	1,441,993
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(746,085)	346,578	1,670,056	1,499,393
Non-controlling interests	(62,064)	61,574	(324,249)	(57,400)
	(808,149)	408,152	1,345,807	1,441,993

Note:

The comparative figures in the consolidated statement of comprehensive income are presented as if the reorganization had been effected from the beginning of the earliest period presented. Please refer to Note 1 Basis of preparation.

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 2017 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD

(Company No. 1244493-V)

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		31/12/2018	31/12/2017
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	16	2,854,027	12,303,522
Investment in associates	30	286,018	548,558
Investment in a jointly controlled entity		584,957	5,596
Investment securities	2(b)	435,352	-
Available-for-sale financial assets		-	301,518
Intangible assets		615,413	609,329
Deferred tax assets	28	957,184	486,880
Receivables and prepayments	18	2,690,758	2,301,531
Deposits on aircraft purchase		486,106	412,272
Derivative financial instruments	22	409,438	382,177
		9,319,253	17,351,383
CURRENT ASSETS			
Inventories		106,326	68,234
Receivables and prepayments	18	1,855,281	1,482,291
Deposits on aircraft purchase		490,111	503,914
Amounts due from joint ventures		6,792	4,893
Amounts due from associates		400,832	147,617
Amounts due from related parties		124,132	7,875
Derivative financial instruments	22	342,996	205,380
Tax recoverable		125	20,296
Deposits, bank and cash balances		3,348,697	1,882,195
Assets classified as held for sale	20	2,775,321	-
		9,450,613	4,322,695
CURRENT LIABILITIES			
Trade and other payables	19	2,601,850	2,148,682
Aircraft maintenance provisions		48,078	178,569
Sales in advance		1,121,949	938,342
Derivative financial instruments	22	540,962	74,852
Amounts due to an associates		17,395	59,499
Amounts due to a related parties		62,017	94,019
Amounts due to joint ventures		51,179	-
Borrowings	21	412,585	1,821,847
Provision of taxation		34,299	18,033
Liabilities directly associated with assets held for sale	20	1,857,826	-
		6,748,140	5,333,843
NET CURRENT ASSETS/(LIABILITIES)		2,702,473	(1,011,148)



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP	
		AS AT	AS AT
		31/12/2018 RM'000	31/12/2017 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	19	3,769,712	1,239,025
Aircraft maintenance provisions		851,561	559,068
Amounts due to an associates		-	86,292
Amounts due to a related parties		-	10,939
Borrowings	21	761,363	7,486,787
Deferred tax liabilities		113,825	104,954
Derivative financial instruments	22	225,661	70,883
Provision for retirement benefits		68,971	72,207
		5,791,093	9,630,155
		6,230,633	6,710,080
CAPITAL AND RESERVES			
Share capital		8,023,269	- *
Treasury shares		-	(160)
Other Reserves		(445,302)	(67,608)
Foreign exchange reserve		208,146	196,050
Merger deficit/ reserve		(5,507,594)	2,515,438
Retained earnings	10	5,560,230	5,404,393
		7,838,749	8,048,113
Non-controlling interests		(1,608,116)	(1,338,033)
Total equity		6,230,633	6,710,080
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.86	2.01

Note:

The comparative figures in the consolidated statement of comprehensive income are presented as if the reorganization had been effected from the beginning of the earliest period presented. Please refer to Note 1 Basis of preparation.

*Share capital of RM2

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD
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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018

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 Reserve/(Deficit) RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Fair value reserve RM'000	Remeasurement loss on employee benefits liability	Treasury Shares RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2018		*	*	2,515,438	-	196,050	(236,270)	169,353	-	(691)	(160)	5,404,393	8,048,113	(1,338,033)	6,710,080
As previously stated		-	-	-	-	-	-	(169,353)	169,353	-	-	(11,334)	(11,334)	(6,288)	(17,622)
Effects of changes in accounting policies	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 1 January 2018, as restated		-	-	2,515,438	-	196,050	(236,270)	-	169,353	(691)	(160)	5,393,059	8,036,779	(1,344,321)	6,692,458
Issue of shares pursuant to the reorganisation		3,341,974	8,023,032	(8,023,032)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares		-	237	-	-	-	-	-	-	-	160	-	397	-	397
Transactions with owners:															
Dividend		-	-	-	-	-	-	-	-	-	-	(1,737,827)	(1,737,827)	-	(1,737,827)
Accretion of interest in subsidiaries		-	-	-	-	-	-	-	-	-	-	(74,974)	(74,974)	4,772	(70,202)
Net profit for the financial period		-	-	-	-	-	-	-	-	-	-	1,979,972	1,979,972	(268,567)	1,711,405
Other comprehensive income		-	-	-	-	12,096	(241,340)	-	(147,637)	11,283	-	-	(365,598)	-	(365,598)
At 31 December 2018		3,341,974	8,023,269	(5,507,594)	-	208,146	(477,610)	-	21,716	10,592	-	5,560,230	7,838,749	(1,608,116)	6,230,633
At 1 January 2017		2,782,974	278,297	-	1,230,941	46,993	(13,610)	224,440	-	-	(160)	4,866,084	6,632,985	(5,206)	6,627,779
Transactions with owners:															
Issuance of shares		559,000	55,900	-	950,300	-	-	-	-	-	-	-	1,006,200	-	1,006,200
Dividends		-	-	-	-	-	-	-	-	-	-	(802,050)	(802,050)	-	(802,050)
Transfer to no-par value regime		-	2,181,241	-	(2,181,241)	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	-	-	-	-	-	(288,459)	(288,459)	283,817	(4,642)
Dilution of interest in subsidiaries		-	-	-	-	-	-	-	-	-	-	44	44	442,482	442,526
Non-controlling interest arising from business combination		-	-	-	-	-	-	-	-	-	-	-	-	(2,001,726)	(2,001,726)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	1,628,774	1,628,774	(57,400)	1,571,374
Other comprehensive income		-	-	-	-	149,057	(222,660)	(55,087)	-	(691)	-	-	(129,381)	-	(129,381)
At 31 December 2017		3,341,974	2,515,438	-	-	196,050	(236,270)	169,353	-	(691)	(160)	5,404,393	8,048,113	(1,338,033)	6,710,080

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 2017 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/12/2018	31/12/2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,364,710	2,087,788
Adjustments:		
Property, plant and equipment		
- Depreciation	591,420	863,989
- Gain on disposal	(318,541)	(64,281)
Amortisation of intangible assets	284	284
Impairment of receivables and related parties	91,557	16,229
Employee benefit expenses	11,219	6,124
Remeasurement gain on consolidation	-	(326,160)
Remeasurement gain on retained interest in a former subsidiary	(534,712)	-
Net gain in disposal of associate and joint venture	(527,857)	(167,688)
Fair value loss on derivative financial instruments	200,173	140,602
Share of results of joint ventures	(11,083)	(19,923)
Share of results of associates	112,330	(47,307)
Net unrealised foreign exchange gain/(loss)	(129,500)	(196,692)
Interest expense	451,212	577,748
Interest income	(72,694)	(55,670)
	1,228,518	2,815,043
Changes in working capital		
Inventories	(38,843)	(3,772)
Receivables and prepayments	(894,645)	65,161
Trade and other payables and provisions	2,455,659	(643,924)
Intercompany balances	(511,538)	124,808
Cash generated from operations	2,239,151	2,357,316
Interest paid	(323,126)	(444,957)
Interest received	78,431	25,755
Tax paid	(12,909)	(15,166)
Retirement benefit paid	(674)	(3,122)
Net cash generated from operating activities	1,980,873	1,919,826



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/12/2018	31/12/2017
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(2,097,471)	(1,976,655)
- Proceeds from disposal	9,295,100	88,045
Addition in intangible assets	(6,368)	-
Acquisition of a joint venture	-	(5,597)
Additional deposits for aircraft	41,426	-
Additional investments in investment securities	(286,908)	-
Additional subscription of shares in associates	(175,246)	(126,398)
Additional subscription of shares in joint venture	(32,692)	-
Proceeds from disposal of interest in a subsidiary	358,774	-
Proceeds from disposal of joint venture	245,754	375,921
Dividend received from associate	167,918	132,643
Acquisition of subsidiaries, net of cash	-	114,500
Acquisition of non controlling interest in subsidiaries	(59,649)	(4,643)
Dilution of interest in subsidiary	-	950
Net cash generated from/(used in) investing activities	7,450,638	(1,401,234)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from issuance of shares	396	1,006,200
Dividends paid	(1,737,827)	(802,050)
Proceeds from borrowings	1,093,504	1,276,785
Repayment of borrowings #	(7,430,415)	(1,959,627)
Net cash used in financing activities	(8,074,342)	(478,692)
NET INCREASE FOR THE FINANCIAL PERIOD	1,357,169	39,900
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,882,195	1,741,573
CURRENCY TRANSLATION DIFFERENCES	109,332	100,722
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	3,348,697	1,882,195

* Included within the balance at end of the financial period is an amount RM14.6 million restricted cash pledged as securities for banking facilities

Repayment of borrowings include debt financings related to aircraft assets included under the proposed disposal of aircraft leasing operations

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements



AIRASIA GROUP BERHAD

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018

NOTES TO THE QUARTERLY REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

On 16 April 2018, AirAsia Group Berhad (“AAGB” or “the Company”) completed the Proposed Share Exchange as part of the Proposed Internal Reorganisation (as detailed in Circular to Shareholders on 14 December 2017) by way of Members’ Scheme of Arrangement under Section 366 of the Companies Act 2016.

On completion of the Proposed Share Exchange the Company assumes the listing status of AirAsia Berhad and AirAsia Berhad became a wholly owned subsidiary of the Company.

The share exchange is a reorganization and does not result in any change of economic substance of the group. Accordingly, the comparative figures in the consolidated statement of comprehensive income are presented as if the reorganization had been effected from the beginning of the earliest period presented.

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 2017. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2018 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 2017. 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 new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as “pronouncements”) that have been issued by the MASB and are applicable as listed below:



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd.)

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2: Shared-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 140 Investment Property: Transfer of Investment Property Annual Improvements to MFRS Standards 2014-2016 Cycle

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company except as mentioned below:

(a) MFRS 15: Revenue from Contracts with Customers

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Effects arising from the initial application of MFRS 15 are as follows:

	Impact of adoption of MFRS 15 to opening balance at 1 January 2018 RM million
Decrease in retained earnings	11.3
Increase in non controlling interest	5.9
Increase in sales in advance	35.6
Decrease in deferred revenue	24.7
Decrease in deferred tax liabilities	0.6
Decrease in investment in associate	6.9



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd.)

(b) MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory. The new requirements introduced for all three aspects of the accounting for financial instruments is as follows:

(i) classification and measurement;

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

Impact as a result of MFRS 9 adoption

Both quoted and unquoted equity instruments which are not held for trading and we previously classified as Available-for-sale financial assets are now classified as “Investment Securities” and measured either FVTPL or FVOCI.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) impairment; and

The adoption of MFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing MFRS 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate. The Group does not have other financial assets other than trade and other receivables, for which the Group has applied the standard’s simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd.)

(b) MFRS 9: Financial Instruments (cont'd.)

(ii) impairment; and (cont'd.)

Based on the Group's assessment, the impact arising from adoption of MFRS 9 is as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM million
Decrease in retained earnings	0.2
Decrease in non controlling interest	0.3
Decrease in receivables	0.5

(iii) hedge accounting

The new hedge accounting rules aligned the accounting for hedging instruments, especially on fuel, more closely with the Group's risk management and hedging practices. More hedge relationships is eligible for hedge accounting as MFRS 9 introduces a more principles based approach. The Group's current hedging relationships continue to qualify for hedge accounting under MFRS 9.

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 2017 in their report dated 16 April 2018.

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.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

The Group have incorporated the following subsidiaries:

- a) On 18 December 2018, Big Pay Singapore Pte Ltd for SGD1 to provide financial services in Singapore; and
- b) On 29 January 2019, Big Pay (Thailand) Ltd for THB2,000,000 to provide financial services in Thailand.

On 21 December 2018, the Group acquired 100% interest in GY Aviation Lease Labuan 1 Limited, now renamed as Rouge Aircraft 1 Limited for USD1,000.

Other than the above and the completion of the share exchange as indicated in Note 1, there are no changes in composition of the Group.

7. Changes in estimates

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

8. Capital and reserves

There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 December 2018.

9. Dividends paid and proposed

The special dividend of 40 sen per share on 3,341,974,082 for the financial year ended 31 December 2018 amounting to RM1,336,789,632 was paid on 28 December 2018.

The Board of Directors has declared a second interim dividend of 12 sen per share on 3,341,974,082 ordinary shares for the financial year ended 31 December 2018 amounting to RM401,036,890.

10. Retained earnings

Retained earnings of RM1,388,060,378, being the retained earnings of the Company, is available for distribution to shareholders of the Company.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

11. Revenue

	Quarter ended 31/12/2018 RM million	Quarter ended 31/12/2017 RM million
Passenger seat sales	2,067.0	1,898.8
Baggage fees	268.7	246.6
Aircraft operating lease income	107.5	289.1
Surcharge and fees	11.3	9.4
Freight services	139.3	40.2
Others	229.6	173.3
	<u>2,823.4</u>	<u>2,657.4</u>

Other revenue includes revenue from assigned seats, cancellations, documentation and other fees, and the on-board sale of meals and merchandise.

12. Other income

	Quarter ended 31/12/2018 RM million	Quarter ended 31/12/2017 RM million
Fees charged for provision of commercial air transport services	25.1	32.5
Gain on disposal of property, plant and equipment	254.7	57.0
Gain on disposal of interest in a joint venture	-	167.7
Charter income	-	33.0
Others	128.2	150.1
	<u>408.0</u>	<u>440.3</u>

Other income ('others') includes commission and advertising income, forfeited revenue and insurance claims.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****13. Finance income/(costs) and foreign exchange gains/(losses)**

	Quarter ended 31/12/18 RM million	Quarter ended 31/12/17 RM million	Year ended 31/12/18 RM million	Year ended 31/12/17 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	14.5	2.8	28.7	13.1
Discounting effect on financial instruments and others	25.3	12.3	44.0	42.6
	<u>39.8</u>	<u>15.1</u>	<u>72.7</u>	<u>55.7</u>
(b) Finance costs				
Bank borrowings	(37.4)	(112.7)	(334.1)	(487.6)
Amortisation of premiums for interest rate caps	39.9	(4.3)	(12.4)	(17.4)
Discounting effect on financial instruments, bank facilities and other charges	(74.4)	(44.8)	(104.7)	(72.7)
	<u>(71.9)</u>	<u>(161.8)</u>	<u>(451.2)</u>	<u>(577.7)</u>
(c) Foreign exchange gains/(losses)				
- realized	10.5	(1.6)	26.3	45.1
- unrealized	87.7	110.8	129.5	290.9
- fair value movement recycled from cash flow hedge reserve	(28.7)	(63.3)	(25.0)	(148.9)
	<u>69.5</u>	<u>45.9</u>	<u>130.8</u>	<u>187.1</u>

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 now recognizing GTRH as a joint venture instead of a subsidiary. A re-measurement gain of RM534.7 million has been recognized in the financial statements of the Group arising from this deemed disposal.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

15. Income tax and Deferred tax

Income tax expense

The current taxation charge of RM21.8 million comprises tax payable on interest income and corporate income taxes for the subsidiaries.

Deferred taxation

Deferred tax liabilities of RM63.8 million was charged in the current financial period. For the full financial year, net deferred tax asset recognized of RM399.0 million was mainly as a result of the reversal of deferred tax liabilities upon completion of the sale and leaseback transactions on aircrafts.

16. Property, plant and equipment

(a) acquisition and disposals

During the year ended 31 December 2018, the Group acquired property, plant and equipment with a cost of RM2.1 billion (year ended 31 December 2017: RM2 billion).

During the year ended 31 December 2018, proceeds from disposal of property, plant and equipment totaled RM9.3 billion (year ended 31 December 2017: RM 88,000).

(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.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****18. Receivables and prepayments**

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
<u>Non-current</u>		
Prepayments	1,899.2	1,614.7
Deposits and other receivables	791.6	686.8
	<u>2,690.8</u>	<u>2,301.5</u>
<u>Current</u>		
Trade and other receivables	663.2	719.7
Prepayments	1,024.0	582.7
Deposits	168.1	179.9
	<u>1,855.3</u>	<u>1,482.3</u>

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

19. Trade and other payables

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
<u>Non-current</u>		
Other payables	1,472.7	1,239.0
Aircraft maintenance payables	2,297.0	-
	<u>3,769.7</u>	<u>1,239.0</u>
<u>Current</u>		
Trade payables	616.1	276.7
Accruals for fuel	149.6	144.4
Collateral for derivatives	79.4	139.4
Aircraft maintenance payables	582.9	539.8
Flight related charges	459.9	554.5
Others	714.0	493.9
	<u>2,601.9</u>	<u>2,148.7</u>

Other payables and accruals include accruals for operational expenses, passenger service charge payable to airport authorities and security deposits for leased aircraft. Aircraft maintenance payables in non-current liabilities are maintenance costs that will need to be incurred on return of operating lease aircrafts.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

20. 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 which will 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.

21. Borrowings and debt securities

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
<u>Short term</u>		
Secured	301.3	1,376.8
Unsecured	111.7	445.0
Liabilities directly associated with assets held for sale	1,857.8	-
<u>Long term</u>		
Secured	743.0	7,486.8
	<u>3,013.8</u>	<u>9,308.6</u>

The currency profile of borrowings is as follows:

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
Ringgit Malaysia	107.6	734.6
US Dollar	2,703.7	8,127.0
Euro	56.3	162.8
Singapore Dollar	-	182.7
Philippine Peso	94.5	101.4
Indonesian Rupiah	51.7	-
	<u>3,013.8</u>	<u>9,308.6</u>



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

21. Borrowings and debt securities (cont'd.)

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

The maturity period of non-current borrowing is 11 years and below. The Group has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 22 (a).

Total borrowings include secured liabilities of the Group of RM3.6 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.

22. Derivative financial instruments

The fair value of derivative financial instruments is determined in accordance with MFRS139 "Financial Instruments: Recognition and Measurement"

- (a) Forward Foreign Exchange Contracts

As at 31 December 2018, the Group has entered into Cross-Currency Swaps and Foreign Currency Swaps to hedge the USD dollar liabilities of its aircraft into Malaysia Ringgit ("MYR").

- (b) Interest Rate Hedging

As at 31 December 2018, the Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****22. Derivative financial instruments (cont'd.)****(c) Fuel Hedging**

As at 31 December 2018, the Group has entered into swaps and options for both Brent and Crack which represent up to 53% 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 31/12/2018 Assets/(Liabilities) RM million
<u>Fuel contract</u>		
- less than 1 year	6.3	(227.7)
- 1 year to 3 years	5.6	(79.2)
Total	11.9	(306.9)
<u>Interest rate contracts</u>	RM million	RM million
- less than 1 year	152.0	(1.4)
- 1 year to 3 years	503.0	(11.1)
- More than 3 years	1,750.0	(11.7)
Total	2,405.0	(24.2)
<u>Foreign currency contracts</u>	RM million	RM million
- less than 1 year	111.1	31.1
- 1 year to 3 years	852.8	108.8
- More than 3 years	622.5	177.2
Total	1,586.4	317.1

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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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****23. Status of corporate proposals announced (cont'd.)***Proposed disposal of aircraft leasing operations that includes the proposed future disposals and proposed option*

As at 9 January 2019, the Group has completed the transfer of 79 aircraft and 14 aircraft engines receiving total gross proceeds of USD1,085.5 million. (approximately RM4,382.1 million)

The disposal of the remaining five (5) aircraft will not take place as the agreements have lapsed.

The gross sales proceeds of USD1,085.5 million are utilized as follows:

Items	Proposed utilisation RM million#	Actual utilisation RM million*	Deviation explanation
Prepayment of bank borrowings	792.7	624.7	The deviation is as a result of exchange rates and timing of settlement
Defray estimated expenses for disposal of aircraft leasing operations	112.6	116.2	
Funding for aircraft and associated pre-delivery payments	769.4	773.9	
Prepayment of unsecured term loan facilities	231.0	231.0	
Remaining Proceeds	2,486.3		
- Dividend		1,336.8	
- Working Capital		1,299.5	
Total	4,392.0	4,382.1	

#based on exchange rate of RM: USD3.9215

*based on exchange rate of RM:USD 4.0369

AirAsia Joint Venture in Vietnam

Further to the announcement dated 31 March 2017 in relation to the Group's proposed joint venture in Vietnam, the Company wishes to announce that on 6 December 2018 it has signed a Memorandum of Cooperation reaffirming its intention to set up a low-cost carrier in Vietnam with Thien Minh Travel Joint Stock Company ("TMG") and Hai Au Aviation Joint Stock Company ("HAA") on the terms agreed between the parties.

24. Post balance sheet events

There are no post balance sheet events to be reported.

25. Contingent assets

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



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

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2017.

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

Capital commitments for property, plant and equipment:

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
Approved and contracted for	88,640.5	89,813.0
Approved and not contracted for	26.4	38.5
	<u>88,666.9</u>	<u>89,851.5</u>

28. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 31 December 2018 are set out below:

	Quarter ended 31/12/2018 RM million	Quarter ended 31/12/2017 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Lease rental income on aircraft		
- Thai AirAsia	70.1	128.6
- India AirAsia	21.9	46.5
- Japan AirAsia	8.2	8.1
2. Transaction of the Group with company with common directors and shareholders		
a. Lease rental income on aircraft		
- PT Indonesia AirAsia Extra ("IAAX")	17.5	17.2
b. Wet Lease Income		
- PT Indonesia AirAsia Extra	-	32.9
c. Wet Lease Expenses		
- PT Indonesia AirAsia Extra	25.2	-



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

29. Review of Group Performance

Performance indicators

	Oct - Dec 2018	Oct - Dec 2017	Change %	YTD 2018	YTD 2017	Change %
Passengers Carried	12,109,141	10,440,022	16%	44,437,381	39,092,972	14%
Capacity	14,380,134	@ 11,930,844	21%	52,536,954	@ 44,435,006	18%
Seat Load Factor	84%	88%	-4	85%	88%	-3
RPK (million)	14,962	13,429	11%	55,962	50,805	10%
ASK (million)	17,870	15,610	14%	66,260	58,311	14%
Average Fare (RM)	171	182	-6%	172	176	-2%
Unit Passenger Revenue (RM)	218	231	-6%	218	225	-3%
Revenue / ASK (sen)	14.82	15.46	-4%	14.74	15.13	-3%
Revenue / ASK (US cents)	3.55	3.71	-4%	3.65	3.75	-3%
Cost / ASK (sen)	16.58	13.05	27%	14.83	13.16	13%
Cost / ASK (US cents)	3.97	3.13	27%	3.67	3.26	13%
Cost / ASK-ex Fuel (sen)	10.35	8.26	25%	8.92	8.32	7%
Cost / ASK-ex Fuel (US cents)	2.48	1.98	25%	2.21	2.06	7%
Aircraft (end of period)	141	123	15%	141	123	15%
Average Stage Length (km)	1,240	1,291	-4%	1,253	1,290	-3%
Number of Flights	79,394	66,164	20%	290,461	246,162	18%
Fuel Consumed (Barrels)	2,937,604	2,625,583	12%	11,241,572	9,855,011	14%
Average Fuel Price (US\$ / Barrel)	92	69	33%	89	67	33%

Exchange Rate: RM:USD – 4.171 for the quarter and 4.037 for the year - 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\$68/barrel for the quarter and US\$71 for the year ended.

@ Capacity exclude capacity for IAAX aircrafts that was transferred to IAA in 4Q2018. Including these aircraft in 2017 as comparison, the capacity would have increased by 14% for quarter ended and 16% for year ended.

During the quarter, Total Group Revenue grew 6%, from RM 2,657.4 million recorded in 4Q17 to RM2,823.4 million in 4Q18. The growth was attributed to a 16% increase in total passengers carried. However, Load Factor dropped from 88% to 84% as the increase in passengers carried was lower than the increase in capacity of 21%. Overall Unit Passenger Revenue decreased by 6% from RM231 to RM218.

4Q18 reported Net Operating Loss of RM220.4 million as compared to Net Operating Profit for 4Q17 of RM549.8 million. This was mainly due to the increase in Fuel Expenses and Operating Lease Expenses. The increase in Operating Lease Expenses was as a result of completion of the sales and leaseback transaction whereby the previously owned aircraft of the Group were sold and leasedback as Operating Leases.

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FOURTH QUARTER REPORT ENDED 31 DECEMBER 2018**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****29. Review of Group Performance (cont'd.)**

For the full year, Total Group Revenue grew by 9% from RM9,709.7 million to RM10,603.8 million as total passenger carried grew by 14%. Load Factor dropped from 88% to 85% as the growth in total passengers carried was lower than the capacity growth of 18%. Overall Unit Passenger Revenue decreased by 3% from RM225 to RM218.

Net Operating Profit fell by 49% from RM1,638.7 million to RM829.7 million arising from the increase in Fuel Prices and Operating Lease Expenses as indicated above. Net Profit Before Tax for the year of RM1.364.7 million included Remeasurement Gains of RM534.7 million and the Net Gain on disposal of an associate of RM170.9 million.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow	Period ended 31/12/2018 RM million	Period ended 30/9/2018 RM million
Cash from Operating activities	1,980.9	1,633.9
Cash from Investing activities	7,450.6	6,461.2
Cash from Financing activities	(8,074.3)	(5,528.3)
	1,357.2	2,566.8

The Group's cash inflow from operations was RM1,980.9 million, compared to inflow of RM1,633.9 million in the immediate preceding quarter ended 30 September 2018. The net cash inflow for the period ended 31 December 2018 amounted to RM1,357.2 million, mainly due to proceeds from disposals of aircraft net off repayment of borrowings.

The net gearing ratio as at 31 December 2018 and 31 December 2017 are as follows:

	As at 31/12/2018 RM million	As at 31/12/2017 RM million
Total Borrowings	3,013.8	9,308.6
Less: Deposit, cash and bank balances	3,348.7	1,882.2
Net Debt	Nil	7,426.4
Total equity	7,838.7	8,048.1
Net gearing ratio (times)	Nil	0.9

The Group's total borrowings include liabilities directly associated with assets held for sale of RM1,857.8 million.



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30. Associate Companies

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

Performance indicators

	Oct - Dec 2018	Oct - Dec 2017	Change %	YTD 2018	YTD 2017	Change %
Passengers Carried	5,501,938	5,338,938	3%	21,568,733	19,819,034	9%
Capacity	6,395,670	6,034,866	6%	25,235,346	22,703,958	11%
Seat Load Factor	86%	88%	-2	85%	87%	-2
RPK (million)	5,452	5,254	4%	21,243	19,523	9%
ASK (million)	6,460	5,972	8%	25,019	22,379	12%
Average Fare (THB)	1,408	1,496	-6%	1,475	1,500	-2%
Unit Passenger Revenue (THB)	1,753	1,820	-4%	1,806	1,819	-1%
Revenue / ASK (THB)	1.52	1.62	-6%	1.59	1.61	-1%
Revenue / ASK (US cents)	4.60	4.90	-6%	4.89	4.96	-1%
Cost / ASK (THB)	1.64	1.49	10%	1.57	1.50	4%
Cost / ASK (US cents)	4.96	4.51	10%	4.83	4.63	4%
Cost / ASK-ex Fuel (THB)	1.01	1.02	-1%	0.98	1.03	-5%
Cost / ASK-ex Fuel (US cents)	3.06	3.09	-1%	3.02	3.18	-5%
Aircraft (end of period)	62	56	11%	62	56	11%
Average Stage Length (km)	1,009	989	2%	991	986	1%
Number of Flights	35,466	33,511	6%	139,848	126,083	11%
Fuel Consumed (Barrels)	1,174,807	1,118,833	5%	4,574,372	4,208,172	9%
Average Fuel Price (US\$ / Barrel)	102	77	32%	98	74	33%

Exchange Rate: THB:USD – 33.05 for the quarter and 32.49 for the year - 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\$77/barrel for the quarter and year ended.



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30. Associate Companies

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

Financial Statements

	Oct - Dec 2018 THB'000	Oct - Dec 2017 THB'000	YTD 2018 THB'000	YTD 2017 THB'000
Revenue	9,655,098	9,711,188	38,904,848	35,931,561
Operating expenses:				
- Staff costs	(1,417,209)	(1,713,335)	(5,709,984)	(5,492,342)
- Depreciation of property, plant and equipment	(432,805)	(383,991)	(1,666,749)	(1,444,837)
- Aircraft fuel expenses	(3,954,053)	(2,829,413)	(14,635,578)	(10,582,510)
- Maintenance and overhaul	(796,702)	(719,633)	(3,207,765)	(2,904,051)
- User charges and other related expenses	(1,118,997)	(1,033,039)	(4,487,980)	(4,317,966)
- Aircraft operating lease expenses	(1,332,818)	(1,225,295)	(5,147,856)	(4,989,178)
- Other operating expenses	(1,312,812)	(1,171,434)	(4,683,320)	(4,274,949)
Other income	208,296	276,579	985,647	970,813
Operating (loss)/ profit	(502,002)	911,627	351,263	2,896,541
Finance income	15,086	16,959	58,521	55,720
Finance costs	(207,666)	(174,230)	(743,709)	(653,184)
Net operating (loss)/profit	(694,582)	754,356	(333,925)	2,299,077
Foreign exchange gains	117,777	75,982	250,412	322,049
(Loss)/profit before taxation	(576,805)	830,338	(83,513)	2,621,126
Tax expense		-		
Deferred taxation	92,972	12,772	211,054	39,996
(Loss)/profit after taxation	(483,833)	843,110	127,541	2,661,122



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30. Associate Companies

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

Financial Statements

Year Ended	Dec 2018	Dec 2017
	THB'000	THB'000
Property, plant and equipment	26,129,012	25,449,651
Intangible assets	26,991	10,425
Inventory	188,318	148,801
Aircraft maintenance reserve	4,532,741	3,728,837
Other debtors and prepayments	2,131,639	1,903,568
Amounts due from related parties	872,217	307,739
Cash and Short term deposits	4,036,976	6,699,632
Total Assets	37,917,894	38,248,653
Sales in advance	4,986,935	3,469,876
Other creditors and accruals	3,593,021	4,126,886
Amount due to related parties	699,190	301,040
Borrowings	7,583,055	4,933,587
Finance lease liabilities	13,219,322	14,527,791
Deferred tax liabilities	58,303	267,435
Total Liabilities	30,139,826	27,626,615
Share capital	435,555	435,555
Retained earnings	7,342,513	10,186,483
Total Equity	7,778,068	10,622,038

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.



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30. Associate Companies

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

Thai AirAsia recorded Total Revenue of THB9,655.1 million in 4Q18, 1 % lower than 4Q17 of THB9,711.2 million. Whilst passengers carried increased by 3%, Load Factor is down to 86% as the increase in passenger carried was lower than the 6% increase in capacity. Average Fare and Unit Passenger Revenue decreased by 6% and 4%, respectively, due to the challenging operating environment.

Thai AirAsia incurred Net Operating Loss of THB694.6 million, against Net Operating Profit of THB754.4 million in 4Q17. This was mainly attributable to the increase in Fuel Expenses. Excluding Fuel Expenses, costs were fairly well controlled with CASK-ex Fuel remaining relatively stable at THB1.01.

For the Full year, Revenue recorded an increase of 8% from THB35,931.6 million to THB38,904.8 million. Despite the increase in revenue, the Full Year reported a Net Operating Loss of THB333.9 million from Net Operating Profit of THB2,299.1 million in the previous year. The main decline in performance reported was due to the impact of increase in Fuel Expenses.

For the Full Year, the Unit Passenger Revenue decreased marginally from THB1,819 to THB1,806. CASK increased by 4% mainly due to increase in fuel costs. However, CASK ex Fuel is well controlled with a decrease of 5% in CASK ex Fuel to THB0.98.

AirAsia Group Berhad has equity accounted our share of net loss of RM27.7 million for the quarter and profit of RM7.2 million for the year ended 31 December 2018 as reflected in the income statement.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

30. Associate Companies

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

Performance indicators

	Oct - Dec 2018	Oct - Dec 2017	Change %	YTD 2018	YTD 2017	Change %
Passengers Carried	1,933,337	1,416,269	37%	6,830,757	4,441,148	54%
Capacity	2,253,060	1,657,440	36%	8,218,260	5,097,420	61%
Seat Load Factor	86%	85%	1	83%	87%	-4
RPK (million)	2,094	1,419	48%	7,208	4,627	56%
ASK (million)	2,410	1,628	48%	8,568	5,226	64%
Average Fare (INR)	3,027	3,342	-9%	2,972	3,161	-6%
Unit Passenger Revenue (INR)	3,493	3,758	-7%	3,419	3,569	-4%
Revenue / ASK (INR cents)	266.24	318.05	-16%	260.60	294.07	-11%
Revenue / ASK (US cents)	3.74	4.47	-16%	3.81	4.29	-11%
Cost / ASK (INR cents)	340.90	309.22	10%	332.89	309.57	8%
Cost / ASK (US cents)	4.79	4.34	10%	4.86	4.52	8%
Cost / ASK-ex Fuel (INR cents)	179.66	183.86	-2%	179.71	194.11	-7%
Cost / ASK-ex Fuel (US cents)	2.52	2.58	-2%	2.62	2.83	-7%
Aircraft (end of period)	19	14	36%	19	14	36%
Average Stage Length (km)	1,040	927	12%	1,034	963	7%
Number of Flights	12,517	9,208	36%	45,657	28,319	61%
Fuel Consumed (Barrels)	431,384	303,439	42%	1,557,426	955,068	63%
Average Fuel Price (US\$ / Barrel)	127	105	21%	123	99	25%

Exchange Rate: RM:USD – 71.17 for the quarter and 68.48 for the year - 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\$95/barrel for the quarter and US\$92 for the year ended.



AIRASIA GROUP BERHAD

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

30. Associate Companies

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

Financial Statements

	Oct - Dec 2018 INR'000	Oct - Dec 2017 INR'000	YTD 2018 INR'000	YTD 2017 INR'000
Revenue	6,417,064	5,177,886	22,311,061	15,368,970
Operating expenses:				
- Staff costs	(929,893)	(718,919)	(3,523,626)	(2,748,638)
- Depreciation of property, plant and equipment	(34,887)	(23,676)	(132,856)	(103,709)
- Aircraft fuel expenses	(3,886,378)	(2,040,936)	(13,124,652)	(6,034,381)
- Maintenance and overhaul	(1,242,809)	(685,353)	(3,903,056)	(1,954,027)
- User charges and other related expenses	(976,863)	(748,157)	(3,544,901)	(2,354,755)
- Aircraft operating lease expenses	(1,164,030)	(744,134)	(4,084,484)	(2,408,265)
- Other operating expenses	(306,984)	(222,732)	(1,225,585)	(1,055,247)
Other income	335,570	146,721	1,042,096	478,387
Operating (loss)/profit	(1,789,210)	140,700	(6,186,003)	(811,665)
Finance income	9,923	7,248	33,625	51,315
Finance costs	(20,058)	(4,253)	(41,337)	(50,238)
Net operating (loss)/profit	(1,799,345)	143,695	(6,193,715)	(810,588)
Foreign exchange gains/(loss)	137,828	(11,328)	(142,437)	108,598
(Loss)/profit before taxation	(1,661,517)	132,367	(6,336,152)	(701,990)
Tax expense	-	-	-	-
Deferred taxation	-	-	-	-
(Loss)/ profit after taxation	(1,661,517)	132,367	(6,336,152)	(701,990)



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

30. Associate Companies

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

Financial Statements

Year Ended	Dec 2018 INR'000	Dec 2017 INR'000
Property, plant and equipment	819,922	598,693
Inventory	202,784	130,497
Other debtors and prepayments	2,017,173	1,275,171
Amounts due from related parties	3,448,262	2,567,850
Cash and Short term deposits	986,740	1,746,032
Total Assets	7,474,881	6,318,243
Sales in advance	1,348,673	1,095,480
Other creditors and accruals	4,735,878	1,908,467
Amount due to related parties	6,399,077	4,107,037
Long term liabilities	1,121,216	71,571
Total Liabilities	13,604,845	7,182,555
Share capital	5,337,000	4,266,500
Retained earnings	(11,466,964)	(5,130,812)
Total Equity	(6,129,964)	(864,312)

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.

AirAsia India recorded Total Revenue of INR6,417.1 million in 4Q18, 24% higher than INR5,177.9 million in 4Q17. The increase in revenue was mainly due to a 37% increase in number of passengers carried. Average Fare and Unit Passenger Revenue decreased by 9% and 7% respectively due to a competitive operating environment. Load Factor increased to 86% for 4Q18.



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30. Associate Companies

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

AirAsia India reported Net Operating Loss of INR1,799.3 million in 4Q18 compared to Net operating Profit INR143.7 million in 4Q17. This was mainly attributable to the increase in Fuel Expenses and Operating Lease Expenses. Increase in Operating Lease is in tandem with the increase in number of aircraft operated by AirAsia India. AirAsia India is on track to achieve 20 aircraft and commence flying international routes.

For the Full Year, AirAsia India reported a 45% growth in Revenue from INR15,369.0 million to INR22,311.1 million. The increase in revenue was attributable to the increase in passengers carried by 54%. Despite the increase in Revenue, the year ended with a Net Operating Loss of INR6,193.7 million compared to the Net Operating Loss of INR810.6 million in the prior year. The widening of the losses from operations was largely attributable to the increase in Fuel expenses. The CASK ex Fuel was at INR193.3 which is relatively unchanged from prior year showing that the costs remain relatively well controlled.

AirAsia India reported Net Loss of INR1,661.5 million for the quarter and INR6,366.2 million for the year under review. For the year under review, the Group has equity accounted for share losses of RM31.4 million. However, for 4Q18, the Group’s carrying amount of investment in AirAsia India had been reduced to zero, hence, no further losses were equity accounted in AirAsia Group Berhad’s income statement. In accordance with MFRS128, any profits will only be recognized when a total of RM173.3 million of unrecognized losses have been reversed.

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

AirAsia Japan is an associate company which is incorporated in Japan. On 8 February 2018, AAIL a wholly owned subsidiary of the Company, subscribed to an additional 28,571,428 shares for a cash consideration of JPY2,000.0 million (equivalent to RM72.0 million). On 27 June 2018, AAIL further subscribed to an additional 27,857,143 shares for a cash consideration of JPY1,950.0 million (equivalent to RM71.8 million). Accordingly the Group’s equity interest in AirAsia Japan has increased from 62.76% to 66.91%.

AirAsia Japan recorded a Net loss of JPY1,299.7 million for the quarter and JPY4,435.7 million for the year ended of which RM31.8 million and RM102.9 million was equity accounted in the financial statements of the quarter and the year ended of the Group.



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31. Variation of results against preceding quarter

The Group recorded a Net Loss of RM457.0 million for the quarter under review as compared to a net profit of RM804.0 million in the immediately preceding quarter ended 30 September 2018.

32. Profit forecast

No profit forecast has been issued.

33. Commentary on prospects

Prospects in 2019 is as a result of hard work done in 2018 from large capacity addition, One AirAsia initiatives, cost cutting and organizational restructuring. AirAsia is becoming a harmonized ASEAN carrier with airlines in India and Japan as well. Demand remains strong and we are number 1 in market share in ASEAN.

Cost is our main driver and a lot of initiatives are being put in place through digitalisation to reduce costs. AirAsia is of the view that airport costs will also go down. The major cost that has a major impact on the Group is Fuel. AirAsia has hedge 52% of Brent at average of USD63.41 for FY 2019.

For Q1 2019, the Group will continue to grow our market share for each of the countries. Malaysia will continue to be the market leader with 58% market share and the target load factor of 87%. The Group expect to turn around Philippines by focusing on North Asia- Philippines leisure market with target load factor at 90%. Indonesia will expand its route to serve new and underserved leisure destination with target load factor at 84%. Thailand recovery of the arrival of Chinese and Indian tourists is expected to deliver high load factor at 90% as a result of no-fee Visa on Arrival scheme by the Thai Government.

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



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34. Material Litigation

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

35. Other Matters

On 11 December 2018, Malaysia Airports (Sepang) Sdn Bhd ("MASSB") served AirAsia Berhad ("AAB"), our wholly-owned subsidiary with an unsealed copy of a Writ of Summons in the sum of RM9,395,856.50 pertaining to Passenger Service Charges ("PSC") that AAB had not collected from travelling passengers. AAB will defend these proceedings vigorously on the basis that the claims are made without justification and are unreasonable.

On 23 January 2019, AAB filed a statement of defence in which it contended, amongst others, 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 within the Malaysian Aviation Commission Act 2015 ("MAVCOM Act"). Accordingly, AAB has filed an application to strike out the suit on the above grounds.

Further, AAB together with its affiliate AirAsia X Berhad ("AAX"), will be availing themselves of the statutory provisions for dispute resolution within the MAVCOM Act to seek more than RM400 million in counter-claims against MASSB and/or MAHB for losses and damages experienced by AAB and AAX due to operational disruptions at KLIA2.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net (loss)/profit attributable to owners of the Company (RM'000)	(394,971)	372,649	1,979,972	1,628,774
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,303,586
Basic and diluted earnings per share (sen)	(11.8)	11.2	59.2	49.3

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
27 February 2019