



AIRASIA GROUP BERHAD
(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2018.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
Revenue	9	2,608,794	2,447,812	7,779,604	7,052,963
Operating expenses:					
- Staff costs		(388,680)	(369,996)	(1,150,736)	(1,124,643)
- Depreciation of property, plant and equipment		(119,582)	(271,152)	(432,875)	(695,688)
- Aircraft fuel expenses		(1,032,910)	(680,376)	(2,799,356)	(2,072,912)
- Maintenance and overhaul		(125,076)	(168,117)	(461,311)	(366,986)
- User charges and other related expenses		(368,605)	(301,914)	(1,087,131)	(958,265)
- Aircraft operating lease expenses		(289,469)	(161,271)	(710,278)	(458,837)
- Other operating expenses		(148,815)	(121,732)	(439,403)	(333,119)
Other income	10	117,064	121,082	740,215	359,280
Operating profit		252,720	494,336	1,438,730	1,401,793
Finance income	11	14,357	8,067	28,485	39,895
Finance costs	11	(142,222)	(128,197)	(374,772)	(405,026)
Net operating profit		124,856	374,206	1,092,443	1,036,662
Share of results of associates	23	(59,306)	17,522	(53,286)	50,883
Share of results of joint ventures		3,194	7,541	6,798	18,020
Foreign exchange gains	11	45,923	37,649	63,786	150,058
Fair value gain/ (losses) on derivatives		22,992	49,110	(34,398)	(83,468)
Remeasurement gain on retained interest in a former subsidiary	12	-	-	534,712	-
Remeasurement gain on consolidation	13	-	-	-	214,350
Net gain on disposal of associate	17	170,880	-	170,880	-
Negative goodwill on consolidation		-	-	-	127,324
Profit before taxation		308,539	486,028	1,780,935	1,513,829
Tax expense	27	(19,956)	(27,935)	(30,626)	3,225
Deferred taxation	27	515,430	(23,785)	462,652	(358,954)
Net profit for the financial period		804,013	434,308	2,212,962	1,158,100
Attributable to:					
- Owners of the company		915,878	505,327	2,419,361	1,267,320
- Non-controlling interests		(111,865)	(71,019)	(206,400)	(109,220)
		804,013	434,308	2,212,962	1,158,100
Earnings per share attributable to owners of the Company (sen)					
- Basic		27.4	15.1	72.4	37.9
- Diluted		27.4	15.1	72.4	37.9



AIRASIA GROUP BERHAD
(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
Net profit for the financial period	804,013	434,308	2,212,962	1,158,100
Other comprehensive income/(loss)				
Fair value reserve	20,878	(27,383)	41,256	(17,316)
Cash flow hedges	(25,700)	50,039	(13,807)	(178,255)
Foreign currency translation differences	(3,072)	17,687	83,220	149,365
Total comprehensive income for the period	796,119	474,651	2,323,631	1,111,894
Total comprehensive income/(loss) attributable to:				
Owners of the Company	907,984	545,670	2,530,030	1,221,114
Non-controlling interests	(111,865)	(71,019)	(206,400)	(109,220)
	796,119	474,651	2,323,631	1,111,894

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)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/09/2018	31/12/2017
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	15	4,527,076	12,303,522
Investment in associates	23	429,388	548,558
Investment in a jointly controlled entity		580,672	5,596
Investment securities	2(b)	604,014	-
Available-for-sale financial assets		-	301,518
Intangible assets		603,627	609,329
Deferred tax assets	27	951,670	486,880
Receivables and prepayments	29	2,922,176	2,301,531
Deposits on aircraft purchase		825,074	412,272
Derivative financial instruments	30	343,744	382,177
		11,787,441	17,351,383
CURRENT ASSETS			
Inventories		118,378	68,234
Receivables and prepayments	29	1,714,131	1,482,291
Deposits on aircraft purchase		150,742	503,914
Amounts due from joint ventures		459	4,893
Amounts due from associates		383,903	147,617
Amounts due from related parties		93,318	7,875
Deposits, bank and cash balances		4,432,438	1,882,195
Derivative financial instruments	30	121,866	205,380
Tax recoverable		17,455	20,296
Assets classified as held for sale	31	1,950,718	-
		8,983,408	4,322,695
CURRENT LIABILITIES			
Trade and other payables	32	2,165,367	2,148,682
Aircraft maintenance provisions		262,505	178,569
Sales in advance		1,055,826	938,342
Derivative financial instruments	30	41,128	74,852
Amounts due to an associates		33,736	59,499
Amounts due to a related parties		184,864	94,019
Amounts due to joint ventures		26,263	-
Borrowings	33	959,331	1,821,847
Provision of taxation		10,968	18,033
Liabilities directly associated with assets held for sale	31	1,073,333	-
		5,813,322	5,333,843
NET CURRENT ASSETS/(LIABILITIES)		3,170,085	(1,011,148)



AIRASIA GROUP BERHAD
(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP	
		AS AT 30/09/2018 RM'000	AS AT 31/12/2017 RM'000
NON CURRENT LIABILITIES			
Trade and other payables	32	1,180,031	1,239,025
Aircraft maintenance provisions		2,687,332	559,068
Amounts due to an associates		19,496	86,292
Amounts due to a related parties		-	10,939
Borrowings	33	2,239,512	7,486,787
Deferred tax liabilities		107,096	104,954
Derivative financial instruments	30	27,119	70,883
Provision for retirement benefits		74,201	72,207
		6,334,788	9,630,155
		8,622,739	6,710,080
CAPITAL AND RESERVES			
Share capital	7	8,023,269	- *
Treasury shares		-	(160)
Other Reserves		(39,468)	(67,608)
Foreign exchange reserve		278,579	196,050
Merger deficit/ reserve		(5,507,594)	2,515,438
Retained earnings		7,446,190	5,404,393
		10,200,976	8,048,113
Non-controlling interests		(1,541,999)	(1,338,033)
Total equity		8,658,977	6,710,080
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.58	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
(Company No. 1244493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	PERIOD ENDED 30/09/2018 RM'000	PERIOD ENDED 30/09/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,780,935	1,513,829
Adjustments:		
Property, plant and equipment		
- Depreciation	432,875	678,623
- Gain on disposal	(65,080)	(3,982)
Amortisation of intangible assets	5,702	5,702
Employee benefit expenses	1,994	(4,010)
Remeasurement gain on consolidation	-	(214,350)
Remeasurement gain on retained interest in a former subsidiary	(534,712)	-
Net gain in disposal of associate and joint venture	(521,197)	-
Negative goodwill on consolidation	-	(127,324)
Fair value loss on derivative financial instruments	34,398	300,275
Share of results of joint ventures	(6,798)	(18,020)
Share of results of associates	53,286	(50,883)
Net unrealised foreign exchange gain/(loss)	63,786	(221,503)
Interest expense	374,772	405,026
Interest income	(28,485)	(39,895)
	1,591,476	2,223,488
Changes in working capital		
Inventories	(50,144)	(32,833)
Receivables and prepayments	(866,152)	(441,841)
Trade and other payables	(664,404)	257,558
Provisions	2,212,200	-
Intercompany balances	(303,685)	(82,979)
Cash generated from operations	1,919,292	1,923,393
Interest paid	(324,587)	(357,408)
Interest received	42,185	9,706
Tax paid	(3,003)	(12,465)
Net cash generated from operating activities	1,633,887	1,563,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(2,097,804)	(1,179,963)
- Proceeds from disposal	8,304,473	86
Additional deposits for aircraft	(41,409)	-
Additional investments in investment securities	(266,678)	-
Additional subscription of shares in associates	(175,246)	(38,340)
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	-
Dividend received from associate	166,058	-
Acquisition of subsidiaries, net of cash	-	123,937
Net cash generated from/(used in) investing activities	6,461,230	(1,094,280)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from issuance of shares	397	1,006,200
Dividends paid	(401,037)	(401,025)
Proceeds from borrowings	1,114,974	843,706
Repayment of borrowings	(6,242,619)	(1,544,052)
Net cash used in financing activities	(5,528,285)	(95,171)
NET INCREASE FOR THE FINANCIAL PERIOD	2,566,832	373,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,882,195	1,741,573
CURRENCY TRANSLATION DIFFERENCES	(16,589)	91,572
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	4,432,438	2,206,920

* Included within the balance at end of the financial period is an amount RM14.4 million restricted cash pledged as securities for banking facilities



AIRASIA GROUP BERHAD

(Company No. 124493-V)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										Non-controlling interests RM'000	Total equity RM'000	
		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	Treasury Shares RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2018														
	As previously stated	*	*	2,515,438	-	195,359	(236,270)	169,353	-	(160)	5,404,393	8,048,113	(1,338,033)	6,710,080
	Effects of changes in accounting policies	2	-	-	-	-	-	(169,353)	169,353	-	(12,765)	(12,765)	2,434	(10,331)
At 1 January 2018, as restated														
	Issue of shares pursuant to the reorganisation	3,341,974	8,023,032	(8,023,032)	-	-	-	-	-	-	-	-	-	-
	Treasury shares	-	237	-	-	-	-	-	-	160	-	397	-	397
	Dividend	-	-	-	-	-	-	-	-	-	(401,037)	(401,037)	-	(401,037)
	Net profit for the financial period	-	-	-	-	-	-	-	-	-	2,419,361	2,419,361	(206,400)	2,212,961
	Other comprehensive income	-	-	-	-	83,220	(13,807)	-	41,256	-	-	110,669	-	110,669
At 30 September 2018		3,341,974	8,023,269	(5,507,594)	-	278,579	(250,077)	-	210,609	-	7,409,952	10,164,738	(1,541,999)	8,622,739
At 1 January 2017		2,782,974	278,297	-	1,230,941	46,993	(441,994)	224,440	-	(160)	5,294,468	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	-	-	-	-	-	-	-	-	-	(401,025)	(401,025)	-	(401,025)
	Transfer to no-par value regime	-	2,181,241	-	(2,181,241)	-	-	-	-	-	-	-	-	-
	Net profit for the year	-	-	-	-	-	-	-	-	-	1,267,320	1,267,320	(109,220)	1,158,100
	Other comprehensive income	-	-	-	-	149,365	(178,255)	(17,316)	-	-	-	(46,206)	-	(46,206)
	Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	-	2,144,035	2,144,035
At 30 September 2017		3,341,974	2,515,438	-	-	196,358	(620,249)	207,124	-	(160)	6,160,763	8,459,274	2,029,609	10,488,883

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

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

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:



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

2. Summary of significant accounting policies (continued)

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	12.1
Increase in non controlling interest	2.6
Increase in sales in advance	35.9
Decrease in deferred revenue	24.7
Decrease in deferred tax liabilities	8.6
Decrease in investment in associate	7.0



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

2. Summary of significant accounting policies (continued)

(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:

- 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.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

2. Summary of significant accounting policies (continued)

(b) MFRS 9: Financial Instruments (continued)

- 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.

Impact as a result of MFRS 9 adoption

Effects arising from the initial application of the new impairment model are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM'million
Decrease in retained earnings	0.7
Increase in non controlling interest	0.1
Decrease in trade and other receivables	1.1
Increase in deferred tax assets	0.3

- hedge accounting.

The Group has decided to continue applying hedge accounting as set out in MFRS 139 to all hedges until the project on accounting for macro hedging is completed by International Accounting Standards Board (IASB).



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

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. The load factor was 82% in the quarter under review, which was 5 percentage points lower than the same period last year. Compared against the immediate preceding quarter (second quarter April – June 2018), the load factor has decreased 4 percentage point. This seasonal pattern is in line with the expectation of the Group.

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 estimates

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

7. Capital and reserves

There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 September 2018.

8. Dividends paid and proposed

The first 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 was paid on 13 July 2018.

The Board of Directors has declared a 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. The dividend will be payable on 28 December 2018. The book closure date for the said dividend is 14 December 2018.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

9. Revenue

	Quarter ended 30/9/2018 RM million	Quarter ended 30/9/2017 RM million
Passenger seat sales	1,896.1	1,700.7
Baggage fees	237.1	236.3
Aircraft operating lease income	203.4	274.2
Surcharges and fees	9.3	8.3
Freight services	79.3	36.2
Other revenue	183.6	192.1
	<u>2,608.8</u>	<u>2,447.8</u>

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

10. Other income

	Quarter ended 30/9/2018 RM million	Quarter ended 30/9/2017 RM million
Fees charged for the provision of commercial air transport services	25.6	22.2
Charter income	22.8	62.9
Others	68.7	36.0
	<u>117.1</u>	<u>121.1</u>

Charter income represent net income generated by IAA through charter arrangement with PT Indonesia AirAsia Extra. Other income ('others') includes commission income and advertising income.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

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

All figures in RM'000	Group			
	Quarter ended 30/9/18	Quarter ended 30/9/17	Period ended 30/9/18	Period ended 30/9/17
(a) Finance income				
Interest income from:				
- deposits with licensed banks	2,323	3,439	14,996	19,313
Discounting effect on financial instruments and others	12,034	4,628	13,489	20,582
	14,357	8,067	28,485	39,895
(b) Finance costs				
Bank borrowings	(89,042)	(122,127)	(306,030)	(385,787)
Amortisation of premiums for interest rate caps	(36,507)	(4,337)	(47,920)	(13,084)
Discounting effect on financial instruments, bank facilities and other charges	(16,673)	(1,733)	(20,822)	(6,155)
	(142,222)	(128,197)	(374,772)	(405,026)
(c) Foreign exchange gains/(losses)				
- realized	31,419	11,712	52,233	39,924
- unrealized	(6,029)	53,058	7,829	221,503
- fair value movement recycled from cash flow hedge reserve	20,533	(27,121)	3,724	(111,369)
	45,923	37,649	63,786	150,058

12. Remeasurement gain on retained interest in a former subsidiary

MFRS 3, Business Combinations requires revaluation of the previously held interest in the equity accounted investment at its fair value on the acquisition-date, and recognise any gain or loss derived from the deemed disposal in the Income Statement. 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. In addition to this, the transaction for the Company to sell and transfer 38.6% of its shareholding in GTRH to SATS for a consideration of SGD119,300,000 has been completed on 14 February 2018. Pursuant to this, a re-measurement gain of RM534.7 million has been recognized in the financial statements of the Group.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

13. Remeasurement gain on consolidation

MFRS 3, Business Combinations requires revaluation of the previously held interest in the equity accounted investment at its fair value on the acquisition-date, and recognise any gain or loss derived from the deemed disposal in the Income Statement. Pursuant to the consolidation of the investees as mentioned in Note 1 above, the Group recognised a gain from remeasurement of previously held interest in these associates amounting to RM214.4 million in the previous financial period.

14. Status of corporate proposals announced

Proposed disposal of aircraft leasing operations that includes the proposed future disposals and proposed option

As of 8 November 2018, the Group has completed the transfer of 79 aircraft and 14 aircraft engines receiving total gross proceeds of USD1,085.5 million.

The Group expects to complete the transfer of the balance 5 aircraft before the end of the year.

AirAsia Joint Venture in Vietnam

Further to the announcement dated 31 March 2017, there were no further updates on the status of the forging of a joint venture cooperation between AirAsia, Gumin, Mr. Tran and HAA to establish a low-cost carrier in Vietnam.

15. Property, plant and equipment

(a) acquisition and disposals

During the period ended 30 September 2018, the Group acquired property, plant and equipment with a cost of RM2.1 billion (period ended 30 September 2017: RM1.2 billion).

During the period ended 30 September 2018, proceeds from disposal of property, plant and equipment totaled RM8.3 billion (period ended 30 September 2017: RM 86,000).

(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.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

16. Post balance sheet events

There is no post balance sheet events.

17. Changes in composition of the Group

On 14 August 2018, AirAsia Exp Pte. Ltd. (“AirAsia Exp”) and AirAsia Berhad (both of which are wholly owned subsidiary of AirAsia Group Berhad), entered into a Share Purchase Agreement (“SPA”) with Expedia Southeast Asia Pte. Ltd. (“Expedia SEA”) and Expedia Inc (“Expedia”) to sell AirAsia Exp’s entire shareholding in AAE Travel Pte Ltd comprising 6,144,279 ordinary shares constituting approximately 25% of the total issued and outstanding shares to Expedia for a cash consideration sum of USD60 million (approximately RM245 million).

On 14 September 2018, the Company incorporated a subsidiary, AirAsia Group (IHQ) Ltd in Thailand with a total issued capital of THB20 million (approximately RM2.5 million) comprising of 200,000 shares of which the Company held 199,997 shares. AirAsia Group (IHQ) Ltd principal activity is to provide consultation and services on behalf of the Company to the subsidiaries/ associates of the Company.

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.

18. Contingent assets

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

19. 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.

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

Capital commitments for property, plant and equipment:

	As at 30/9/2018 RM’000	As at 30/9/2017 RM’000
Approved and contracted for	89,409,885	86,529,471
Approved but not contracted for	72,947	133,130
	<u>89,482,832</u>	<u>86,662,601</u>



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

21. Material related party transactions

Details of the relationship and transactions between AirAsia and its related parties are as described below. The related party transactions described were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

Name of company	Relationship
AirAsia Global Shared Services Sdn Bhd	Subsidiary
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia Investment Limited	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
Big Pay Pte. Ltd.	Subsidiary
BIGPAY Malaysia Sdn Bhd	Subsidiary
Big Loyalty Sdn Bhd	Subsidiary
MadCience Consulting Sdn Bhd	Subsidiary
RedCargo Logistics Sdn Bhd	Subsidiary
Redtix Sdn Bhd	Subsidiary
Rokki Sdn Bhd	Subsidiary
Rokki Avionics Sdn Bhd	Subsidiary
AirAsia Inc.	Deemed subsidiary under MFRS 10
Philippines AirAsia Inc.	Deemed subsidiary under MFRS 10
PT Indonesia AirAsia	Deemed subsidiary under MFRS 10
AirAsia (India) Private Limited	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia X Berhad	Company with common directors and shareholders
Caterhamjet Global Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra (“IAAX”)	Company with common directors and shareholders
Queens Park Rangers Holdings Ltd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
Tune Insurance Malaysia Berhad	Company with common directors and shareholders



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

21. Material related party transactions (continued)

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 30 September 2018 are set out below:

	Quarter ended 30/9/2018 RM'000	Quarter ended 30/9/2017 RM'000
Thai AirAsia		
Lease rental income on aircraft	93,919	134,671
Indonesia AirAsia		
Charter income from IAAX	21,465	62,906
India AirAsia		
Lease rental income on aircraft	57,190	43,791
Japan AirAsia		
Lease rental income on aircraft	8,060	8,366
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	17,191	17,843
Aircraft wet lease charges	(21,465)	-



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

22. Review of Group performance

Performance indicator for the Group's operations for current quarter against same quarter last year

Quarter Ended	July - Sep 2018	July - Sep 2017	Change %
Passengers Carried	10,795,900	9,891,881	9%
Capacity	13,229,790	11,402,946	16%
Seat Load Factor	82%	87%	-5
RPK (million)	13,575	12,875	5%
ASK (million)	16,450	14,910	10%
Average Fare (RM)	177	172	3%
Unit Passenger Revenue (RM)	222	221	1%
Revenue / ASK (sen)	14.70	14.76	0%
Revenue / ASK (US cents)	3.58	3.60	0%
Cost / ASK (sen)	14.30	12.80	12%
Cost / ASK (US cents)	3.48	3.12	12%
Cost / ASK-ex Fuel (sen)	8.11	8.24	-2%
Cost / ASK-ex Fuel (US cents)	1.98	2.01	-2%
Aircraft (end of period)	127	110	15%
Average Stage Length (km)	1,237	1,292	-4%
Number of Flights	73,133	63,303	16%
Fuel Consumed (Barrels)	2,663,662	2,538,445	5%
Average Fuel Price (US\$ / Barrel)	95	63	50%

Exchange Rate: RM:USD – 4.103 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$65/barrel

During the quarter, Total Group Revenue grew 7%, from RM 2,447.8 million recorded in 3Q17 to RM2,608.8 million in 3Q18. The growth was attributed to a 9% increase in total passengers carried. Overall Unit Passenger Revenue increase by 1% as a result of Average Fare increase. Load Factor was at 82% in 3Q18, compared to 87% in 3Q17, as the increase in passengers carried was lower than the 16% increase in capacity.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

22. Review of Group performance (continued)

Operating Profit for 3Q18 reduced to RM253 million, from RM494 million in 3Q17. This was mainly due to the increase in Fuel Expenses. Excluding Fuel Expenses, costs were fairly well controlled, showing a reduction of 2% of CASK Ex Fuel. Net Profit for the quarter improved to RM804 million, from RM434 million in 3Q17, due mainly to a one off gain on the sale of Expedia (see Note 17) as well as the reversal of deferred tax liabilities arising from the disposals of aircraft.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	Quarter ended 30/9/2018	Quarter ended 30/6/2018
Cash from Operations	1,633,887	1,177,882
Cash from Investing Activities	6,461,230	(67,139)
Cash from Financing Activities	(5,528,285)	(1,052,347)
Net Cash Flow	2,566,832	58,396

The Group's cash inflow from operations was RM1,633.9 million, compared to inflow of RM1,177.9 million in the immediate preceding quarter ended 30 June 2018. The net cash inflow for the quarter amounted to RM2,566.8 million, mainly due to proceeds from disposals of aircrafts net off repayment of borrowings.

The net gearing ratio as at 30 September 2018 and 31 December 2017 are as follows:

Balance Sheet RM million	As at 30/9/2018	As at 31/12/2017
Total borrowings	3,198	9,309
Liabilities directly associated with assets held for sale	1,073	-
Less: Deposit, cash and bank balances	(4,432)	(1,882)
Net debt	-	7,427
Total equity	8,623	6,710
Net gearing ratio (times)	-	1.11

The Group's total debt, including liabilities directly associated with assets held for sale, as of end of September 2018 was RM4.3 billion.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account

i) Associate Company - Thai AirAsia Co. Ltd (“Thai AirAsia”)

Performance indicator for Thai AirAsia operations for current quarter against the same quarter last year

Quarter Ended	July - Sep 2018	July - Sep 2017	Change %
Passengers Carried	5,117,230	4,934,324	4%
Capacity	6,336,912	5,788,740	9%
Seat Load Factor	81%	85%	-4
RPK (million)	4,979	4,891	2%
ASK (million)	6,167	5,707	8%
Average Fare (THB)	1,420	1,460	-3%
Unit Passenger Revenue (THB)	1,755	1,779	-1%
Revenue / ASK (THB)	1.45	1.53	-5%
Revenue / ASK (US cents)	4.40	4.64	-5%
Cost / ASK (THB)	1.59	1.46	9%
Cost / ASK (US cents)	4.80	4.43	9%
Cost / ASK-ex Fuel (THB)	0.97	1.01	-4%
Cost / ASK-ex Fuel (US cents)	2.95	3.06	-4%
Aircraft (end of period)	60	54	11%
Average Stage Length (km)	972	986	-1%
Number of Flights	35,105	32,148	9%
Fuel Consumed (Barrels)	1,131,683	1,069,009	6%
Average Fuel Price (US\$ / Barrel)	101	72	40%

Exchange Rate: USD:THB – 32.99 - prior year US cents figures are restated at the current period average exchange rate

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$73/barrel



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

i) Associate Company - Thai AirAsia Co. Ltd (“Thai AirAsia”) (continued)

Income Statements for the quarter ended 30 September 2018

Quarter Ended	July - Sep 2018 THB'000	July - Sep 2017 THB'000
Revenue	8,944,849	8,754,547
Operating expenses:		
- Staff costs	(1,363,111)	(1,373,547)
- Depreciation of property, plant and equipment	(424,957)	(377,171)
- Aircraft fuel expenses	(3,775,203)	(2,576,943)
- Maintenance and overhaul	(841,313)	(782,092)
- User charges and other related expenses	(1,058,716)	(1,066,100)
- Aircraft operating lease expenses	(1,321,668)	(1,235,177)
- Other operating expenses	(1,002,848)	(1,041,898)
Other income	194,205	229,010
Operating loss	(648,762)	530,629
Finance income	9,914	9,539
Finance costs	(187,895)	(148,711)
Net operating (loss)/profit	(826,743)	391,457
Foreign exchange gains	104,297	72,338
(Loss)/profit before taxation	(722,446)	463,795
Tax expense	-	
Deferred taxation	66,731	8,309
(Loss)/profit after taxation	(655,715)	472,104



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

i) Associate Company - Thai AirAsia Co. Ltd (“Thai AirAsia”) (continued)

Balance Sheet

Year Ended	Sep 2018 THB'000	Dec 2017 THB'000
Property, plant and equipment	26,489,007	25,449,651
Intangible assets	30,311	33,078
Inventory	142,453	148,801
Aircraft maintenance reserve	4,387,194	3,728,837
Other debtors and prepayments	3,535,470	4,023,602
Amounts due from related parties	731,469	307,739
Cash and Short term deposits	2,928,255	5,210,623
Total Assets	38,244,159	38,902,331
Sales in advance	4,416,274	4,820,988
Other creditors and accruals	3,681,971	3,560,399
Amount due to related parties	584,460	170,092
Borrowings	7,636,041	4,930,422
Finance lease liabilities	13,521,849	14,530,956
Deferred tax liabilities	149,353	267,435
Total Liabilities	29,989,947	28,280,293
Share capital	3,064,342	3,064,342
Retained earnings	5,189,870	7,557,696
Total Equity	8,254,212	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.

Thai AirAsia recorded Total Revenue of THB8,944.8 million in 3Q18, 2% higher than the THB8,754.5 million achieved in 3Q17. The increase in revenue was mainly due to the 4% increase in the number of passengers carried.

Average Fare and Unit Passenger Revenue decreased by 3% and 1%, respectively, due to the challenging operating environment. Load Factor was down to 81%, compared to 85% in 3Q17, as the increase in passengers carried was lower than the 9% increase in capacity.

Thai AirAsia incurred an Operating Loss of THB648.8 million, against an Operating Profit of THB530.6 million in 3Q17. This was mainly attributable to the increase in Fuel Expenses. Excluding Fuel Expenses, costs were fairly well controlled with CASK-ex Fuel reducing to THB0.97 from THB1.01 in 3Q17.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

i) Associate Company - Thai AirAsia Co. Ltd (“Thai AirAsia”) (continued)

Thai AirAsia’s Net Operating Loss was THB826.7 million in 3Q18, compared to an operating profit of THB391.5 million in 3Q17. The Net loss for 3Q18 was THB655.7 million compared to a net profit of THB472.1 million in 3Q17. AirAsia Group Berhad has equity accounted our share of net loss of RM36.9 million (RM28.1 million profit in the quarter ended 30 September 2017) in the current period, as reflected in the income statement.

ii) Associate Company – AirAsia (India) Limited (“AirAsia India”)

Performance indicator for AirAsia India operations for current quarter against the same quarter last year

Quarter Ended	July - Sep 2018	July - Sep 2017	Change %
Passengers Carried	1,600,684	1,174,574	36%
Capacity	2,100,240	1,374,840	53%
Seat Load Factor	76%	85%	-9
RPK (million)	1,722	1,211	42%
ASK (million)	2,252	1,402	61%
Average Fare (INR)	2,574	3,024	-15%
Unit Passenger Revenue (INR)	3,046	3,482	-13%
Revenue / ASK (INR)	203.46	281.70	-28%
Revenue / ASK (US cents)	2.88	3.98	-28%
Cost / ASK (INR)	332.59	293.58	13%
Cost / ASK (US cents)	4.70	4.15	13%
Cost / ASK-ex Fuel (INR)	176.91	186.08	-5%
Cost / ASK-ex Fuel (US cents)	2.50	2.63	-5%
Aircraft (end of period)	19	13	46%
Average Stage Length (km)	1,072	962	11%
Number of Flights	11,668	7,638	53%
Fuel Consumed (Barrels)	406,911	253,522	61%
Average Fuel Price (US\$ / Barrel)	122	92	32%

Exchange Rate: USD:INR – 70.72 - prior year US cents figures are restated at the current period average exchange rate

Average Fuel Price/ Barrel restated using current average exchange rate for comparison is US\$84/barrel



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

ii) Associate Company – AirAsia (India) Limited (“AirAsia India”) continued

Income Statements for the financial period ended 30 September 2018

Quarter Ended	July - Sep 2018 INR'000	July - Sep 2017 INR'000
Revenue	4,581,651	3,950,131
Operating expenses:		
- Staff costs	(907,993)	(669,449)
- Depreciation of property, plant and equipment	(33,452)	(20,149)
- Aircraft fuel expenses	(3,505,868)	(1,507,381)
- Maintenance and overhaul	(995,242)	(663,130)
- User charges and other related expenses	(916,858)	(536,357)
- Aircraft operating lease expenses	(1,091,138)	(631,878)
- Other operating expenses	(341,375)	(229,285)
Other income	294,450	139,410
Operating loss	(2,915,824)	(168,088)
Finance income	14,805	8,780
Finance costs	(6,987)	(7,268)
Net operating loss	(2,908,006)	(166,576)
Foreign exchange (loss)/gains	(174,143)	2,654
Loss before taxation	(3,082,149)	(163,922)
Tax expense	-	-
Deferred taxation	-	-
Loss after taxation	(3,082,149)	(163,922)



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

ii) Associate Company – AirAsia (India) Limited (“AirAsia India”) continued

Balance Sheet

Year Ended	Sep 2018 INR'000	Dec 2017 INR'000
Property, plant and equipment	802,913	598,693
Inventory	171,309	130,497
Other debtors and prepayments	551,028	1,275,172
Amounts due from related parties	46,193	114,769
Cash and Short term deposits	1,678,616	1,746,032
Total Assets	3,250,059	3,865,163
Sales in advance	2,032,864	1,095,480
Other creditors and accruals	3,241,982	1,908,467
Amount due to related parties	2,332,227	1,653,957
Long term liabilities	111,432	71,571
Total Liabilities	7,718,505	4,729,475
Share capital	5,337,000	4,266,500
Retained earnings	(9,805,446)	(5,130,812)
Total Equity	(4,468,446)	(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 INR4,581.7 million in 3Q18, 16% higher than INR3,950.1 million in 3Q17. The increase in revenue is mainly due to 36% increase in number of passengers carried. Average Fare and Unit Passenger Revenue decreased by 15% and 13% respectively due to competitive operating environment. Load Factor fell to 76% as compared to 85% in 3Q17 as the increase in passengers carried was lower than the 53% increase in capacity.

AirAsia India incurred Operating Loss of INR2,915 million against INR168 million in 3Q17. This is mainly attributable to the increase in Fuel Expenses. Excluding Fuel Expense, costs were fairly well controlled with CASK Ex-Fuel reducing to INR176.91 from INR186.08.

AirAsia India Net Loss of INR3,082.1 million (quarter ended 30 September 2017: net loss of INR163.9 million) in the quarter under review. As the Group’s carrying amount of investment in AirAsia India had been reduced to zero, 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 RM78.6 million of unrecognized losses have been reversed.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

23. Associate Companies – Equity Account (continued)

iii) Associate Company – AirAsia Japan Co., Ltd (“AirAsia Japan”)

AirAsia Japan is an associate company which is incorporated in Japan. On 8 February 2018, AAIL subscribed to 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 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 RM35.3 million (quarter ended 30 September 2017: net loss RM41.9 million) in the quarter under review of which RM22.4 million (quarter ended 30 September 2017 : RM20.5 million) is equity accounted in the financial statements of the Group.

24. Variation of results against preceding quarter

The Group recorded a Net Profit of RM804 million for the quarter under review. This is RM489 million higher compared to the net profit of RM315 million in the immediately preceding quarter ended 30 June 2018.

25. Profit forecast

No profit forecast has been issued.

26. Commentary on prospects

The fourth quarter of 2018, the operating environment is seen to have improved as compared to the third quarter, coupled by the year-end holiday season being around the corner, the group load factor is holding strong. The overall average fares have also gone up year-on-year. All airline operators’ profitability have been affected by the higher global fuel prices this year. AirAsia will remain cost discipline in all areas, increasing overall efficiency and remain nimble in order to maintain healthy profit margins. For the full year, we are on track to achieve a group load factor target of 85%. We will continue to emphasise our One AirAsia initiatives to further reduce costs, while improving the overall operational efficiencies and actively monitor each route’s profitability. Our daily aircraft utilisation is already at 13-hours a day. We want to further improve the turnaround time and overall performance by each affiliate. We are focused in turning around Indonesia and Philippines, post Boracay closure and natural disasters, in the fourth quarter and into year 2019.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

26. Commentary on prospects (cont'd.)

In Thailand, load factor in the fourth quarter of 2018 is forecast to be 84% TAA will continue growing in China and North Asia and improve utilisation and expansion to Indian market.

In India, the forecast load factor for the fourth quarter of 2018 is at 87%. AirAsia India will remain focused on strengthening its domestic market existing routes by increasing frequencies whilst growing to 20 aircraft to expand for international operations.

In Japan, the forecast load factor for the fourth quarter of 2018 is about 74%. AirAsia Japan will focus on maximising aircraft utilisation and leverage on Group's strategy in new route launches.

The Group is now in our next phase of development where we are expanding beyond air transport and digitalising our operations and processes to become more efficient. Further, we are now embarking on a journey to become a technology travel company in partnership with Google Cloud.

The Board is cautious about achieving its results in 2018 as it was impacted by higher fuel prices. However, the drop in fuel price in December is expected to contribute positively to the December month operational results and in the year 2019. Based on these factors, the Board is confident that it will still achieve a Net Profit for the year.

27. Income tax and Deferred tax

Income tax expense

The current taxation charge of RM20 million comprises tax payable on interest income for the Company and corporate income taxes for the subsidiaries.

Deferred taxation

RM515.4 million deferred tax asset arose in the current financial period. The deferred tax assets increased as the difference between the net book value and tax written down value of property, plant and equipment decreased in the period as a result of completion of the sale and leaseback transactions on the aircraft.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

28. Quoted investments and properties

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

29. Receivables and prepayments

	As at 30/9/2018 RM'000	As at 31/12/2017 RM'000
<u>Non-current:</u>		
Prepayments	2,061,437	1,614,732
Deposits and other receivables	860,739	686,799
	<u>2,922,176</u>	<u>2,301,531</u>
<u>Current:</u>		
Trade and other receivables	642,437	719,667
Prepayments	700,389	582,679
Deposits	371,305	179,945
	<u>1,714,131</u>	<u>1,482,291</u>

Prepayments include advances for the purchases of fuel and prepaid engine maintenance to the service provider.

30. Derivative financial instruments

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

(i) Forward Foreign Exchange Contracts

As at 30 September 2018, the Group has hedged approximately 74% of the USD dollar liabilities of its aircraft into Malaysia Ringgit (“MYR”) via Cross-Currency Swaps and Foreign Currency Swaps for aircraft deployed in Malaysia.

(ii) Interest Rate Hedging

As at 30 September 2018, the Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivery from 2005 to 2018.

(iii) Fuel Hedging

As at 30 September 2018, the Group has entered into swaps and options for both Brent and Crack which represent up to 13% of the Group’s total budgeted fuel consumption for remaining of 2018 and 6% for first half 2019.

**AIRASIA GROUP BERHAD**

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018**30. Derivative financial instruments (continued)**

Type of derivatives	Notional Value as at 30/09/2018	Fair Value as at 30/09/2018 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	0.55	27.23
- 1 year to 3 years	-	-
Total	0.55	27.23
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	163.97	(0.49)
- 1 year to 3 years	667.50	(13.99)
- more than 3 years	1,823.12	25.54
Total	2,654.59	11.06
	RM (million)	RM (million)
(iii) Foreign currency contracts		
- less than 1 year	250.44	39.11
- 1 year to 3 years	505.84	102.19
- more than 3 years	918.01	245.98
Total	1,674.29	387.28

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



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

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

On 28 February 2018, the Company entered into sale and purchase agreements to divest its aircraft leasing operations that are currently undertaken by Asia Aviation Capital Limited (“AACL”), a wholly-owned subsidiary of the Company, to entities managed by BBAM Limited Partnership for a disposal consideration of USD1,185.0 million (approximately RM4,619.7 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 been reclassified to current liabilities.

32. Trade and other payables

	As at 30/9/2018 RM'000	As at 31/12/2017 RM'000
<u>Non-current:</u>		
Trade and other payables	1,180,031	1,239,025
<u>Current:</u>		
Trade payables	273,316	276,650
Accrual for fuel	222,891	144,369
Collateral for derivatives	82,998	139,406
Aircraft maintenance reserve funds	405,478	539,780
Flight related charges	471,119	554,538
Other payables and accruals	709,565	493,939
	<u>2,165,367</u>	<u>2,148,682</u>

Other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

33. Borrowings and debt securities

	As at 30/9/2018 RM'000	As at 31/12/2017 RM'000
<u>Short term:</u>		
Secured	329,642	1,376,896
Unsecured	629,690	444,951
Liabilities directly associated with assets held for sale	1,073,333	-
<u>Long term:</u>		
Secured	2,239,512	7,486,787
Total Debt	4,272,177	9,308,634

The currency profile of borrowings is as follows:

	As at 30/9/2018 RM'000	As at 31/12/2017 RM'000
Ringgit Malaysia	629,690	734,671
US Dollar	3,389,511	8,126,971
Euro	111,145	162,819
Singapore Dollar	-	182,734
Philippine Peso	86,287	101,439
Indonesia Rupiah	55,544	-
	4,272,177	9,308,634

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

The maturity period of non-current borrowing is 11 years and below. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 31 (i).

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.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

34. Fair value estimation

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, Unobservable inputs) (Level 3).

The following tables presents the Group's assets and liabilities that are measured at fair value at 30 September 2018 and 31 December 2017:

	Level 1	Level 2	Level 3	Total
	RM mil	RM mil	RM mil	RM mil
30 September 2018				
Assets				
Financial assets at fair value through profit or loss	-	117	-	117
Derivatives used for hedging	-	349	-	349
Investment securities	586	18	-	604
Total assets	586	484	-	1,070
Liabilities				
Financial assets at fair value through profit or loss	-	46	-	46
Derivatives used for hedging	-	22	-	22
Total liabilities	-	68	-	68
31 December 2017				
Assets				
Financial assets at fair value through profit or loss	-	261	-	261
Derivatives used for hedging	-	327	-	327
Investment securities	301	-	5	306
Total assets	301	588	5	894
Liabilities				
Financial assets at fair value through profit or loss	-	92	-	92
Derivatives used for hedging	-	54	-	54
Total liabilities	-	146	-	146



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

34. Fair value estimation (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's over the counter ("OTC") derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques. This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds.

35. Material litigation

As at 29 November 2018, there was no material litigation against the Group.



AIRASIA GROUP BERHAD

(Company No. 284669-W)

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2018

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	Period ended	Period ended
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
Net profit attributable to owners of the Company (RM'000)	915,878	505,327	2,419,361	1,267,320
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)	27.4	15.1	72.4	37.9

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.

37. Authorisation for issue

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
29 November 2018