

AIRASIA X BERHAD ("AAX" or "THE COMPANY")

- Issuance of Unmodified Audit Opinion with Emphasis of Matter on material uncertainty relating to going concern in respect of AAX's audited financial statements for the financial year ended 31 December 2019

Pursuant to paragraph 9.19 (37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of the Company wishes to announce that the Company's external auditors, Messrs Ernst & Young PLT, have issued an unmodified audit opinion with emphasis of matter on material uncertainty relating to going concern, in view of the current economic condition and Covid-19 Pandemic, in respect of AAX's audited financial statements for the financial year ended 31 December 2019.

The details of the unmodified opinion as disclosed in the Independent Auditors' Report is reproduced below:-

"Emphasis of matter by Independent Auditors

We draw attention to Note 2.1 to the financial statements, which indicates that the Group and Company have reported a net loss of RM650.3 million and RM682.5 million respectively for the year ended 31 December 2019. In addition, the Group's and Company's current liabilities exceeded its current assets by RM1,080.3 million and RM1,103.5 million respectively. Further, in 2020, the global economy, in particular the commercial airlines industry, faces an uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for international air travel which impacted the Group's and the Company's financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 41 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Nevertheless, as disclosed in Note 2.1 and Note 41 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is highly dependent on the successful implementation of the following management's plans in responding to the conditions above:

(a) Deferral of payments to creditors and a financial institution

As at 31 December 2019, the current liabilities of the Group and the Company relating to aircraft lessors, maintenance service providers and a financial institution amounted to RM877.8 million and RM894.3 million respectively. The Group and the Company have obtained payment deferrals on outstanding amounts due to certain lessors and are currently engaging with the lessors and maintenance service providers to seek for payment deferrals and concessions. In addition, the Group and the Company have also received an offer from the said financial institution to defer principal repayments and is currently finalising the terms and conditions for such deferral.

(b) Rationalisation of fleet and routes

As part of the Group's and the Company's plans to return to profitability, the Group and the Company plan to focus in core markets to improve yield. Some of the initiatives include, amongst others, the following:

- focusing on mature routes in core markets with historically proven demand;
- determining the optimal flight frequency that commensurate with passenger demand; and
- terminating unprofitable routes.

In connection with the above plans, the Group and the Company plan to operate a leaner fleet size which require the Group and the Company to return excess aircraft to the aircraft lessors. At present, the Group and the Company have successfully returned one aircraft and are in discussions with the other aircraft lessors to achieve the optimal fleet size. The Group and the Company are also in discussions with the aircraft lessors to reduce future lease rental rates. Further, the Group and the Company are also in discussion with maintenance service providers to reduce future maintenance costs.

c) Funding

The Company plans to make an application for a government guaranteed loan of up to RM500 million under the Danajamin PRIHATIN Guarantee Scheme ("DPGS"). This application is subject to the credit assessment, final evaluation and approval from the relevant financial institutions. At present, the Company is in discussion with a financial institution to secure the DPGS loan.

The above plans are formulated with an aim to achieve an organised and systematic resolution to address the Group's and the Company's current financial conditions. The validity of the going concern assumption of the Group and the Company is dependent on the ability of the Group and the Company to gradually resume their scheduled flight operations on a staggered basis starting early 2021 and their ability to return to profitability which requires the successful implementation of management's plans to obtain the continued support from the aircraft lessors, maintenance service providers and financial institutions.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

Our opinion is not modified in respect of this matter."

None of the Key Audit Matters disclosed in the Independent Auditors' Report relates to the above Emphasis of Matter.

This announcement is dated 30 July 2020.