



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 JUNE 2016

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 June 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/06/2016	30/06/2015	30/06/2016	30/06/2015
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,623,550	1,324,819	3,323,371	2,621,650
Operating expenses:					
- Staff costs		(243,862)	(192,607)	(454,036)	(364,561)
- Depreciation of property, plant and equipment		(181,528)	(165,577)	(359,908)	(351,285)
- Aircraft fuel expenses		(376,171)	(476,539)	(748,521)	(958,502)
- Maintenance and overhaul		(76,395)	(36,271)	(141,650)	(81,981)
- User charges and other related expenses		(196,903)	(151,679)	(388,099)	(299,028)
- Aircraft operating lease expenses		(121,960)	(68,845)	(233,731)	(121,463)
- Other operating expenses		(71,196)	(66,932)	(167,740)	(104,239)
Other income	11	59,081	64,067	106,439	126,065
Operating profit		414,616	230,436	936,125	466,656
Finance income	27	18,461	29,693	37,434	69,145
Finance costs	27	(156,820)	(149,195)	(287,198)	(300,764)
Net operating profit		276,257	110,934	686,361	235,037
Foreign exchange (losses)/gains	27	(33,880)	(20,585)	430,258	(270,510)
Gain on disposal of interest in a joint venture		-	-	-	320,500
Costs related to the sale and leaseback of aircraft	12	-	(54,615)	-	(93,207)
Share of results of jointly controlled entities	23	5,918	5,008	14,149	9,049
Share of results of associates	23	5,517	8,021	216,748	41,192
Profit before tax		253,812	48,763	1,347,516	242,061
Current taxation	28	(3,086)	(14,467)	(6,581)	(22,887)
Deferred taxation	28	91,156	208,731	(121,778)	173,184
Net profit for the financial period		341,882	243,027	1,219,157	392,358
Attributable to:					
- Owners of the company		342,117	243,027	1,220,244	392,358
- Non-controlling interests		(235)	-	(1,087)	-
		341,882	243,027	1,219,157	392,358
Basic earnings per share (sen)		12.3	8.7	43.9	14.1
Diluted earnings per share (sen)		12.3	8.7	43.9	14.1

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Net profit for the financial period		341,882	243,027	1,219,157	392,358
Other comprehensive income/(loss)					
Available-for-sale financial assets		57,971	(120,918)	126,908	(150,469)
Cash flow hedges	13	280,941	58,970	(87,591)	54,998
Foreign currency translation differences		14,422	(223)	(7,024)	(5,543)
Total comprehensive income for the period		695,216	180,856	1,251,450	291,344
Total comprehensive income/(loss) attributable to:					
Owners of the Company		695,451	180,856	1,252,537	291,344
Non-controlling interests		(235)	-	(1,087)	-
		695,216	180,856	1,251,450	291,344



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/06/2016	30/06/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,347,516	242,061
Adjustments:		
Property, plant and equipment		
- Depreciation	359,908	351,285
- Gain on disposal	(9,197)	(1,778)
Impairment of property, plant and equipment	11,659	-
Fair value loss/(gain) on derivative financial instruments	30,077	(353,894)
Share of results of joint ventures	(14,149)	(9,049)
Share of results of associates	(216,748)	(41,192)
Gain on disposal of interest in a joint venture	-	(320,500)
Net unrealised foreign exchange gain/(loss)	(474,545)	795,822
Interest expense	287,198	300,764
Costs related to the sale and leaseback of aircraft	-	93,207
Interest income	(37,434)	(69,145)
	1,284,285	987,581
Changes in working capital		
Inventories	(14,431)	(10,631)
Receivables and prepayments	(182,880)	(127,314)
Trade and other payables	178,473	494,140
Intercompany balances	(200,071)	(423,140)
Cash generated from operations	1,065,376	920,636
Interest paid	(243,311)	(235,748)
Interest received	21,006	10,748
Tax paid	(11,604)	(8,503)
Net cash generated from operating activities	831,467	687,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(247,568)	(196,039)
- Proceeds from disposal	10,364	903,046
Investment in associated companies	(53,400)	(22,615)
Investment in available for sale financial assets	-	(53,811)
Proceeds from disposal of interest in a joint venture	-	347,044
Loan repayments received from associates	48,464	44,750
Acquisition of a subsidiary company	(101,500)	-
Net cash (used in)/generated from investing activities	(343,640)	1,022,375
CASH FLOWS FROM FINANCING FACILITIES		
Dividend paid	(111,315)	-
Buy-back of shares	(160)	-
Proceeds from borrowings	7,503	126,635
Repayment of borrowings	(1,224,645)	(1,361,779)
Net cash used in financing activities	(1,328,617)	(1,235,144)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(840,790)	474,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,426,696	1,337,849
CURRENCY TRANSLATION DIFFERENCES	(2,799)	25,539
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	1,583,107	1,837,752

* Included within the balance at end of the financial period is an amount RM536.6 million restricted cash pledged as securities for banking facilities



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/06/2016	31/12/2015
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	15	10,694,658	10,927,645
Investment in associates	23	1,297,934	1,020,640
Investment in a jointly controlled entity	23	178,174	164,024
Other investments		367,443	235,097
Intangible assets		137,312	19,184
Deferred tax assets		707,152	828,950
Receivables and prepayments		1,587,266	1,412,242
Deposits on aircraft purchase		319,290	334,487
Amounts due from associates		1,009,071	1,142,119
Derivative financial instruments	33	668,886	945,490
		16,967,186	17,029,878
CURRENT ASSETS			
Inventories		40,583	26,152
Receivables and prepayments		591,865	617,422
Deposits on aircraft purchase		320,191	348,820
Amounts due from joint ventures		8,636	5,708
Amounts due from associates		647,698	394,970
Amounts due from related parties		42,016	43,851
Deposits, bank and cash balances		1,583,107	2,426,696
Derivative financial instruments	33	305,444	419,112
Tax recoverable		9,891	3,648
		3,549,431	4,286,379
CURRENT LIABILITIES			
Trade and other payables		1,395,882	1,634,057
Sales in advance		750,819	664,251
Derivative financial instruments	33	269,195	582,491
Amounts due to a related parties		46,253	13,661
Borrowings	32	1,846,906	2,377,256
		4,309,055	5,271,716
NET CURRENT LIABILITIES			
		(759,624)	(985,337)
NON CURRENT LIABILITIES			
Trade and other payables		1,390,729	1,043,994
Amounts due to an associates		74,374	76,216
Borrowings	32	8,896,815	10,235,579
Derivative financial instruments	33	260,809	237,898
		10,622,727	11,593,687
		5,584,835	4,450,854
CAPITAL AND RESERVES			
Share capital	7	278,297	278,297
Share Premium		1,230,941	1,230,941
Treasury shares		(160)	-
Foreign exchange reserve		11,924	18,948
Retained earnings		4,464,669	3,355,740
Other Reserves		(392,281)	(431,598)
		5,593,390	4,452,328
Non-controlling interests		(8,555)	(1,474)
Total equity		5,584,835	4,450,854
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.01	1.60

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued and fully paid ordinary shares of RM0.10 each		Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000
Number of shares '000	Nominal value RM'000									
At 1 January 2016	2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	-	3,355,740	(1,474)	4,450,854
Net profit for the period	-	-	-	-	-	-	-	1,220,244	(1,087)	1,219,157
Other comprehensive (loss)/income	-	-	-	(7,024)	(87,591)	126,908	-	-	-	32,293
Buy-back of own shares	-	-	-	-	-	-	(160)	-	-	(160)
Transactions with owners: Dividends	-	-	-	-	-	-	-	(111,315)	-	(111,315)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	(5,994)	(5,994)
At 30 June 2016	2,782,974	278,297	1,230,941	11,924	(627,559)	235,278	(160)	4,464,669	(8,555)	5,584,835
At 1 January 2015	2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	-	2,898,035	-	4,555,091
Net profit for the period	-	-	-	-	-	-	-	392,358	-	392,358
Other comprehensive (loss)/income	-	-	-	(5,543)	54,998	(150,469)	-	-	-	(101,015)
Dividend payable	-	-	-	-	-	-	-	(83,489)	-	(83,489)
At 30 June 2015	2,782,974	278,297	1,230,941	3,275	(117,876)	161,405	-	3,206,904	-	4,762,945

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 2015 and the accompanying explanatory notes attached to the interim financial statements.



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KEY OPERATING STATISTICS – 30 JUNE 2016

Performance indicator for Malaysian operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr - Jun 2016	Apr - Jun 2015	Change y-o-y
Passengers Carried	6,545,131	5,951,924	10%
Capacity	7,539,863	7,432,560	1%
Seat Load Factor	87%	80%	7 ppt
RPK (million)	8,613	7,263	19%
ASK (million)	9,996	9,100	10%
Average Fare (RM)	153	141	8%
Ancillary Income Per Pax (RM)	48	46	5%
Unit Passenger Revenue (RM)	201	187	7%
Revenue / ASK (sen)	13.35	11.98	11%
Revenue / ASK (US cents)	3.33	2.99	11%
Cost / ASK (sen)	11.48	11.73	-2%
Cost / ASK (US cents)	2.87	2.93	-2%
Cost / ASK-ex Fuel (sen)	7.72	6.50	19%
Cost / ASK-ex Fuel (US cents)	1.93	1.62	19%
Aircraft (end of period)	81	80	1%
Average Stage Length (km)	1,319	1,230	7%
Number of Flights	41,342	41,292	0%
Fuel Consumed (Barrels)	1,594,424	1,531,057	4%
Average Fuel Price (US\$ / Barrel)	59	78	-24%

Exchange Rate: RM:USD – 4.0075 - prior year US cent figures are restated at the current period average exchange rate

Definition and calculation methodology

ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown.
RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
Revenue/ASK	Total airline revenue divided by ASK
Cost/ASK	Total airline expenses before net operating profit divided by ASK
Cost/ASK – ex fuel	Costs, as defined above, less fuel expenses, divided by ASK



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NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2016

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 2015.

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 2015.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2016 or later are provided in part B general information and summary of significant accounting policies in the audited financial statements of the Group for the financial year ended 31 December 2015. The adoption of the standards applicable to the Group that came into effect on 1 January 2016 did not have any significant impact on the Group upon initial application. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

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 2015 in their report dated 31 March 2016.

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 87% in the quarter under review, which was 7 percentage points higher than the same period last year. Compared against the immediate preceding quarter (first quarter January - March 2016), the load factor has increased 2 percentage points. This seasonal pattern is in line with the expectation of the Group.



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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

During quarter ended 30 June 2016, the total issued and paid-up share capital of the Company remained unchanged at RM278,297,408. There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 June 2016.

8. Dividend paid

The first and final single-tier dividend of 4.0 sen per share on 2,782,974,080 ordinary shares of RM0.10 for the financial year ended 31 December 2015, amounting to RM111,314,963.20 was paid on 29 June 2016 to shareholders whose name appeared in the Record of Depositors at the close of business on 30 May 2016.

9. Segment reporting

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, which is the Group's Chief Executive Officer ("GCEO") effective 1 July 2015. The GCEO considers the business from a geographical perspective. The operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Segment analysis by product categories has not been prepared as the Group is primarily engaged in the provision of air transportation services. Reconciliation to the reportable segments relates to the elimination of the associate companies.



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments for the quarter ended 30 June 2016 are as follows:

Segment results	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Revenue	1,623,550	886,517	267,190	220,070	113,252	-	(343,236)	2,767,344
Operating expenses								
- Staff costs	(243,862)	(119,897)	(49,346)	(28,389)	(18,425)	(23,638)	-	(483,557)
- Depreciation of property, plant and equipment	(181,528)	(32,361)	(6,647)	(8,669)	(917)	(1,002)	-	(231,124)
- Aircraft fuel expenses	(376,171)	(228,701)	(87,919)	(68,073)	(45,888)	(60)	-	(806,812)
- Maintenance and overhaul	(76,395)	(85,389)	(44,516)	(54,612)	(14,090)	(1,517)	108,447	(168,073)
- User charges and other related expenses	(196,903)	(151,375)	(61,409)	(32,501)	(14,712)	(1,913)	-	(458,813)
- Aircraft operating lease expenses	(121,960)	(139,905)	(43,369)	(33,366)	(22,372)	(6,679)	231,618	(136,032)
- Other operating expenses	(71,196)	(54,239)	(20,170)	(10,236)	(9,088)	(5,726)	16,626	(154,028)
Other income	59,081	12,398	29,826	7,114	1,684	103	(13,455)	96,751
Operating profit/(loss)	414,616	87,048	(16,361)	(8,662)	(10,555)	(40,431)	(0)	425,655
Finance income	18,461	2,822	145	9	428	0	-	21,865
Finance costs	(156,820)	(13,234)	(9,256)	(5,289)	(88)	(13)	-	(184,700)
Net operating profit/(loss)	276,257	76,637	(25,472)	(13,942)	(10,216)	(40,444)	(0)	262,819
Foreign exchange (losses)/gains	(33,880)	3,230	6,397	(32,257)	(1,991)	1,213	-	(57,288)
Share of results of joint ventures	5,918	-	-	-	-	-	-	5,918
Share of results of associates	5,517	-	-	-	-	-	(4,546)	971
Profit/(loss) before taxation	253,812	79,867	(19,075)	(46,199)	(12,207)	(39,231)	(4,546)	212,420



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments as at 30 June 2016 are as follows:

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Segment Assets								
Property, plant and equipment	10,694,658	2,023,625	427,087	194,730	23,347	26,314	-	13,389,761
Deposits, cash and bank balances	1,583,107	928,132	44,983	14,157	70,647	70,868	-	2,711,894
Investment in joint ventures and associates	1,476,108	-	-	-	-	-	(1,239,585)	236,523
Other assets	6,762,744	561,418	626,057	264,091	45,992	32,376	(1,072,120)	7,220,559
	<u>20,516,617</u>	<u>3,513,175</u>	<u>1,098,127</u>	<u>472,978</u>	<u>139,987</u>	<u>129,558</u>	<u>(2,311,705)</u>	<u>23,558,737</u>
Segment Liabilities								
Borrowings	(10,743,721)	(1,516,940)	(447,819)	(338,616)	-	-	447,819	(12,599,277)
Others	(4,188,061)	(866,551)	(1,470,526)	(1,667,215)	(220,109)	(36,091)	2,407,172	(6,041,381)
	<u>(14,931,782)</u>	<u>(2,383,491)</u>	<u>(1,918,345)</u>	<u>(2,005,831)</u>	<u>(220,109)</u>	<u>(36,091)</u>	<u>2,854,991</u>	<u>(18,640,659)</u>



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9. Segment reporting (continued)

a) Reconciliation of segment revenue to reported revenue:

	Quarter ended 30/6/2016 RM million
Segment revenue	2,767.3
Add: Inter-segment revenue	343.0
Less: Revenue from associated companies which were not consolidated	<u>(1,486.7)</u>
	<u>1,623.6</u>

b) Reconciliation of segment profit before taxation to reported profit before taxation:

	Quarter ended 30/6/2016 RM million
Segment profit before taxation	212.4
Add: Expenses from affiliates which were not consolidated	<u>41.4</u>
	<u>253.8</u>

c) Reconciliation of segment assets to reported total assets:

	Quarter ended 30/6/2016 RM million
Segment assets	23,558.7
Less: Assets of affiliates which were not consolidated	<u>(3,042.1)</u>
Reported net assets of AirAsia Berhad	<u>20,516.6</u>

d) Reconciliation of segment liabilities to reported total liabilities:

	Quarter ended 30/6/2016 RM million
Segment liabilities	18,640.7
Less: Liabilities of affiliates which were not consolidated	<u>(3,708.9)</u>
Reported net assets of AirAsia Berhad	<u>14,931.8</u>



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10. Revenue

	Quarter ended 30/6/2016 RM million	Quarter ended 30/6/2015 RM million
Passenger seat sales	991.4	806.6
Baggage fees	139.1	115.9
Aircraft operating lease income	328.5	234.3
Other revenue	164.6	168.0
	<u>1,623.6</u>	<u>1,324.8</u>

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

11. Other Income

	Quarter ended 30/6/2016 RM million	Quarter ended 30/6/2015 RM million
Gain/(loss) on disposal of property, plant and equipment	9.2	(2.7)
Others	49.9	66.8
	<u>59.1</u>	<u>64.1</u>

Other income ('others') includes brand licence fees, commission income and advertising income.

12. Aircraft sale and leaseback transactions

In the previous financial year, the Board approved the sale and leaseback of 16 vintage A320 aircraft in view of the incoming delivery of Airbus A320neo aircraft starting 2016. A total of 16 transactions were completed as at the end of the previous financial year.



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13. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in mark-to-market position on effective hedging contracts at 30 June 2016 as compared to 31 March 2016 as follows:

	Quarter ended 30/6/2016 RM million	Quarter ended 31/3/2016 RM million
Fair value gain/(loss) in the period	58.0	69.0
Amount transferred to income statement	280.9	(368.5)
	<u>338.9</u>	<u>(299.5)</u>

Fair value changes in effective hedging contracts are recognized directly in equity and are transferred to the income statement in the same period as the underlying hedged item impacts profit or loss.

14. Disclosure of Realised and Unrealised Profits

The cumulative retained profit of the Group and its subsidiaries comprises realized and unrealised profit as disclosed in the table below.

	As at 30/6/2016 RM'000	As at 31/12/2015 RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	5,845,890	5,771,224
Unrealised	(895,588)	(1,698,954)
	<u>4,950,302</u>	<u>4,072,270</u>
Total share of accumulated gains/(losses) from associates		
Realised	(605,220)	(821,968)
Total share of accumulated gains/(losses) from joint ventures		
Realised	119,587	105,438
Total group retained profit as per consolidated accounts	<u>4,464,669</u>	<u>3,355,740</u>



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15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 30 June 2016, the Group acquired property, plant and equipment with a cost of RM151.9 million (quarter ended 30 June 2015: RM12.8 million).

During the quarter ended 30 June 2016, proceeds from disposal of property, plant and equipment totaled RM10.4 million (quarter ended 30 June 2015 RM903.0 million).

(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.

16. Post balance sheet events

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 December 2015 as at the date of this report.



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17. Changes in composition of the Group

On 3 February 2016, the Company entered into a Share Sale Agreement with Tune Money International Sdn. Bhd. for the acquisition of up to 2,072,000 ordinary shares of RM1.00 each (“Shares”) representing 25.8% equity interest in the issued and paid up ordinary share capital of Think BIG Digital Sdn. Bhd. (“BIG”) for a cash consideration of RM101.5 million. Subsequent to this, the Company’s equity stake in BIG has increased to 71.9% and the investment in BIG has been reclassified from an investment in associate to investment in subsidiary.

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 2015.

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

Capital commitments for property, plant and equipment:

	Group and Company	
	<u>30/6/2016</u>	<u>30/6/2015</u>
	RM’000	RM’000
Approved and contracted for	79,869,827	67,574,782
Approved but not contracted for	8,718,681	15,649,253
	-----	-----
	88,588,508	83,224,035
	=====	=====



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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 the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

Name of company	Relationship
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
MadCience Sdn Bhd	Subsidiary
TPaay Asia Sdn Bhd (formerly known as Tune Money Sdn Bhd)	Subsidiary
Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	Subsidiary
Rokki Avionics Sdn Bhd	Subsidiary
Think Big Digital Sdn Bhd	Subsidiary
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AirAsia (India) Private Limited	Associate of a subsidiary
AAE Travel Pte Ltd	Associate of a subsidiary
Philippines AirAsia Inc. (formerly known as Zest Airways, Inc.)	Associate of an associate
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queen Park Rangers Holdings Ltd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra	Company with common directors and shareholders
Caterhamjet Global Ltd	Company with common directors and shareholders



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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 June 2016 are set out below:

	Quarter ended 30/6/2016 RM'000	Quarter ended 30/6/2015 RM'000
Thai AirAsia		
Lease rental income on aircraft	126,614	108,950
Indonesia AirAsia		
Lease rental income on aircraft	42,886	89,342
Philippines AirAsia		
Lease rental income on aircraft	23,866	20,312
India AirAsia		
Lease rental income on aircraft	22,118	15,701
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	21,039	-
Asian Aviation Centre of Excellence Sdn Bhd		
Training costs charged to AirAsia Berhad	(6,244)	(6,132)



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NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2016

22. Review of performance

Performance of current quarter against the same quarter last year for Malaysia

Quarter Ended: 30 June RM'000	Apr - Jun 2016	Apr - Jun 2015
Revenue	1,623,550	1,324,819
Operating expenses:		
- Staff costs	(243,862)	(192,607)
- Depreciation of property, plant and equipment	(181,528)	(165,577)
- Aircraft fuel expenses	(376,171)	(476,539)
- Maintenance and overhaul	(76,395)	(36,271)
- User charges and other related expenses	(196,903)	(151,679)
- Aircraft operating lease expenses	(121,960)	(68,845)
- Other operating expenses	(71,196)	(66,932)
Other income	59,081	64,067
Operating profit	414,616	230,436
Finance income	18,461	29,693
Finance costs	(156,820)	(149,195)
Net operating profit	276,257	110,934
Foreign exchange losses	(33,880)	(20,585)
Share of results of jointly controlled entities	5,918	5,008
Share of results of associates	5,517	8,021
Costs related to the sale and leaseback of aircraft	-	(54,615)
Profit before tax	253,812	48,763
Current taxation	(3,086)	(14,467)
Deferred taxation	91,156	208,731
Net profit for the financial period	341,882	243,027
EBITDAR	718,104	464,858
EBITDAR Margin	44%	35%
EBIT Margin	26%	17%



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22. Review of performance (continued)

The Group recorded revenue of RM1,623.6 million for the quarter ended 30 June 2016 (“2Q16”), 23% higher than the revenue of RM1,324.8 million recorded in the quarter ended 30 June 2015 (“2Q15”). The revenue was supported by a 10% growth in passenger volume while the average fare was up 8% at RM153 as compared to RM141 achieved in 2Q15. Ancillary income per passenger increased by 5% to RM48 year-on-year. The seat load factor was at 87% which was 7 percentage points higher than the same period last year.

The profit before tax for the period was RM253.8 million compared to profit before tax of RM48.8 million in the same quarter of 2015 while the net profit for the period was RM341.9 million compared to a net profit RM243.0 million in the same quarter of 2015. The growth in 2Q16 net profits is mainly attributable to the revenue growth during the quarter of 23% which was mainly due to the increase in aircraft operating lease income and a 24% reduction in the average fuel price from USD78 per barrel in 2Q15 to USD59 per barrel in 2Q16.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	Apr - Jun 2016	Jan - Mar 2016
Cash from Operations	507,739	323,728
Cash from Investing Activities	(118,813)	(224,827)
Cash from Financing Activities	(564,425)	(764,192)
Net Cash Flow	(175,499)	(665,291)

The Group’s cash inflow from operations was RM507.7 million, compared to RM323.7 million in the immediate preceding quarter ended 31 March 2016. Net cash flow in the quarter amounted to a RM175.5 million outflow, as cash in flows from operating were exceeded by cash outflows from investing and financing activities.

The net gearing ratio as at 30 June 2016 and 31 December 2015 was as follows:

Balance Sheet RM million	As at 30/6/2016	As at 31/12/2015
Total borrowings	10,744	12,613
Less: Deposit, cash and bank balances	(1,583)	(2,427)
Net debt	9,161	10,186
Total equity	5,585	4,451
Net gearing ratio (times)	1.64	2.29

The Group’s total debt as of end of June 2016 was RM10.7billion. The Group’s net debt after offsetting the cash balances amounted to RM9.2 billion.



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22. Review of performance (continued)

Asia Aviation Capital Limited (“AAC”)

Included within the Group results is AAC, a wholly owned subsidiary of AirAsia that provides aircraft leasing services to the AirAsia group of companies and also to third parties. The results of the Company which is consolidated into the results of AirAsia Berhad is shown below:

Quarter Ended: 30 June USD'000	Apr - Jun 2016	Apr - Jun 2015
Revenue	66,524	11,690
Operating expenses:		
- Staff costs	(152)	(67)
- Depreciation of property, plant and equipment	(11,282)	-
- Aircraft operating lease expenses	(24,918)	(10,428)
- Maintenance & Overhaul	(9,670)	-
- Other operating expenses	(2,330)	(18)
Other income	4,050	-
Operating Profit	22,222	1,177
Finance Costs	(3,747)	(1)
Net Operating Profit	18,475	1,176
Foreign exchange gains	325	4
Profit before tax	18,800	1,180
Taxation	(1)	-
Profit after tax	18,799	1,180
EBITDAR	58,422	11,605
EBITDAR Margin	88%	1
EBIT Margin	33%	0

AAC’s portfolio of aircraft for lease has increased from 19 in the same period last year to 55 in the quarter under review. In addition to providing leasing services to the companies within the AirAsia Group, AAC had begun leasing to third parties since September 2015.



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22. Review of performance (continued)

Performance indicator for AAC operations for current quarter against the same quarter of last year

Operational ratios	Apr - Jun 2016	Apr - Jun 2015
Total aircraft at start of period	44	6
Addition	11	13
Total aircraft at end of period	55	19
By ownership:		
- Operating lease	31	19
- Owned	24	-
	55	19
By Lessee:		
AirAsia affiliates	53	19
Third party	2	-
	55	19
Aircraft average age (Years)	6.1	6.5
Operating lease average age (Years)	6.3	6.8
Owned acft average age (Years)	5.8	-

Balance Sheet

Period ended: 30 June 2016 USD'000	June 2016	Dec 2015
Property, plant and equipment	637,399	260,717
Receivables and prepayments	73,990	34,619
Amount due from related parties	68,963	39,386
Cash and bank balances	21,548	17,411
Total Assets	801,900	352,133
Other payables, accruals and provisions	52,192	26,123
Borrowings	493,195	217,781
Amount due to holding company	184,564	69,685
Amount due to related parties	864	26
Security Deposits	25,107	21,934
Total Liabilities	755,922	335,549
Share Capital	5,000	5,000
Retained Earnings	40,978	11,584
Total Equity	45,978	16,584



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23. Associate Companies and Joint Ventures

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

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 revenue of THB7,771.2 million in 2Q16, 13% higher compared to the THB6,898.8 million achieved in 2Q15. The increase in revenue is attributed to the increase in the number of passengers carried by 18% year-on-year despite a slight decrease in average fare and ancillary income per pax. Passengers carried by Thai AirAsia increased as capacity rose 13% year-on-year while the seat load factor increased 3ppt to 83%.

Thai AirAsia achieved an operating profit of THB763.1 million in 2Q16, compared to an operating profit of THB514.4 million in 2Q15. Thai AirAsia achieved a net profit of THB767.6 million in 2Q16, compared to a net profit of THB374.2 million in 2Q15.

AirAsia Berhad has equity accounted RM39.1 million (RM18.1 million in the quarter ended 30 June 2015) in the current period, as reflected in the AirAsia Berhad income statement.



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Performance indicator for Thailand operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr - June 2016	Apr - June 2015	Change y-o-y
Passengers Carried	4,165,929	3,539,856	18%
Capacity	5,021,100	4,445,820	13%
Seat Load Factor	83%	80%	3 ppt
RPK (million)	4,269	3,574	19%
ASK (million)	5,138	4,410	17%
Average Fare (THB)	1,550	1,632	-5%
Ancillary Income Per Pax (THB)	313	319	-2%
Unit Passenger Revenue (THB)	1,862	1,951	-5%
Revenue / ASK (THB)	1.51	1.56	-3%
Revenue / ASK (US cents)	4.27	4.41	-3%
Cost / ASK (THB)	1.38	1.47	-6%
Cost / ASK (US cents)	3.90	4.16	-6%
Cost / ASK-ex Fuel (THB)	0.99	0.93	7%
Cost / ASK-ex Fuel (US cents)	2.80	2.62	7%
Aircraft (end of period)	49	43	14%
Average Stage Length (km)	1,023	992	3%
Number of Flights	27,895	24,699	13%
Fuel Consumed (Barrels)	945,509	806,099	17%
Average Fuel Price (US\$ / Barrel)	60	84	-29%

Exchange Rate: USD:THB – 35.5 - prior year US cents figures are restated at the current period average exchange rate



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Performance of current quarter against the same quarter last year for Thailand

Quarter Ended: 30 June THB'000	Apr - June 2016	Apr - June 2015
Revenue	7,771,174	6,898,835
Operating expenses:		
- Staff costs	(1,051,008)	(728,062)
- Depreciation of property, plant and equipment	(283,676)	(276,420)
- Aircraft fuel expenses	(2,004,785)	(2,408,410)
- Maintenance & overhaul	(748,515)	(543,405)
- User charges and other related expenses	(1,326,947)	(1,151,592)
- Aircraft operating lease expenses	(1,226,403)	(984,150)
- Other operating expenses	(475,457)	(410,729)
Other income	108,680	118,350
Operating profit	763,063	514,417
Finance income	24,740	32,735
Finance costs	(116,008)	(148,514)
Net operating profit	671,795	398,638
Foreign exchange gains	28,316	(83,619)
Profit before tax	700,111	315,019
Taxation	(20,446)	(7,008)
Deferred taxation	87,899	66,178
Net profit for the financial period	767,564	374,189
EBITDAR	2,273,142	1,774,987
EBITDAR Margin	29%	26%
EBIT Margin	10%	7%



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Balance Sheet

Quarter Ended: 30 June THB'000	June 2016	Dec 2015
Property, Plant & Equipment	17,656,155	18,135,082
Intangible assets, net	13,515	12,195
Other non current assets	1,061,563	1,001,821
Inventory	134,727	92,596
Other Debtors & Prepayments	2,884,408	1,882,062
Amounts due from related parties	804,171	326,209
Cash & Short Term Deposits	8,097,963	7,557,622
Total Assets	30,652,502	29,007,587
Sales In Advance	4,072,043	4,030,229
Other Creditors & Accruals	2,209,864	2,253,575
Amounts Owing to Related Party	759,756	917,878
Deferred tax liabilities	519,008	511,948
Finance lease liabilities	13,235,322	14,036,839
Total Liabilities	20,795,993	21,750,469
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	6,792,166	4,192,776
Total Equity	9,856,508	7,257,118

ii) Associate Company - PT Indonesia AirAsia (“Indonesia AirAsia”)

Indonesia AirAsia is an associate company owned 49% 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

Indonesia AirAsia recorded revenue of IDR887.4 billion in 2Q16, 30% lower as compared to the IDR1,266.8 billion achieved in 2Q15. The drop in revenue is mainly attributable to the reduction in fleet size operated by Indonesia AirAsia as capacity reduced 37% as compared to 2Q15. Passengers carried by Indonesia AirAsia decreased 28% year-on-year while the seat load factor increased 10 percentage points to 83%.

Indonesia AirAsia recorded an operating loss of IDR54.3 billion in 2Q16, compared to an operating loss of IDR395.2 billion in 2Q15. Indonesia AirAsia recorded a net loss of IDR63.4 billion in 2Q16 as compared to a net loss of IDR486.4 billion in 2Q15.



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In April 2016, Indonesia AirAsia finalized its statutory audit for the financial year ended 31 December 2015 where additional audit adjustments were made. Included in the audit adjustments was IDR710.0 billion deferred tax income which reduced the net losses of Indonesia AirAsia in the previous financial year. After taking into consideration the late audit adjustments and the net profits recorded by Indonesia AirAsia in 1Q16, AirAsia Berhad's share of the results of Indonesia AirAsia of RM122.7 million has been equity accounted in the income statement of AirAsia Berhad in 1Q16.

AirAsia Berhad has equity accounted a net loss of RM9.4 million (RM Nil in the quarter ended 30 June 2015) in the current period, as reflected in the AirAsia Berhad income statement.

Performance indicator for Indonesia operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr - Jun 2016	Apr - Jun 2015	Change y-o-y
Passengers Carried	1,180,159	1,632,831	-28%
Capacity	1,420,560	2,244,960	-37%
Seat Load Factor	83%	73%	10 ppt
RPK (million)	1,679	2,196	-24%
ASK (million)	2,039	2,990	-32%
Average Fare (IDR)	586,234	611,094	-4%
Ancillary Income Per Pax (IDR)	171,925	168,858	2%
Unit Passenger Revenue (IDR)	758,159	779,952	-3%
Revenue / ASK (IDR)	435.21	423.67	3%
Revenue / ASK (US cents)	3.26	3.17	3%
Cost / ASK (IDR)	476.70	586.74	-19%
Cost / ASK (US cents)	3.57	4.39	-19%
Cost / ASK-ex Fuel (IDR)	333.49	387.93	-14%
Cost / ASK-ex Fuel (US cents)	2.50	2.91	-14%
Aircraft (end of period)	14	29	-52%
Average Stage Length (km)	1,304	1,240	5%
Number of Flights	7,892	12,472	-37%
Fuel Consumed (Barrels)	326,396	473,298	-31%
Average Fuel Price (US\$ / Barrel)	67	94	-29%

Exchange Rate: USD:IDR – 13,353 - prior year US cents figures are restated at the current period average exchange rate



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Performance of current quarter against the same quarter last year for Indonesia

Quarter Ended: 30 June	Apr - Jun 2016	Apr - Jun 2015
IDR million		
Revenue	887,378	1,266,831
Operating expenses:		
- Staff costs	(163,886)	(174,757)
- Depreciation	(22,076)	(24,910)
- Aircraft fuel expenses	(291,994)	(594,442)
- Aircraft operating lease expense	(144,036)	(315,674)
- Maintenance & overhaul	(147,844)	(225,706)
- User charges and other related expenses	(203,948)	(234,271)
- Other operating expenses	(66,988)	(101,790)
Other income	99,058	9,506
Operating loss	(54,336)	(395,213)
Finance Income	480	975
Finance Costs	(30,742)	(93,333)
Net operating loss	(84,598)	(487,571)
Foreign exchange gains	21,246	1,214
Loss before taxation	(63,352)	(486,357)
Taxation	-	-
Net loss for the financial period	(63,352)	(486,357)
EBITDAR	111,776	(54,629)
EBITDAR Margin	13%	-4%
EBIT Margin	-6%	-31%



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Balance Sheet

Quarter Ended: 30 June IDR million	June 2016	Dec 2015
Property, Plant & Equipment	1,400,744	1,443,857
Inventory	28,717	24,115
Other Debtors & Prepayments	741,090	511,732
Amounts Owing from Related Parties	32,627	55,300
Deferred tax assets	835,597	835,597
Maintenance Reserves	415,289	358,994
Cash & Short Term Deposits	147,533	54,669
Total Assets	3,601,596	3,284,264
Sales In Advance	762,474	533,548
Other Creditors & Accruals	291,730	504,887
Amounts Owing to Related Party	3,582,932	3,128,920
Employee benefits liability	185,844	179,428
Finance lease payable	1,468,740	1,586,201
Total Liabilities	6,291,720	5,932,984
Share Capital	180,000	180,000
Perpetual Capital Security	2,058,000	2,058,000
Retained Earnings	(4,928,124)	(4,886,720)
Total Equity	(2,690,124)	(2,648,720)

iii) Associate Company – AirAsia Inc and AirAsia Philippines Inc (formerly known as Zest Airways Inc)

AirAsia Inc and AirAsia Philippines Inc are collectively referred to as “AirAsia Philippines”. AirAsia Inc is an associate company which is incorporated in the Republic of the Philippines and is 40% owned by AirAsia Berhad. AirAsia Philippines Inc is an associate company of AirAsia Inc and is 49% owned by AirAsia Inc.

AirAsia Philippines recorded revenue of PHP2,567.8 million in 2Q16, 11% higher as compared to the PHP2,323.6 million achieved in 2Q15. The increase in revenue can be attributed to higher passenger volumes which increased by 3% year-on-year and the increase in average fare by 14% year-on-year. Passengers carried by AirAsia Philippines increased 3% although capacity decreased 9% year-on-year while the seat load factor increased by 11 percentage points to 91% as compared to 2Q15.



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AirAsia Philippines recorded an operating loss of PHP101.1 million in 2Q16, compared to an operating loss of PHP403.7 million in 2Q15. The net loss position of AirAsia Philippines was PHP539.1 million as compared to PHP777.0 million loss in 2Q15.

AirAsia Inc recorded a net loss of RM14.6 million in the quarter under review of which RM5.9 million is equity accounted in the financial statements of AirAsia Berhad.

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

Quarter Ended: 30 June	Apr - Jun 2016	Apr - Jun 2015	Change y-o-y
Passengers Carried	1,005,822	976,381	3%
Capacity	1,107,360	1,215,900	-9%
Seat Load Factor	91%	80%	11 ppt
RPK (million)	970	894	9%
ASK (million)	1,078	1,152	-6%
Average Fare (PHP)	2,200	1,934	14%
Ancillary Income Per Pax (PHP)	349	448	-22%
Unit Passenger Revenue (PHP)	2,549	2,382	7%
Revenue / ASK (PHP)	2.38	2.02	18%
Revenue / ASK (US cents)	5.08	4.30	18%
Cost / ASK (PHP)	2.53	2.52	1%
Cost / ASK (US cents)	5.40	5.36	1%
Cost / ASK-ex Fuel (PHP)	1.80	1.64	9%
Cost / ASK-ex Fuel (US cents)	3.83	3.50	9%
Aircraft (end of period)	14	15	-7%
Average Stage Length (km)	974	948	3%
Number of Flights	6,152	6,755	-9%
Fuel Consumed (Barrels)	227,853	234,224	-3%
Average Fuel Price (US\$ / Barrel)	74	92	-19%

Exchange Rate: USD:PHP – 46.9 - prior year US cents figures are restated at the current period average exchange rate



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Performance of current quarter against the same quarter last year for the amalgamated AirAsia Philippines operations

Quarter Ended: 30 June PHP'000	Apr - Jun 2016	Apr - Jun 2015
Revenue	2,567,757	2,323,645
Operating expenses:		
- Staff costs	(331,239)	(339,216)
- Depreciation of property, plant and equipment	(101,150)	(41,431)
- Aircraft fuel expenses	(794,268)	(1,006,006)
- Maintenance & overhaul	(637,210)	(410,905)
- User charges and other related expenses	(379,223)	(329,197)
- Aircraft operating lease expenses	(389,312)	(400,164)
- Other operating expenses	(119,429)	(212,449)
Other income	83,008	12,073
Operating loss	(101,066)	(403,650)
Finance Income	105	33
Finance Costs	(61,717)	(170,934)
Net operating loss	(162,678)	(574,551)
Foreign exchange gain/(loss)	(376,373)	(202,424)
Loss before tax	(539,051)	(776,975)
Taxation	-	-
Net loss for the period	(539,051)	(776,975)
EBITDAR	389,396	37,945
EBITDAR Margin	15%	2%
EBIT Margin	-4%	-17%



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Balance Sheet

Quarter Ended: 30 June PHP'000	June 2016	Dec 2015
Property, Plant & Equipment	2,275,500	2,468,158
Inventory	126,805	126,876
Other Debtors & Prepayments	2,959,199	2,988,863
Cash & Short Term Deposits	165,429	150,390
Total Assets	5,526,933	5,734,287
Sales In Advance	966,986	1,102,599
Other Creditors & Accruals	7,492,424	7,578,516
Amounts Owing to Related Party	14,862,675	14,397,943
Long Term Liabilities	116,823	116,823
Total Liabilities	23,438,908	23,195,881
Share Capital	1,192,511	1,192,511
Other reserves	(8,621)	(8,621)
Retained Earnings	(19,095,865)	(18,645,484)
Total Equity	(17,911,975)	(17,461,594)

iv) Associate Company – AirAsia (India) Private Limited (“AirAsia India”)

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 revenue of INR1,889.2 million in 2Q16, compared to a revenue of INR1,094.6 million in 2Q15. The number of passengers carried increased 76% with a unit passenger revenue of INR3,553. Ancillary income per passenger was at INR415 while the seat load factor was at 87%.

AirAsia India recorded a net loss of RM12.2 million (quarter ended 30 June 2015: RM25.4 million) in the quarter under review out of which RM Nil is equity accounted in the AirAsia Berhad income statement as the Group’s interest in AirAsia India has been reduced to zero. In accordance with MFRS128, any profits will only be recognized when a total of RM31.5 million of unrecognized losses have been reversed.



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

Quarter Ended: 30 June	Apr - Jun 2016	Apr - Jun 2015	Change y-o-y
Passengers Carried	533,050	302,136	76%
Capacity	613,440	365,040	68%
Seat Load Factor	87%	83%	4 ppt
RPK (million)	669	332	101%
ASK (million)	762	398	91%
Average Fare (INR)	3,138	3,273	-4%
Ancillary Income Per Pax (INR)	415	367	13%
Unit Passenger Revenue (INR)	3,553	3,640	-2%
Revenue / ASK (sen)	247.89	275.03	-10%
Revenue / ASK (US cents)	3.70	4.10	-10%
Cost / ASK (sen)	270.25	381.06	-29%
Cost / ASK (US cents)	4.03	5.68	-29%
Cost / ASK-ex Fuel (sen)	169.81	253.02	-33%
Cost / ASK-ex Fuel (US cents)	2.53	3.77	-33%
Aircraft (end of period)	6	5	20%
Average Stage Length (km)	1,258	1,146	10%
Number of Flights	3,408	2,028	68%

Exchange Rate: USD:INR – 67.0 - prior year US cents figures are restated at the current period average exchange rate



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Performance of current quarter against the same quarter last year for India

Quarter Ended: 30 June INR'000	Apr - Jun 2016	Apr - Jun 2015
Revenue	1,889,246	1,094,619
Operating expenses:		
- Staff costs	(307,361)	(314,080)
- Depreciation of property, plant and equipment	(15,294)	(6,348)
- Aircraft fuel expenses	(765,488)	(509,616)
- Maintenance and overhaul	(235,048)	(273,855)
- User charges and other related expenses	(245,419)	(95,317)
- Aircraft operating lease expenses	(373,200)	(139,146)
- Other operating expenses	(151,608)	(200,511)
Other income	28,089	5,572
Operating loss	(176,083)	(438,682)
Finance Income	7,137	17,286
Finance Costs	(1,467)	(611)
Net operating loss	(170,413)	(422,007)
Foreign exchange losses	(33,219)	(45,724)
Loss before tax	(203,632)	(467,731)
Taxation	-	-
Net loss for the financial period	(203,632)	(467,731)
EBITDAR	212,411	(293,188)
EBITDAR Margin	11%	-27%
EBIT Margin	-9%	-40%



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Balance Sheet

Year Ended: 30 June INR'000	June 2016	Dec 2015
Property, Plant & Equipment	391,400	357,548
Inventory	50,881	30,960
Other Debtors & Prepayments	720,155	709,211
Cash & Short Term Deposits	1,184,364	537,829
Total Assets	2,346,800	1,635,548
Sales In Advance	474,477	668,341
Other Creditors & Accruals	1,653,673	840,403
Amounts Owing to Related Party	1,479,892	1,105,826
Long Term Liabilities	5,592	5,592
Total Liabilities	3,613,633	2,620,162
Share Capital	1,921,500	1,921,500
Retained Earnings	(3,188,333)	(2,906,114)
Total Equity	(1,266,833)	(984,614)

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

AirAsia Japan is an associate company which is incorporated in Japan and is 49% owned by AirAsia Berhad. AirAsia Japan has yet to launch its services in Japan. AirAsia Japan recorded a net loss of RM39.5 million (quarter ended 30 June 2015: RM12.8 million) in the quarter under review of which RM19.3 million (quarter ended 30 June 2015: RM6.3 million) is equity accounted in the financial statements of AirAsia Berhad.

vi) Associate Company – AAE Travel Pte Ltd (“AAE Travel”)

AAE Travel has been reclassified to investment in an associate company in the previous financial year subsequent to the divestment of 25% equity interest in the share capital of AAE Travel. AAE Travel is incorporated in Singapore and is 25% owned by AirAsia Berhad. AAE Travel recorded a net profit of RM3.8 million (quarter ended 30 June 2015: RM2.4 million) in the quarter of which RM1.0 million (quarter ended 30 June 2015: RM0.6 million) is equity accounted in the AirAsia Berhad income statement.

vii) Joint Ventures – Asian Aviation Centre of Excellence Sdn Bhd (“AACOE”)

AACOE is a joint venture company which is incorporated in Malaysia and is owned in equal shares by AirAsia Berhad and CAE Inc, a Canadian incorporated aviation training organization. AACOE recorded a net profit of RM11.8 million (quarter ended 30 June 2015: RM10.0 million) in the quarter of which RM5.9 million (quarter ended 30 June 2015: RM5.0 million) is equity accounted in the AirAsia Berhad income statement.



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24. Variation of results against preceding quarter

The Group had a net profit of RM341.9 million for the quarter under review. This is RM535.0 million lower compared to the net profit of RM876.9 million in the immediately preceding quarter ended 31 March 2016.

25. Commentary on prospects

In Malaysia, we continue to see strong demands in the third quarter of 2016 with average load factor forecast at 90%. For the remaining quarters of 2016, we remain confident as we are continuing to observe strong demand across most sectors. This is coupled with favorable fuel price and a favourable foreign exchange on major Asian currencies against the USD.

In Thailand, load factor in the third quarter of 2016 is forecast to be 83% with estimated capacity growth of approximately 3%. As with Malaysia, we see encouraging forward bookings in the remaining quarters of 2016 stemming from the demand from summer holiday makers. TAA will continue to focus its marketing activities on domestic, China and India routes in the remaining quarters of 2016.

In Indonesia, load factor in the third quarter of 2016 is forecast at 92% which is due to the high season demand. For the remaining quarters of 2016, IAA will continue to focus on promoting international routes.

In Philippines, the forecasted load factor for the third quarter of 2016 is at 85%. PAA remains on track with its turnaround plan to rationalize its fleet composition to further reduce its cost structure in the remaining quarters in 2016.

In India, the forecasted load factor for the third quarter of 2016 is at 88%. For the remaining quarters of 2016, AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

Barring any unforeseen circumstances, the Directors remain positive for the prospects of the Group in 2016.



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26. Profit forecast

No profit forecast has been issued.

27. Finance income/(costs)

All figures in RM'000	Group			
	Quarter Ended 30/6/16	Quarter Ended 30/6/15	Period ended 30/6/16	Period ended 30/6/15
Finance income				
Interest income from:				
- amounts due from associates	7,282	16,611	14,961	49,559
- deposits with licensed banks	4,767	5,906	11,988	12,404
Gain from interest rate contracts	-	7,166	-	7,169
Discounting on deposits and non-current payables	5,443	-	8,296	-
Others	969	10	2,189	13
	18,461	29,693	37,434	69,145
Finance costs				
Bank borrowings	(127,719)	(142,304)	(259,237)	(286,285)
Amortisation of premiums for interest rate caps	(2,307)	(2,187)	(4,643)	(4,323)
Loss from interest rate contracts	(24,453)	-	(20,215)	(4,819)
Bank facilities and other charges	(2,341)	(4,704)	(3,103)	(5,337)
	(156,820)	(149,195)	(287,198)	(300,764)
Net cost	(138,359)	(119,502)	(249,764)	(231,619)
Foreign exchange gains/(losses)				
- realized	(31,061)	(7,846)	(34,641)	(2,954)
- unrealized	(126,833)	(160,112)	474,545	(607,175)
- (loss)/gain from forward foreign exchange contracts	121,660	13,079	(65,797)	36,482
- fair value movement recycled from cash flow hedge reserve	2,354	134,294	56,151	303,137
	(33,880)	(20,585)	430,258	(270,510)



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28. Income tax expense

Current taxation

The current taxation charge of RM3.1 million comprises tax payable on interest income.

Deferred taxation

RM91.2 million deferred tax credits arose in the current financial period. The deferred tax assets increased as additional capital allowances that were granted in the current period remained unutilized.

29. Unquoted investments and properties

On 21 June 2016, AirAsia Berhad entered into a Sale and Purchase Agreement with Caterhamjet Global Ltd (“CJG”) for the acquisition of one (1) unit of Bombardier BD-700-1A10 Global Express 9M-CJG aircraft for a cash consideration of USD10 million.

On 27 June 2016, AirAsia Berhad entered into a Share Sale Agreement with Datin Charlene Yeo Ming Ling to purchase 881,873 ordinary shares of RM1.00 each in T & Co Coffee Sdn Bhd (“T&Co”), which is equivalent to eighty percent (80%) of the share capital of T&Co for a total purchase consideration of RM914,000.

On 21 June 2016, AirAsia Berhad through its wholly owned subsidiary, MadCience Consulting Sdn Bhd (“MC”) entered into a joint venture with Big Data for Humans Ltd. (“Bd4h”). These were done via a Loan Note Subscription Agreement with Bd4h for the subscription of 1,000,000 unsecured convertible loan note for a total subscription monies of GBP 1,000,000, of which up to GBP 500,000 shall be used to finance a joint venture operation between MC and Bd4h (the “Bd4h JV”); and a Joint Venture Agreement with Bd4h for the formation of Big Data for Humans APAC Ltd (“Bd4h APAC”), a joint venture company to establish and build a software for service data analytics business in the Asia Pacific region

30. 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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31. Status of corporate proposals announced

AirAsia Berhad obtained approval from its shareholders at the Extraordinary General Meeting held on 9 May 2016 for the issuance and allotment of 559,000,000 new ordinary shares of RM0.10 each in AirAsia Berhad to Tune Live Sdn. Bhd. at an issue price of RM1.84 per share subject to adjustments in accordance with the subscription agreement. With reference to the announcement made on 28 July 2016, the Company and the Subscriber have entered into a second supplemental letter dated 28 July 2016 in respect of the Subscription Agreement to mutually agree to extend the Cut-off Date of 29 July 2016 for another period of sixty (60) days, and expiring on 27 September 2016, or such longer period as the Parties may mutually agree in writing. This additional extension was agreed upon between the Parties to allow the Subscriber further time to acquire approval from Bank Negara Malaysia in respect of the funding for the Proposed Shares Issuance from its financiers (which include several foreign banks) after finalising the commercial terms of such financing. Save for the extension of the Cut-off Date above, all other terms and conditions of the Subscription Agreement remain unchanged.

32. Borrowings and debt securities

	As at 30/6/2016 RM'000	As at 31/12/2015 RM'000
Current	1,846,906	2,377,256
Non-current	8,896,815	10,235,579
Total Debt	<u>10,743,721</u>	<u>12,612,835</u>

The currency profile of borrowings is as follows:

	As at 30/6/2016 RM'000	As at 31/12/2015 RM'000
Ringgit Malaysia	1,125,102	1,494,381
US Dollar	9,260,059	10,734,446
Euro	153,337	167,504
Singapore Dollar	205,223	216,504
	<u>10,743,721</u>	<u>12,612,835</u>

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.



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32. Borrowings and debt securities (continued)

The maturity period of non-current borrowing is 14 years and below. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 33 (i).

Total borrowings include secured liabilities of the Group of RM9.8 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.

33. Derivative Financial Instruments:

The fair value of derivative financial instruments is determined in accordance with FRS139 “Financial Instruments: Recognition and Measurement”

(i) Forward Foreign Exchange Contracts

As at 30 June 2016, AirAsia Berhad has hedged approximately 58% of the US dollar liabilities of its aircraft (which are deployed to Malaysia) into Malaysian Ringgit (“MYR”). The latest weighted average of USD/MYR forward exchange rate is 3.2368.

(ii) Interest Rate Hedging

As at 30 June 2016, the Group has entered interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivering from 2005 to 2016.

(iii) Fuel Hedging

As at 30 June 2016, the Group has entered into Singapore Jet Kerosene fixed swaps, Brent options, Brent swaps, and Crack swaps which represents up to 75% of the Group’s total budgeted fuel consumption for year 2016 and 40% and 20% of the Group’s total budgeted fuel consumption for 1H2017 and 2H2017 respectively.



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33. Derivative financial instruments (continued)

Type of derivatives	Notional Value as at 30/06/2016	Fair Value as at 30/06/2016 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	4.87	34.87
- 1 year to 3 years	0.25	2.34
Total	5.12	37.21
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	296.72	(26.82)
- more than 3 years	3,215.63	(267.88)
Total	3,512.35	(294.70)
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	122.81	(2.07)
- 1 year to 3 years	817.15	160.96
- more than 3 years	2,350.69	538.05
Total	3,290.65	696.94

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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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 June 2016 and 31 December 2015:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
30 June 2016				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	178	-	178
Derivatives used for hedging	-	796	-	796
Available-for-sale financial assets				
- Equity securities	362	-	-	362
Total Assets	362	974	-	1,336
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	422	-	422
Total Liabilities	-	530	-	530
31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale financial assets				
- Equity securities	235	-	-	235
Total Assets	235	1,365	-	1,600
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
Total Liabilities	-	820	-	820



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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 August 2016, there was no material litigation against the Group.

36. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 30 June 2016.



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37. 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	
	Quarter ended 30/6/16	Quarter ended 30/6/15	Period ended 31/3/16	Period ended 31/3/15
Net profit attributable to owners of the Company (RM'000)	342,117	243,027	1,220,244	392,358
Weighted average number of ordinary shares in issue ('000)	2,782,974	2,782,245	2,782,974	2,782,245
Basic and diluted earnings per share (sen)	12.3	8.7	43.9	14.1

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.

38. 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 AUGUST 2016