



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
SECOND QUARTER REPORT ENDED 30 JUNE 2017

**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 2017.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/06/2017	30/06/2016	30/06/2017	30/06/2016
		RM'000	RM'000	RM'000	RM'000
Revenue	9	2,378,348	1,623,550	4,604,905	3,323,371
Operating expenses:					
- Staff costs		(391,036)	(243,862)	(754,554)	(454,036)
- Depreciation of property, plant and equipment		(219,636)	(181,528)	(424,448)	(359,908)
- Aircraft fuel expenses		(711,737)	(389,175)	(1,392,536)	(766,088)
- Maintenance and overhaul		(84,673)	(76,395)	(198,871)	(141,650)
- User charges and other related expenses		(324,815)	(196,903)	(656,349)	(388,099)
- Aircraft operating lease expenses		(148,727)	(121,960)	(297,394)	(233,731)
- Other operating expenses		(107,036)	(71,196)	(211,440)	(167,740)
Other income	10	125,852	59,081	238,255	106,439
<b>Operating profit</b>		<b>516,540</b>	<b>401,612</b>	<b>907,568</b>	<b>918,558</b>
Finance income	27	12,780	18,461	31,821	37,434
Finance costs	27	(133,917)	(132,367)	(276,830)	(266,983)
<b>Net operating profit</b>		<b>395,403</b>	<b>287,706</b>	<b>662,559</b>	<b>689,009</b>
Share of results of associates	23	(998)	5,918	33,361	14,149
Share of results of joint ventures		5,716	5,517	10,479	216,748
Foreign exchange gains/(losses)	27	55,843	(155,541)	112,709	496,055
Mark to market loss on derivatives		(69,156)	110,212	(132,579)	(68,445)
Remeasurement gain on consolidation	11	-	-	214,350	-
Negative goodwill on consolidation		-	-	127,324	-
<b>Profit before tax</b>		<b>386,808</b>	<b>253,812</b>	<b>1,028,203</b>	<b>1,347,516</b>
Current taxation	28	71,133	(3,086)	31,162	(6,581)
Deferred taxation	28	(318,061)	91,156	(335,169)	(121,778)
<b>Net profit for the financial period</b>		<b>139,880</b>	<b>341,882</b>	<b>724,196</b>	<b>1,219,157</b>
Attributable to:					
- Owners of the company		146,519	342,117	762,397	1,220,244
- Non-controlling interests		(6,639)	(235)	(38,201)	(1,087)
		<b>139,880</b>	<b>341,882</b>	<b>724,196</b>	<b>1,219,157</b>
Basic earnings per share (sen)		4.4	12.3	22.8	43.9
Diluted earnings per share (sen)		4.4	12.3	22.8	43.9

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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
		30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
<b>Net profit for the financial period</b>		139,880	341,882	724,196	1,219,157
Other comprehensive income/(loss)					
Available-for-sale financial assets		(10,710)	57,971	10,067	126,908
Cash flow hedges	12	(101,216)	280,941	(228,294)	(87,591)
Foreign currency translation differences		39,714	14,422	131,678	(7,024)
<b>Total comprehensive income for the period</b>		<b>67,668</b>	<b>695,216</b>	<b>637,647</b>	<b>1,251,450</b>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		74,307	695,451	675,848	1,252,537
Non-controlling interests		(6,639)	(235)	(38,201)	(1,087)
		<b>67,668</b>	<b>695,216</b>	<b>637,647</b>	<b>1,251,450</b>



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## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/06/2017	30/06/2016
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,028,203	1,347,516
Adjustments:		
Property, plant and equipment		
- Depreciation	424,448	359,908
- Gain on disposal	(19)	(9,197)
Employee benefit expenses	(682)	-
Impairment of property, plant and equipment	-	11,659
Remeasurement gain on consolidation	(214,350)	-
Negative goodwill on consolidation	(127,324)	-
Fair value loss on derivative financial instruments	304,590	30,077
Share of results of joint ventures	(10,479)	(14,149)
Share of results of associates	(33,361)	(216,748)
Net unrealised foreign exchange gain	(112,709)	(474,545)
Interest expense	276,830	287,198
Interest income	(31,821)	(37,434)
	1,503,326	1,284,285
<b>Changes in working capital</b>		
Inventories	(20,793)	(14,431)
Receivables and prepayments	(141,546)	(182,880)
Trade and other payables	(89,884)	178,473
Intercompany balances	(128,330)	(200,071)
<b>Cash generated from operations</b>	1,122,773	1,065,376
Interest paid	(181,008)	(243,311)
Interest received	22,054	21,006
Tax paid	(5,827)	(11,604)
<b>Net cash generated from operating activities</b>	<b>957,992</b>	<b>831,467</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(692,660)	(247,568)
- Proceeds from disposal	35	10,364
- Investment in associates companies	-	(53,400)
Additional subscription of shares in associates	(38,340)	-
Repayment of advances by an associate	-	48,464
Acquisition of subsidiaries, net of cash	123,937	(101,500)
<b>Net cash generated from/(used in) investing activities</b>	<b>(607,028)</b>	<b>(343,640)</b>
<b>CASH FLOWS FROM FINANCING FACILITIES</b>		
Proceeds from issuance of shares	1,006,200	-
Buy-back of shares	-	(160)
Dividends paid	(401,025)	(111,315)
Proceeds from borrowings	236,438	7,503
Repayment of borrowings	(937,537)	(1,224,645)
<b>Net cash generated from/(used in) financing activities</b>	<b>(95,924)</b>	<b>(1,328,617)</b>
<b>NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD</b>	255,040	(840,790)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	1,741,573	2,426,696
<b>CURRENCY TRANSLATION DIFFERENCES</b>	70,271	(2,799)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	<b>2,066,884</b>	<b>1,583,107</b>

\* Included within the balance at end of the financial period is an amount RM17.2 million restricted cash pledged as securities for banking facilities



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		AS AT	AS AT
	Note	30/06/2017 RM'000	31/12/2016 RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	11,719,925	10,826,682
Investment in associates	23	555,203	2,210,587
Investment in a jointly controlled entity		198,788	188,309
Available-for-sale financial assets		366,672	356,605
Intangible assets	31	322,500	121,827
Deferred tax assets		643,757	749,213
Receivables and prepayments	32	1,400,714	1,433,054
Deposits on aircraft purchase		236,789	112,133
Amounts due from associates	33	-	344,861
Derivative financial instruments	34	606,027	867,949
		16,050,375	17,211,220
<b>CURRENT ASSETS</b>			
Inventories		64,659	43,866
Receivables and prepayments	32	1,121,653	1,087,657
Deposits on aircraft purchase		642,118	658,115
Amounts due from joint ventures		12,819	8,952
Amounts due from associates	33	165,825	511,446
Amounts due from related parties		28,686	37,424
Deposits, bank and cash balances		2,066,884	1,741,573
Derivative financial instruments	34	96,155	665,668
Tax recoverable		-	19,466
		4,198,799	4,774,167
<b>CURRENT LIABILITIES</b>			
Trade and other payables	35	1,721,108	1,882,183
Sales in advance		937,147	607,735
Derivative financial instruments	34	47,465	448,873
Amounts due to an associates		1,239	3,978
Amounts due to a related parties		35,266	29,999
Borrowings	36	2,043,169	1,945,203
Current tax liabilities		2,290	-
		4,787,684	4,917,971
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(588,885)</b>	<b>(143,804)</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	35	1,735,924	1,529,293
Amounts due to an associates		74,388	118,898
Amounts due to a related parties		9,051	9,455
Borrowings	36	7,728,706	8,633,939
Derivative financial instruments	34	119,231	148,052
Provision for retirement benefits		67,625	-
		9,734,925	10,439,637
		<b>5,726,565</b>	<b>6,627,779</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	7	2,515,438	278,297
Share Premium		-	1,230,941
Treasury shares		(160)	(160)
Foreign exchange reserve		178,671	46,993
Retained earnings		5,655,840	5,294,468
Other Reserves		(435,781)	(217,554)
		7,914,008	6,632,985
Non-controlling interests		(2,187,443)	(5,206)
Total equity		<b>5,726,565</b>	<b>6,627,779</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>1.71</b>	<b>2.38</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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	Total equity RM'000
	Number of shares '000	Nominal value RM'000									
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	-	-	-	-	-	-	-	762,397	762,397	(38,201)	724,196
Other comprehensive income	-	-	-	131,678	(228,294)	10,067	-	-	(86,549)	-	(86,549)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(2,144,036)	(2,144,036)
At 30 June 2017	3,341,974	2,515,438	-	178,671	(670,288)	234,507	(160)	5,655,840	7,914,008	(2,187,443)	5,726,565
At 1 January 2016	2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	-	3,355,740	4,452,328	(1,474)	4,450,854
Transactions with owners:											
Dividends	-	-	-	-	-	-	-	(111,315)	(111,315)	-	(111,315)
Net profit for the financial year	-	-	-	-	-	-	-	1,220,244	1,220,244	(1,087)	1,219,157
Other comprehensive income/(loss)	-	-	-	(7,024)	(87,591)	126,908	-	-	32,293	-	32,293
Buy-back of own shares	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2016	2,782,974	278,297	1,230,941	11,924	(627,559)	235,278	(160)	4,464,669	5,593,390	(8,555)	5,584,835

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 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 2016.

The Company has the following investees which operate the airline business under the AirAsia brand in various countries:

- PT Indonesia AirAsia - 49%
- AirAsia Inc. Group of companies - 40%
  - Philippines AirAsia Inc. – 19.6% effective interest through AirAsia Inc.
- Thai AirAsia Co. Ltd – 45%
- AirAsia Japan Co. Ltd – 49%
- AirAsia (India) Private Limited – 49%

The effective equity shareholdings in these investees range from 19.6% to 49%. In prior years, the Board had determined that the Company only had significant influence over these investees, through the respective Brand Licence Agreements (“BLA”), and did not have power over these investees, and had therefore accounted for these investees as associates.

This determination is based on the substantive rights granted by the respective Shareholders' Agreements entered between the Company and the other shareholders of these investees.



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## **NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017**

### **1. Basis of preparation (continued)**

In the first quarter of 2017, the Company had entered into a Supplementary BLA with each of the following investees:

- PT Indonesia AirAsia
- AirAsia Inc.
- Philippines AirAsia Inc.

Effective from 1 January 2017, the effective date specified in the Supplementary BLAs, the respective investees have undertaken to comply at all times with the recommendations made by the Company under the BLA. Pursuant to this, in accordance to MFRS 10, these investees are deemed as subsidiaries for accounting consolidation purpose.

### **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 2016.

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 2016. 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 2016 in their report dated 5 April 2017.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 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 89% in the quarter under review, which was 2 percentage points higher than the same period last year. Compared against the immediate preceding quarter (first quarter January - March 2017), the load factor has remained consistent. 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

During the previous quarter ended 31 March 2017, the Company increased its issued share capital by 559,000,000 new ordinary shares at RM1.80 each. These shares rank pari passu with the existing ordinary shares. The total issued and paid-up share capital of the Company has increased to RM2,515,438,000 comprising 3,341,974,080 ordinary shares.

### 8. Dividend paid

The first and final single-tier dividend of 12 sen per share on 3,341,874,080 ordinary shares (excluding 100,000 treasury shares currently owned by the Company) for the financial year ended 31 December 2016 amounting to RM401,024,890 was paid on 23 June 2017.

### 9. Revenue

	Quarter ended 30/6/2017 RM million	Quarter ended 30/6/2016 RM million
Passenger seat sales	1,704.5	991.4
Baggage fees	232.7	139.1
Aircraft operating lease income	218.9	328.5
Other revenue	222.2	164.6
	<u>2,378.3</u>	<u>1,623.6</u>





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### 9. Revenue (continued)

Other revenue includes revenue from assigned seat, cancellation, documentation, surcharges and other fees, foods and beverages, duty free and merchandise and freight services.

### 10. Other Income

	Quarter ended 30/6/2017 RM million	Quarter ended 30/6/2016 RM million
Fees charged for the provision of commercial air transport services	24.3	20.8
Charter income	60.4	-
Others	41.2	38.3
	<u>125.9</u>	<u>59.1</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.

### 11. 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.

### 12. 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 2017 as compared to 31 March 2017 as follows:

	Quarter ended 30/6/2017 RM million	Quarter ended 31/3/2017 RM million
Fair value gain in the period	(10.7)	20.8
Amount transferred to income statement	(101.2)	(127.1)
	<u>(111.9)</u>	<u>(106.3)</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.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 13. Status of corporate proposals announced

#### *Issuance and allotment of 559.00 million new ordinary shares in the Company*

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 in AirAsia Berhad to Tune Live Sdn. Bhd. at an adjusted issue price of RM1.80 per share. The Shares Issuance has been completed on 26 January 2017 following the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities.

Proceeds totaling RM1,006.2 million were raised and the status of the utilisation of these proceeds as at 30 June 2017 is set out below:

<b>Purpose</b>	<b>Proposed utilisation RM'mil</b>	<b>Actual utilisation RM'mil</b>	<b>Balance unutilised RM'mil</b>	<b>Intended timeframe for utilisation from completion date</b>
Pre-payment of unsecured term loan facilities and repayment of unsecured revolving credit	342.0	(321.0)	21.0	Within 6 months
Funding of aircraft, spare engines and other aircraft parts and associated pre-delivery payments	275.0	(101.7)	173.3	Within 18 months
Construction and development of our Group's headquarters	103.8	(103.8)	-	Within 18 months
General corporate and working capital	284.0	(284.0)	-	Within 18 months
Estimated expenses for the Proposed Shares Issuances	1.4	(1.4)	-	Within 6 months
<b>Total</b>	<b>1,006.2</b>	<b>(811.9)</b>	<b>194.3</b>	



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### 13. Status of corporate proposals announced (continued)

#### 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.

#### Memorandum of Understanding with the China Everbright Group and Henan Government Working Group

Further to the announcement dated 15 May 2017, there were no further updates to this.

### 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.

	<b>As at 30/6/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	6,763,971	6,883,363
Unrealised	(594,430)	(1,031,354)
	<hr/> 6,169,541	<hr/> 5,852,009
Total share of accumulated losses from associates		
Realised	(653,903)	(687,264)
Total share of accumulated gains from joint ventures		
Realised	140,202	129,723
Total group retained profit as per consolidated accounts	<hr/> <b>5,655,840</b>	<hr/> <b>5,294,468</b>



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### 15. Property, plant and equipment

#### *(a) acquisition and disposals*

During the quarter ended 30 June 2017, the Group acquired property, plant and equipment with a cost of RM399.1 million (quarter ended 30 June 2016: RM151.9 million).

During the quarter ended 30 June 2017, proceeds from disposal of property, plant and equipment totaled RM nil (quarter ended 30 June 2016: RM10.4 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

On 7 July 2017, the Board of Directors of the Company has approved the purchase of 14 Airbus A320 CEO aircraft by the Company. The purchase agreement with Airbus S.A.S was signed on 7 July 2017.

On 24 August 2017, the Company executed a Share Purchase Agreement with CAE International Holding Ltd, (“CAE”) to sell the Company’s entire shareholding in Asian Aviation Centre of Excellence Sdn Bhd (“AACE”) comprising 82,780,000 ordinary shares which is equivalent to 50% of the issued and outstanding shares of AACE to CAE for a total consideration sum of USD100,000,000 (including earn out).

There were no other material events after the period end that have not been reflected in the financial statements for the financial period ended 30 June 2017 as at the date of this report.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 17. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter under review.

### 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 2016.

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

Capital commitments for property, plant and equipment:

	As at 30/6/2017 RM'000	As at 30/6/2016 RM'000
Approved and contracted for	86,529,471	79,869,827
Approved but not contracted for	133,130	8,718,681
	<u>86,662,601</u>	<u>88,588,508</u>



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 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.

<b>Name of company</b>	<b>Relationship</b>
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Redtix Sdn Bhd (formerly known as Rokki Media Sdn Bhd)	Subsidiary
Big Pay Pte. Ltd.	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
MadCience Consulting Sdn Bhd	Subsidiary
BIGPAY Malaysia Sdn Bhd (formerly known as TPaay Asia 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	Deemed subsidiary under MFRS 10
AirAsia Inc.	Deemed subsidiary under MFRS 10
Philippines AirAsia Inc. (formerly known as Zest Airways, Inc.)	Deemed subsidiary under MFRS 10
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



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### 21. Material related party transactions (continued)

Name of company	Relationship
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 (“IAAX”)	Company with common directors and shareholders
Caterhamjet Global Ltd	Company with common directors and shareholders

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 30 June 2017 are set out below:

	Quarter ended 30/6/2017 RM'000	Quarter ended 30/6/2016 RM'000
<b>Thai AirAsia</b>		
Lease rental income on aircraft	136,250	126,614
<b>Indonesia AirAsia</b>		
Lease rental income on aircraft	-*	42,886
Charter income from IAAX	60,382	-
<b>Philippines AirAsia</b>		
Lease rental income on aircraft	-*	23,866
<b>India AirAsia</b>		
Lease rental income on aircraft	35,554	22,118
<b>Japan AirAsia</b>		
Lease rental income on aircraft	8,459	6,760
<b>PT Indonesia AirAsia Extra</b>		
Lease rental income on aircraft	18,041	21,039
Aircraft wet lease charges	4,322	-
<b>Asian Aviation Centre of Excellence Sdn Bhd</b>		
Training costs charged to AirAsia Berhad	(10,659)	(6,244)

\* Effective 1 January 2017, the lease rental income on aircraft have been eliminated at Group consolidation as explained in Note 1 above



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**NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017**

**22. Review of Group performance**

The Group revenue and expenses have increased significantly from the quarter ended 30 June 2016 (“2Q16”) due to the consolidation of IAA and PAA Group during the previous quarter. In order to enable better understanding of the performance and movement between 2Q16 and 2Q17, we have included Proforma Consolidated Income Statement and Key Operating Statistics for 2Q16 in the table below for ease of reference. The 2Q16 Proforma Income Statement and Key Operating Statistics are prepared based on similar basis as in 2Q17 where both IAA and PAA Group results were consolidated in accordance to MFRS 10.

	ACTUAL	PROFORMA	Change y-o-y
	Quarter ended	Quarter ended	
	30/06/2017 RM'000	30/06/2016 RM'000	
Revenue	2,378,348	1,994,542	19%
Operating expenses:			
- Staff costs	(391,036)	(321,597)	22%
- Depreciation of property, plant and equipment	(219,636)	(196,844)	12%
- Aircraft fuel expenses	(711,737)	(545,168)	31%
- Maintenance and overhaul	(84,673)	(133,500)	-37%
- User charges and other related expenses	(324,815)	(290,813)	12%
- Aircraft operating lease expenses	(148,727)	(124,452)	20%
- Other operating expenses	(107,036)	(100,354)	7%
Other income	125,852	94,774	33%
<b>Operating profit</b>	<b>516,540</b>	<b>376,588</b>	<b>37%</b>
Finance income	12,780	11,343	13%
Finance costs	(133,917)	(139,642)	-4%
<b>Net operating profit</b>	<b>395,403</b>	<b>248,289</b>	<b>59%</b>
Foreign exchange gains/(losses)	55,843	(181,401)	-131%
Share of results of jointly controlled entities	5,716	5,918	-3%
Share of results of associates	(998)	20,836	-105%
Mark to market loss on derivatives	(69,156)	116,624	-159%
<b>Profit before tax</b>	<b>386,808</b>	<b>210,266</b>	<b>84%</b>
Current taxation	71,133	(3,086)	-2405%
Deferred taxation	(318,061)	91,156	-449%
<b>Net profit for the financial period</b>	<b>139,880</b>	<b>298,336</b>	<b>-53%</b>





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## KEY OPERATING STATISTICS

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

	ACTUAL	PROFORMA	Change y-o-y
	Quarter ended	Quarter ended	
	30/06/2017 RM'000	30/06/2016 RM'000	
Passengers Carried	9,611,814	8,731,112	10%
Capacity	10,830,746	10,067,783	8%
Seat Load Factor	89%	87%	2%
RPK (million)	12,528	11,261	11%
ASK (million)	14,202	13,114	8%
Average Fare (RM)	177	160	10%
Ancillary Income Per Pax (RM)	49	47	6%
Unit Passenger Revenue (RM)	226	207	9%
Revenue / ASK (sen)	15.35	13.89	11%
Revenue / ASK (US cents)	3.56	3.23	11%
Cost / ASK (sen)	13.22	12.54	5%
Cost / ASK (US cents)	3.07	2.91	5%
Cost / ASK-ex Fuel (sen)	8.21	8.39	-2%
Cost / ASK-ex Fuel (US cents)	1.91	1.95	-2%
Aircraft (end of period)	106	109	-3%
Average Stage Length (km)	1,266	1,279	-1%
Number of Flights	60,003	55,386	8%
Fuel Consumed (Barrels)	2,401,055	2,148,672	12%
Average Fuel Price (US\$ / Barrel)	69	59	17%

*Exchange Rate: RM:USD – 4.3064 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference*

### 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 of the Group divided by ASK
Cost/ASK	Total airline expenses of the Group 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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### 22. Review of Group performance (continued)

#### 2Q17 Group Performance (with IAA and PAA consolidation) Against 2Q16 Proforma Statements

During the quarter, total Group revenue has grown 19% from RM1,994.5 million recorded in 2Q16 to RM2,378.3 million in 2Q17. The growth was attributed to a 10% increase in total passengers carried and a strong seat load factor of 89% in 2Q17 compared to 87% in 2Q16. Average fare has increased 11% from RM160 in 2Q16 to RM177 in 2Q17, whilst the overall RASK of the Group has improved 11% from 13.89 sen in 2Q16 to 15.35 sen in 2Q17.

During the quarter, the Group has also delivered an additional 762,963 seat capacity as compared to 2Q16, which represent an additional 8% growth in seat capacity compared to 2Q16. This was achieved with the background of a 3% reduction in total fleet size of the Group from 109 aircraft in 2Q16 to 106 aircraft in 2Q17.

The total net operating profits of the Group has increased 59% year-on-year to RM395.4 million from RM248.3 million in 2Q16. The increase is mainly attributable to the reduction in maintenance and overhaul expenses.

During the quarter, Group CASK has increased 5% to 13.22 sen in 2Q17 and Group Ex-fuel CASK decreased by 2% from 8.39 sen in 2Q16 to 8.21 sen in 2Q17.

Net profit for the current quarter was 53% lower year-on-year at RM139.9 million. The reduction was mainly attributable to a one off deferred tax charge of IDR647.2 billion (approximately RM212 million) offset by a IDR134.4 billion (approximately RM44 million) current tax credits in IAA during the current quarter. IAA participated in the Indonesia Tax Amnesty Program, where in accordance with the Amnesty Program, IAA shall no longer be liable for any tax liability prior to Year 2016, whilst the existing deferred tax asset in IAA's books prior to Year 2016 will also no longer be deductible against future profits.



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### 22. Review of Group performance (continued)

#### Cashflow commentary for current quarter against immediately preceding quarter

<b>Net Cash Flow (RM'000)</b>	<b>April - June 2017</b>	<b>Jan - March 2017</b>
Cash from Operations	419,327	500,324
Cash from Investing Activities	(399,096)	(169,592)
Cash from Financing Activities	(605,876)	509,952
<b>Net Cash Flow</b>	<b>(585,645)</b>	<b>840,684</b>

The Group's cash inflow from operations was RM419.3 million, compared to inflow of RM500.3 million in the immediate preceding quarter ended 31 March 2017. Net cash outflow in the quarter amounted to RM585.6 million outflow.

The net gearing ratio as at 30 June 2017 and 31 December 2016 was as follows:

<b>Balance Sheet RM million</b>	<b>As at 30/6/2017</b>	<b>As at 31/12/2016</b>
Total borrowings	9,772	10,579
Less: Deposit, cash and bank balances	(2,067)	(1,742)
Net debt	7,705	8,837
Total equity	5,727	6,628
Net gearing ratio (times)	1.35	1.33

The Group's total debt as of end of June 2017 was RM9.8 billion. The Group's net debt after offsetting the cash balances amounted to RM7.7 billion.



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**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: 30 June	Apr - June 2017	Apr - June 2016	Change y-o-y
Passengers Carried	4,694,374	4,165,929	13%
Capacity	5,456,700	5,021,100	9%
Seat Load Factor	86%	83%	3 ppt
RPK (million)	4,630	4,269	8%
ASK (million)	5,373	5,138	5%
Average Fare (THB)	1,476	1,550	-5%
Ancillary Income Per Pax (THB)	307	318	-3%
Unit Passenger Revenue (THB)	1,783	1,867	-4%
Revenue / ASK (THB)	1.55	1.51	3%
Revenue / ASK (US cents)	4.52	4.40	3%
Cost / ASK (THB)	1.51	1.38	9%
Cost / ASK (US cents)	4.39	4.02	9%
Cost / ASK-ex Fuel (THB)	1.02	0.99	3%
Cost / ASK-ex Fuel (US cents)	2.98	2.88	3%
Aircraft (end of period)	54	49	10%
Average Stage Length (km)	985	1,024	-4%
Number of Flights	30,315	27,895	9%
Fuel Consumed (Barrels)	1,009,729	945,509	7%
Average Fuel Price (US\$ / Barrel)	75	62	22%

*Exchange Rate: USD:THB – 34.4 - prior year US cents figures are restated at the current period average exchange rate*



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**23. Associate Companies – Equity Account (continued)**

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

**Income Statements**

Quarter Ended: 30 June	Apr - June 2017	Apr - June 2016
THB'000		
<b>Revenue</b>	<b>8,348,833</b>	<b>7,771,174</b>
Operating expenses:		
- Staff costs	(1,181,919)	(1,042,781)
- Depreciation of property, plant and equipment	(358,442)	(283,676)
- Aircraft fuel expenses	(2,604,211)	(2,004,785)
- Maintenance & overhaul	(677,706)	(748,515)
- User charges and other related expenses	(1,510,510)	(1,335,175)
- Aircraft operating lease expenses	(1,254,901)	(1,226,403)
- Other operating expenses	(518,674)	(475,457)
Other income	154,496	108,680
<b>Operating profit</b>	<b>396,966</b>	<b>763,062</b>
Finance income	22,184	24,740
Finance costs	(181,148)	(116,008)
<b>Net operating profit</b>	<b>238,002</b>	<b>671,794</b>
Foreign exchange gains	30,145	28,316
<b>Profit before tax</b>	<b>268,147</b>	<b>700,110</b>
Taxation	(13,228)	(20,446)
Deferred taxation	55,163	87,899
<b>Net profit for the financial period</b>	<b>310,082</b>	<b>767,563</b>
EBITDAR	2,010,309	2,273,141
EBITDAR Margin	24%	29%
EBIT Margin	5%	10%



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**23. Associate Companies – Equity Account (continued)**

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

**Balance Sheet**

<b>Quarter Ended: 30 June THB'000</b>	<b>June 2017</b>	<b>Dec 2016</b>
Property, Plant & Equipment	23,012,276	20,363,103
Intangible assets, net	34,831	15,463
Other non current assets	1,003,427	1,040,698
Inventory	104,463	118,176
Aircraft maintenance reserves	3,201,946	2,665,544
Other Debtors & Prepayments	954,705	1,100,006
Amounts due from related parties	711,842	804,788
Cash & Short Term Deposits	6,651,579	6,631,016
<b>Total Assets</b>	<b>35,675,068</b>	<b>32,738,795</b>
Sales In Advance	4,302,981	4,238,146
Other Creditors & Accruals	2,709,504	3,011,170
Amounts Owing to Related Party	309,873	437,469
Deferred tax liabilities	288,516	307,431
Debentures	1,597,702	-
Borrowings	1,036,315	1,832,753
Finance lease liabilities	14,794,906	13,622,465
<b>Total Liabilities</b>	<b>25,039,798</b>	<b>23,449,434</b>
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	7,570,928	6,225,019
<b>Total Equity</b>	<b>10,635,270</b>	<b>9,289,361</b>

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 THB8,348.8 million in 2Q17, 7% higher compared to the THB7,771.2 million achieved in 2Q16. The increase in revenue was supported by the increase in the number of passengers carried as capacity rose 9% year-on-year resulting in a 13% increase in the number of passengers carried. Unit passenger revenue decreased 4% year-on-year whilst the seat load factor increased three ppt to 86%.



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**23. Associate Companies – Equity Account (continued)**

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

Thai AirAsia’s operating profit was at THB397.0 million in 2Q17, compared to an operating profit of THB763.1 million in 2Q16. Thai AirAsia’s net profit was at THB310.1 million in 2Q17, compared to a net profit of THB767.6 million in 2Q16.

AirAsia Berhad has equity accounted RM17.3 million (RM39.1 million in the quarter ended 30 June 2016) in the current period, as reflected in the income statement.

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

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

Quarter Ended: 30 June	Apr - Jun 2017	Apr - Jun 2016	Change y-o-y
Passengers Carried	1,005,341	533,050	89%
Capacity	1,119,960	613,440	83%
Seat Load Factor	90%	87%	3 ppt
RPK (million)	1,082	669	62%
ASK (million)	1,184	762	55%
Average Fare (INR)	3,214	3,138	2%
Ancillary Income Per Pax (INR)	361	415	-13%
Unit Passenger Revenue (INR)	3,576	3,553	1%
Revenue / ASK (sen)	294.07	247.89	19%
Revenue / ASK (US cents)	4.56	3.85	19%
Cost / ASK (sen)	314.55	270.25	16%
Cost / ASK (US cents)	4.88	4.19	16%
Cost / ASK-ex Fuel (sen)	192.42	169.81	13%
Cost / ASK-ex Fuel (US cents)	2.99	2.64	13%
Aircraft (end of period)	10	6	67%
Average Stage Length (km)	991	1,258	-21%
Number of Flights	6,222	3,408	83%

*Exchange Rate: USD:INR – 64.4 - prior year US cents figures are restated at the current period average exchange rate*



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23. Associate Companies – Equity Account (continued)

Income Statements

Quarter Ended: 30 June INR'000	Apr - Jun 2017	Apr - Jun 2016
<b>Revenue</b>	<b>3,481,892</b>	<b>1,889,246</b>
Operating expenses:		
- Staff costs	(684,517)	(307,387)
- Depreciation of property, plant and equipment	(17,658)	(15,294)
- Aircraft fuel expenses	(1,446,041)	(765,488)
- Maintenance and overhaul	(394,366)	(373,200)
- User charges and other related expenses	(525,818)	(235,048)
- Aircraft operating lease expenses	(535,037)	(245,279)
- Other operating expenses	(235,189)	(151,723)
Other income	114,310	28,089
<b>Operating loss</b>	<b>(242,424)</b>	<b>(176,083)</b>
Finance Income	9,535	8,715
Finance Costs	(9,587)	(3,044)
<b>Net operating loss</b>	<b>(242,476)</b>	<b>(170,413)</b>
Foreign exchange losses	(1,829)	(33,219)
<b>Loss before tax</b>	<b>(244,305)</b>	<b>(203,632)</b>
Taxation	-	-
<b>Net loss after tax</b>	<b>(244,305)</b>	<b>(203,632)</b>
EBITDAR	<b>310,271</b>	<b>84,489</b>
EBITDAR Margin	9%	4%
EBIT Margin	-7%	-9%





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### 23. Associate Companies – Equity Account (continued)

#### Balance Sheet

Year Ended: 30 June INR'000	June 2017	Dec 2016
Property, Plant & Equipment	514,460	375,110
Inventory	97,227	70,357
Amount due from related parties	148	136,227
Other Debtors & Prepayments	1,098,678	672,591
Cash & Short Term Deposits	1,805,463	3,481,604
<b>Total Assets</b>	<b>3,515,975</b>	<b>4,735,888</b>
Sales In Advance	513,997	682,496
Other Creditors & Accruals	2,097,632	2,418,467
Amounts Owing to Related Party	1,680,544	1,775,266
Long Term Liabilities	56,381	22,211
<b>Total Liabilities</b>	<b>4,348,554</b>	<b>4,898,441</b>
Share Capital	4,266,500	4,266,500
Retained Earnings	(5,099,079)	(4,429,052)
<b>Total Equity</b>	<b>(832,579)</b>	<b>(162,552)</b>

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 INR3,481.9 million in 2Q17, 84% higher compared to a revenue of INR1,889.2 million in 2Q16. The number of passengers carried increased 89% with a unit passenger revenue of INR3,576. Ancillary income per passenger was at INR361 while the seat load factor was at 90%.

AirAsia India recorded a net loss of RM16.3 million (quarter ended 30 June 2016: RM12.2 million) in the quarter under review out of which RM nil (quarter ended 30 June 2016: 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 RM17.7 million of unrecognized losses have been reversed.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017

### 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 and is 49% owned by AirAsia Berhad. AirAsia Japan has yet to launch its services in Japan. AirAsia Japan recorded a net loss of RM42.2 million (quarter ended 30 June 2016: RM39.5 million) in the quarter under review of which RM20.7 million (quarter ended 30 June 2016: RM19.3 million) is equity accounted in the financial statements of AirAsia Berhad.

### 24. Variation of results against preceding quarter

The Group had a net profit of RM139.9 million for the quarter under review. This is RM444.3 million lower compared to the net profit of RM584.2 million in the immediately preceding quarter ended 31 March 2017.

### 25. Commentary on prospects

The Group is projected to achieve an average load factor of 88% in the third quarter of 2017 based on the existing forward booking trend.

In order to better serve the growing demand in the region, the Group is also planning to increase an additional 22 planes through a combination of finance and operating leases in the second half of 2017. This will be one of the fastest pace of expansion in the last few years, made possible due to the favorable competitive and operating environment of aviation in Asia.

For the remaining quarters of 2017, we remain optimistic as we continue to observe strong demand across most sectors coupled with a stable fuel price and foreign exchange environment.

In Thailand, load factor in the third quarter of 2017 is forecast to be 85% based on existing forward booking trend. TAA will focus on leveraging on the existing strength of AirAsia network and strengthening its marketing activities on China and India routes in the remaining quarters of 2017.

In India, the forecast load factor for the third quarter of 2017 is at 86%. For the remaining quarters of 2017, AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

The Board remains positive for the prospects of the Group in 2017 and is optimistic that the 2017 results may be better than 2016 barring any unforeseen circumstances.



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**NOTES TO THE UNAUDITED ACCOUNTS – 30 JUNE 2017**

**26. Profit forecast**

No profit forecast has been issued.

**27. Finance income/(costs)**

All figures in RM'000	Group			
	Quarter Ended 30/6/17	Quarter Ended 30/6/16	Period ended 30/6/17	Period ended 30/6/16
<b>Finance income</b>				
Interest income from:				
- amounts due from associates	-	7,282	-	14,961
- deposits with licensed banks	6,946	4,767	15,867	11,988
Discounting on deposits and non-current payables and others	5,834	6,412	15,954	10,485
	12,780	18,461	31,821	37,434
<b>Finance costs</b>				
Bank borrowings	(127,295)	(127,719)	(263,661)	(259,237)
Amortisation of premiums for interest rate caps	(4,355)	(2,307)	(8,746)	(4,643)
Bank facilities and other charges	(2,267)	(2,341)	(4,423)	(3,103)
	(133,917)	(132,367)	(276,830)	(266,983)
<b>Net cost</b>	(121,137)	(113,906)	(245,009)	(229,549)
<b>Foreign exchange gains/(losses)</b>				
- realized	8,763	(31,061)	12,946	(34,641)
- unrealized	103,383	(126,833)	184,011	474,545
- fair value movement recycled from cash flow hedge reserve	(56,303)	2,353	(84,248)	56,151
	55,843	(155,541)	112,709	496,055

**28. Income tax expense**

IAA participated in the Indonesia Tax Amnesty Program, where in accordance with the Amnesty Program, IAA shall no longer be liable for any tax liability prior to Year 2016, whilst the existing deferred tax asset in IAA's books prior to Year 2016 will also no longer be deductible against future profits.



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### 28. Income tax expense (continued)

As a result, IAA has reversed IDR134.4 billion (approximately RM44 million) tax payable during current quarter as current tax credit and charged out IDR647.2 billion (approximately RM212 million) deferred tax asset in relation to periods prior to 2016 during the quarter.

### 29. Unquoted investments and properties

Further to the announcement dated 19 April 2017, there are no further updates on the investment in Touristly Travel Sdn. Bhd.

### 30. Quoted investments and properties

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

### 31. Intangible assets

Arising from the consolidation of the associates as stated in Note 1 above, the Group recognised intangible assets amounting to RM198.5 million. Under MFRS 3, Business Combinations, the initial recognition on business combination is measured at fair value of net identifiable assets and liabilities. The Group is currently undertaking a purchase price allocation which shall be completed within one year from the deemed acquisition date.

### 32. Receivables and prepayments

	As at 30/6/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Prepayments	1,207,162	1,100,731
Deposits and other receivables	193,552	332,323
	1,400,714	1,433,054
<u>Current:</u>		
Trade and other receivables	358,754	436,624
Prepayments	677,542	615,899
Deposits	85,357	35,134
	1,121,653	1,087,657

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



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### 33. Amounts due from associates

	As at 30/6/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Aircraft financing	-	344,861
<u>Current:</u>		
Aircraft financing	-	93,859
Others	165,825	417,587
	<u>165,825</u>	<u>511,446</u>

Amounts due from associates in the prior financial year included balances due from PT Indonesia AirAsia (“IAA”) and AirAsia Inc. Group. These amount have been eliminated in the current financial period following the consolidation of these entities effective 1 January 2017. The amount due from associate for aircraft financing in financial year 2016 was wholly in relation to IAA for the financing of aircraft purchase.

### 34. 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 2017, the Group has hedged approximately 57% of the USD dollar liabilities of its aircraft into Malaysia Ringgit (“RM”) via Cross-Currency Swaps and Foreign Currency Swaps for aircraft deployed in Malaysia.

#### (ii) Interest Rate Hedging

As at 30 June 2017, 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 2017.



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### 34. Derivative financial instruments (continued)

#### (i) Fuel Hedging

As at 30 June 2017, the Group has entered into Brent options, Brent swaps, and Crack swaps which represents up to 78% of the Group's total budgeted fuel consumption for year 2017 and 15% for the first half of 2018.

Type of derivatives	Notional Value as at 30/06/2017	Fair Value as at 30/06/2017 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	4.89	(24.30)
- 1 year to 3 years	-	-
<b>Total</b>	<b>4.89</b>	<b>(24.30)</b>
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	809.08	(29.62)
- more than 3 years	2,805.66	(109.29)
<b>Total</b>	<b>3,614.74</b>	<b>(138.91)</b>
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	322.30	15.31
- 1 year to 3 years	743.44	240.89
- more than 3 years	1,150.24	403.41
<b>Total</b>	<b>2,215.98</b>	<b>659.61</b>

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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**35. Trade and other payables**

	<b>As at 30/6/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
<u>Non-current:</u>		
Aircraft maintenance provision	390,332	413,195
Trade and other payables	1,345,592	1,116,098
	<u>1,735,924</u>	<u>1,529,293</u>
<u>Current:</u>		
Trade payables	244,160	377,128
Accrual for fuel	122,060	112,300
Collateral for derivatives	236,367	355,040
Other payables and accruals	1,118,521	1,037,715
	<u>1,721,108</u>	<u>1,882,183</u>

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

**36. Borrowings and debt securities**

	<b>As at 30/6/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
<u>Short term:</u>		
Secured	1,518,570	1,444,203
Unsecured	524,599	501,000
<u>Long term:</u>		
Secured	7,728,706	8,633,939
Unsecured	-	-
Total Debt	<u>9,771,875</u>	<u>10,579,142</u>



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### 36. Borrowings and debt securities (continued)

The currency profile of borrowings is as follows:

	As at 30/6/2017 RM'000	As at 31/12/2016 RM'000
Ringgit Malaysia	783,270	1,059,435
US Dollar	8,431,561	9,135,546
Euro	164,982	179,853
Singapore Dollar	197,063	204,308
Philippine Peso	194,999	-
	<u>9,771,875</u>	<u>10,579,142</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.

The maturity period of non-current borrowing is 12 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 RM9.2 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.





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### 37. Fair value estimation (continued)

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 2017 and 31 December 2016:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>30 June 2017</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	217	-	217
Derivatives used for hedging	-	486	-	486
Available-for-sale financial assets				
- Equity securities	362	-	5	367
<b>Total Assets</b>	<b>362</b>	<b>702</b>	<b>5</b>	<b>1,069</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	83	-	83
Derivatives used for hedging	-	84	-	84
<b>Total Liabilities</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>167</b>
<b>31 December 2016</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	425	-	425
Derivatives used for hedging	-	1,108	-	1,108
Available-for-sale financial assets				
- Equity securities	351	-	6	357
<b>Total Assets</b>	<b>351</b>	<b>1,533</b>	<b>6</b>	<b>1,890</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	147	-	147
Derivatives used for hedging	-	449	-	449
<b>Total Liabilities</b>	<b>-</b>	<b>596</b>	<b>-</b>	<b>596</b>



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### 37. 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.

### 38. Material litigation

As at 29 August 2017, there was no material litigation against the Group.

### 39. Proposed dividend

The Board has declared an Interim Single-Tier Dividend of 12 sen per share for the financial year ending 31 December 2017.



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### 40. 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 30/6/2017	Quarter ended 30/6/2016	Period ended 30/6/2017	Period ended 30/6/2016
Net profit attributable to owners of the Company (RM'000)	146,519	342,117	762,397	1,220,244
Weighted average number of ordinary shares in issue ('000)	3,341,974	2,782,974	3,341,974	2,782,974
Basic and diluted earnings per share (sen)	4.4	12.3	22.8	43.9

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.

### 41. Comparatives

Comparatives included in this report does not consolidate results from PT Indonesia AirAsia and AirAisa Inc. Group as the condition in MFRS 10 Consolidated Financial Statement was only satisfied with effect from 1 January 2017. The financial performance of these two investees were equity accounted for under MFRS 128 Investment in Associates and Joint Ventures and included in the comparatives above.

### 42. 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 2017