



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
THIRD QUARTER REPORT ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	10	1,686,676	1,515,671	5,000,188	4,137,321
Operating expenses:					
- Staff costs		(220,909)	(178,722)	(674,945)	(543,282)
- Depreciation of property, plant and equipment		(193,084)	(168,590)	(552,872)	(519,875)
- Aircraft fuel expenses		(409,468)	(515,547)	(1,157,989)	(1,474,049)
- Maintenance and overhaul		(77,352)	(50,241)	(219,042)	(132,222)
- User charges and other related expenses		(178,164)	(179,900)	(566,263)	(478,928)
- Aircraft operating lease expenses		(120,621)	(96,126)	(344,594)	(217,589)
- Other operating expenses		(62,284)	(76,896)	(230,057)	(181,135)
Other income	11	104,521	66,352	209,929	192,417
Operating profit		529,315	316,001	1,464,355	782,658
Finance income	27	36,855	19,147	54,747	88,292
Finance costs	27	(125,750)	(169,091)	(393,379)	(469,855)
Net operating profit		440,420	166,057	1,125,723	401,095
Foreign exchange (losses)/gains	27	(2,697)	3,881	427,560	(266,628)
Gain on disposal of interest in a joint venture		-	-	-	320,500
Costs related to the sale and leaseback of aircraft	28	-	(6,705)	-	(99,912)
Share of results of jointly controlled entities	23	4,028	12,429	18,178	21,478
Share of results of associates	23	31,914	(637,363)	248,662	(596,170)
Profit before tax		473,665	(461,701)	1,820,123	(219,637)
Current taxation	29	(2,501)	(8,003)	(9,080)	(30,890)
Deferred taxation	29	(118,695)	63,972	(240,473)	237,156
Net profit for the financial period		352,469	(405,732)	1,570,570	(13,371)
Attributable to:					
- Owners of the company		353,894	(405,732)	1,573,081	(13,371)
- Non-controlling interests		(1,425)	-	(2,511)	-
		352,469	(405,732)	1,570,570	(13,371)
Basic earnings per share (sen)		12.7	(14.6)	56.5	(0.5)
Diluted earnings per share (sen)		12.7	(14.6)	56.5	(0.5)

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
		30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Net profit/(loss) for the financial period		352,469	(405,732)	1,570,570	(13,371)
Other comprehensive income/(loss)					
Available-for-sale financial assets		28,858	(43,448)	155,766	(193,918)
Cash flow hedges	12	(8,959)	(535,516)	(96,550)	(450,692)
Foreign currency translation differences		5,173	17,262	(1,851)	7,838
Total comprehensive income/(loss) for the period		377,541	(967,434)	1,627,935	(650,143)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		378,966	(967,434)	1,630,447	(650,143)
Non-controlling interests		(1,424)	-	(2,511)	-
		377,541	(967,434)	1,627,935	(650,143)



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/09/2016	30/09/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	1,820,123	(219,637)
Adjustments:		
Property, plant and equipment		
- Depreciation	552,872	519,875
- Gain on disposal	(93,421)	612
Impairment of property, plant and equipment	11,659	-
Fair value gain on derivative financial instruments	(67,796)	(1,320,544)
Share of results of joint ventures	(18,178)	(21,478)
Share of results of associates	(248,662)	600,080
Gain on disposal of interest in a joint venture	-	(320,500)
Net unrealised foreign exchange (gain)/loss	(359,763)	2,162,308
Interest expense	393,379	469,855
Costs related to the sale and leaseback of aircraft	-	99,912
Interest income	(54,747)	(88,292)
	1,935,466	1,882,191
Changes in working capital		
Inventories	(18,732)	(23,276)
Receivables and prepayments	(254,259)	(208,011)
Trade and other payables	(4,985)	932,401
Intercompany balances	(250,970)	(207,186)
Cash generated from operations	1,406,520	2,376,119
Interest paid	(348,965)	(396,114)
Interest received	37,272	79,787
Tax paid	(14,782)	(12,077)
Net cash generated from operating activities	1,080,045	2,047,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(503,115)	(181,474)
- Proceeds from disposal	702,080	1,137,165
Investment in associates	(124,491)	(713,710)
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	73,391	70,212
Acquisition of a subsidiary company	(101,500)	-
Net cash generated from investing activities	46,365	605,426
CASH FLOWS FROM FINANCING FACILITIES		
Dividend paid	(111,315)	(83,489)
Buy-back of shares	(160)	-
Proceeds from borrowings	196,930	433,398
Repayment of borrowings	(2,141,490)	(2,199,117)
Net cash used in financing activities	(2,056,035)	(1,849,208)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(929,625)	803,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,426,696	1,337,849
CURRENCY TRANSLATION DIFFERENCES	36,520	258,676
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	1,533,591	2,400,458

* Included within the balance at end of the financial period is an amount RM420.3 million restricted cash pledged as securities for banking facilities



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/09/2016	31/12/2015
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	15	10,482,531	10,927,645
Investment in associates	23	1,385,881	1,020,640
Investment in a jointly controlled entity	23	182,202	164,024
Other investments		396,301	235,097
Intangible assets		137,238	19,184
Deferred tax assets		588,458	828,950
Receivables and prepayments	32	1,602,726	1,412,242
Deposits on aircraft purchase		350,399	334,487
Amounts due from associates		1,025,172	1,142,119
Derivative financial instruments	33	696,100	945,490
		16,847,008	17,029,878
CURRENT ASSETS			
Inventories		44,884	26,152
Receivables and prepayments	32	648,830	617,422
Deposits on aircraft purchase		330,154	348,820
Amounts due from joint ventures		8,776	5,708
Amounts due from associates		706,188	394,970
Amounts due from related parties		43,368	43,851
Deposits, bank and cash balances		1,533,591	2,426,696
Derivative financial instruments	33	310,500	419,112
Tax recoverable		11,104	3,648
		3,637,395	4,286,379
CURRENT LIABILITIES			
Trade and other payables	34	1,501,720	1,634,057
Sales in advance		703,296	664,251
Derivative financial instruments	33	227,764	582,491
Amounts due to a related parties		57,200	13,661
Borrowings	35	2,158,572	2,377,256
		4,648,552	5,271,716
NET CURRENT LIABILITIES			
		(1,011,157)	(985,337)
NON CURRENT LIABILITIES			
Trade and other payables	34	1,404,420	1,043,994
Amounts due to an associates		80,269	76,216
Borrowings	35	8,141,211	10,235,579
Derivative financial instruments	33	248,632	237,898
		9,874,532	11,593,687
		5,961,319	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		17,097	18,948
Retained earnings		4,817,505	3,355,740
Other Reserves		(372,382)	(431,598)
		5,971,298	4,452,328
Non-controlling interests		(9,979)	(1,474)
Total equity		5,961,319	4,450,854
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.14	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	Number of shares '000	Nominal value RM'000	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
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
Net profit for the period	-	-	-	-	-	-	-	1,573,081	1,573,081	(2,511)	1,570,570
Other comprehensive (loss)/income	-	-	-	(1,851)	(96,550)	155,766	-	-	57,365	-	57,365
Buy-back of own shares	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Transactions with owners: Dividends	-	-	-	-	-	-	-	(111,316)	(111,316)	-	(111,316)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(5,994)	(5,994)
At 30 September 2016	2,782,974	278,297	1,230,941	17,097	(636,518)	264,136	(160)	4,817,505	5,971,298	(9,979)	5,961,319
At 1 January 2015	2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	-	2,898,035	4,555,091	-	4,555,091
Net profit for the period	-	-	-	-	-	-	-	(13,371)	(13,371)	-	(13,371)
Other comprehensive (loss)/income	-	-	-	7,838	(450,692)	(193,918)	-	-	(636,772)	-	(636,772)
Dividend payable	-	-	-	-	-	-	-	(83,489)	(83,489)	-	(83,489)
At 30 September 2015	2,782,974	278,297	1,230,941	16,656	(623,566)	117,956	-	2,801,175	3,821,459	-	3,821,459

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 SEPTEMBER 2016

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015	Change y-o-y
Passengers Carried	6,627,887	6,296,016	5%
Capacity	7,423,710	7,675,920	-3%
Seat Load Factor	89%	82%	7 ppt
RPK (million)	8,655	7,771	11%
ASK (million)	9,746	9,567	2%
Average Fare (RM)	164	157	4%
Ancillary Income Per Pax (RM)	46	46	-1%
Unit Passenger Revenue (RM)	209	203	3%
Revenue / ASK (sen)	14.42	13.37	8%
Revenue / ASK (US cents)	3.53	3.27	8%
Cost / ASK (sen)	10.51	11.70	-10%
Cost / ASK (US cents)	2.57	2.87	-10%
Cost / ASK-ex Fuel (sen)	6.30	6.31	0%
Cost / ASK-ex Fuel (US cents)	1.54	1.55	0%
Aircraft (end of period)	77	81	-5%
Average Stage Length (km)	1,314	1,246	5%
Number of Flights	41,207	42,644	-3%
Fuel Consumed (Barrels)	1,629,403	1,603,703	2%
Average Fuel Price (US\$ / Barrel)	62	79	-22%

Exchange Rate: RM:USD – 4.0830 - 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 SEPTEMBER 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 89% in the quarter under review, which was 7 percentage points higher than the same period last year. Compared against the immediate preceding quarter (second quarter April – June 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 September 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 September 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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NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2016

9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments for the quarter ended 30 September 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 results								
Revenue	1,686,676	961,293	340,619	221,424	107,189	-	(344,400)	2,972,801
Operating expenses								
- Staff costs	(220,909)	(137,672)	(55,944)	(36,257)	(24,062)	(26,263)	-	(501,107)
- Depreciation of property, plant and equipment	(193,084)	(34,232)	(7,380)	(6,176)	(995)	(1,209)	-	(243,076)
- Aircraft fuel expenses	(409,468)	(259,123)	(90,643)	(78,047)	(56,443)	(112)	-	(893,836)
- Maintenance and overhaul	(77,352)	(89,449)	(46,640)	(47,542)	(13,374)	(2,963)	117,289	(160,032)
- User charges and other related expenses	(178,164)	(161,436)	(67,705)	(33,100)	(17,454)	(1,118)	-	(458,976)
- Aircraft operating lease expenses	(120,621)	(147,439)	(43,519)	(35,359)	(25,032)	(8,276)	224,799	(155,447)
- Other operating expenses	(62,284)	(59,491)	(22,176)	(14,941)	(12,719)	(5,372)	19,408	(157,576)
Other income	104,521	12,145	64,714	(43,446)	2,287	27	(17,095)	123,153
Operating profit/(loss)	529,315	84,595	71,326	(73,444)	(40,603)	(45,286)	0	525,902
Finance income	36,855	1,094	184	5	566	0	-	38,705
Finance costs	(125,750)	(19,532)	(10,077)	(5,500)	(95)	(15)	-	(160,969)
Net operating profit/(loss)	440,420	66,158	61,433	(78,939)	(40,132)	(45,301)	0	403,639
Foreign exchange (losses)/gains	(2,697)	4,627	89,890	(24,597)	2,107	342	-	69,671
Share of results of joint ventures	4,028	-	-	-	-	-	-	4,028
Share of results of associates	31,914	-	-	-	-	-	(20,597)	11,317
Profit/(loss) before taxation	473,665	70,785	151,323	(103,537)	(38,025)	(44,959)	(20,597)	488,655



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments as at 30 September 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	10,482,531	2,078,574	471,605	105,076	23,326	28,160	-	13,189,272
Deposits, cash and bank balances	1,533,591	963,764	98,487	14,112	151,857	35,931	-	2,797,742
Investment in joint ventures and associates	1,568,083	-	-	-	-	-	(1,330,533)	237,550
Other assets	6,900,198	633,993	706,908	260,317	74,240	32,997	(1,590,917)	7,017,736
	20,484,403	3,676,331	1,277,000	379,505	249,423	97,088	(2,921,450)	23,242,300
Segment Liabilities								
Borrowings	(10,299,783)	(1,421,412)	(422,424)	(290,668)	-	-	422,424	(12,011,863)
Others	(4,223,301)	(992,230)	(1,552,882)	(1,722,231)	(308,748)	(45,909)	2,461,380	(6,383,922)
	(14,523,084)	(2,413,642)	(1,975,307)	(2,012,899)	(308,748)	(45,909)	2,883,804	(18,395,785)



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments as at 30 September 2015 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
Revenue	1,515,671	829,763	435,748	184,826	82,981	-	(244,845)	2,804,144
Operating expenses								
- Staff costs	(178,722)	(95,470)	(51,960)	(30,906)	(18,297)	(13,256)	-	(388,611)
- Depreciation of property, plant and equipment	(168,590)	(31,559)	(7,375)	(20,449)	(710)	(269)	-	(228,952)
- Aircraft fuel expenses	(515,547)	(270,104)	(164,234)	(92,888)	(44,037)	-	-	(1,086,810)
- Maintenance and overhaul	(50,241)	(69,642)	(58,149)	(55,153)	(9,556)	(37)	107,134	(135,644)
- User charges and other related expenses	(179,900)	(149,973)	(59,552)	(28,816)	(15,416)	(122)	-	(433,780)
- Aircraft operating lease expenses	(96,126)	(124,030)	(91,353)	(37,669)	(19,235)	-	244,845	(123,567)
- Other operating expenses	(76,896)	(55,445)	(23,753)	(9,573)	(14,962)	(2,006)	8,737	(173,899)
Other income	66,352	25,014	3,143	12,945	555	-	(8,737)	99,272
Operating profit/(loss)	316,001	58,555	(17,485)	(77,683)	(38,678)	(15,690)	107,134	332,154
Finance income	19,147	2,755	132	13	338	-	(42,048)	(19,664)
Finance costs	(169,091)	(10,805)	(8,672)	(5,600)	(0)	(8)	42,048	(152,128)
Net operating (loss)/profit	166,057	50,505	(26,026)	(83,270)	(38,341)	(15,697)	107,134	160,363
Foreign exchange (losses)/gains	3,881	(26,741)	(50,978)	(37,681)	(2,930)	-	-	(114,448)
Costs related to the sale and leaseback of aircraft	(6,705)	-	-	-	-	-	-	(6,705)
Share of results of joint ventures	12,429	-	-	-	-	-	-	12,429
Share of results of associates	(637,363)	-	-	-	-	-	650,634	13,271
(Loss)/Profit before taxation	(461,701)	23,764	(77,004)	(120,950)	(41,270)	(15,697)	757,768	64,910



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments as at 30 September 2015 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	11,029,922	2,219,463	429,971	257,056	23,616	6,127	-	13,966,156
Deposits, cash and bank balances	2,400,458	864,938	45,309	26,852	62,166	77,387	-	3,477,110
Investment in joint ventures and associates	479,122	-	-	-	-	-	(272,294)	206,828
Other assets	7,955,687	287,515	1,016,107	335,554	36,656	2,834	(2,244,995)	7,389,359
	<u>21,865,189</u>	<u>3,371,916</u>	<u>1,491,388</u>	<u>619,462</u>	<u>122,438</u>	<u>86,349</u>	<u>(2,517,289)</u>	<u>25,039,453</u>
Segment Liabilities								
Borrowings	(13,775,660)	(1,742,868)	(457,807)	(388,181)	-	-	457,807	(15,906,709)
Others	(4,268,069)	(816,340)	(1,111,821)	(1,796,658)	(176,575)	(8,129)	3,253,580	(4,924,011)
	<u>(18,043,729)</u>	<u>(2,559,208)</u>	<u>(1,569,628)</u>	<u>(2,184,839)</u>	<u>(176,575)</u>	<u>(8,129)</u>	<u>3,711,387</u>	<u>(20,830,720)</u>



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9. Segment reporting (continued)

a) Reconciliation of segment revenue to reported revenue:

	Quarter ended 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Segment revenue	2,972.8	2,804.1
Add: Inter-segment revenue	344.4	244.8
Less: Revenue from associated companies which were not consolidated	(1,630.5)	(1,533.2)
	<u>1,686.7</u>	<u>1,515.7</u>

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

	Quarter ended 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Segment profit before taxation	488.7	64.9
Add: Expenses from affiliates which were not consolidated	(15.0)	(526.6)
	<u>473.7</u>	<u>(461.7)</u>

c) Reconciliation of segment assets to reported total assets:

	Quarter ended 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Segment assets	23,242.3	25,039.5
Less: Assets of affiliates which were not consolidated	(2,757.9)	(3,174.3)
	<u>20,484.4</u>	<u>21,865.2</u>

d) Reconciliation of segment liabilities to reported total liabilities:

	Quarter ended 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Segment liabilities	18,395.8	20,830.7
Less: Liabilities of affiliates which were not consolidated	(3,872.7)	(2,787.0)
	<u>14,523.1</u>	<u>18,043.7</u>



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10. Revenue

	Quarter ended 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Passenger seat sales	1,078.1	986.5
Baggage fees	141.2	126.9
Aircraft operating lease income	315.5	244.1
Other revenue	151.9	158.2
	<u>1,686.7</u>	<u>1,515.7</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 30/9/2016 RM million	Quarter ended 30/9/2015 RM million
Gain/(loss) on disposal of property, plant and equipment	84.2	(2.5)
Others	20.3	68.9
	<u>104.5</u>	<u>66.4</u>

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

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 September 2016 as compared to 30 June 2016 as follows:

	Quarter ended 30/9/2016 RM million	Quarter ended 30/6/2016 RM million
Fair value gain in the period	28.9	58.0
Amount transferred to income statement	(9.0)	280.9
	<u>19.9</u>	<u>338.9</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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13. 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 27 September 2016, the Company and the Subscriber have entered into a third supplemental letter dated 27 September 2016 in respect of the Subscription Agreement to mutually agree to extend the Cut-off Date of 27 September 2016 for another period of sixty (60) days, and expiring on 26 November 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.

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 30/9/2016 RM'000	As at 31/12/2015 RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	6,343,743	5,771,224
Unrealised	(1,076,548)	(1,698,954)
	<u>5,267,195</u>	<u>4,072,270</u>
Total share of accumulated losses from associates		
Realised	(573,306)	(821,968)
Total share of accumulated gains from joint ventures		
Realised	123,616	105,438
Total group retained profit as per consolidated accounts	<u>4,817,505</u>	<u>3,355,740</u>



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15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 30 September 2016, the Group acquired property, plant and equipment with a cost of RM255.5 million (quarter ended 30 September 2015: RM7.7 million).

During the quarter ended 30 September 2016, proceeds from disposal of property, plant and equipment totaled RM77.6 million (quarter ended 30 September 2015 RM524.7 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 30 September 2016 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:

	As at 30/9/2016 RM’000	As at 30/9/2015 RM’000
Approved and contracted for	82,354,755	79,032,262
Approved but not contracted for	8,986,641	18,324,897
	<u>91,341,396</u>	<u>97,348,159</u>



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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
Philippines AirAsia (formerly known as 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 September 2016 are set out below:

	Quarter ended 30/9/2016 RM'000	Quarter ended 30/9/2015 RM'000
Thai AirAsia		
Lease rental income on aircraft	128,678	120,636
Indonesia AirAsia		
Lease rental income on aircraft	43,328	94,063
Philippines AirAsia		
Lease rental income on aircraft	26,040	22,301
India AirAsia		
Lease rental income on aircraft	24,694	18,576
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	8,384	1,262
Asian Aviation Centre of Excellence Sdn Bhd		
Training costs charged to AirAsia Berhad	(10,222)	(6,113)



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22. Review of performance

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

Quarter Ended: 30 September RM'000	Jul - Sept 2016	Jul - Sept 2015
Revenue	1,686,676	1,515,671
Operating expenses:		
- Staff costs	(220,909)	(178,722)
- Depreciation of property, plant and equipment	(193,084)	(168,590)
- Aircraft fuel expenses	(409,468)	(515,547)
- Maintenance and overhaul	(77,352)	(50,241)
- User charges and other related expenses	(178,164)	(179,900)
- Aircraft operating lease expenses	(120,621)	(96,126)
- Other operating expenses	(62,284)	(76,896)
Other income	104,521	66,352
Operating profit	529,315	316,001
Finance income	36,855	19,147
Finance costs	(125,750)	(169,091)
Net operating profit	440,420	166,057
Foreign exchange losses	(2,697)	3,881
Share of results of jointly controlled entities	4,028	12,429
Share of results of associates	31,914	(637,363)
Costs related to the sale and leaseback of aircraft	-	(6,705)
Profit before tax	473,665	(461,701)
Current taxation	(2,501)	(8,003)
Deferred taxation	(118,695)	63,972
Net profit for the financial period	352,469	(405,732)
EBITDAR	843,020	580,717
EBITDAR Margin	50%	38%
EBIT Margin	31%	21%



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22. Review of performance (continued)

The Group recorded revenue of RM1,686.7 million for the quarter ended 30 September 2016 (“3Q16”), 11% higher than the revenue of RM1,515.7 million recorded in the quarter ended 30 September 2015 (“3Q15”). The revenue was supported by a 5% growth in passenger volume while the average fare was up 4% at RM164 as compared to RM157 in 3Q15. Ancillary income per passenger remained consistent at RM46 year-on-year. The seat load factor was at 89% which was 7 percentage points higher than the same period last year.

The profit before tax for the period was RM473.7 million compared to a loss before tax of RM461.7 million in the same quarter of 2015 while the net profit for the period was RM352.5 million compared to a net loss of RM405.7 million in the same quarter of 2015. The growth in 3Q16 net profits is mainly attributable to the revenue growth during the quarter of 11% which was mainly due to the increase in aircraft operating lease income and a 22% reduction in the average fuel price from USD79 per barrel in 3Q15 to USD62 per barrel in 3Q16.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	July - Sept 2016	Apr - Jun 2016
Cash from Operations	248,578	507,739
Cash from Investing Activities	390,005	(118,813)
Cash from Financing Activities	(727,418)	(564,425)
Net Cash Flow	(88,835)	(175,499)

The Group’s cash inflow from operations was RM248.6 million, compared to RM507.7 million in the immediate preceding quarter ended 30 June 2016. Net cash flow in the quarter amounted to a RM88.8 million outflow, as cash in flows from operating and investing activities were exceeded by cash outflows from financing activities.

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

Balance Sheet RM million	As at 30/9/2016	As at 31/12/2015
Total borrowings	10,300	12,613
Less: Deposit, cash and bank balances	(1,535)	(2,427)
Net debt	8,766	10,186
Total equity	5,944	4,451
Net gearing ratio (times)	1.47	2.29

The Group’s total debt as of end of September 2016 was RM10.3billion. The Group’s net debt after offsetting the cash balances amounted to RM8.8 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 September USD'000	Jul - Sept 2016	Jul - Sept 2015
Revenue	66,053	24,908
Operating expenses:		
- Staff costs	(139)	(68)
- Depreciation of property, plant and equipment	(13,895)	(87)
- Aircraft operating lease expenses	(26,004)	(20,616)
- Maintenance & Overhaul	(7,885)	-
- Other operating expenses	(856)	(2,025)
Other income	31	-
Operating Profit	17,305	2,112
Finance Costs	(4,240)	(1)
Net Operating Profit	13,065	2,111
Foreign exchange gains	51	(22)
Profit before tax	13,116	2,089
Taxation	(2)	1
Profit after tax	13,114	2,090
EBITDAR	57,204	22,815
EBITDAR Margin	87%	92%
EBIT Margin	26%	8%

AAC’s portfolio of aircraft for lease has increased from 28 in the same period last year to 59 in the quarter under review.



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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	Jul - Sept 2016	Jul - Sept 2015
Total aircraft at start of period	55	19
Addition	4	9
Total aircraft at end of period	59	28
By ownership:		
- Operating lease	34	27
- Owned	25	1
	59	28
By Lessee:		
AirAsia affiliates	57	28
Third party	2	-
	59	28
Aircraft average age (Years)	6.4	6.2
Operating lease average age (Years)	6.7	6.1
Owned acft average age (Years)	6.0	8.9

Balance Sheet

Period ended: 30 September 2016 USD'000	Sept 2016	Dec 2015
Property, plant and equipment	662,966	260,717
Receivables and prepayments	98,209	34,619
Amount due from related parties	65,332	39,386
Cash and bank balances	10,003	17,411
Total Assets	836,510	352,133
Other payables, accruals and provisions	61,219	26,123
Borrowings	498,949	217,781
Amount due to holding company	183,754	69,685
Amount due to related parties	7	26
Security Deposits	33,488	21,934
Total Liabilities	777,417	335,549
Share Capital	5,000	5,000
Retained Earnings	54,093	11,584
Total Equity	59,093	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 THB8,160.7 million in 3Q16, 12% higher compared to the THB7,268.2 million achieved in 3Q15. The increase in revenue is attributed to the increase in the number of passengers carried by 21% year-on-year despite a slight decrease in average fare and ancillary income per pax. Passengers carried by Thai AirAsia increased as capacity rose 17% year-on-year while the seat load factor increased 3ppt to 84%.

Thai AirAsia achieved an operating profit of THB718.2 million in 3Q16, compared to an operating profit of THB506.8 million in 3Q15. Thai AirAsia achieved a net profit of THB729.2 million in 3Q16, compared to a net profit of THB174.4 million in 3Q15.

AirAsia Berhad has equity accounted RM39.2 million (RM9.7 million in the quarter ended 30 September 2015) in the current period, as reflected in the AirAsia Berhad income statement.



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015	Change y-o-y
Passengers Carried	4,326,526	3,584,130	21%
Capacity	5,143,500	4,412,520	17%
Seat Load Factor	84%	81%	3 ppt
RPK (million)	4,478	3,651	23%
ASK (million)	5,316	4,445	20%
Average Fare (THB)	1,574	1,710	-8%
Ancillary Income Per Pax (THB)	312	321	-3%
Unit Passenger Revenue (THB)	1,886	2,031	-7%
Revenue / ASK (THB)	1.54	1.64	-6%
Revenue / ASK (US cents)	4.40	4.68	-6%
Cost / ASK (THB)	1.43	1.54	-7%
Cost / ASK (US cents)	4.10	4.40	-7%
Cost / ASK-ex Fuel (THB)	1.02	1.01	0%
Cost / ASK-ex Fuel (US cents)	2.91	2.90	0%
Aircraft (end of period)	49	44	11%
Average Stage Length (km)	1,033	1,007	3%
Number of Flights	28,575	24,514	17%
Fuel Consumed (Barrels)	992,916	814,945	22%
Average Fuel Price (US\$ / Barrel)	63	82	-23%

Exchange Rate: USD:THB – 34.9 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015
THB'000		
Revenue	8,160,725	7,268,203
Operating expenses:		
- Staff costs	(1,168,744)	(826,224)
- Depreciation of property, plant and equipment	(290,610)	(273,119)
- Aircraft fuel expenses	(2,199,776)	(2,337,561)
- Maintenance & overhaul	(759,361)	(602,698)
- User charges and other related expenses	(1,370,482)	(1,297,910)
- Aircraft operating lease expenses	(1,251,656)	(1,073,389)
- Other operating expenses	(505,042)	(479,841)
Other income	103,100	129,291
Operating profit	718,154	506,752
Finance income	9,290	23,844
Finance costs	(165,811)	(93,509)
Net operating profit	561,633	437,087
Foreign exchange gains	39,280	(231,424)
Profit before tax	600,913	205,663
Taxation	(8,807)	(8,323)
Deferred taxation	137,137	(22,912)
Net profit for the financial period	729,243	174,428
EBITDAR	2,260,420	1,853,260
EBITDAR Margin	28%	25%
EBIT Margin	9%	7%



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23. Associate Companies and Joint Ventures (continued)

Balance Sheet

Quarter Ended: 30 September THB'000	Sept 2016	Dec 2015
Property, Plant & Equipment	17,425,717	18,135,082
Intangible assets, net	13,801	12,195
Other non current assets	1,060,051	1,001,821
Inventory	128,650	92,596
Aircraft maintenance reserves	2,512,023	1,066,380
Other Debtors & Prepayments	1,003,699	815,682
Amounts due from related parties	586,462	326,209
Cash & Short Term Deposits	8,090,100	7,557,622
Total Assets	30,820,504	29,007,587
Sales In Advance	4,112,327	4,030,229
Other Creditors & Accruals	2,426,812	2,253,575
Amounts Owing to Related Party	366,624	917,878
Deferred tax liabilities	381,871	511,948
Borrowings	2,000,000	-
Finance lease liabilities	10,947,119	14,036,839
Total Liabilities	20,234,753	21,750,469
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	7,521,409	4,192,776
Total Equity	10,585,751	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 IDR1,095.2 billion in 3Q16, 26% lower as compared to the IDR1,483.7 billion achieved in 3Q15. The drop in revenue is mainly attributable to the reduction in fleet size operated by Indonesia AirAsia as capacity reduced 36% as compared to 3Q15. Passengers carried by Indonesia AirAsia decreased 24% year-on-year while the seat load factor increased 14 percentage points to 89%.

Indonesia AirAsia recorded an operating profit of IDR229.3 billion in 3Q16, compared to an operating loss of IDR59.5 billion in 3Q15. Indonesia AirAsia recorded a net profit of IDR486.6 billion in 3Q16 as compared to a net loss of IDR262.1 billion in 3Q15.



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23. Associate Companies and Joint Ventures (continued)

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 profit of RM72.7 million (RM625.0 million in the quarter ended 30 September 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 September	Jul - Sept 2016	Jul - Sept 2015	Change y-o-y
Passengers Carried	1,225,082	1,622,390	-24%
Capacity	1,378,440	2,155,320	-36%
Seat Load Factor	89%	75%	14 ppt
RPK (million)	1,770	2,255	-22%
ASK (million)	1,991	2,958	-33%
Average Fare (IDR)	586,234	615,027	-5%
Ancillary Income Per Pax (IDR)	171,925	176,252	-2%
Unit Passenger Revenue (IDR)	758,159	791,279	-4%
Revenue / ASK (IDR)	549.96	501.51	10%
Revenue / ASK (US cents)	4.19	3.82	10%
Cost / ASK (IDR)	450.77	531.46	-15%
Cost / ASK (US cents)	3.43	4.04	-15%
Cost / ASK-ex Fuel (IDR)	304.42	342.44	-11%
Cost / ASK-ex Fuel (US cents)	2.32	2.61	-11%
Aircraft (end of period)	14	23	-39%
Average Stage Length (km)	1,313	1,258	4%
Number of Flights	7,658	11,974	-36%
Fuel Consumed (Barrels)	309,556	467,016	-34%
Average Fuel Price (US\$ / Barrel)	72	91	-21%

Exchange Rate: USD:IDR – 13,139 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015
IDR million		
Revenue	1,095,237	1,483,651
Operating expenses:		
- Staff costs	(179,883)	(176,916)
- Depreciation	(23,731)	(25,110)
- Aircraft fuel expenses	(291,458)	(559,189)
- Aircraft operating lease expense	(139,933)	(311,041)
- Maintenance & overhaul	(149,968)	(197,989)
- User charges and other related expenses	(217,700)	(202,766)
- Other operating expenses	(71,305)	(80,875)
Other income	208,084	10,702
Operating profit/(loss)	229,343	(59,533)
Finance Income	593	448
Finance Costs	(32,401)	(29,528)
Net operating profit/(loss)	197,535	(88,613)
Foreign exchange gains	289,034	(173,571)
Profit/(loss) before taxation	486,569	(262,184)
Taxation	-	40
Net profit/(loss) for the financial period	486,569	(262,144)
EBITDAR	393,007	276,618
EBITDAR Margin	36%	19%
EBIT Margin	21%	-4%



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23. Associate Companies and Joint Ventures (continued)

Balance Sheet

Quarter Ended: 30 September IDR million	Sept 2016	Dec 2015
Property, Plant & Equipment	1,488,181	1,443,857
Inventory	29,177	24,115
Other Debtors & Prepayments	851,044	511,732
Amounts Owning from Related Parties	72,896	55,300
Deferred tax assets	835,597	835,597
Maintenance Reserves	441,985	358,994
Cash & Short Term Deposits	310,783	54,669
Total Assets	4,029,662	3,284,264
Sales In Advance	676,859	533,548
Other Creditors & Accruals	446,655	504,887
Amounts Owning to Related Party	3,586,596	3,128,920
Employee benefits liability	190,118	179,428
Finance lease payable	1,332,989	1,586,201
Total Liabilities	6,233,218	5,932,984
Share Capital	180,000	180,000
Perpetual Capital Security	2,058,000	2,058,000
Retained Earnings	(4,441,556)	(4,886,720)
Total Equity	(2,203,556)	(2,648,720)

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

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

AirAsia Philippines recorded revenue of PHP2,566.1 million in 3Q16, 24% higher as compared to the PHP2,074.2 million achieved in 3Q15. The increase in revenue can be attributed to higher passenger volumes which increased by 8% year-on-year and the increase in average fare by 21% year-on-year. Passengers carried by AirAsia Philippines increased 8% as capacity increased 9% year-on-year while the seat load factor decreased by 1 percentage points to 83% as compared to 3Q15.



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23. Associate Companies and Joint Ventures (continued)

AirAsia Philippines recorded an operating loss of PHP851.1 million in 3Q16, compared to an operating loss of PHP871.8 million in 3Q15. The net loss position of AirAsia Philippines was PHP1,199.9 million as compared to PHP1,357.3 million loss in 3Q15.

Philippines AirAsia recorded a net loss of RM65.2 million in the quarter under review out of which RM8.5 million is equity accounted in the financial statements of AirAsia Berhad. As the Group's interest in Philippines AirAsia has been reduced to zero, in accordance with MFRS128, any profits will only be recognized when a total of RM17.6 million of unrecognized losses have been reversed.

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015	Change y-o-y
Passengers Carried	976,765	901,957	8%
Capacity	1,175,220	1,079,100	9%
Seat Load Factor	83%	84%	-1 ppt
RPK (million)	1,160	950	22%
ASK (million)	1,395	1,155	21%
Average Fare (PHP)	2,245	1,851	21%
Ancillary Income Per Pax (PHP)	389	404	-4%
Unit Passenger Revenue (PHP)	2,634	2,254	17%
Revenue / ASK (PHP)	1.84	1.80	2%
Revenue / ASK (US cents)	3.88	3.79	2%
Cost / ASK (PHP)	2.50	2.61	-4%
Cost / ASK (US cents)	5.27	5.50	-4%
Cost / ASK-ex Fuel (PHP)	1.85	1.70	8%
Cost / ASK-ex Fuel (US cents)	3.90	3.60	8%
Aircraft (end of period)	15	15	0%
Average Stage Length (km)	1,187	1,072	11%
Number of Flights	6,529	5,995	9%
Fuel Consumed (Barrels)	261,489	235,130	11%
Average Fuel Price (US\$ / Barrel)	73	94	-22%

Exchange Rate: USD:PHP – 47.4 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015
PHP'000		
Revenue	2,566,051	2,074,154
Operating expenses:		
- Staff costs	(420,180)	(346,836)
- Depreciation of property, plant and equipment	(71,575)	(229,481)
- Aircraft fuel expenses	(904,477)	(1,042,401)
- Maintenance & overhaul	(550,955)	(618,939)
- User charges and other related expenses	(383,591)	(323,382)
- Aircraft operating lease expenses	(409,765)	(422,729)
- Other operating expenses	(173,150)	(107,425)
Other income	(503,492)	145,268
Operating loss	(851,134)	(871,773)
Finance Income	63	149
Finance Costs	(63,744)	(62,842)
Net operating loss	(914,815)	(934,467)
Foreign exchange losses	(285,053)	(422,858)
Loss before tax	(1,199,868)	(1,357,325)
Taxation	-	-
Net loss for the period	(1,199,868)	(1,357,325)
EBITDAR	(369,794)	(219,562)
EBITDAR Margin	-14%	-11%
EBIT Margin	-33%	-42%



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23. Associate Companies and Joint Ventures (continued)

Balance Sheet

Quarter Ended: 30 September PHP'000	Sept 2016	Dec 2015
Property, Plant & Equipment	1,229,469	2,468,158
Inventory	164,966	126,876
Other Debtors & Prepayments	2,880,924	2,988,863
Cash & Short Term Deposits	165,118	150,390
Total Assets	4,440,477	5,734,287
Sales In Advance	1,093,388	1,102,599
Other Creditors & Accruals	7,278,677	7,578,516
Amounts Owing to Related Party	15,063,431	14,397,943
Long Term Liabilities	116,823	116,823
Total Liabilities	23,552,319	23,195,881
Share Capital	1,192,511	1,192,511
Other reserves	(8,620)	(8,621)
Retained Earnings	(20,295,733)	(18,645,484)
Total Equity	(19,111,842)	(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 INR1,751.1 million in 3Q16, compared to a revenue of INR1,329.5 million in 3Q15. The number of passengers carried increased 42% with a unit passenger revenue of INR2,976. Ancillary income per passenger was at INR409 while the seat load factor was at 88%.

AirAsia India recorded a net loss of RM38.0 million (quarter ended 30 September 2015: RM39.9 million) in the quarter under review. In the current quarter, AirAsia Berhad through its wholly owned subsidiary AirAsia Investment Limited subscribed to 114,905,000 equity shares of INR10 each aggregating to INR1,149,050,000 equivalent to RM71.1 million. This has increased total investment in AirAsia India and as such, all unrecognized and current year losses of RM61.6 million were recognized in the income statement of AirAsia Berhad in the current quarter.



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September	Jul - Sept 2016	Jul - Sept 2015	Change y-o-y
Passengers Carried	589,486	416,182	42%
Capacity	672,300	545,760	23%
Seat Load Factor	88%	76%	12 ppt
RPK (million)	729	502	45%
ASK (million)	839	663	27%
Average Fare (INR)	2,567	3,273	-22%
Ancillary Income Per Pax (INR)	409	449	-9%
Unit Passenger Revenue (INR)	2,976	3,722	-20%
Revenue / ASK (sen)	208.68	200.59	4%
Revenue / ASK (US cents)	3.13	3.01	4%
Cost / ASK (sen)	286.81	288.81	-1%
Cost / ASK (US cents)	4.30	4.33	-1%
Cost / ASK-ex Fuel (sen)	176.92	183.76	-4%
Cost / ASK-ex Fuel (US cents)	2.65	2.75	-4%
Aircraft (end of period)	8	5	40%
Average Stage Length (km)	1,155	1,208	-4%
Number of Flights	3,735	3,032	23%

Exchange Rate: USD:INR – 66.7 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies and Joint Ventures (continued)

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

Quarter Ended: 30 September INR'000	Jul - Sept 2016	Jul - Sept 2015
Revenue	1,751,057	1,329,531
Operating expenses:		
- Staff costs	(393,074)	(293,031)
- Depreciation of property, plant and equipment	(16,254)	(12,681)
- Aircraft fuel expenses	(922,056)	(696,258)
- Maintenance and overhaul	(218,487)	(151,100)
- User charges and other related expenses	(285,126)	(236,098)
- Aircraft operating lease expenses	(408,930)	(304,120)
- Other operating expenses	(207,787)	(235,190)
Other income	37,361	9,089
Operating loss	(663,296)	(589,859)
Finance Income	9,245	5,344
Finance Costs	(1,544)	(161)
Net operating loss	(655,595)	(584,676)
Foreign exchange losses	34,419	(46,761)
Loss before tax	(621,176)	(631,438)
Taxation	-	-
Net loss for the financial period	(621,176)	(631,438)
EBITDAR	(238,112)	(273,058)
EBITDAR Margin	-14%	-21%
EBIT Margin	-38%	-44%



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23. Associate Companies and Joint Ventures (continued)

Balance Sheet

Year Ended: 30 Sept INR'000	Sept 2016	Dec 2015
Property, Plant & Equipment	375,812	352,726
Inventory	55,578	30,960
Amount due from related parties	65,874	22,239
Other Debtors & Prepayments	1,074,655	518,631
Cash & Short Term Deposits	2,446,620	537,829
Total Assets	4,018,539	1,462,385
Sales In Advance	844,827	520,691
Other Creditors & Accruals	2,689,177	1,052,259
Amounts Owing to Related Party	1,418,134	944,829
Long Term Liabilities	22,211	5,592
Total Liabilities	4,974,349	2,523,371
Share Capital	3,320,550	1,921,500
Retained Earnings	(4,276,360)	(2,982,487)
Total Equity	(955,810)	(1,060,987)

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 RM45.2 million (quarter ended 30 Sept 2015: RM15.7 million) in the quarter under review of which RM22.0 million (quarter ended 30 Sept 2015: RM5.6 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 RM41.5 million (quarter ended 30 Sept 2015: RM54.0 million) in the quarter of which RM12.1 million (quarter ended 30 Sept 2015: RM13.5 million) is equity accounted in the AirAsia Berhad income statement.



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23. Associate Companies and Joint Ventures (continued)

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 RM8.1 million (quarter ended 30 Sept 2015: RM24.9 million) in the quarter of which RM4.0 million (quarter ended 30 Sept 2015: RM12.4 million) is equity accounted in the AirAsia Berhad income statement.

24. Variation of results against preceding quarter

The Group had a net profit of RM353.2 million for the quarter under review. This is RM11.3 million higher compared to the net profit of RM341.9 million in the immediately preceding quarter ended 30 June 2016.

25. Commentary on prospects

In Malaysia, the fourth quarter of 2016 is showing an average forecasted load factor of 89% as we continue to see strong demands and a better fare environment. For the remaining quarter of 2016, we remain confident as we are continuing to observe strong demand across most sectors due to the year end holidays and festivities. This is coupled with a favorable fuel price environment.

In Thailand, load factor in the fourth quarter of 2016 is forecast to be 80%. As with Malaysia, we see encouraging forward bookings in the remaining quarter of 2016 stemming from the demand from winter holiday makers. TAA will continue to focus its marketing activities on domestic, China and India routes in the remaining quarter of 2016.

In Indonesia, load factor in the fourth quarter of 2016 is forecast at 84% which is due to the high season demand. For the remaining quarter of 2016, IAA will continue to focus on promoting international routes.

In Philippines, the forecasted load factor for the fourth quarter of 2016 is at 84%. PAA remains on track with its turnaround plan to rationalize its fleet composition to further reduce its cost structure in the remaining quarter of 2016.

In India, the forecasted load factor for the third quarter of 2016 is at 84%. For the remaining quarter 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 30/9/16	Quarter Ended 30/9/15	Period ended 30/9/16	Period ended 30/9/15
Finance income				
Interest income from:				
- amounts due from associates	7,171	8,658	22,132	58,217
- deposits with licensed banks	4,447	9,220	18,623	19,717
Gain from interest rate contracts	19,541	-	-	7,165
Discounting on deposits and non-current payables	5,696	-	13,992	-
Others	-	1,269	-	3,193
	36,855	19,147	54,747	88,292
Finance costs				
Bank borrowings	(122,531)	(149,082)	(381,739)	(435,367)
Amortisation of premiums for interest rate caps	(2,334)	(2,362)	(6,978)	(6,684)
Loss from interest rate contracts	-	(15,278)	(674)	(20,169)
Bank facilities and other charges	(885)	(2,369)	(3,988)	(7,635)
	(125,750)	(169,091)	(393,379)	(469,855)
Net cost	(88,895)	(149,944)	(338,632)	(381,563)
Foreign exchange gains/(losses)				
- realized	(1,785)	(19,511)	(36,428)	(22,496)
- unrealized	(78,354)	(971,916)	396,192	(1,576,785)
- gain/(loss) from forward foreign exchange contracts	10,208	110,462	(55,589)	144,670
- fair value movement recycled from cash flow hedge reserve	67,234	884,846	123,385	1,187,983
	(2,697)	3,881	427,560	(266,628)



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28. 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.

29. Income tax expense

Current taxation

The current taxation charge of RM2.5 million comprises tax payable on interest income.

Deferred taxation

RM118.7 million deferred tax expenses arose in the current financial period. The deferred tax expense increased as additional capital allowances and investment tax allowances that were granted were utilized.

30. 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



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31. Quoted investments and properties

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

32. Receivables and prepayments

	As at 30/9/2016 RM'000	As at 31/12/2015 RM'000
<u>Non-current:</u>		
Prepayments	1,434,765	1,261,540
Deposits	167,961	150,702
	1,602,726	1,412,242
<u>Current:</u>		
Trade and other receivables	447,710	356,519
Prepayments	124,249	180,232
Deposits	76,871	80,671
	648,830	617,422

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

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 September 2016, AirAsia Berhad has hedged approximately 62% 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 September 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.



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33. Derivative financial instruments (continued)

(iii) Fuel Hedging

As at 30 September 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 58% of the Group's total budgeted fuel consumption for year 2017.

Type of derivatives	Notional Value as at 30/09/2016	Fair Value as at 30/09/2016 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	6.77	38.38
- 1 year to 3 years	1.53	9.23
Total	8.30	47.61
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	406.44	(22.38)
- more than 3 years	3,156.39	(236.32)
Total	3,562.83	(258.70)
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	125.12	(0.59)
- 1 year to 3 years	992.50	216.39
- more than 3 years	2,120.21	522.91
Total	3,237.83	738.71

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. Trade and other payables

	As at 30/9/2016 RM'000	As at 31/12/2015 RM'000
<u>Non-current:</u>		
Aircraft maintenance accruals	728,003	514,138
Trade and other payables	676,417	529,856
	<u>1,404,420</u>	<u>1,043,994</u>
<u>Current:</u>		
Trade payables	349,365	269,960
Accrual for fuel	53,060	62,739
Other payables and accruals	1,099,295	1,301,358
	<u>1,501,720</u>	<u>1,634,057</u>

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

35. Borrowings and debt securities

	As at 30/9/2016 RM'000	As at 31/12/2015 RM'000
Current	2,158,572	2,377,256
Non-current	8,141,211	10,235,579
Total Debt	<u>10,299,783</u>	<u>12,612,835</u>



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35. Borrowings and debt securities (continued)

The currency profile of borrowings is as follows:

	As at 30/9/2016 RM'000	As at 31/12/2015 RM'000
Ringgit Malaysia	1,101,769	1,494,381
US Dollar	8,835,937	10,734,446
Euro	158,143	167,504
Singapore Dollar	203,934	216,504
	<u>10,299,783</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.

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.



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36. Fair value estimation

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

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

The following tables presents the Group's assets and liabilities that are measured at fair value at 30 September 2016 and 31 December 2015:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
30 September 2016				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	235	-	235
Derivatives used for hedging	-	771	-	771
Available-for-sale financial assets				
- Equity securities	396	-	-	396
Total Assets	396	1,007	-	1,403
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	97	-	97
Derivatives used for hedging	-	379	-	379
Total Liabilities	-	476	-	476
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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36. 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.



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37. Material litigation

As at 24 November 2016, there was no material litigation against the Group.

38. Proposed dividend

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

39. 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 30/9/16	Quarter ended 30/9/15	Period ended 30/9/16	Period ended 30/9/15
Net profit attributable to owners of the Company (RM'000)	353,894	(405,732)	1,573,081	(13,371)
Weighted average number of ordinary shares in issue ('000)	2,782,974	2,782,974	2,782,974	2,782,974
Basic and diluted earnings per share (sen)	12.7	(14.6)	56.5	(0.5)

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.

40. 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
24 NOVEMBER 2016