



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

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 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 first quarter ended 31 March 2017.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Revenue	9	2,226,554	1,699,294	2,226,554	1,699,294
Operating expenses:					
- Staff costs		(363,497)	(210,172)	(363,497)	(210,172)
- Depreciation of property, plant and equipment		(204,770)	(178,168)	(204,770)	(178,168)
- Aircraft fuel expenses		(680,800)	(376,912)	(680,800)	(376,912)
- Maintenance and overhaul		(114,273)	(65,250)	(114,273)	(65,250)
- User charges and other related expenses		(331,534)	(191,196)	(331,534)	(191,196)
- Aircraft operating lease expenses		(148,671)	(111,729)	(148,671)	(111,729)
- Other operating expenses		(103,953)	(96,536)	(103,953)	(96,536)
Other income	10	111,892	47,246	111,892	47,246
<b>Operating profit</b>		<b>390,948</b>	<b>516,577</b>	<b>390,948</b>	<b>516,577</b>
Finance income	27	19,042	18,974	19,042	18,974
Finance costs	27	(142,909)	(134,555)	(142,909)	(134,555)
<b>Net operating profit</b>		<b>267,081</b>	<b>400,996</b>	<b>267,081</b>	<b>400,996</b>
Share of results of associates	23	34,359	211,231	34,359	211,231
Share of results of joint ventures		4,763	8,232	4,763	8,232
Foreign exchange gains	27	56,875	651,570	56,875	651,570
Mark to market loss on derivatives		(63,424)	(178,658)	(63,424)	(178,658)
Remeasurement gain on consolidation	11	214,350	-	214,350	-
Negative goodwill on consolidation		127,324	-	127,324	-
<b>Profit before taxation</b>		<b>641,328</b>	<b>1,093,371</b>	<b>641,328</b>	<b>1,093,371</b>
Tax expense	28	(39,972)	(3,495)	(39,972)	(3,495)
Deferred taxation	28	(17,108)	(212,934)	(17,108)	(212,934)
<b>Net profit for the financial period</b>		<b>584,248</b>	<b>876,942</b>	<b>584,248</b>	<b>876,942</b>
Attributable to:					
- Owners of the company		615,810	877,793	615,810	877,793
- Non-controlling interests		(31,562)	(851)	(31,562)	(851)
		<b>584,248</b>	<b>876,942</b>	<b>584,248</b>	<b>876,942</b>
Earnings per share attributable to owners of the Company (sen)					
- Basic		18.4	31.5	18.4	31.5
- Diluted		18.4	31.5	18.4	31.5

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
		31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
<b>Net profit for the financial period</b>		584,248	876,942	584,248	876,942
Other comprehensive income/(loss)					
Available-for-sale financial assets		20,777	68,937	20,777	68,937
Cash flow hedges	12	(127,078)	(368,532)	(127,078)	(368,532)
Foreign currency translation differences		91,964	(21,446)	91,964	(21,446)
<b>Total comprehensive income for the period</b>		<b>569,911</b>	<b>555,901</b>	<b>569,911</b>	<b>555,901</b>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		601,473	556,752	601,473	556,752
Non-controlling interests		(31,562)	(851)	(31,562)	(851)
		<b>569,911</b>	<b>555,901</b>	<b>569,911</b>	<b>555,901</b>



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## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/03/2017 RM'000	31/03/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	641,328	1,093,371
Adjustments:		
Property, plant and equipment		
- Depreciation	204,770	178,168
- Gain on disposal	5,470	(156)
Employee benefit expenses	464	-
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	139,419	133,659
Share of results of joint ventures	(4,763)	(8,232)
Share of results of associates	(34,359)	(211,231)
Net unrealised foreign exchange gain	(56,875)	(601,354)
Interest expense	142,909	134,555
Interest income	(19,042)	(23,211)
	677,647	707,228
<b>Changes in working capital</b>		
Inventories	(15,143)	(12,172)
Receivables and prepayments	(185,603)	105,019
Trade and other payables	132,277	(195,246)
Intercompany balances	13,698	(202,272)
<b>Cash generated from operations</b>	622,876	402,557
Interest paid	(89,839)	(80,402)
Interest received	8,794	10,000
Tax paid	(41,507)	(8,427)
<b>Net cash generated from operating activities</b>	<b>500,324</b>	<b>323,728</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(293,564)	(95,659)
- Proceeds from disposal	35	2,094
- Investment in associates companies	-	(53,400)
Repayment of advances by an associate	-	23,638
Acquisition of subsidiaries, net of cash	123,937	(101,500)
<b>Net cash generated from/(used in) investing activities</b>	<b>(169,592)</b>	<b>(224,827)</b>
<b>CASH FLOWS FROM FINANCING FACILITIES</b>		
Proceeds from issuance of shares	1,006,200	-
Buy-back of shares	-	(160)
Proceeds from borrowings	64,672	240,016
Repayment of borrowings	(560,920)	(1,004,048)
<b>Net cash generated from/(used in) financing activities</b>	<b>509,952</b>	<b>(764,192)</b>
<b>NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD</b>	<b>840,684</b>	<b>(665,291)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>1,741,573</b>	<b>2,426,696</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>(29,945)</b>	<b>(33,234)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	<b>2,552,312</b>	<b>1,728,171</b>

\* Included within the balance at end of the financial period is an amount RM17.7 million restricted cash pledged as securities for banking facilities



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		AS AT	AS AT
		31/03/2017	31/12/2016
		RM'000	RM'000
	<b>Note</b>		
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	<b>15</b>	11,571,380	10,826,682
Investment in associates	<b>23</b>	526,294	2,210,587
Investment in a jointly controlled entity		193,072	188,309
Available-for-sale financial assets		377,382	356,605
Intangible assets	<b>31</b>	320,334	121,827
Deferred tax assets		966,179	749,213
Receivables and prepayments	<b>32</b>	1,351,701	1,433,054
Deposits on aircraft purchase		132,482	112,133
Amounts due from associates	<b>33</b>	-	344,861
Derivative financial instruments	<b>34</b>	729,082	867,949
		<b>16,167,906</b>	<b>17,211,220</b>
<b>CURRENT ASSETS</b>			
Inventories		59,009	43,866
Receivables and prepayments	<b>32</b>	1,334,202	1,087,657
Deposits on aircraft purchase		773,423	658,115
Amounts due from joint ventures		17,533	8,952
Amounts due from associates	<b>33</b>	238,089	511,446
Amounts due from related parties		16,031	37,424
Deposits, bank and cash balances		2,552,312	1,741,573
Derivative financial instruments	<b>34</b>	267,900	665,668
Tax recoverable		-	19,466
		<b>5,258,499</b>	<b>4,774,167</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>35</b>	1,944,477	1,882,183
Sales in advance		966,020	607,735
Derivative financial instruments	<b>34</b>	96,676	448,873
Amounts due to an associates		-	3,978
Amounts due to a related parties		202,629	29,999
Borrowings	<b>36</b>	1,828,523	1,945,203
Current tax liabilities		3,021	-
		<b>5,041,346</b>	<b>4,917,971</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>217,153</b>	<b>(143,804)</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	<b>35</b>	1,617,290	1,529,293
Amounts due to an associates		71,600	118,898
Amounts due to a related parties		9,328	9,455
Borrowings	<b>36</b>	8,420,069	8,633,939
Deferred tax liabilities		-	-
Derivative financial instruments	<b>34</b>	138,147	148,052
Provision for retirement benefits		68,771	-
		<b>10,325,205</b>	<b>10,439,637</b>
		<b>6,059,854</b>	<b>6,627,779</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<b>7</b>	2,515,438	278,297
Share Premium		-	1,230,941
Treasury shares		(160)	(160)
Foreign exchange reserve		138,957	46,993
Retained earnings		5,910,278	5,294,468
Other Reserves		(323,855)	(217,554)
		<b>8,240,658</b>	<b>6,632,985</b>
Non-controlling interests		(2,180,804)	(5,206)
Total equity		<b>6,059,854</b>	<b>6,627,779</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>1.81</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
Transfer to no-par value regime	-	2,181,241	(2,181,241)	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	615,810	615,810	(31,562)	584,248
Other comprehensive income	-	-	-	91,964	(127,078)	20,777	-	-	(14,337)	-	(14,337)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(2,144,036)	(2,144,036)
At 31 March 2017	3,341,974	2,515,438	-	138,957	(569,072)	245,217	(160)	5,910,278	8,240,658	(2,180,804)	6,059,854
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 financial year	-	-	-	-	-	-	-	877,793	877,793	(851)	876,942
Other comprehensive income/(loss)	-	-	-	(21,446)	(368,532)	68,937	-	-	(321,041)	-	(321,041)
Buy-back of own shares	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(5,994)	(5,994)
At 31 March 2016	2,782,974	278,297	1,230,941	(2,498)	(908,500)	177,307	(160)	4,233,533	5,008,920	(8,319)	5,000,601

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 – 31 MARCH 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.

In accordance with MFRS 10 Consolidated Financial Statements (“MFRS 10”), an investor controls an investee if and only if the investor has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee;
- and
- (c) the ability to use its power over the investee to affect the amount of the investor’s returns.

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. – 49% 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 40% 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, notwithstanding the BLA requires each investee comply with the stipulated operating requirements recommended by the Company. Although the BLAs demonstrated the Company’s ability to vary the investees’ returns through its involvement



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### 1. Basis of preparation (continued)

in the relevant activities of the investees, the Company was unable to demonstrate power over the investees as defined under MFRS 10. The Board of Directors of the respective investees have substantive rights, by virtue of the respective Shareholders' Agreements, that grant them the power to make decisions on the relevant activities of the investees. Decisions by the respective Board of Directors of these investees are as stipulated in the respective Shareholders' Agreements.

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

- PT Indonesia AirAsia
- AirAsia Inc. Group of companies
- 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, the Company is additionally able to demonstrate power, as defined in MFRS 10, over these investees and has, accordingly, accounted for these investees as subsidiaries. In accordance with MFRS 10, the financial results and position of these three entities are consolidated with effect from 1 January 2017.

### 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 – 31 MARCH 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 4 percentage points higher than the same period last year. Compared against the immediate preceding quarter (fourth quarter October - December 2016), the load factor has increased 2 percentage points. 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 quarter ended 31 March 2017, the Company increased its issued share capital by 559,000,000 new ordinary shares of RM1.80 each. These shares rank pari passu with the existing ordinary shares. The total issued and paid-up share capital of the Company increased to RM2,515,438,000.

### 8. Dividend paid

No dividends were paid in the quarter ended 31 March 2017.

### 9. Revenue

	Quarter ended 31/3/2017 RM million	Quarter ended 31/3/2016 RM million
Passenger seat sales	1,558.7	1,068.2
Baggage fees	209.2	143.6
Aircraft operating lease income	234.3	322.7
Other revenue	224.4	164.8
	<u>2,226.6</u>	<u>1,699.3</u>

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





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### 10. Other Income

	Quarter ended 31/3/2017 RM million	Quarter ended 31/3/2016 RM million
Fees charged for the provision of commercial air transport services	27.9	24.7
Charter income	22.8	-
Others	61.2	22.5
	<u>111.9</u>	<u>47.2</u>

Charter income represent net income generated from the IAA A320 operation which was operated 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 31 March 2017 as compared to 31 December 2016 as follows:

	Quarter ended 31/3/2017 RM million	Quarter ended 31/12/2016 RM million
Fair value gain in the period	20.8	(39.7)
Amount transferred to income statement	(127.1)	194.5
	<u>(106.3)</u>	<u>154.8</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 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.

Utilisation of proceeds raised from the Share Issuance as at 31 March 2017 are as follows:

Proceeds totaling RM1,006.2 million were raised and the status of the utilization of these proceeds 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	(252.0)	90.0	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	(129.5)	154.5	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>(588.4)</b>	<b>417.8</b>	



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### 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 31/3/2017 RM'000	As at 31/12/2016 RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	6,852,446	6,883,363
Unrealised	(423,749)	(1,031,354)
	<u>6,428,697</u>	<u>5,852,009</u>
Total share of accumulated losses from associates		
Realised	(652,905)	(687,264)
Total share of accumulated gains from joint ventures		
Realised	134,486	129,723
Total group retained profit as per consolidated accounts	<u>5,910,278</u>	<u>5,294,468</u>

### 15. Property, plant and equipment

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

During the quarter ended 31 March 2017, the Group acquired property, plant and equipment with a cost of RM293.6 million (quarter ended 31 March 2016: RM95.7 million).

During the quarter ended 31 March 2017, proceeds from disposal of property, plant and equipment totaled RM28,000 (quarter ended 31 March 2016: RM2.1 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.



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### **16. Post balance sheet events**

On 14 May 2017, the Company entered into a Memorandum of Understanding (“MOU”) with the China Everbright Group and Henan Government Working Group. This is for the purpose of establishing a joint venture for a low cost airline to be known as AirAsia (China) in China either through an acquisition or by obtaining a new airline license.

There were no other material events after the period end that have not been reflected in the financial statements for the financial period ended 31 March 2017 as at the date of this report.

### **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.

On 30 March 2017, AirAsia Berhad through its wholly-owned subsidiary AAIL, executed a Shareholders Agreement (“SHA”) and a Share Subscription Agreement (“SSA”) with Gumin Company Limited (“Gumin”), Mr. Tran Trong Kien (“Mr. Tran”) and Hai Au Aviation Joint Stock Company (“HAA” or “JV Co”) to subscribe to 30,000,000 ordinary shares of VND10,000 (MYR1.94) each at par, representing 30% percent of the paid-up capital in the JV Co. The shareholding ratio of the parties are as follows: AAIL : 30% (30,000,000 shares), Gumin : 69.9% (69,999,999 shares), Mr. Tran Trong Kien: 0.1% (1 share). The SHA and SSA are entered for the purpose of forging a joint venture cooperation between AirAsia, Gumin, Mr. Tran and HAA to establish a low-cost carrier in Vietnam.

### **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.



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

Capital commitments for property, plant and equipment:

	As at 31/3/2017 RM'000	As at 31/3/2016 RM'000
Approved and contracted for	89,750,815	69,270,890
Approved but not contracted for	9,806,522	16,769,493
	99,557,337	86,040,383

### 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
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	Subsidiary
AirAsia Inc.	Subsidiary
Philippines AirAsia Inc. (formerly known as Zest Airways, Inc.)	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
Asian Aviation Centre of Excellence	



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

<b>Name of company</b>	<b>Relationship</b>
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

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 31 March 2017 are set out below:

	<b>Quarter ended 31/3/2017 RM'000</b>	<b>Quarter ended 31/3/2016 RM'000</b>
<b>Thai AirAsia</b>		
Lease rental income on aircraft	140,161	129,201
<b>Indonesia AirAsia</b>		
Lease rental income on aircraft	-*	50,107
<b>Philippines AirAsia</b>		
Lease rental income on aircraft	-*	19,935
<b>India AirAsia</b>		
Lease rental income on aircraft	30,607	23,119
<b>Japan AirAsia</b>		
Lease rental income on aircraft	8,707	4,105
<b>PT Indonesia AirAsia Extra</b>		
Lease rental income on aircraft	18,571	21,468
Aircraft wet lease charges	20,337	-
<b>Asian Aviation Centre of Excellence Sdn Bhd</b>		
Training costs charged to AirAsia Berhad	(7,711)	(5,295)

\* 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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**22. Review of Group performance**

The Group revenue and expenses have increased significantly from the quarter ended 31 March 2016 (“1Q16”) due to the consolidation of IAA and PAA Group during the quarter. In order to enable better understanding of the performance and movement between 1Q16 and 1Q17, we have included Proforma Consolidated Income Statement and Key Operating Statistics for 1Q16 in the table below for ease of reference. The 1Q16 Proforma Income Statement and Key Operating Statistics are prepared based on similar basis as in 1Q17 where both IAA and PAA Group results were consolidated in accordance to MFRS 10.

	ACTUAL	PROFORMA	Change y-o-y
	Quarter ended	Quarter ended	
	31/03/2017 RM'000	31/03/2016 RM'000	
Revenue	2,226,554	2,068,227	8%
Operating expenses:			
- Staff costs	(363,497)	(286,663)	27%
- Depreciation of property, plant and equipment	(204,770)	(193,914)	6%
- Aircraft fuel expenses	(680,800)	(546,509)	25%
- Maintenance and overhaul	(114,273)	(117,348)	-3%
- User charges and other related expenses	(331,534)	(284,488)	17%
- Aircraft operating lease expenses	(148,671)	(122,262)	22%
- Other operating expenses	(103,953)	(125,816)	-17%
Other income	111,892	73,320	53%
<b>Operating profit</b>	<b>390,948</b>	<b>464,547</b>	<b>-16%</b>
Finance income	19,042	15,739	21%
Finance costs	(142,909)	(142,539)	0%
<b>Net operating profit</b>	<b>267,081</b>	<b>337,747</b>	<b>-21%</b>
Foreign exchange gains	56,875	724,310	-92%
Remeasurement gain on consolidation	214,350	-	100%
Negative goodwill on consolidation	127,324	-	100%
Mark to market loss on derivatives	(63,424)	(182,924)	-65%
Share of results of joint ventures	4,763	8,232	-42%
Share of results of associates	34,359	82,037	-58%
<b>Profit before taxation</b>	<b>641,328</b>	<b>969,402</b>	<b>-34%</b>
Tax expense	(39,972)	(3,495)	1044%
Deferred taxation	(17,108)	(212,934)	-92%
<b>Net profit for the financial period</b>	<b>584,248</b>	<b>752,973</b>	<b>-22%</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 31 March 2017	Quarter Ended 31 March 2016	
Passengers Carried	9,149,255	8,615,951	6%
Capacity	10,270,470	10,153,968	1%
Seat Load Factor	89%	85%	4 ppt
RPK (million)	11,973	11,207	7%
ASK (million)	13,589	13,337	2%
Average Fare (RM)	171	175	-2%
Ancillary Income Per Pax (RM)	50	49	1%
Unit Passenger Revenue (RM)	220	224	-2%
Revenue / ASK (sen)	14.91	14.42	3%
Revenue / ASK (US cents)	3.36	3.25	3%
Cost / ASK (sen)	13.61	11.97	14%
Cost / ASK (US cents)	3.07	2.70	14%
Cost / ASK-ex Fuel (sen)	8.60	7.87	9%
Cost / ASK-ex Fuel (US cents)	1.94	1.78	9%
Aircraft (end of period)	106	109	-3%
Average Stage Length (km)	1,287	1,289	0%
Number of Flights	56,692	56,319	1%
Fuel Consumed (Barrels)	2,289,929	2,213,302	3%
Average Fuel Price (US\$ / Barrel)	67	56	20%

*Exchange Rate: RM:USD – 4.4328 - 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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## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2017

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

#### 1Q17 Group Performance (with IAA and PAA consolidation) Against 1Q16 Proforma Statements (with IAA and PAA consolidation)

During the quarter, total Group revenue has grown 8% from RM2,068.2 million recorded in 1Q16 to RM2,226.6 million in 1Q17. The growth was derived from a 6% increase in total passengers carried and a strong seat load factor of 89% in 1Q17 compared to 85% in 1Q16. Despite of a slight reduction in the average fare of 2%, overall RASK of the Group has improved 3% from 14.42 sen in 1Q16 to 14.91 sen in 1Q17.

During the quarter, the Group has also delivered an additional 116,502 seat capacity as compared to 1Q16, which represent an additional 1% growth in seat capacity compared to 1Q16. This was achieved with the background of a 3% reduction in total fleet size of the Group from 109 aircraft in 1Q16 to 106 aircraft in 1Q17.

In spite of the revenue growth, total net operating profits of the Group has reduced RM70.7 million from RM337.7 million in 1Q17 to RM267.1 million in 1Q16. The reduction was mainly attributable to approximately 20% increase in average fuel price from USD56 per barrel in 1Q16 to USD67 per barrel in 1Q17, and strong USD currency during the quarter. Total staff costs have also increased by RM76.8 million compared to 1Q16 mainly attributable to the revised staff remuneration package that was introduced in Quarter 4 2016.

During the quarter, Group CASK has increased 14% to 13.61 sen in 1Q17 and Group Ex-fuel CASK increased by 9% from 7.87 sen in 1Q16 to 8.60 sen in 1Q17.



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

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

Net Cash Flow (RM'000)	Jan - March 2017	Oct - Dec 2016
Cash from Operations	500,324	273,492
Cash from Investing Activities	(169,592)	103,960
Cash from Financing Activities	509,952	(262,200)
<b>Net Cash Flow</b>	<b>840,684</b>	<b>115,252</b>

The Group's cash inflow from operations was RM500.3 million, compared to inflow of RM273.5 million in the immediate preceding quarter ended 31 December 2016. Net cash inflow in the quarter amounted to RM840.7 million inflow.

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

Balance Sheet RM million	As at 31/3/2017	As at 31/12/2016
Total borrowings	10,249	10,579
Less: Deposit, cash and bank balances	(2,552)	(1,742)
Net debt	7,696	8,837
Total equity	6,060	6,628
Net gearing ratio (times)	1.27	1.33

The Group's total debt as of end of March 2017 was RM10.2 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”)**

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 THB9,164.1 million in 1Q17, 2% higher compared to the THB8,974.8 million achieved in 1Q16. 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 11% increase in the passengers carried. Unit passenger revenue decreased 8% year-on-year whilst the seat load factor increase one ppt to 89%.

Thai AirAsia’s operating profit was at THB1,152.0 million in 1Q17, compared to an operating profit of THB2,061.1 million in 1Q16. Thai AirAsia’s net profit was at THB1,035.8 million in 1Q17, compared to a net profit of THB1,831.8 million in 1Q16.

AirAsia Berhad has equity accounted RM59.4 million (RM94.9 million in the quarter ended 31 March 2016) in the current period, as reflected in the income statement.



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

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

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

<b>Quarter Ended: 31 March</b>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>	<b>Change y-o-y</b>
Passengers Carried	4,851,398	4,365,286	11%
Capacity	5,423,652	4,965,480	9%
Seat Load Factor	89%	88%	1 ppt
RPK (million)	4,749	4,336	10%
ASK (million)	5,327	4,967	7%
Average Fare (THB)	1,569	1,722	-9%
Ancillary Income Per Pax (THB)	324	337	-4%
Unit Passenger Revenue (THB)	1,893	2,059	-8%
Revenue / ASK (THB)	1.72	1.81	-5%
Revenue / ASK (US cents)	4.91	5.16	-5%
Cost / ASK (THB)	1.53	1.42	8%
Cost / ASK (US cents)	4.38	4.05	8%
Cost / ASK-ex Fuel (THB)	1.05	1.03	2%
Cost / ASK-ex Fuel (US cents)	3.00	2.93	2%
Aircraft (end of period)	53	47	13%
Average Stage Length (km)	983	999	-2%
Number of Flights	30,109	27,586	9%
Fuel Consumed (Barrels)	1,010,601	939,155	8%
Average Fuel Price (US\$ / Barrel)	73	59	24%

*Exchange Rate: USD:THB – 35.0 - prior year US cents figures are restated at the current period average exchange rate*



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**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2017**

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

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

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

Quarter Ended: 31 March	Jan - Mar 2017	Jan - Mar 2016
THB'000		
<b>Revenue</b>	<b>9,164,101</b>	<b>8,974,782</b>
Operating expenses:		
- Staff costs	(1,212,250)	(1,114,630)
- Depreciation of property, plant and equipment	(325,233)	(280,601)
- Aircraft fuel expenses	(2,571,943)	(1,933,144)
- Maintenance & overhaul	(736,977)	(705,256)
- User charges and other related expenses	(1,579,077)	(1,363,125)
- Aircraft operating lease expenses	(1,261,374)	(1,169,136)
- Other operating expenses	(512,289)	(505,631)
Other income	187,056	157,861
<b>Operating profit</b>	<b>1,152,014</b>	<b>2,061,120</b>
Finance income	7,037	12,269
Finance costs	(167,983)	(133,830)
<b>Net operating profit</b>	<b>991,068</b>	<b>1,939,559</b>
Foreign exchange (losses)/gains	143,584	(2,440)
<b>Profit before tax</b>	<b>1,134,652</b>	<b>1,937,119</b>
Taxation	(98,826)	(105,294)
<b>Net profit for the financial period</b>	<b>1,035,826</b>	<b>1,831,825</b>
EBITDAR	2,738,621	3,510,857
EBITDAR Margin	30%	39%
EBIT Margin	13%	23%



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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: 31 March THB'000</b>	<b>March 2017</b>	<b>Dec 2016</b>
Property, Plant & Equipment	21,707,387	20,363,103
Intangible assets, net	36,580	15,463
Other non current assets	1,029,502	1,040,698
Inventory	101,202	118,176
Aircraft maintenance reserves	2,665,544	2,665,544
Other Debtors & Prepayments	862,866	1,100,006
Amounts due from related parties	1,258,189	804,788
Cash & Short Term Deposits	7,097,587	6,631,016
<b>Total Assets</b>	<b>34,758,856</b>	<b>32,738,795</b>
Sales In Advance	4,346,101	4,238,146
Other Creditors & Accruals	2,980,571	3,011,170
Amounts Owing to Related Party	587,838	437,469
Deferred tax liabilities	343,679	307,431
Borrowings	1,669,258	1,832,753
Finance lease liabilities	14,506,223	13,622,465
<b>Total Liabilities</b>	<b>24,433,670</b>	<b>23,449,434</b>
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	7,260,844	6,225,019
<b>Total Equity</b>	<b>10,325,186</b>	<b>9,289,361</b>

**ii) 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 INR2,821.0 million in 1Q17, 47% higher compared to a revenue of INR1,915.8 million in 1Q16. The number of passengers carried increased 57% with a unit passenger revenue of INR3,401. Ancillary income per passenger was at INR418 while the seat load factor was at 89%.



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

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

AirAsia India recorded a net loss of RM27.0 million (quarter ended 31 March 2016: RM31.3 million) in the quarter under review out of which RM4.2 million (quarter ended 31 March 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 RM9.0 million of unrecognized losses have been reversed.

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

<b>Quarter Ended: 31 March</b>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>	<b>Change y-o-y</b>
Passengers Carried	844,964	538,800	57%
Capacity	945,180	629,280	50%
Seat Load Factor	89%	86%	3 ppt
RPK (million)	915	671	36%
ASK (million)	1,012	774	31%
Average Fare (INR)	2,983	3,196	-7%
Ancillary Income Per Pax (INR)	418	502	-17%
Unit Passenger Revenue (INR)	3,401	3,698	-8%
Revenue / ASK (sen)	278.77	247.46	13%
Revenue / ASK (US cents)	4.20	3.72	13%
Cost / ASK (sen)	330.57	312.01	6%
Cost / ASK (US cents)	4.97	4.70	6%
Cost / ASK-ex Fuel (sen)	220.00	197.37	11%
Cost / ASK-ex Fuel (US cents)	3.31	2.97	11%
Aircraft (end of period)	8	6	33%
Average Stage Length (km)	996	1,151	-13%
Number of Flights	5,251	3,408	54%

*Exchange Rate: USD:INR – 66.5 - prior year US cents figures are restated at the current period average exchange rate*



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

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

<b>Quarter Ended: 31 March INR'000</b>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>
<b>Revenue</b>	<b>2,821,019</b>	<b>1,915,835</b>
Operating expenses:		
- Staff costs	(645,937)	(417,231)
- Depreciation of property, plant and equipment	(35,503)	(44,377)
- Aircraft fuel expenses	(1,118,957)	(887,504)
- Maintenance and overhaul	(339,612)	(272,215)
- User charges and other related expenses	(555,022)	(289,125)
- Aircraft operating lease expenses	(465,964)	(379,264)
- Other operating expenses	(298,777)	(141,786)
Other income	99,619	46,988
<b>Operating loss</b>	<b>(539,134)</b>	<b>(468,680)</b>
Finance Income	17,096	3,810
Finance Costs	(2,132)	(34,822)
<b>Net operating loss</b>	<b>(524,170)</b>	<b>(499,691)</b>
Foreign exchange gain	119,244	30,707
<b>Loss before tax</b>	<b>(404,926)</b>	<b>(468,985)</b>
Taxation	-	-
<b>Net loss after tax</b>	<b>(404,926)</b>	<b>(468,985)</b>
EBITDAR	<b>(37,667)</b>	<b>(45,038)</b>
EBITDAR Margin	-1%	-2%
EBIT Margin	-19%	-24%





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

**Balance Sheet**

<b>Year Ended: 31 March INR'000</b>	<b>March 2017</b>	<b>Dec 2016</b>
Property, Plant & Equipment	417,448	375,110
Inventory	78,081	70,357
Amount due from related parties	163,454	136,227
Other Debtors & Prepayments	743,310	672,591
Cash & Short Term Deposits	1,531,048	3,481,604
<b>Total Assets</b>	<b>2,933,341</b>	<b>4,735,888</b>
Sales In Advance	574,895	682,496
Other Creditors & Accruals	1,330,440	2,418,350
Amounts Owing to Related Party	1,550,149	1,775,266
Long Term Liabilities	45,218	22,211
<b>Total Liabilities</b>	<b>3,500,702</b>	<b>4,898,324</b>
Share Capital	4,266,500	4,266,500
Retained Earnings	(4,833,861)	(4,428,935)
<b>Total Equity</b>	<b>(567,361)</b>	<b>(162,435)</b>



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### 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 RM39.7 million (quarter ended 31 March 2016: RM33.7 million) in the quarter under review of which RM19.5 million (quarter ended 31 March 2016: RM16.5 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 RM584.2 million for the quarter under review. This is RM119.5 million higher compared to the net profit of RM464.7 million in the immediately preceding quarter ended 31 December 2016.

### 25. Commentary on prospects

The Group is projected to achieve an average forecast load factor of 91% in the second quarter of 2017 based on the existing forward booking trend. The strong demand is expected to derive from the festive Hari Raya season, in conjunction with the midterm school holidays in India as well as the expanded Korean and China network from Philippine.

In order to better serve the growing demand in the region, the Group is also planning to increase an additional 29 planes through a combination of finance and operating lease in 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 favorable fuel price and foreign exchange environment.

In Thailand, load factor in the second quarter of 2017 is forecast to be 86% based on existing forward booking trend. TAA will focus on building more flythru connection 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 second quarter of 2017 is at 87%. 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 surpass that of 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 31/3/17	Quarter Ended 31/3/16	Period ended 31/3/17	Period ended 31/3/16
<b>Finance income</b>				
Interest income from:				
- amounts due from associates	-	7,669	-	7,669
- deposits with licensed banks	8,923	7,217	8,923	7,217
Discounting on deposits and non-current payables and others	10,119	4,088	10,119	4,088
	19,042	18,974	19,042	18,974
<b>Finance costs</b>				
Bank borrowings	(136,400)	(131,457)	(136,400)	(131,457)
Amortisation of premiums for interest rate caps	(4,389)	(2,336)	(4,389)	(2,336)
Bank facilities and other charges	(2,120)	(762)	(2,120)	(762)
	(142,909)	(134,555)	(142,909)	(134,555)
<b>Net cost</b>	(123,867)	(115,581)	(123,867)	(115,581)
<b>Foreign exchange gains/(losses)</b>				
- realized	3,809	(3,582)	3,809	(3,582)
- unrealized	81,010	601,354	81,010	601,354
- fair value movement recycled from cash flow hedge reserve	(27,944)	53,798	(27,944)	53,798
	56,875	651,570	56,875	651,570



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### 28. Income tax expense

#### *Current taxation*

The current taxation expense of RM40.0 million comprises tax payable of IAA and tax payable on interest income in MAA.

#### *Deferred taxation*

RM17.1 million deferred tax expense arose in the current financial period. Deferred tax expense increased as capital allowances granted during the current quarter were utilized.

### 29. Unquoted investments and properties

On 19 April 2017, AirAsia Berhad through its wholly-owned subsidiary AirAsia Investment Limited (“AAIL”) executed a Share Subscription Agreement (“SSA”) and a Shareholders Agreement (“SHA”) with Touristly Travel Sdn. Bhd. to subscribe to 50% of the ordinary shares in Touristly; and the SHA between the shareholders govern the relationship between the parties of Touristly. The shareholding ratio of the parties are as follows; AAIL (50%), Aaron Ram Sarma (20.7%), Jeffrey Saw Meng Lai (13.6%), Wong Chin Kit (1.4%), Netrove Ventures Corporation (9.6%) and Tune Labs Sdn. Bhd. (4.8%). AAIL and Touristly have also signed a Convertible Loan Agreement (“CLA”) where AAIL will be providing a convertible loan of RM5 million.



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### 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 31/3/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Prepayments	1,156,282	1,100,731
Deposits and other receivables	195,419	332,323
	<hr/> 1,351,701	<hr/> 1,433,054
<u>Current:</u>		
Trade and other receivables	587,328	436,624
Prepayments	631,114	615,899
Deposits	115,760	35,134
	<hr/> 1,334,202	<hr/> 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 31/3/2017 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	238,089	417,587
	<u>238,089</u>	<u>511,446</u>

Amounts due from associates in the prior financial year have been eliminated in the current period as PT Indonesia AirAsia (“IAA”) is a subsidiary of AirAsia Berhad. This has resulted in a reduction in the aircraft financing balances relating wholly 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 31 March 2017, the Group has hedged approximately 58% of the USD dollar liabilities of its aircraft into Malaysia Ringgit (“MYR”) via Cross-Currency Swaps and Foreign Currency Swaps for aircraft deployed in Malaysia.

(ii) Interest Rate Hedging

As at 31 March 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.

(iii) Fuel Hedging

As at 31 March 2017, the Group has entered into Brent options, Brent swaps, and Crack swaps which represents up to 75% of the Group’s total budgeted fuel consumption for year 2017.



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**34. Derivative financial instruments (continued)**

Type of derivatives	Notional Value as at 31/03/2017	Fair Value as at 31/03/2017 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	5.71	86.31
- 1 year to 3 years	-	-
<b>Total</b>	<b>5.71</b>	<b>86.31</b>
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	767.15	(27.57)
- more than 3 years	3,207.91	(129.49)
<b>Total</b>	<b>3,975.06</b>	<b>(157.06)</b>
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	273.66	59.45
- 1 year to 3 years	793.04	288.89
- more than 3 years	1,236.30	484.57
<b>Total</b>	<b>2,303.00</b>	<b>832.91</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 31/3/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
<u>Non-current:</u>		
Aircraft maintenance provision	351,375	413,195
Trade and other payables	1,265,915	1,116,098
	<u>1,617,290</u>	<u>1,529,293</u>
<u>Current:</u>		
Trade payables	378,512	377,128
Accrual for fuel	113,440	112,300
Collateral for derivatives	312,627	355,040
Other payables and accruals	1,139,898	1,037,715
	<u>1,944,477</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 31/3/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Current	1,828,523	1,945,203
Non-current	8,420,069	8,633,939
Total Debt	<u>10,248,592</u>	<u>10,579,142</u>

The currency profile of borrowings is as follows:

	<b>As at 31/3/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Ringgit Malaysia	866,025	1,059,435
US Dollar	8,810,930	9,135,546
Euro	166,800	179,853
Singapore Dollar	204,644	204,308
Philippine Peso	200,193	-
	<u>10,248,592</u>	<u>10,579,142</u>





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

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 RM10.2 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.

### **37. 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).



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**37. Fair value estimation (continued)**

The following tables presents the Group's assets and liabilities that are measured at fair value at 31 March 2017 and 31 December 2016:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>31 March 2017</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	267	-	267
Derivatives used for hedging	-	730	-	730
Available-for-sale financial assets				
- Equity securities	373	-	5	378
<b>Total Assets</b>	<b>373</b>	<b>997</b>	<b>5</b>	<b>1,375</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	159	-	159
<b>Total Liabilities</b>	<b>-</b>	<b>235</b>	<b>-</b>	<b>235</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>

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.



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**37. Fair value estimation (continued)**

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 25 May 2017, there was no material litigation against the Group.

**39. Proposed dividend**

The Directors do not recommend any dividend for the quarter ended 31 March 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 31/3/2017	Quarter ended 31/3/2016	Period ended 31/3/2017	Period ended 31/3/2016
Net profit attributable to owners of the Company (RM'000)	615,810	877,793	615,810	877,793
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)	18.4	31.5	18.4	31.5

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.

### 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  
25 MAY 2017