



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
THIRD QUARTER REPORT ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2017.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue	9	2,447,812	1,686,676	7,052,963	5,000,188
Operating expenses:					
- Staff costs		(369,996)	(220,909)	(1,124,643)	(674,945)
- Depreciation of property, plant and equipment		(271,152)	(193,084)	(695,688)	(552,872)
- Aircraft fuel expenses		(680,376)	(407,321)	(2,072,912)	(1,173,409)
- Maintenance and overhaul		(168,117)	(77,352)	(366,986)	(219,042)
- User charges and other related expenses		(301,914)	(178,164)	(958,265)	(566,263)
- Aircraft operating lease expenses		(161,271)	(120,621)	(458,837)	(344,594)
- Other operating expenses		(121,732)	(62,284)	(333,119)	(230,057)
Other income	10	121,082	104,521	359,280	209,929
Operating profit		494,336	531,462	1,401,793	1,448,935
Finance income	27	8,067	17,313	39,895	54,747
Finance costs	27	(128,197)	(125,750)	(405,026)	(392,705)
Net operating profit		374,206	423,025	1,036,662	1,110,977
Share of results of associates	23	17,522	31,914	50,883	248,662
Share of results of joint ventures		7,541	4,028	18,020	18,178
Foreign exchange gains/(losses)	27	37,649	(12,905)	150,058	483,149
Mark to market (loss)/gain on derivatives		49,110	27,603	(83,468)	(40,843)
Remeasurement gain on consolidation	11	-	-	214,350	-
Negative goodwill on consolidation		-	-	127,324	-
Profit before tax		486,028	473,665	1,513,829	1,820,123
Current taxation	28	(27,935)	(2,501)	3,225	(9,080)
Deferred taxation	28	(23,785)	(118,695)	(358,954)	(240,473)
Net profit for the financial period		434,308	352,469	1,158,100	1,570,570
Attributable to:					
- Owners of the company		505,327	353,894	1,267,320	1,573,081
- Non-controlling interests		(71,019)	(1,425)	(109,220)	(2,511)
		434,308	352,469	1,158,100	1,570,570
Basic earnings per share (sen)		15.1	12.7	37.9	56.5
Diluted earnings per share (sen)		15.1	12.7	37.9	56.5

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.



AIRASIA BERHAD
(Company No. 284669-W)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Net profit for the financial period	434,308	352,469	1,158,100	1,570,570
Other comprehensive income/(loss)				
Available-for-sale financial assets	(27,383)	28,858	(17,316)	155,766
Cash flow hedges	50,039	(8,959)	(178,255)	(96,550)
Foreign currency translation differences	17,687	5,173	149,365	(1,851)
Total comprehensive income for the period	474,651	377,541	1,111,894	1,627,935
Total comprehensive income/(loss) attributable to:				
Owners of the Company	545,670	378,967	1,221,114	1,630,447
Non-controlling interests	(71,019)	(1,425)	(109,220)	(2,511)
	474,651	377,541	1,111,894	1,627,935



AIRASIA BERHAD
(Company No. 284669-W)

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED 30/09/2017 RM'000	PERIOD ENDED 30/09/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,513,829	1,820,123
Adjustments:		
Property, plant and equipment		
- Depreciation	678,623	552,872
- Gain on disposal	(3,982)	(93,421)
- Impairment of property, plant and equipment	-	11,659
Employee benefit expenses	(4,010)	-
Remeasurement gain on consolidation	(214,350)	-
Negative goodwill on consolidation	(127,324)	-
Fair value loss on derivative financial instruments	300,275	(67,796)
Share of results of joint ventures	(18,020)	(18,178)
Share of results of associates	(50,883)	(248,662)
Net unrealised foreign exchange gain	(221,503)	(359,763)
Interest expense	405,026	393,379
Interest income	(39,895)	(54,747)
	2,217,786	1,935,466
Changes in working capital		
Inventories	(32,833)	(18,732)
Receivables and prepayments	(436,139)	(254,259)
Trade and other payables	257,558	(4,985)
Intercompany balances	(82,979)	(250,970)
Cash generated from operations	1,923,393	1,406,520
Interest paid	(357,408)	(348,965)
Interest received	9,706	37,272
Tax paid	(12,465)	(14,782)
Net cash generated from operating activities	1,563,226	1,080,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(1,179,963)	(503,115)
- Proceeds from disposal	86	702,080
Investment in associates companies	-	(124,491)
Additional subscription of shares in associates	(38,340)	-
Repayment of aircraft financing by an associate	-	73,391
Acquisition of subsidiaries, net of cash	123,937	(101,500)
Net cash generated from/(used in) investing activities	(1,094,280)	46,365
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from issuance of shares	1,006,200	-
Buy-back of shares	-	(160)
Dividends paid	(401,025)	(111,315)
Proceeds from borrowings	843,706	196,930
Repayment of borrowings	(1,544,052)	(2,141,490)
Net cash generated from/(used in) financing activities	(95,171)	(2,056,035)
NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD	373,775	(929,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,741,573	2,426,696
CURRENCY TRANSLATION DIFFERENCES	91,572	36,520
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	2,206,920	1,533,591

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



AIRASIA BERHAD
(Company No. 284669-W)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
	Note	30/09/2017 RM'000	31/12/2016 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	15	11,838,026	10,826,682
Investment in associates	23	572,796	2,210,587
Investment in a jointly controlled entity		206,330	188,309
Available-for-sale financial assets		339,289	356,605
Intangible assets	31	324,034	121,829
Deferred tax assets		615,690	749,211
Receivables and prepayments	32	1,589,557	1,433,054
Deposits on aircraft purchase		233,105	112,133
Amounts due from associates	33	-	344,861
Derivative financial instruments	34	534,514	867,949
		16,253,341	17,211,220
CURRENT ASSETS			
Inventories		76,699	43,866
Receivables and prepayments	32	1,180,878	1,087,657
Deposits on aircraft purchase		632,293	658,115
Amounts due from joint ventures		5,849	8,952
Amounts due from associates	33	163,846	511,446
Amounts due from related parties		6,989	37,424
Deposits, bank and cash balances		2,206,920	1,741,573
Derivative financial instruments	34	276,247	665,668
Tax recoverable		652	19,466
		4,550,373	4,774,167
CURRENT LIABILITIES			
Trade and other payables	35	2,141,946	1,882,183
Sales in advance		948,737	607,735
Derivative financial instruments	34	101,690	448,873
Amounts due to an associates		9,423	3,978
Amounts due to a related parties		171,345	29,999
Borrowings	36	1,963,803	1,945,203
Current tax liabilities		-	-
		5,336,944	4,917,971
NET CURRENT ASSETS/(LIABILITIES)			
		(786,571)	(143,804)
NON CURRENT LIABILITIES			
Trade and other payables	35	1,333,457	1,529,293
Amounts due to an associates		89,834	118,898
Amounts due to a related parties		8,913	9,455
Borrowings	36	7,667,912	8,633,939
Derivative financial instruments	34	101,544	148,052
Provision for retirement benefits		64,297	-
		9,265,957	10,439,637
CAPITAL AND RESERVES			
Share capital	7	2,515,438	278,297
Share Premium		-	1,230,941
Treasury shares		(160)	(160)
Foreign exchange reserve		196,358	46,993
Retained earnings		6,160,763	5,294,468
Other Reserves		(413,125)	(217,554)
		8,459,274	6,632,985
Non-controlling interests		(2,258,461)	(5,206)
Total equity		6,200,813	6,627,779
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.86	2.38

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.



AIRASIA BERHAD
(Company No. 284669-W)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	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	7 559,000	55,900	950,300	-	-	-	-	-	1,006,200	-	1,006,200
Dividends	-	-	-	-	-	-	-	(401,025)	(401,025)	-	(401,025)
Transfer to no-par value regime	-	2,181,241	(2,181,241)	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	1,267,320	1,267,320	(109,220)	1,158,100
Other comprehensive income	-	-	-	149,365	(178,255)	(17,316)	-	-	(46,206)	-	(46,206)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(2,144,035)	(2,144,035)
At 30 September 2017	3,341,974	2,515,438	-	196,358	(620,249)	207,124	(160)	6,160,763	8,459,274	(2,258,461)	6,200,813
At 1 January 2016	2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	-	3,355,740	4,452,328	(1,474)	4,450,854
Transactions with owners:											
Dividends	-	-	-	-	-	-	-	(111,316)	(111,316)	-	(111,316)
Net profit for the financial year	-	-	-	-	-	-	-	1,573,081	1,573,081	(2,511)	1,570,570
Other comprehensive income/(loss)	-	-	-	(1,851)	(96,550)	155,766	-	-	57,365	-	57,365
Buy-back of own shares	-	-	-	-	-	-	(160)	-	(160)	-	(160)
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

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.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

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

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

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

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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

1. Basis of preparation (continued)

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

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

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

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2016.

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

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the financial year ended 31 December 2016 in their report dated 5 April 2017.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 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 87% in the quarter under review, which was 1 percentage points lower than the same period last year. Compared against the immediate preceding quarter (second quarter April - June 2017), the load factor has reduced 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 the previous quarter ended 31 March 2017, the Company increased its issued share capital by 559,000,000 new ordinary shares at RM1.80 each. These shares rank pari passu with the existing ordinary shares. The total issued and paid-up share capital of the Company has increased to RM2,515,438,000 comprising 3,341,974,080 ordinary shares.

8. Dividends paid and proposed

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

The first and Interim single-tier dividend of 12 sen per share on 3,341,874,080 ordinary shares (excluding 100,000 treasury shares currently owned by the Company) for the financial year ending 31 December 2017 amounting to RM401,024,890 was paid on 13 October 2017.

No dividend has been proposed during the quarter ended 30 September 2017.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

9. Revenue

	Quarter ended 30/9/2017 RM million	Quarter ended 30/9/2016 RM million
Passenger seat sales	1,700.7	1,078.1
Baggage fees	236.3	141.2
Aircraft operating lease income	274.2	315.5
Other revenue	236.6	151.9
	<u>2,447.8</u>	<u>1,686.7</u>

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

10. Other Income

	Quarter ended 30/9/2017 RM million	Quarter ended 30/9/2016 RM million
Fees charged for the provision of commercial air transport services	22.2	19.1
Charter income	62.9	-
Others	36.0	85.4
	<u>121.1</u>	<u>104.5</u>

Charter income represent net income generated by IAA through charter arrangement with PT Indonesia AirAsia Extra. Other income ('others') includes commission income and advertising income.

11. Remeasurement gain on consolidation

MFRS 3, Business Combinations requires revaluation of the previously held interest in the equity accounted investment at its fair value on the acquisition-date, and recognise any gain or loss derived from the deemed disposal in the Income Statement. Pursuant to the consolidation of the investees as mentioned in Note 1 above, the Group recognised a gain from remeasurement of previously held interest in these associates amounting to RM214.4 million.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

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 2017 as compared to 30 June 2017 as follows:

	Quarter ended 30/9/2017 RM million	Quarter ended 30/6/2017 RM million
Fair value gain in the period	(27.4)	(10.7)
Amount transferred to income statement	50.0	(101.2)
	<u>22.6</u>	<u>(111.9)</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.

13. Status of corporate proposals announced

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

AirAsia Berhad obtained approval from its shareholders at the Extraordinary General Meeting held on 9 May 2016 for the issuance and allotment of 559,000,000 new ordinary shares in AirAsia Berhad to Tune Live Sdn. Bhd. at an adjusted issue price of RM1.80 per share. The Shares Issuance has been completed on 26 January 2017 following the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

13. Status of corporate proposals announced (continued)

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

Purpose	Proposed utilisation RM'mil	Actual utilisation RM'mil	Balance unutilised RM'mil	Intended timeframe for utilisation
Pre-payment of unsecured term loan facilities and repayment of unsecured revolving credit	342.0	(321.0)	21.0	Within 3 months
Funding of aircraft, spare engines and other aircraft parts and associated pre-delivery payments	275.0	(143.1)	131.9	Within 9 months
Construction and development of our Group's headquarters	103.8	(103.8)	-	-
General corporate and working capital	284.0	(284.0)	-	-
Estimated expenses for the Proposed Shares Issuances	1.4	(1.4)	-	-
Total	1,006.2	(853.3)	152.9	

AirAsia Joint Venture in Vietnam

Further to the announcement dated 31 March 2017, there were no further updates on the status of the forging of a joint venture cooperation between AirAsia, Gumin, Mr. Tran and HAA to establish a low-cost carrier in Vietnam.

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

Further to the announcement dated 15 May 2017, AirAsia has entered into a non-binding term sheet dated 25 September 2017 ("Term Sheet") between the Company, Everbright, as well as another two parties, Plato Capital Limited ("Plato") and Oxley Capital Limited ("Oxley") (collectively the "Parties"). The Term Sheet contains supplementary information to the Memorandum of Understanding and is intended to confirm the Parties' interest in establishing the Joint Venture. The Term Sheet is valid for a period of no longer than 12 months from 25 September 2017 for the Parties to discuss and negotiate definitive agreements for the proposed Joint Venture.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

13. Status of corporate proposals announced (continued)

Internal Reorganisation by way of a members scheme of arrangement under Section 366 of the Companies Act, 2016

On 29 August 2017, the Company announced the intention to implement a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Companies Act, 2016 ("Act") ("Scheme") comprising the following proposals:

- a) The proposed exchange of 3,341,974,080 ordinary shares in AAB (including treasury shares) as at 14 August 2017, being the latest practicable date prior to the date of this announcement ("LPD")("AAB Shares"), representing the entire issued share capital of AAB, with 3,341,974,080 new ordinary shares in AirAsia Group Berhad ("Newco") ("Newco Share(s)"), a newly incorporated investment holding company, on the basis of 1 new Newco Share for every 1 existing AAB Share held on an entitlement date to be determined ("Entitlement Date")("Proposed Share Exchange"); and
- b) The proposed assumption of the listing status of AAB by Newco and the admission of Newco to and withdrawal of AAB from the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), with the listing of and quotation for Newco Shares on the Main Market of Bursa Securities ("Proposed Transfer of Listing Status").

Acquisition of 50% shares in Touristly Travel Sdn Bhd

Further to the announcement dated 19 April 2017, this Transaction has been completed by virtue of the allotment of shares to AirAsia Investment Limited on 13 November 2017 which has been approved by the Companies Commission of Malaysia on 20 November 2017.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

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 30/9/2017 RM'000	As at 31/12/2016 RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	7,217,914	6,883,363
Unrealised	(568,513)	(1,031,354)
	<hr/> 6,649,401	<hr/> 5,852,009
Total share of accumulated losses from associates		
Realised	(636,381)	(687,264)
Total share of accumulated gains from joint ventures		
Realised	147,743	129,723
Total group retained profit as per consolidated accounts	<hr/> 6,160,763	<hr/> 5,294,468

15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 30 September 2017, the Group acquired property, plant and equipment with a cost of RM487.3 million (quarter ended 30 September 2016: RM nil million).

During the quarter ended 30 September 2017, proceeds from disposal of property, plant and equipment totaled RM 86,000 (quarter ended 30 September 2016: RM nil million).



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

15. Property, plant and equipment (continued)

(b) revaluation

There was no revaluation of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

(c) impairment

There was no impairment of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

16. Post balance sheet events

On 30 October 2017, the Company entered into the following transactions (the “Transactions”) in relation to a proposed joint venture with SATS Ltd. (“SATS”) (the “Joint Venture”):-

- a) Share swap agreement to transfer 98% shares of Ground Team Red Sdn. Bhd., a wholly-owned subsidiary of AirAsia (“GTR Malaysia”) to Ground Team Red Holdings Sdn. Bhd., another wholly-owned subsidiary of AirAsia (“GTRH”) in exchange for 88.6% equity interest in GTRH. Contemporaneously, GTRH will acquire 80% equity stake in SATS Ground Services Pte. Ltd., currently a wholly-owned subsidiary of SATS (“SGS Singapore”) for SATS in exchange for 11.4% equity stake in GTRH; and
- b) A share sale agreement for AirAsia to sell 38.6% of its shareholding in GTRH to SATS (the “SSA”).

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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

17. Changes in composition of the Group

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

18. Contingent assets

As at the date of this report, the Group does not have any contingent assets.

19. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2016.

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

Capital commitments for property, plant and equipment:

	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000
Approved and contracted for	96,597,346	91,092,265
Approved but not contracted for	48,050	9,801,838
	<hr/> 96,645,396	<hr/> 100,894,103



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

21. Material related party transactions

Details of the relationship and transactions between AirAsia and its related parties are as described below. The related party transactions described were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

Name of company	Relationship
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Redtix Sdn Bhd (formerly known as Rokki Media Sdn Bhd)	Subsidiary
Big Pay Pte. Ltd.	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
MadCience Consulting Sdn Bhd	Subsidiary
BIGPAY Malaysia Sdn Bhd (formerly known as TPaay Asia Sdn Bhd)	Subsidiary
Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	Subsidiary
Rokki Avionics Sdn Bhd	Subsidiary
Think Big Digital Sdn Bhd	Subsidiary
PT Indonesia AirAsia	Deemed subsidiary under MFRS 10
AirAsia Inc.	Deemed subsidiary under MFRS 10
Philippines AirAsia Inc. (formerly known as Zest Airways, Inc.)	Deemed subsidiary under MFRS 10
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AirAsia (India) Private Limited	Associate of a subsidiary
AAE Travel Pte Ltd	Associate of a subsidiary



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

21. Material related party transactions (continued)

Name of company	Relationship
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queen Park Rangers Holdings Ltd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra (“IAAX”)	Company with common directors and shareholders
Caterhamjet Global Ltd	Company with common directors and shareholders

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

	Quarter ended 30/9/2017 RM’000	Quarter ended 30/9/2016 RM’000
Thai AirAsia		
Lease rental income on aircraft	134,671	128,678
Indonesia AirAsia		
Lease rental income on aircraft	-*	43,328
Charter income from IAAX	62,906	-
Philippines AirAsia		
Lease rental income on aircraft	-*	26,040
India AirAsia		
Lease rental income on aircraft	43,791	24,694
Japan AirAsia		
Lease rental income on aircraft	8,366	8,020
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	17,843	8,384
Aircraft wet lease charges	-	-
Asian Aviation Centre of Excellence Sdn Bhd		
Training costs charged to AirAsia Berhad	(5,567)	(10,222)

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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

22. Review of Group performance

The Group revenue and expenses have increased significantly from the quarter ended 30 September 2016 (“3Q16”) due to the consolidation of IAA and PAA Group during the previous quarter. In order to enable better understanding of the performance and movement between 3Q16 and 3Q17, we have included Proforma Consolidated Income Statement and Key Operating Statistics for 3Q16 in the table below for ease of reference. The 3Q16 Proforma Income Statement and Key Operating Statistics are prepared based on similar basis as in 3Q17 where both IAA and PAA Group results were consolidated in accordance to MFRS 10.

	ACTUAL	PROFORMA	
	Quarter ended	Quarter ended	
	30/09/2017	30/09/2016	Change
	RM'000	RM'000	y-o-y
Revenue	2,447,812	2,131,712	15%
Operating expenses:			
- Staff costs	(369,996)	(313,110)	18%
- Depreciation of property, plant and equipment	(271,152)	(206,641)	31%
- Aircraft fuel expenses	(680,376)	(576,012)	18%
- Maintenance and overhaul	(168,117)	(123,895)	36%
- User charges and other related expenses	(301,914)	(278,969)	8%
- Aircraft operating lease expenses	(161,271)	(130,131)	24%
- Other operating expenses	(121,732)	(99,401)	22%
Other income	121,082	125,789	-4%
Operating profit	494,336	529,342	-7%
Finance income	8,067	10,345	-22%
Finance costs	(128,197)	(134,169)	-4%
Net operating profit	374,206	405,518	-8%
Foreign exchange gains/(losses)	37,649	52,388	-28%
Share of results of jointly controlled entities	7,541	4,028	87%
Share of results of associates	17,522	(32,306)	-154%
Mark to market (loss)/gain on derivatives	49,110	26,702	84%
Profit before tax	486,028	456,330	7%
Current taxation	(27,935)	(2,501)	1017%
Deferred taxation	(23,785)	(118,695)	-80%
Net profit for the financial period	434,308	335,134	30%



AIRASIA BERHAD
(Company No. 284669-W)

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

KEY OPERATING STATISTICS

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

	ACTUAL	PROFORMA	Change y-o-y
	Quarter ended	Quarter ended	
	30/09/2017 RM'000	30/09/2016 RM'000	
Passengers Carried	9,891,881	8,829,734	12%
Capacity	11,402,946	9,977,370	14%
Seat Load Factor	87%	88%	-1%
RPK (million)	12,875	11,586	11%
ASK (million)	14,910	13,133	14%
Average Fare (RM)	172	176	-2%
Ancillary Income Per Pax (RM)	49	45	8%
Unit Passenger Revenue (RM)	221	221	0%
Revenue / ASK (sen)	14.76	14.98	-1%
Revenue / ASK (US cents)	3.47	3.52	-1%
Cost / ASK (sen)	12.80	12.25	5%
Cost / ASK (US cents)	3.01	2.88	5%
Cost / ASK-ex Fuel (sen)	8.24	7.86	5%
Cost / ASK-ex Fuel (US cents)	1.93	1.85	5%
Aircraft (end of period)	110	106	4%
Average Stage Length (km)	1,292	1,299	-1%
Number of Flights	63,303	55,394	14%
Fuel Consumed (Barrels)	2,538,445	2,200,449	15%
Average Fuel Price (US\$ / Barrel)	63	59	7%

Exchange Rate: RM:USD – 4.2590 - 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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

22. Review of Group performance (continued)

3Q17 Group Performance (with IAA and PAA consolidation) Against 3Q16 Proforma Statements

During the quarter, total Group revenue has grown 15% from RM2,131.7 million recorded in 3Q16 to RM2,447.8 million in 3Q17. The growth was attributed to a 12% increase in total passengers carried, despite marginally decreased in load factor of 87% in 3Q17 compared to 88% in 3Q16. Average fare has decreased 2% from RM176 in 3Q16 to RM172 in 3Q17, whilst the overall RASK of the Group remains flat at 14.76 sen in 3Q17 against 14.98 sen in 3Q16.

During the quarter, the Group has also delivered an additional 1,425,576 seat capacity as compared to 3Q16, which represent an additional 14% growth in seat capacity compared to 3Q16. This was achieved with the background of 4% increase in total fleet size of the Group from 106 aircraft in 3Q16 to 110 aircraft in 3Q17.

The total net operating profits of the Group has decreased 8% year-on-year to RM374.2 million from RM405.5 million in 3Q16. The decrease was mainly attributable to the following one-off items :

- Depreciation on engine overhaul costs in IAA's books of RM23.9 million;
- Increase in maintenance activities and costs of PAA by approximately RM31 million as a result of the depreciation of PHP and aircraft re-delivery;
- Net gain on disposal of aircraft recorded in 3Q16 of RM35.2 million.

Net profit for the current quarter was 30% higher year-on-year at RM434.3 million as a result of lower deferred tax expenses compared to 3Q16.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

22. Review of Group performance (continued)

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	July - Sept 2017	April - June 2017
Cash from Operations	605,234	419,327
Cash from Investing Activities	(487,252)	(399,096)
Cash from Financing Activities	753	(605,876)
Net Cash Flow	118,735	(585,645)

The Group's cash inflow from operations was RM605.2 million, compared to inflow of RM419.3 million in the immediate preceding quarter ended 30 June 2017. Net cash inflow in the quarter amounted to RM118.7 million.

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

Balance Sheet RM million	As at 30/9/2017	As at 31/12/2016
Total borrowings	9,632	10,579
Less: Deposit, cash and bank balances	(2,207)	(1,742)
Net debt	7,425	8,837
Total equity	6,201	6,628
Net gearing ratio (times)	1.20	1.33

The Group's total debt as of end of September 2017 was RM9.6 billion. The Group's net debt after offsetting the cash balances amounted to RM7.4 billion.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account

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

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

Quarter Ended: 30 Sept	Jul - Sept 2017	Jul - Sept 2016	Change y-o-y
Passengers Carried	4,934,324	4,326,526	14%
Capacity	5,788,740	5,143,500	13%
Seat Load Factor	85%	84%	1 ppt
RPK (million)	4,891	4,478	9%
ASK (million)	5,707	5,316	7%
Average Fare (THB)	1,460	1,574	-7%
Ancillary Income Per Pax (THB)	319	312	2%
Unit Passenger Revenue (THB)	1,779	1,886	-6%
Revenue / ASK (THB)	1.53	1.54	0%
Revenue / ASK (US cents)	4.58	4.59	0%
Cost / ASK (THB)	1.46	1.43	2%
Cost / ASK (US cents)	4.37	4.27	2%
Cost / ASK-ex Fuel (THB)	1.01	1.02	0%
Cost / ASK-ex Fuel (US cents)	3.02	3.03	0%
Aircraft (end of period)	54	49	10%
Average Stage Length (km)	986	1,033	-5%
Number of Flights	32,148	28,575	13%
Fuel Consumed (Barrels)	1,069,009	992,916	8%
Average Fuel Price (US\$ / Barrel)	72	66	9%

Exchange Rate: USD:THB – 33.5 - prior year US cents figures are restated at the current period average exchange rate



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

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

Income Statements

Quarter Ended: 30 Sept THB'000	Jul - Sept 2017	Jul - Sept 2016
Revenue	8,750,865	8,160,725
Operating expenses:		
- Staff costs	(1,367,521)	(1,168,744)
- Depreciation of property, plant and equipment	(377,171)	(290,610)
- Aircraft fuel expenses	(2,576,943)	(2,199,776)
- Maintenance & overhaul	(792,891)	(759,361)
- User charges and other related expenses	(1,506,709)	(1,370,482)
- Aircraft operating lease expenses	(1,224,378)	(1,251,656)
- Other operating expenses	(530,179)	(505,042)
Other income	179,334	103,100
Operating profit	554,407	718,154
Finance income	9,539	9,290
Finance costs	(159,100)	(165,811)
Net operating profit	404,846	561,633
Foreign exchange gains	72,338	39,280
Profit before tax	477,184	600,913
Taxation	(13,389)	(8,807)
Deferred taxation	8,309	137,137
Net profit for the financial period	472,104	729,243
EBITDAR	2,155,956	2,260,420
EBITDAR Margin	25%	28%
EBIT Margin	6%	9%



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

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

Balance Sheet

Quarter Ended: 30 Sept THB'000	Sept 2017	Dec 2016
Property, Plant & Equipment	22,695,839	20,363,103
Intangible assets, net	45,255	15,463
Other non current assets	980,399	1,040,698
Inventory	120,202	118,176
Aircraft maintenance reserves	3,492,553	2,665,544
Other Debtors & Prepayments	1,110,973	1,100,006
Amounts due from related parties	303,686	804,788
Cash & Short Term Deposits	6,983,969	6,631,016
Total Assets	35,732,876	32,738,794
Sales In Advance	3,349,999	4,238,146
Other Creditors & Accruals	3,835,173	3,011,170
Amounts Owing to Related Party	303,131	437,469
Deferred tax liabilities	280,206	307,431
Debentures	1,597,854	-
Borrowings	900,451	1,832,753
Finance lease liabilities	14,358,688	13,622,465
Total Liabilities	24,625,502	23,449,434
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	8,043,032	6,225,019
Total Equity	11,107,374	9,289,361

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 THB8,750.9 million in 3Q17, 7% higher compared to the THB8,160.7 million achieved in 3Q16. The increase in revenue was supported by the increase in the number of passengers carried as capacity rose 13% year-on-year resulting in a 14% increase in the number of passengers carried. Unit passenger revenue decreased 6% year-on-year whilst the seat load factor increased one ppt to 85%.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

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

Thai AirAsia’s operating profit was at THB554.4 million in 3Q17, compared to an operating profit of THB718.2 million in 3Q16. Thai AirAsia’s net profit was at THB472.1 million in 3Q17, compared to a net profit of THB729.2 million in 3Q16.

AirAsia Berhad has equity accounted RM28.1 million (RM39.2 million in the quarter ended 30 September 2016) in the current period, as reflected in the income statement.

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

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

Quarter Ended: 30 SEPT	Jul - Sept 2017	Jul - Sept 2016	Change y-o-y
Passengers Carried	1,174,574	589,486	99%
Capacity	1,374,840	672,300	104%
Seat Load Factor	85%	88%	-2.2 ppt
RPK (million)	1,211	729	66%
ASK (million)	1,402	839	67%
Average Fare (INR)	3,024	2,567	18%
Ancillary Income Per Pax (INR)	457	409	12%
Unit Passenger Revenue (INR)	3,482	2,976	17%
Revenue / ASK (INR)	281.7	208.7	35%
Revenue / ASK (US cents)	4.4	3.24	35%
Cost / ASK (INR)	293.58	286.86	2%
Cost / ASK (US cents)	4.55	4.45	2%
Cost / ASK-ex Fuel (sen)	186.08	176.98	5%
Cost / ASK-ex Fuel (US cents)	2.89	2.74	5%
Aircraft (end of period)	13	8	63%
Average Stage Length (km)	962	1,155	-17%
Number of Flights	7,638	3,735	104%
Fuel Consumed (Barrels)	253,522	143,516	77%
Average Fuel Price (US\$ / Barrel)	92	100	-7%

Exchange Rate: USD:INR – 64.5 - prior year US cents figures are restated at the current period average exchange rate



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

Income Statements

Quarter Ended: 30 September INR'000	Jul - Sept 2017	Jul - Sept 2016
Revenue	3,950,031	1,751,057
Operating expenses:		
- Staff costs	(669,449)	(393,074)
- Depreciation of property, plant and equipment	(20,149)	(16,254)
- Aircraft fuel expenses	(1,507,381)	(922,056)
- Maintenance and overhaul	(663,130)	(218,487)
- User charges and other related expenses	(536,357)	(285,126)
- Aircraft operating lease expenses	(631,878)	(408,930)
- Other operating expenses	(229,285)	(207,787)
Other income	139,410	37,361
Operating loss	(168,188)	(663,296)
Finance Income	8,780	9,245
Finance Costs	(7,268)	(1,544)
Net operating loss	(166,676)	(655,595)
Foreign exchange gain	2,654	34,419
Loss before tax	(164,022)	(621,176)
Taxation	-	-
Net loss after tax	(164,022)	(621,176)
EBITDAR	483,839	(238,112)
EBITDAR Margin	12%	-14%
EBIT Margin	-4%	-38%



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

Balance Sheet

Year Ended: 30 September	Sept 2017	Dec 2016
INR'000		
Property, Plant & Equipment	556,717	375,110
Inventory	104,791	70,357
Amount due from related parties	155,796	136,227
Other Debtors & Prepayments	1,413,120	672,591
Cash & Short Term Deposits	1,791,596	3,481,604
Total Assets	4,022,020	4,735,889
Sales In Advance	1,045,687	682,496
Other Creditors & Accruals	2,216,771	2,418,350
Amounts Owing to Related Party	1,692,049	1,775,266
Long Term Liabilities	63,794	22,211
Total Liabilities	5,018,301	4,898,323
Share Capital	4,266,500	4,266,500
Retained Earnings	(5,262,781)	(4,428,935)
Total Equity	(996,281)	(162,435)

AirAsia India is an associate company which is incorporated in India and is 49% owned by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board MFRS128, Investments in Associates.

AirAsia India recorded revenue of INR3,950 million in 3Q17, 126% higher compared to a revenue of INR1,751.3 million in 3Q16. The number of passengers carried increased 99% with a unit passenger revenue of INR3,482. Ancillary income per passenger was at INR457 while the seat load factor was at 85%.

AirAsia India recorded a net loss of INR164.0 million (quarter ended 30 Sept 2016: INR621.2 million) in the quarter under review out of which RM nil (quarter ended 30 Sept 2016: RM 61.6 million) 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 RM23.0 million of unrecognized losses have been reversed.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

23. Associate Companies – Equity Account (continued)

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

AirAsia Japan is an associate company which is incorporated in Japan and is 49% owned by AirAsia Berhad. AirAsia Japan has yet to launch its services in Japan. AirAsia Japan recorded a net loss of RM41.9 million (quarter ended 30 September 2016: RM45.2 million) in the quarter under review of which RM20.5 million (quarter ended 30 September 2016: RM22.1 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 RM434.3 million for the quarter under review. This is RM294.4 million higher compared to the net profit of RM139.9 million in the immediately preceding quarter ended 30 June 2017.

25. Commentary on prospects

The Group is projected to achieve an average load factor of 87% in the fourth quarter of 2017 based on the existing forward booking trend.

In order to better serve the growing demand in the region, the Group is also planning to increase an additional 12 aircraft through operating leases in the fourth quarter of 2017. This will be one of the fastest pace of expansion in the last few years, made possible due to the favorable competitive and operating environment of aviation in Asia.

For the fourth quarter of 2017, despite travel alert for the potential volcanic eruption of Mt. Agung in Indonesia, we remain optimistic as strong demand continue to be observed across most sectors coupled with a stable fuel price and foreign exchange environment.

In Thailand, load factor in the fourth quarter of 2017 is forecast to be 88% based on existing forward booking trend. TAA will focus on leveraging on the existing strength of AirAsia network and strengthening its marketing activities on China and India routes in the remaining quarters of 2017.

In India, the forecast load factor for the fourth quarter of 2017 is at 84%. AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

In Japan, AirAsia Japan has commenced first commercial flight from Nagoya to Chitose on 29 October 2017. The load factor for the fourth quarter of 2017 is forecast to be 72%. AirAsia Japan will focus on building footprint in the domestic market and connecting to the Group’s existing network within the region.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

25. Commentary on prospects (continued)

Barring any unforeseen circumstances, the Board remains positive that the overall results of the Group in 2017 may be better than 2016.

26. Profit forecast

No profit forecast has been issued.

27. Finance income/(costs)

All figures in RM'000	Group			
	Quarter Ended 30/9/17	Quarter Ended 30/9/16	Period ended 30/9/17	Period ended 30/9/16
Finance income				
Interest income from:				
- amounts due from associates	-	7,171	-	22,132
- deposits with licensed banks	3,439	4,447	19,313	18,623
Discounting on deposits and non-current payables and others	4,628	5,695	20,582	13,992
	8,067	17,313	39,895	54,747
Finance costs				
Bank borrowings	(122,127)	(122,531)	(385,787)	(381,739)
Amortisation of premiums for interest rate caps	(4,337)	(2,334)	(13,084)	(6,978)
Bank facilities and other charges	(1,733)	(885)	(6,155)	(3,988)
	(128,197)	(125,750)	(405,026)	(392,705)
Net cost	(120,130)	(108,437)	(365,131)	(337,958)
Foreign exchange gains/(losses)				
- realized	11,712	(1,785)	39,924	(36,428)
- unrealized	53,058	(78,354)	221,503	396,192
- fair value movement recycled from cash flow hedge reserve	(27,121)	67,234	(111,369)	123,385
	37,649	(12,905)	150,058	483,149



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

28. Income tax and Deferred tax

Income tax expense

The current taxation charge of RM27.9 million comprises tax payable on interest income for the Company and corporate income taxes for the subsidiaries.

Deferred taxation

RM23.8 million deferred tax liabilities arose in the current financial period. The deferred tax liabilities increased as the difference between the net book value and tax written down value of property, plant and equipment increased in the period. The deferred tax assets reduced as capital allowances were utilized in combination with the Investment Allowances granted.

29. Unquoted investments and properties

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

30. Quoted investments and properties

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

31. Intangible assets

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

32. Receivables and prepayments

	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Prepayments	1,390,311	1,100,731
Deposits and other receivables	199,246	332,323
	<u>1,589,557</u>	<u>1,433,054</u>
<u>Current:</u>		
Trade and other receivables	413,999	436,624
Prepayments	699,333	615,899
Deposits	67,546	35,134
	<u>1,180,878</u>	<u>1,087,657</u>

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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

33. Amounts due from associates

	As at 30/9/2017 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	163,846	417,587
	<u>163,846</u>	<u>511,446</u>

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

34. Derivative financial instruments

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

(i) Forward Foreign Exchange Contracts

As at 30 September 2017, the Group has hedged approximately 52% 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 30 September 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.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

34. Derivative financial instruments (continued)

(i) Fuel Hedging

As at 30 September 2017, the Group has entered into Brent options, Brent swaps, and Crack swaps which represents up to 78% of the Group's total budgeted fuel consumption for year 2017 and 15% for H1 2018.

Type of derivatives	Notional Value as at 30/09/2017	Fair Value as at 30/09/2017 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	3.02	(103.19)
Total	3.02	(103.19)
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	120.66	(3.79)
- 1 year to 3 years	690.07	(24.15)
- more than 3 years	2,979.12	(94.40)
Total	3,789.85	(122.34)
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	297.26	63.39
- 1 year to 3 years	613.44	187.15
- more than 3 years	1,108.78	361.84
Total	2,019.48	612.38

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.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

35. Trade and other payables

	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Aircraft maintenance provision	403,784	413,195
Trade and other payables	929,673	1,116,098
	<u>1,333,457</u>	<u>1,529,293</u>
<u>Current:</u>		
Trade payables	161,381	377,128
Accrual for fuel	121,999	112,300
Collateral for derivatives	189,834	355,040
Other payables and accruals	1,668,732	1,037,715
	<u>2,141,946</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

	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000
<u>Short term:</u>		
Secured	1,613,665	1,444,203
Unsecured	350,138	501,000
<u>Long term:</u>		
Secured	7,667,912	8,633,939
Total Debt	<u>9,631,715</u>	<u>10,579,142</u>



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

36. Borrowings and debt securities (continued)

The currency profile of borrowings is as follows:

	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000
Ringgit Malaysia	767,308	1,059,435
US Dollar	8,397,916	9,135,546
Euro	169,544	179,853
Singapore Dollar	192,150	204,308
Philippine Peso	104,797	-
	<u>9,631,715</u>	<u>10,579,142</u>

The term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. The repayment terms of term loans and finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis.

The maturity period of non-current borrowing is 12 years and below. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 33 (i).

Total borrowings include secured liabilities of the Group of RM9.2 billion. These are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft; and
- (c) Assignment of airframe and engine warranties of each aircraft.



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

37. Fair value estimation (continued)

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

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

The following tables presents the Group's assets and liabilities that are measured at fair value at 30 September 2017 and 31 December 2016:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
30 September 2017				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	287	-	287
Derivatives used for hedging	-	524	-	524
Available-for-sale financial assets				
- Equity securities	334	-	5	339
Total Assets	334	811	5	1,150
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	107	-	107
Derivatives used for hedging	-	96	-	96
Total Liabilities	-	203	-	203
31 December 2016				
Assets				
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
Total Assets	351	1,533	6	1,890
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	147	-	147
Derivatives used for hedging	-	449	-	449
Total Liabilities	-	596	-	596



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

37. Fair value estimation (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's over the counter ("OTC") derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques. This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds.

38. Material litigation

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



AIRASIA BERHAD
(Company No. 284669-W)

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

NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2017

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 ended 30/9/2017	Quarter ended 30/9/2016	Period ended 30/9/2017	Period ended 30/9/2016
Net profit attributable to owners of the Company (RM'000)	505,327	353,894	1,267,319	1,573,081
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)	15.1	12.7	37.9	56.5

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. 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.

41. 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
28 NOVEMBER 2017