



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 MARCH 2016

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the first quarter ended 31 March 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		31/03/2016	31/03/2015	31/03/2016	31/03/2015
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,699,294	1,296,831	1,699,294	1,296,831
Operating expenses:					
- Staff costs		(210,172)	(171,954)	(210,172)	(171,954)
- Depreciation of property, plant and equipment		(178,168)	(185,708)	(178,168)	(185,708)
- Aircraft fuel expenses		(372,350)	(481,963)	(372,350)	(481,963)
- Maintenance and overhaul		(65,250)	(45,710)	(65,250)	(45,710)
- User charges and other related expenses		(191,196)	(147,349)	(191,196)	(147,349)
- Aircraft operating lease expenses		(111,729)	(52,618)	(111,729)	(52,618)
- Other operating expenses		(96,536)	(37,307)	(96,536)	(37,307)
Other income	11	47,246	61,999	47,246	61,999
Operating profit		521,139	236,221	521,139	236,221
Finance income	27	23,211	39,452	23,211	39,452
Finance costs	27	(134,555)	(151,569)	(134,555)	(151,569)
Net operating profit		409,795	124,104	409,795	124,104
Foreign exchange gains/(losses)	27	464,113	(249,925)	464,113	(249,925)
Share of results of joint ventures	23	8,232	4,041	8,232	4,041
Share of results of associates	23	211,231	33,171	211,231	33,171
Gain on disposal of interest in a joint venture		-	320,500	-	320,500
Provision for loss on aircraft held for sale	12	-	(38,592)	-	(38,592)
Profit before taxation		1,093,371	193,299	1,093,371	193,299
Current taxation	28	(3,495)	(8,420)	(3,495)	(8,420)
Deferred taxation	28	(212,934)	(35,548)	(212,934)	(35,548)
Net profit for the financial period		876,942	149,331	876,942	149,331
Attributable to:					
- Owners of the company		877,793	149,331	877,793	149,331
- Non-controlling interests		(851)	-	(851)	-
		876,942	149,331	876,942	149,331

Earnings per share attributable to owners of the Company (sen)

- Basic	31.5	5.4	31.5	5.4
- Diluted	31.5	5.4	31.5	5.4

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Net profit for the financial period		876,942	149,331	876,942	149,331
Other comprehensive income/(loss)					
Available-for-sale financial assets		68,937	(29,551)	68,937	(29,551)
Cash flow hedges	13	(368,532)	(3,972)	(368,532)	(3,972)
Foreign currency translation differences		(21,446)	(5,320)	(21,446)	(5,320)
Total comprehensive income for the period		555,901	110,488	555,901	110,488
Total comprehensive income/(loss) attributable to:					
Owners of the Company		556,752	110,488	556,752	110,488
Non-controlling interests		(851)	-	(851)	-
		555,901	110,488	555,901	110,488



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/03/2016 RM'000	31/03/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,093,371	193,299
Adjustments:		
Property, plant and equipment		
- Depreciation	178,168	185,708
- Gain on disposal	(156)	(4,529)
Impairment of property, plant and equipment	11,659	-
Provision of loss on aircraft held for sale	-	38,592
Fair value loss/(gain) on derivative financial instruments	133,659	(197,565)
Share of results of joint ventures	(8,232)	(4,041)
Share of results of associates	(211,231)	(33,171)
Gain on disposal of interest in a joint venture	-	(320,500)
Net unrealised foreign exchange gain	(601,354)	474,872
Interest expense	134,555	151,569
Interest income	(23,211)	(39,452)
	707,228	444,782
Changes in working capital		
Inventories	(12,172)	(229)
Receivables and prepayments	105,019	(148,257)
Trade and other payables	(195,246)	300,890
Intercompany balances	(202,272)	(323,273)
Cash generated from operations	402,557	273,913
Interest paid	(80,402)	(85,120)
Interest received	10,000	25,885
Tax paid	(8,427)	(4,927)
Net cash generated from operating activities	323,728	209,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(95,659)	(202,034)
- Proceeds from disposal	2,094	40,004
Investment in associated companies	(53,400)	(22,615)
Proceeds from disposal of interest in a joint venture	-	347,044
Loan repayments received from associates	23,638	-
Acquisition of a subsidiary company	(101,500)	-
Net cash (used in)/generated from investing activities	(224,827)	162,399
CASH FLOWS FROM FINANCING FACILITIES		
Buy-back of shares	(160)	-
Proceeds from borrowings	240,016	126,635
Repayment of borrowings	(1,004,048)	(297,780)
Net cash used in financing activities	(764,192)	(171,145)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(665,291)	201,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,426,696	1,337,849
CURRENCY TRANSLATION DIFFERENCES	(33,234)	61,223
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	1,728,171	1,600,077

* Included within the balance at end of the financial period is an amount RM535.5 million restricted cash pledged as securities for banking facilities



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		31/03/2016	31/12/2015
		RM'000	RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	15	10,799,623	10,927,645
Investment in associates	23	1,285,271	1,020,640
Investment in a jointly controlled entity	23	172,256	164,024
Available-for-sale financial assets		304,033	235,097
Intangible assets		137,386	19,184
Deferred tax assets		616,016	828,950
Receivables and prepayments		1,392,288	1,412,242
Deposits on aircraft purchase		272,936	334,487
Amounts due from associates		997,870	1,142,119
Derivative financial instruments	33	430,534	945,490
		16,408,213	17,029,878
CURRENT ASSETS			
Inventories		38,324	26,152
Receivables and prepayments		564,156	617,422
Deposits on aircraft purchase		348,820	348,820
Amounts due from joint ventures		9,189	5,708
Amounts due from associates		559,389	394,970
Amounts due from related parties		31,695	43,851
Deposits, bank and cash balances		1,728,171	2,426,696
Derivative financial instruments	33	299,192	419,112
Tax recoverable		-	3,648
		3,578,936	4,286,379
CURRENT LIABILITIES			
Trade and other payables		1,442,904	1,634,057
Sales in advance		623,734	664,251
Derivative financial instruments	33	417,540	582,491
Amounts due to a related parties		29,708	13,661
Borrowings	32	1,799,312	2,377,256
Current tax liabilities		2,592	-
		4,315,790	5,271,716
NET CURRENT LIABILITIES			
		(736,854)	(985,337)
NON CURRENT LIABILITIES			
Trade and other payables		1,225,142	1,043,994
Amounts due to an associates		69,853	76,216
Borrowings	32	9,114,397	10,235,579
Derivative financial instruments	33	261,366	237,898
		10,670,758	11,593,687
		5,000,601	4,450,854
CAPITAL AND RESERVES			
Share capital	7	278,297	278,297
Share Premium		1,230,941	1,230,941
Treasury shares		(160)	-
Foreign exchange reserve		(2,498)	18,948
Retained earnings		4,233,533	3,355,740
Other Reserves		(731,193)	(431,598)
		5,008,920	4,452,328
Non-controlling interests		(8,319)	(1,474)
Total equity		5,000,601	4,450,854
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.80	1.60

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued and fully paid ordinary shares of RM0.10 each		Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000									
At 1 January 2016	2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	-	3,355,740	4,452,328	(1,474)	4,450,854
Net profit for the period	-	-	-	-	-	-	-	877,793	877,793	(851)	876,942
Other comprehensive (loss)/income	-	-	-	(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
At 1 January 2015	2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	-	2,898,035	4,555,091	-	4,555,091
Net profit for the period	-	-	-	-	-	-	-	149,331	149,331	-	149,331
Other comprehensive loss	-	-	-	(5,320)	(3,972)	(29,551)	-	-	(38,843)	-	(38,843)
At 31 March 2015	2,782,974	278,297	1,230,941	3,498	(176,846)	282,323	-	3,047,366	4,665,579	-	4,665,579

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



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KEY OPERATING STATISTICS – 31 MARCH 2016

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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015	Change y-o-y
Passengers Carried	6,475,081	5,538,684	17%
Capacity	7,579,068	7,347,600	3%
Seat Load Factor	85%	75%	10 ppt
RPK (million)	8,556	6,779	26%
ASK (million)	10,069	9,017	12%
Average Fare (RM)	166	150	11%
Ancillary Income Per Pax (RM)	50	47	5%
Unit Passenger Revenue (RM)	216	197	9%
Revenue / ASK (sen)	16.88	14.38	17%
Revenue / ASK (US cents)	4.13	3.52	17%
Cost / ASK (sen)	11.70	11.76	-1%
Cost / ASK (US cents)	2.86	2.88	-1%
Cost / ASK-ex Fuel (sen)	8.00	6.42	25%
Cost / ASK-ex Fuel (US cents)	1.96	1.57	25%
Aircraft (end of period)	80	82	-2%
Average Stage Length (km)	1,321	1,236	7%
Number of Flights	42,014	40,820	3%
Fuel Consumed (Barrels)	1,640,187	1,498,268	9%
Average Fuel Price (US\$ / Barrel)	56	79	-29%

Exchange Rate: RM:USD – 4.0892 - prior year US cent figures are restated at the current period average exchange rate

Definition and calculation methodology

ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown.
RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
Revenue/ASK	Total revenue divided by ASK
Cost/ASK	Total expenses before 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 2016

1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2015.

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

3. Auditors’ report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group’s statutory financial statements for the financial year ended 31 December 2015 in their report dated 31 March 2016.

4. Seasonality of operations

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The load factor was 85% in the quarter under review, which was 10 percentage points higher than the same period last year. Compared against the immediate preceding quarter (fourth quarter October - December 2015), the load factor has remained consistent. This seasonal pattern is in line with the expectation of the Group.



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5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date.

6. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Capital and reserves

During quarter ended 31 December 2015, the total issued and paid-up share capital of the Company remained unchanged at RM278,297,408. There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 March 2016.

8. Dividend paid

No dividends were paid in the quarter ended 31 March 2016.

9. Segment reporting

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

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

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



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NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2016

9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments for the quarter ended 31 March 2016 are as follows:

Segment Results	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Revenue	1,699,294	1,033,416	275,386	229,640	118,764	-	(360,996)	2,995,504
Operating expenses								
- Staff costs	(210,172)	(128,346)	(47,321)	(29,170)	(22,674)	(21,766)	-	(459,449)
- Depreciation of property, plant and equipment	(178,168)	(32,310)	(6,753)	(8,993)	(1,288)	(474)	-	(227,986)
- Aircraft fuel expenses	(372,350)	(222,595)	(97,817)	(76,342)	(43,897)	(894)	-	(813,895)
- Maintenance and overhaul	(65,250)	(81,208)	(47,021)	(64,483)	(16,531)	(762)	121,736	(153,519)
- User charges and other related expenses	(191,196)	(156,959)	(61,857)	(31,435)	(17,947)	(795)	-	(460,189)
- Aircraft operating lease expenses	(111,729)	(134,622)	(49,241)	(41,643)	(22,961)	(4,202)	237,276	(127,122)
- Other operating expenses	(96,536)	(58,222)	(21,788)	(9,877)	(2,834)	(5,272)	17,968	(176,561)
Other income	47,246	18,177	31,318	5,681	1,905	1	(15,984)	88,344
Operating profit/(loss)	521,139	237,331	(25,094)	(26,622)	(7,463)	(34,164)	-	665,127
Finance income	23,211	1,413	185	11	796	3	(7,410)	18,209
Finance costs	(134,555)	(15,410)	(9,711)	(5,941)	(116)	(13)	7,410	(158,336)
Net operating profit/(loss)	409,795	223,334	(34,620)	(32,552)	(6,783)	(34,174)	-	525,000
Foreign exchange gains/(losses)	464,113	(281)	41,282	40,258	2,025	445	-	547,842
Share of results of joint ventures	8,232	-	-	-	-	-	-	8,232
Share of results of associates	211,231	-	-	-	-	-	(207,584)	3,647
Profit/(loss) before taxation	1,093,371	223,053	6,662	7,706	(4,758)	(33,729)	(207,584)	1,084,721



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9. Segment reporting (continued)

The segment information provided to the Group CEO for the reportable segments as at 31 March 2016 are as follows:

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Segment Assets								
Property, plant and equipment	10,799,623	1,983,943	418,511	200,998	22,834	19,938	-	13,445,847
Deposits, cash and bank balances	1,728,171	961,551	40,027	17,643	36,166	91,901	-	2,875,459
Investment in joint ventures and associates	1,457,527	-	-	-	-	-	(1,234,944)	222,583
Other assets	6,001,828	461,542	482,195	252,764	26,158	27,748	(977,903)	6,274,332
	19,987,149	3,407,036	940,733	471,405	85,158	139,587	(2,212,847)	22,818,221
Segment Liabilities								
Borrowings	(10,913,709)	(1,507,238)	(432,760)	(344,325)	-	-	432,760	(12,765,272)
Others	(4,072,839)	(890,025)	(1,281,295)	(1,605,363)	(154,145)	(20,365)	2,406,299	(5,617,733)
	(14,986,548)	(2,397,263)	(1,714,055)	(1,949,688)	(154,145)	(20,365)	2,839,059	(18,383,005)



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9. Segment reporting (continued)

a) Reconciliation of segment revenue to reported revenue:

	Quarter ended 31/3/2016 RM million
Segment revenue	2,995.5
Add: Inter-segment revenue	361.0
Less: Revenue from associated companies which were not consolidated	<u>(1,657.2)</u>
	<u>1,699.3</u>

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

	Quarter ended 31/3/2016 RM million
Segment profit before taxation	1,084.7
Add: Expenses from affiliates which were not consolidated	<u>8.7</u>
	<u>1,093.4</u>

c) Reconciliation of segment assets to reported total assets:

	Quarter ended 31/3/2016 RM million
Segment assets	22,818.2
Less: Assets of affiliates which were not consolidated	<u>(2,831.1)</u>
Reported net assets of AirAsia Berhad	<u>19,987.1</u>

d) Reconciliation of segment liabilities to reported total liabilities:

	Quarter ended 31/3/2016 RM million
Segment liabilities	18,383.0
Less: Liabilities of affiliates which were not consolidated	<u>(3,396.5)</u>
Reported net assets of AirAsia Berhad	<u>14,986.5</u>



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NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2016

10. Revenue

	Quarter ended 31/3/2016 RM million	Quarter ended 31/3/2015 RM million
Passenger seat sales	1,068.2	722.8
Baggage fees	143.6	113.6
Aircraft operating lease income	322.7	224.4
Other revenue	164.8	236.0
	<u>1,699.3</u>	<u>1,296.8</u>

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

11. Other Income

	Quarter ended 31/3/2016 RM million	Quarter ended 31/3/2015 RM million
Gain on disposal of property, plant and equipment	0.2	4.5
Others	47.0	57.5
	<u>47.2</u>	<u>62.0</u>

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

12. Aircraft sale and leaseback transactions

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

13. 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 2016 as compared to 31 December 2015 as follows:

	Quarter ended 31/3/2016 RM million	Quarter ended 31/12/2015 RM million
Fair value gain/(loss) in the period	69.0	(9.6)
Amount transferred to income statement	(368.5)	83.6
	<u>(299.5)</u>	<u>74.0</u>



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NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2016

13. Other Comprehensive Income (continued)

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

14. Disclosure of Realised and Unrealised Profits

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

	As at 31/3/2016 RM'000	As at 31/12/2015 RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	5,348,814	5,771,224
Unrealised	(618,214)	(1,698,954)
	4,730,600	4,072,270
Total share of accumulated gains/(losses) from associates		
Realised	(610,737)	(821,968)
Total share of accumulated gains/(losses) from joint ventures		
Realised	113,670	105,438
Total group retained profit as per consolidated accounts	4,233,533	3,355,740

15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 31 March 2016, the Group acquired property, plant and equipment with a cost of RM95.7 million (quarter ended 31 March 2015: RM202.0 million).

During the quarter ended 31 March 2016, proceeds from disposal of property, plant and equipment totaled RM2.1 million (quarter ended 31 March 2015 RM40.0 million).



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(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

During the quarter under review, the Group impaired property, plant and equipment with a net book value of RM11.7 million (quarter ended 31 March 2015: RM Nil).

16. Post balance sheet events

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

17. Changes in composition of the Group

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

18. Contingent assets

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

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

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2015.

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

Capital commitments for property, plant and equipment:

	Group and Company	
	<u>31/3/2016</u>	<u>31/3/2015</u>
	RM’000	RM’000
Approved and contracted for	69,270,890	66,547,277
Approved but not contracted for	16,769,493	15,308,243
	-----	-----
	86,040,383	81,855,520
	=====	=====



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21. Material related party transactions

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

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



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21. Material related party transactions (continued)

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 31 March 2016 are set out below:

	Quarter ended 31/3/2016 RM'000	Quarter ended 31/3/2015 RM'000
Thai AirAsia		
Lease rental income on aircraft	129,201	103,224
Indonesia AirAsia		
Lease rental income on aircraft	50,107	89,543
Philippines AirAsia		
Lease rental income on aircraft	19,935	20,091
India AirAsia		
Lease rental income on aircraft	23,119	11,576
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	21,468	-
Asian Aviation Centre of Excellence Sdn Bhd		
Training costs charged to AirAsia Berhad	(5,295)	(2,683)



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22. Review of performance

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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015
RM'000		
Revenue	1,699,294	1,296,831
Operating expenses:		
- Staff costs	(210,172)	(171,954)
- Depreciation of property, plant and equipment	(178,168)	(185,708)
- Aircraft fuel expenses	(372,350)	(481,963)
- Maintenance and overhaul	(65,250)	(45,710)
- User charges and other related expenses	(191,196)	(147,349)
- Aircraft operating lease expenses	(111,729)	(52,618)
- Other operating expenses	(96,536)	(37,307)
Other income	47,246	61,999
Operating profit	521,139	236,221
Finance income	23,211	39,452
Finance costs	(134,555)	(151,569)
Net operating profit	409,795	124,104
Foreign exchange gains/(losses)	464,113	(249,925)
Gain on disposal of interest in a joint venture	-	320,500
Provision for loss on aircraft held for sale	-	(38,592)
Share of results of joint ventures	8,232	4,041
Share of results of associates	211,231	33,171
Profit before taxation	1,093,371	193,299
Current taxation	(3,495)	(8,420)
Deferred taxation	(212,934)	(35,548)
Net profit for the financial period	876,942	149,331
EBITDAR	811,036	474,547
EBITDAR Margin	48%	37%
EBIT Margin	31%	18%



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The Group recorded revenue of RM1,699.3 million for the quarter ended 31 March 2016 (“1Q16”), 31% higher than the revenue of RM1,296.8 million recorded in the quarter ended 31 March 2015 (“1Q15”). The revenue was supported by a 17% growth in passenger volume while the average fare was up 11% at RM166 as compared to RM150 achieved in 1Q15. Ancillary income per passenger increased by 5% to RM50 year-on-year. The seat load factor was at 85% which was 10 percentage points higher than the same period last year.

The profit before tax for the period was RM1,093.4 million compared to profit before tax of RM193.3 million in the same quarter of 2015 while the net profit for the period was RM876.9 million compared to a net profit RM149.3 million in the same quarter of 2015. The growth in 1Q16 net profits is mainly attributable to the revenue growth during the quarter of 31% and a 29% reduction in the average fuel price from USD79 per barrel in 1Q15 to USD56 per barrel in 1Q16.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	Jan - Mar 2016	Oct - Dec 2015
Cash from Operations	323,728	157,314
Cash from Investing Activities	(224,827)	537,130
Cash from Financing Activities	(764,192)	(695,640)
Net Cash Flow	(665,291)	(1,196)

The Group’s cash from operations was RM321.9 million, compared to RM157.3 million in the immediate preceding quarter ended 31 December 2015. Net cash flow in the quarter amounted to a RM665.3 million outflow, as cash in flows from operating were exceeded by cash outflows from investing and financing activities.

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

Balance Sheet RM million	As at 31/3/2016	As at 31/12/2015
Total borrowings	10,914	12,613
Less: Deposit, cash and bank balances	(1,728)	(2,427)
Net debt	9,186	10,186
Total equity	5,001	4,451
Net gearing ratio (times)	1.84	2.29

The Group’s total debt as of end of March 2016 was RM10.9billion. The Group’s net debt after offsetting the cash balances amounted to RM9.2 billion.



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23. Associate Companies and Joint Ventures

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

Thai AirAsia is an associate company owned 45% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board MFRS128, Investments in Associates.

Thai AirAsia recorded revenue of THB8,974.8 million in 1Q16, 16% higher compared to the THB7,748.7 million achieved in 1Q15. The increase in revenue is attributed to the increase in the number of passengers carried by 18% year-on-year despite a slight decrease in average fare and ancillary income per pax. Passengers carried by Thai AirAsia increased as capacity rose 11% year-on-year while the seat load factor increased 5ppt to 88%.

Thai AirAsia achieved an operating profit of THB2,061.1 million in 1Q16, compared to an operating profit of THB1,195.0 million in 1Q15. Thai AirAsia achieved a net profit of THB1,831.8 million in 1Q16, compared to a net profit of THB922.8 million in 1Q15.

AirAsia Berhad has equity accounted RM94.9 million (RM37.1 million in the quarter ended 31 March 2015) in the current period, as reflected in the AirAsia Berhad income statement.



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015	Change y-o-y
Passengers Carried	4,365,286	3,701,286	18%
Capacity	4,965,480	4,476,960	11%
Seat Load Factor	88%	83%	5 ppt
RPK (million)	4,336	3,694	17%
ASK (million)	4,967	4,436	12%
Average Fare (THB)	1,722	1,755	-2%
Ancillary Income Per Pax (THB)	337	341	-1%
Unit Passenger Revenue (THB)	2,059	2,096	-2%
Revenue / ASK (THB)	1.81	1.75	3%
Revenue / ASK (US cents)	5.05	4.89	3%
Cost / ASK (THB)	1.39	1.48	-6%
Cost / ASK (US cents)	3.89	4.13	-6%
Cost / ASK-ex Fuel (THB)	1.00	0.89	12%
Cost / ASK-ex Fuel (US cents)	2.80	2.50	12%
Aircraft (end of period)	47	42	12%
Average Stage Length (km)	999	991	1%
Number of Flights	27,586	24,872	11%
Fuel Consumed (Barrels)	939,155	795,190	18%
Average Fuel Price (US\$ / Barrel)	58	91	-37%

Exchange Rate: USD:THB – 35.8 - prior year US cents figures are restated at the current period average exchange rate

Definition and calculation methodology

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



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015
THB'000		
Revenue	8,974,782	7,748,671
Operating expenses:		
- Staff costs	(1,114,630)	(744,445)
- Depreciation of property, plant and equipment	(280,601)	(269,329)
- Aircraft fuel expenses	(1,933,144)	(2,594,031)
- Maintenance & overhaul	(705,256)	(543,001)
- User charges and other related expenses	(1,363,125)	(1,114,133)
- Aircraft operating lease expenses	(1,169,136)	(946,127)
- Other operating expenses	(505,631)	(467,942)
Other income	157,861	125,375
Operating profit	2,061,120	1,195,038
Finance income	12,269	23,716
Finance costs	(133,830)	(116,497)
Net operating profit	1,939,559	1,102,257
Foreign exchange (losses)/gains	(2,440)	14,691
Profit before tax	1,937,119	1,116,948
Taxation	(105,294)	(194,169)
Net profit for the financial period	1,831,825	922,779
EBITDAR	3,510,857	2,410,494
EBITDAR Margin	39%	31%
EBIT Margin	23%	15%



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Balance Sheet

Quarter Ended: 31 March THB'000	March 2016	Dec 2015
Property, Plant & Equipment	17,857,430	18,135,082
Intangible assets, net	14,569	12,195
Other non current assets	1,095,308	1,001,821
Inventory	111,191	92,596
Other Debtors & Prepayments	2,582,472	1,882,062
Amounts due from related parties	350,786	326,209
Cash & Short Term Deposits	8,654,901	7,557,622
Total Assets	30,666,657	29,007,587
Sales In Advance	4,020,908	4,030,229
Other Creditors & Accruals	2,234,924	2,253,575
Amounts Owing to Related Party	1,148,358	917,878
Deferred tax liabilities	606,906	511,948
Finance lease liabilities	13,566,617	14,036,839
Total Liabilities	21,577,714	21,750,469
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	6,024,601	4,192,776
Total Equity	9,088,943	7,257,118

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

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

Indonesia AirAsia recorded revenue of IDR907.3 billion in 1Q16, 24% lower as compared to the IDR1,186.4 billion achieved in 1Q15. The drop in revenue is mainly attributable to the reduction in fleet size operated by Indonesia AirAsia as capacity reduced 34% as compared to 1Q15. Passengers carried by Indonesia AirAsia decreased 25% year-on-year while the seat load factor increased 10 percentage points to 80%.

Indonesia AirAsia recorded an operating loss of IDR82.7 billion in 1Q16, compared to an operating loss of IDR388.7 billion in 1Q15. Indonesia AirAsia recorded a net profit of IDR21.9 billion in 1Q16 as compared to a net loss of IDR530.8 billion in 1Q15.



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

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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015	Change y-o-y
Passengers Carried	1,173,282	1,557,721	-25%
Capacity	1,467,000	2,223,180	-34%
Seat Load Factor	80%	70%	10 ppt
RPK (million)	1,667	2,053	-19%
ASK (million)	2,112	2,869	-26%
Average Fare (IDR)	609,512	603,889	1%
Ancillary Income Per Pax (IDR)	177,028	159,493	11%
Unit Passenger Revenue (IDR)	786,540	763,382	3%
Revenue / ASK (IDR)	429.67	413.55	4%
Revenue / ASK (US cents)	3.19	3.07	4%
Cost / ASK (IDR)	468.82	549.02	-15%
Cost / ASK (US cents)	3.48	4.08	-15%
Cost / ASK-ex Fuel (IDR)	316.20	347.47	-9%
Cost / ASK-ex Fuel (US cents)	2.35	2.58	-9%
Aircraft (end of period)	15	29	-48%
Average Stage Length (km)	1,309	1,216	8%
Number of Flights	8,150	12,351	-34%
Fuel Consumed (Barrels)	333,057	437,797	-24%
Average Fuel Price (US\$ / Barrel)	72	98	-27%

Exchange Rate: USD:IDR – 13,469 - prior year US cents figures are restated at the current period average exchange rate



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015
IDR million		
Revenue	907,266	1,186,436
Operating expenses:		
- Staff costs	(155,900)	(167,175)
- Depreciation	(22,247)	(24,680)
- Aircraft fuel expenses	(322,261)	(578,241)
- Aircraft operating lease expense	(162,227)	(332,794)
- Maintenance & overhaul	(154,913)	(195,812)
- User charges and other related expenses	(203,790)	(198,928)
- Other operating expenses	(71,782)	(82,425)
Other income	103,182	4,958
Operating loss	(82,672)	(388,661)
Finance Income	610	893
Finance Costs	(31,995)	(85,960)
Net operating loss	(114,057)	(473,728)
Foreign exchange (loss)/gain	136,006	(57,051)
Profit/(loss) before taxation	21,949	(530,779)
Taxation	-	-
Net profit/(loss) for the financial period	21,949	(530,779)
EBITDAR	101,802	(31,187)
EBITDAR Margin	11%	-3%
EBIT Margin	-9%	-33%



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Balance Sheet

Period ended: 31 March IDR million	March 2016	Dec 2015
Property, Plant & Equipment	1,421,573	1,443,857
Inventory	25,721	24,115
Other Debtors & Prepayments	358,464	511,732
Amounts Owning from Related Parties	33,465	55,300
Deferred tax assets	835,597	835,597
Maintenance Reserves	384,643	358,994
Cash & Short Term Deposits	135,963	54,669
Total Assets	3,195,426	3,284,264
Sales In Advance	621,828	533,548
Other Creditors & Accruals	188,281	504,887
Amounts Owning to Related Party	3,358,940	3,128,920
Employee benefits liability	183,176	179,428
Finance lease payable	1,469,972	1,586,201
Total Liabilities	5,822,197	5,932,984
Share Capital	180,000	180,000
Perpetual Capital Security	2,058,000	2,058,000
Retained Earnings	(4,864,771)	(4,886,720)
Total Equity	(2,626,771)	(2,648,720)

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

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

AirAsia Philippines recorded revenue of PHP2,574.2 million in 1Q16, 23% higher as compared to the PHP2,101.2 million achieved in 1Q15. The increase in revenue can be attributed to higher passenger volumes which increased by 15% year-on-year and the increase in average fare by 12% year-on-year. Passengers carried by AirAsia Philippines increased as capacity increased 2% year-on-year while the seat load factor increased by 10 percentage points to 87% as compared to 1Q15.



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AirAsia Philippines recorded an operating loss of PHP306.3 million in 1Q16, compared to an operating loss of PHP679.3 million in 1Q15. The net profit position of AirAsia Philippines was PHP88.7 million as compared to PHP854.5 million loss in 1Q15.

AirAsia Inc recorded a net profit of RM16.3 million in the quarter under review of which RM6.5 million is equity accounted in the financial statements of AirAsia Berhad.

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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015	Change y-o-y
Passengers Carried	967,588	843,250	15%
Capacity	1,107,900	1,088,820	2%
Seat Load Factor	87%	77%	10 ppt
RPK (million)	984	809	22%
ASK (million)	1,156	1,034	12%
Average Fare (PHP)	2,257	2,012	12%
Ancillary Income Per Pax (PHP)	416	436	-5%
Unit Passenger Revenue (PHP)	2,673	2,448	9%
Revenue / ASK (PHP)	2.23	2.03	10%
Revenue / ASK (US cents)	4.73	4.32	10%
Cost / ASK (PHP)	2.49	2.69	-7%
Cost / ASK (US cents)	5.30	5.72	-7%
Cost / ASK-ex Fuel (PHP)	1.73	1.55	12%
Cost / ASK-ex Fuel (US cents)	3.68	3.30	12%
Aircraft (end of period)	14	15	-7%
Average Stage Length (km)	1,044	950	10%
Number of Flights	6,155	6,049	2%
Fuel Consumed (Barrels)	240,058	206,891	16%
Average Fuel Price (US\$ / Barrel)	78	121	-36%

Exchange Rate: USD:PHP – 47.0 - prior year US cents figures are restated at the current period average exchange rate



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015
PHP'000		
Revenue	2,574,210	2,101,187
Operating expenses:		
- Staff costs	(335,649)	(356,664)
- Depreciation of property, plant and equipment	(103,476)	(12,246)
- Aircraft fuel expenses	(878,438)	(1,176,516)
- Maintenance & overhaul	(720,468)	(426,302)
- User charges and other related expenses	(361,704)	(216,572)
- Aircraft operating lease expenses	(390,346)	(497,571)
- Other operating expenses	(113,649)	(141,006)
Other income	23,190	46,354
Operating loss	(306,330)	(679,336)
Finance Income	131	44
Finance Costs	(68,364)	(136,591)
Net operating loss	(374,563)	(815,883)
Foreign exchange gain/(loss)	463,231	(38,665)
Profit/(loss) before tax	88,668	(854,548)
Taxation	-	-
Net profit/(loss) for the financial period	88,668	(854,548)
EBITDAR	187,492	(169,519)
EBITDAR Margin	7%	-8%
EBIT Margin	-12%	-32%



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Balance Sheet

Quarter Ended: 31 March PHP'000	March 2016	Dec 2015
Property, Plant & Equipment	2,364,293	2,468,159
Inventory	137,119	126,876
Other Debtors & Prepayments	2,836,084	2,988,863
Cash & Short Term Deposits	207,533	150,390
Total Assets	5,545,029	5,734,287
Sales In Advance	1,257,909	1,102,599
Other Creditors & Accruals	7,016,591	7,578,516
Amounts Owing to Related Party	14,526,631	14,397,943
Long Term Liabilities	116,823	116,823
Total Liabilities	22,917,954	23,195,881
Share Capital	1,192,511	1,192,511
Other reserves	(8,621)	(8,621)
Retained Earnings	(18,556,816)	(18,645,484)
Total Equity	(17,372,925)	(17,461,594)

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

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

AirAsia India recorded revenue of INR1,961.8 million in 1Q16, compared to a revenue of INR702.9 million in 1Q15 as AirAsia India only commenced operations in June 2014. The number of passengers carried increased 127% with a unit passenger revenue of INR3,657. Ancillary income per passenger was at INR502 while the seat load factor was at 86%.

AirAsia India recorded a net loss of RM4.8 million (quarter ended 31 March 2015: RM18.4 million) in the quarter under review out of which RM Nil is equity accounted in the AirAsia Berhad income statement as the Group’s interest in AirAsia India has been reduced to zero. In accordance with MFRS128, any profits will only be recognized when a total of RM36.0 million of unrecognized losses have been reversed.



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015	Change y-o-y
Passengers Carried	538,800	237,557	127%
Capacity	629,280	300,240	110%
Seat Load Factor	86%	79%	7 ppt
RPK (million)	671	213	215%
ASK (million)	774	270	187%
Average Fare (INR)	3,155	2,819	12%
Ancillary Income Per Pax (INR)	502	234	115%
Unit Passenger Revenue (INR)	3,657	3,053	20%
Revenue / ASK (sen)	253.46	260.30	-3%
Revenue / ASK (US cents)	3.75	3.86	-3%
Cost / ASK (sen)	269.38	389.46	-31%
Cost / ASK (US cents)	3.99	5.77	-31%
Cost / ASK-ex Fuel (sen)	175.70	261.33	-33%
Cost / ASK-ex Fuel (US cents)	2.60	3.87	-33%
Aircraft (end of period)	6	3	100%
Average Stage Length (km)	1,245	900	38%
Number of Flights	3,496	1,668	110%

Exchange Rate: USD:INR – 67.5 - prior year US cents figures are restated at the current period average exchange rate



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

Quarter Ended: 31 March	Jan - Mar 2016	Jan - Mar 2015
INR'000		
Revenue	1,961,759	702,948
Operating expenses:		
- Staff costs	(374,529)	(292,921)
- Depreciation of property, plant and equipment	(21,272)	(15,179)
- Aircraft fuel expenses	(725,099)	(346,017)
- Maintenance and overhaul	(273,069)	(53,426)
- User charges and other related expenses	(296,449)	(18,251)
- Aircraft operating lease expenses	(379,264)	(180,587)
- Other operating expenses	(46,819)	(144,854)
Other income	31,471	(508)
Operating loss	(123,271)	(348,795)
Finance Income	13,156	13,158
Finance Costs	(1,923)	(16,830)
Net operating loss	(112,038)	(352,467)
Foreign exchange gain	33,451	39,008
Loss before tax	(78,587)	(313,459)
Taxation	-	-
Net loss for the financial period	(78,587)	(313,459)
EBITDAR	277,265	(153,029)
EBITDAR Margin	14%	-22%
EBIT Margin	-6%	-50%



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Balance Sheet

Year Ended: 31 March INR'000	March 2016	Dec 2015
Property, Plant & Equipment	377,174	357,548
Inventory	46,907	30,960
Other Debtors & Prepayments	385,181	709,211
Cash & Short Term Deposits	597,399	537,829
Total Assets	1,406,661	1,635,548
Sales In Advance	475,580	668,341
Other Creditors & Accruals	847,363	840,403
Amounts Owing to Related Party	1,141,326	1,105,826
Long Term Liabilities	5,592	5,592
Total Liabilities	2,469,861	2,620,162
Share Capital	1,921,500	1,921,500
Retained Earnings	(2,984,701)	(2,906,114)
Total Equity	(1,063,201)	(984,614)

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

AirAsia Japan is an associate company which is incorporated in Japan and is 49% owned by AirAsia Berhad. AirAsia Japan has yet to launch its services in Japan. AirAsia Japan recorded a net loss of RM33.7 million (quarter ended 31 March 2015: RM10.3 million) in the quarter under review of which RM16.5 million (quarter ended 31 March 2015: RM5.0 million) is equity accounted in the financial statements of AirAsia Berhad.

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

AAE Travel has been reclassified to investment in an associate company in the previous financial year subsequent to the divestment of 25% equity interest in the share capital of AAE Travel. AAE Travel is incorporated in Singapore and is 25% owned by AirAsia Berhad. AAE Travel recorded a net profit of RM14.6 million (quarter ended 31 March 2015: RM10.9 million) in the quarter of which RM3.6 million (quarter ended 31 March 2015: RM3.3 million) is equity accounted in the AirAsia Berhad income statement.

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

AACOE is a joint venture company which is incorporated in Malaysia and is owned in equal shares by AirAsia Berhad and CAE Inc, a Canadian incorporated aviation training organization. AACOE recorded a net profit of RM16.4 million (quarter ended 31 March 2015: RM5.6 million) in the quarter of which RM8.2 million (quarter ended 31 March 2015: RM2.8 million) is equity accounted in the AirAsia Berhad income statement.



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24. Variation of results against preceding quarter

The Group had a net profit of RM876.9 million for the quarter under review. This is RM322.7 million higher compared to the net profit of RM554.2 million in the immediately preceding quarter ended 31 December 2015.

25. Commentary on prospects

In Malaysia, we continue to see strong demands in the second quarter of 2016 with average load factor forecast at 88%. We remain positive in the outlook of MAA in the remaining quarters of 2016, as we continue to observe strong demand across most sectors, favorable fuel price and a favourable foreign exchange on major Asian currencies against USD relate to Q42015.

In Thailand, load factor in the second quarter of 2016 is forecast to be 83% with estimated capacity growth of approximately 11%. As with Malaysia, we see encouraging forward bookings in the remaining quarters of 2016. TAA will continue to focus its marketing activities on domestic, China and India routes in the remaining quarters of 2016.

In Indonesia, load factor in the second quarter of 2016 is forecast at 82% which is higher than the 73% load factor in the second quarter of 2015. For the remaining quarters of 2016, IAA will continue to focus on promoting international routes.

In Philippines, the current forecast of the load factor in second quarter 2016 is 91%. PAA remains on track with its turnaround plan to rationalize its fleet composition to further reduce its cost structure in the remaining quarters in 2016.

In India, the forecasted load factor for the second quarter of 2016 is at 82%. For the remaining quarters of 2016, AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

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



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26. Profit forecast

No profit forecast has been issued.

27. Finance income/(costs)

All figures in RM'000	Group and Company			
	Quarter Ended 31/3/16	Quarter Ended 31/3/15	Period ended 31/3/16	Period ended 31/3/15
Finance income				
Interest income from:				
- amounts due from associates	7,669	32,948	7,669	32,948
- deposits with licensed banks	7,217	5,721	7,217	5,721
Gain from interest rate contracts	4,238	-	4,238	-
Discounting on deposits and non-current payables	2,853	-	2,853	-
Others	1,234	783	1,234	783
	23,211	39,452	23,211	39,452
Finance costs				
Bank borrowings	(131,457)	(143,639)	(131,457)	(143,639)
Amortisation of premiums for interest rate caps	(2,336)	(2,135)	(2,336)	(2,135)
Loss from interest rate contracts	-	(4,891)	-	(4,891)
Bank facilities and other charges	(762)	(904)	(762)	(904)
	(134,555)	(151,569)	(134,555)	(151,569)
Net cost	(111,344)	(112,117)	(111,344)	(112,117)
Foreign exchange gains/(losses)				
- realized	(3,582)	(11,129)	(3,582)	(11,129)
- unrealized	601,354	(435,932)	601,354	(435,932)
- (loss)/gain from forward foreign exchange contracts	(187,457)	27,839	(187,457)	27,839
- fair value movement recycled from cash flow hedge reserve	53,798	169,297	53,798	169,297
	464,113	(249,925)	464,113	(249,925)



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28. Income tax expense

Current taxation

The current taxation charge of RM3.5 million comprises tax payable on interest income.

Deferred taxation

RM212.9 million deferred tax expenses arose in the current financial period. The deferred tax expense was directly attributable to the taxing of sales in advance on a receipt basis instead of on an accruals basis. This is in compliance with the changes in the Malaysian tax laws.

29. Unquoted investments and properties

On 3 February 2016, AirAsia Berhad 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. The sale was completed on 11 March 2016. 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 an investment in subsidiary.

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. Status of corporate proposals announced

AirAsia Berhad obtained approval from its shareholders at the Extraordinary General Meeting held on 9 May 2016 for the issuance and allotment of 559,000,000 new ordinary shares of RM0.10 each in AirAsia Berhad to Tune Live Sdn. Bhd. at an issue price of RM1.84 per share subject to adjustments in accordance with the subscription agreement.



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32. Borrowings and debt securities

	As at 31/3/2016 RM'000	As at 31/12/2015 RM'000
Current	1,799,312	2,377,256
Non-current	9,114,397	10,235,579
Total Debt	<u>10,913,709</u>	<u>12,612,835</u>

The currency profile of borrowings is as follows:

	As at 31/3/2016 RM'000	As at 31/12/2015 RM'000
Ringgit Malaysia	1,172,275	1,494,381
US Dollar	9,387,846	10,734,446
Euro	150,158	167,504
Singapore Dollar	203,430	216,504
	<u>10,913,709</u>	<u>12,612,835</u>

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

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

Total borrowings include secured liabilities of the Group of RM10.0 billion. These are secured by the following:

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



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33. Derivative Financial Instruments:

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

(i) Forward Foreign Exchange Contracts

As at 31 March 2016, AirAsia Berhad has hedged approximately 61% of the US dollar liabilities of its aircraft (which are deployed to Malaysia) and engine loans into Malaysian Ringgit (“MYR”). The latest weighted average of USD/MYR forward exchange rate is 3.2364.

(ii) Interest Rate Hedging

As at 31 March 2016, the Group has entered interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivering from 2005 to 2016.

(iii) Fuel Hedging

As at 31 March 2016, the Group has entered into Singapore Jet Kerosene fixed swaps, Brent options, Brent swaps, and Crack swaps which represents up to 75% of the Group’s total budgeted fuel consumption for year 2016.



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33. Derivative financial instruments (continued)

Type of derivatives	Notional Value as at 31/03/2016	Fair Value as at 31/03/2016 assets/(liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	4.87	(97.00)
- 1 year to 3 years	-	-
Total	4.87	(97.00)
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	3.45	(0.07)
- 1 year to 3 years	361.19	(28.99)
- more than 3 years	3,225.16	(251.69)
Total	3,589.80	(280.75)
	RM (million)	RM (million)
(iii) Foreign currency contracts		
- less than 1 year	180.28	(3.73)
- 1 year to 3 years	846.18	147.79
- more than 3 years	2,374.88	479.41
Total	3,401.34	623.47

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.



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34. Fair value estimation

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

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

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
31 March 2016				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	41	-	41
Derivatives used for hedging	-	689	-	689
Available-for-sale financial assets				-
- Equity securities	304	-	-	304
Total Assets	304	730	-	1,034
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	95	-	95
Derivatives used for hedging	-	584	-	584
Total Liabilities	-	679	-	679
31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale financial assets				-
- Equity securities	235	-	-	235
Total Assets	235	1,365	-	1,600
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
Total Liabilities	-	820	-	820



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34. Fair value estimation (continued)

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

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

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

35. Material litigation

As at 26 May 2016, there was no material litigation against the Group.

36. Proposed dividend

The Directors recommend a first and final single-tier dividend in respect of the financial year ended 31 December 2015 of 4 sen per share on 2,782,974,080 ordinary share of RM0.10 each, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.



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37. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/16	Quarter ended 31/3/15	Period ended 31/3/16	Period ended 31/3/15
Net profit attributable to owners of the Company (RM'000)	877,793	149,331	877,793	149,331
Weighted average number of ordinary shares in issue ('000)	2,782,974	2,782,245	2,782,974	2,782,245
Basic and diluted earnings per share (sen)	31.5	5.4	31.5	5.4

The Group does not have in issue any financial instruments on other contracts that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

38. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
26 MAY 2016