



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
THIRD QUARTER REPORT ENDED 30 September 2016

ANNOUNCEMENT

The Board of Directors of AirAsia X Berhad ("AirAsia X" or "the Company") is pleased to announce the following unaudited consolidated results of AirAsia X and its subsidiaries (collectively known as "the Group") for the third quarter ended 30 September 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	10	982,402	793,013	2,836,239	2,221,415
Operating Expenses					
- Staff costs	11	(92,944)	(81,001)	(246,010)	(231,076)
- Depreciation of property, plant and equipment		(27,985)	(37,825)	(85,973)	(113,786)
- Aircraft fuel expenses		(282,128)	(282,447)	(760,817)	(775,738)
- Maintenance and overhaul		(158,308)	(98,917)	(490,662)	(334,851)
- User charges		(120,229)	(87,953)	(328,849)	(265,558)
- Aircraft operating lease expenses		(222,240)	(181,753)	(640,961)	(498,351)
- Other operating expenses		(30,298)	(56,622)	(142,015)	(141,506)
Other income	12	2,502	2,383	34,969	14,339
Operating profit/(loss)		50,772	(31,122)	175,921	(125,112)
Finance income	13	1,579	1,295	3,637	2,008
Finance costs	13	(8,304)	(14,382)	(29,311)	(53,727)
Net operating profit/(loss)		44,047	(44,209)	150,247	(176,831)
Foreign exchange (loss)/ gain	13	(33,777)	(241,270)	57,689	(356,685)
Share of results of a joint venture	20	-	(5,940)	-	(37,566)
Other (loss)/gain		1,738	-	13,359	-
Profit/(loss) before taxation		12,008	(291,419)	221,295	(571,082)
Taxation					
Current taxation	14	165	-	(329)	(169)
Deferred taxation	14	(1,148)	3,226	(29,433)	24,203
		(983)	3,226	(29,762)	24,034
Profit/(loss) for the financial period		11,025	(288,193)	191,533	(547,048)
Attributable to:					
Equity holders of the Company		11,025	(288,193)	191,533	(547,048)
Non-controlling Interests		-	-	-	-
		11,025	(288,193)	191,533	(547,048)
Profit/(loss) per share (sen)					
Basic	29	0.3	(9.7)	4.6	(18.5)
Diluted	29	0.3	(9.7)	4.6	(18.5)

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the financial period	11,025	(288,193)	191,533	(547,048)
Other comprehensive income/(loss)				
Cash flow hedges	6,368	(30,341)	135,405	(30,341)
Foreign currency translation differences	160	214	30	187
Total comprehensive income/(loss) for the financial period	17,553	(318,320)	326,969	(577,202)
Total comprehensive income/(losses) attributable				
To equity holder of the company	17,553	(318,320)	326,969	(577,202)
Non-controlling interest	-	-	-	-
Total comprehensive income/(loss) for the financial period	17,553	(318,320)	326,969	(577,202)

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As At 30/09/2016 RM'000	Audited As At 31/12/2015 RM'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,592,784	1,677,613
Deferred tax assets	14	513,388	542,821
Deposits on aircraft purchases	17	135,161	243,601
Other deposits and prepayments	18	929,796	903,374
Investment in an associate	19	-	-
Investment in a joint venture	20	-	-
Derivative financial instruments	24	33,549	-
		3,204,678	3,367,409
CURRENT ASSETS			
Inventories		12,542	3,985
Receivables and prepayments	21	349,986	282,463
Amount due from related parties		63,597	30,103
Amount due from a joint venture		92,608	55,570
Amount due from an associate		68,869	26,150
Tax recoverable		914	712
Deposits, cash and bank balances	22	367,092	310,789
		955,608	709,772
Non-current assets held for sale	23	105,116	105,116
		1,060,724	814,888
CURRENT LIABILITIES			
Sales in advance		824,525	671,510
Derivative financial instruments	24	-	115,215
Trade and other payables	25	808,621	849,075
Amounts due to related parties		28,848	45,668
Borrowings	26	192,468	319,477
		1,854,462	2,000,945
Net Current Liabilities		(793,738)	(1,186,057)
NON-CURRENT LIABILITIES			
Borrowings	26	928,099	1,109,610
Other payables and accruals	27	523,703	439,935
		1,451,802	1,549,545
		959,138	631,807
CAPITAL AND RESERVES			
Share capital	28	622,222	622,222
Share premium		911,821	911,821
Warrant reserve		62,222	62,222
Currency translation reserve		157	127
Accumulated losses		(667,495)	(859,029)
Other reserves		30,211	(105,556)
Shareholders' equity		959,138	631,807

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended 30/09/2016 RM'000	Period Ended 30/09/2015 RM'000
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	221,295	(571,082)
Adjustments:		
Property, plant and equipment		
- Depreciation	85,973	113,785
- Gain on disposal	-	(6,793)
Interest expense	29,311	53,726
Interest income	(3,637)	(2,008)
(Write back)/Impairment of receivables	(124)	-
Fair value (gain)/ loss on derivative financial instruments	(13,359)	(43,695)
Share option expense	363	439
Share of results of a joint venture	-	37,566
Net unrealised foreign exchange (gains)/losses	(59,261)	310,732
	260,561	(107,330)
Changes in working capital:		
Inventories	(8,557)	503
Receivables, prepayments and other deposits	(63,737)	(89,370)
Related parties balances	(45,943)	(69,548)
Trade and other payables	46,214	(53,922)
Sales in advance	43,572	245,001
Cash from/(used in) operations	232,110	(74,666)
Interest paid	(31,819)	(49,433)
Interest received	3,637	1,904
Tax recovered/(paid)	(531)	468
Net cash generated from/(used in) operating activities	203,397	(121,727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(1,556)	(37,308)
- Proceeds from disposal	412	173,281
Deposits placed on aircraft purchases	508	(10,712)
Net cash (used in)/generated from investing activities	(636)	125,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue with warrants	-	391,111
Proceeds from borrowings	-	422,900
Repayments of borrowings	(141,839)	(671,941)
Release/ (Placement) of restricted cash	17,166	5,350
Net cash (used in)/generated from financing activities	(124,673)	147,420
NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD	78,088	150,954
CURRENCY TRANSLATION DIFFERENCES	(4,620)	16,501
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	252,347	74,937
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	325,815	242,392

This unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Issued and fully paid ordinary shares of RM0.15 each</u>										
	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Warrant Reserve RM'000	Cash Flow Hedge Reserve RM'000	Other Reserve	Currency Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
At 1 January 2016	4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807
Net profit for the financial period	-	-	-	-	-	-	-	191,533	191,533	-	191,533
Other comprehensive income/(loss)	-	-	-	-	135,405	-	30	-	135,435	-	135,435
Total comprehensive income/(loss)	-	-	-	-	135,405	-	30	191,533	326,968	-	326,968
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	363	-	-	363	-	363
At 30 September 2016	4,148,148	622,222	911,821	62,222	27,775	2,437	157	(667,496)	959,138	-	959,138
At 1 January 2015	2,370,370	355,556	849,598	-	6,478	1,515	(104)	(509,413)	703,630	-	703,630
Net loss for the financial period	-	-	-	-	-	-	-	(547,048)	(547,048)	-	(547,048)
Other comprehensive income/(loss)	-	-	-	-	(30,341)	-	187	-	(30,154)	-	(30,154)
Total comprehensive income/(loss)	-	-	-	-	(30,341)	-	187	(547,048)	(577,202)	-	(577,202)
Right issue with warrants	1,777,778	266,666	62,223	62,222	-	-	-	-	391,111	-	391,111
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	439	-	-	439	-	439
At 30 September 2015	4,148,148	622,222	911,821	62,222	(23,863)	1,954	83	(1,056,461)	517,978	-	517,978

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



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KEY OPERATING STATISTICS - 30 September 2016

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 30 September	Jul - Sep 2016	Jul - Sep 2015	Changes Y-O-Y
Seat capacity	1,560,780	1,209,416	29%
Passengers carried	1,216,943	901,884	35%
Load factor	78%	75%	3%
RPK (millions)	6,034	4,333	39%
ASK (millions)	7,749	5,770	34%
Average passenger fare (RM)	501	440	14%
Ancillary revenue per passenger (RM)	134	122	10%
Revenue per ASK (sen)	12.70	13.78	-8%
Revenue per ASK (USc)	3.17	3.40	-7%
Cost per ASK (sen)	12.06	14.32	-16%
Cost per ASK (USc)	3.01	3.53	-15%
Cost per ASK (sen) - excluding fuel	8.41	9.43	-11%
Cost per ASK (USc) - excluding fuel	2.10	2.33	-10%
Aircraft (end of period)	30	26	15%
Average sector length (km)	4,965	4,769	4%
Sectors flown	4,140	3,208	29%
Fuel consumed (Barrels)	1,117,353	851,839	31%
Average fuel price (USD/ Barrel)	63	82	-23%

Exchange Rate : RM/USD - 4.0017 for 3Q16 and 4.0528 for 3Q15

Definitions and calculation methodology

RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown
Revenue per ASK	Total revenue divided by ASK
Cost per ASK	Total expenses before interest and tax divided by ASK
Cost per ASK - excluding fuel	Costs, as defined above, less fuel expenses, divided by ASK
Average passenger fare	Total schedule flight revenue, divided by number of passengers carried



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NOTES TO THE UNAUDITED ACCOUNTS - 30 September 2016

1. Basis of preparation

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

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

4. Seasonality of operations

AirAsia X is primarily involved in the provision of air transportation services and is therefore subject to seasonal demand for air travel. As a significant portion of its passengers travel for leisure, the Company generally records higher revenue during holiday months, particularly from November to February. Accordingly, the revenues are generally higher from November to February, and generally lower from March to June due to decreased travel during these months.

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.

6. Changes in estimates

There were no changes in estimates that have had material effects on the current quarter and financial period results.

7. Capital and reserves

During quarter ended 30 September 2016, the total issued and paid-up share capital of the Company remained unchanged at RM622,222,226.55. There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 September 2016.

8. Dividend paid

No dividends were declared or approved in the quarter ended 30 September 2016.



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9. Segment reporting

The reportable operating segments of the Group have been identified as North Asia, Australia and others.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
North Asia	506,185	363,939	1,452,363	1,033,290
Australia	324,749	213,032	941,109	635,701
Others	151,468	216,042	442,767	552,424
	<u>982,402</u>	<u>793,013</u>	<u>2,836,239</u>	<u>2,221,415</u>

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
EBITDAR/ (LBITDAR) ¹				
North Asia	156,468	17,627	477,019	73,362
Australia	60,447	7,463	233,648	56,739
Others	84,082	163,366	192,188	356,924
	<u>300,997</u>	<u>188,456</u>	<u>902,855</u>	<u>487,025</u>

Note:

¹ EBITDAR/ (LBITDAR) represents earnings/ (loss) before finance cost, taxation, depreciation, amortisation and aircraft rental expenses.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Profit Before Tax ("PBT")/(Loss Before Tax) ("LBT")				
North Asia	12,961	(270,177)	141,261	(539,488)
Australia	(47,348)	(155,233)	(5,507)	(285,812)
Others	46,395	133,991	85,541	254,218
	<u>12,008</u>	<u>(291,419)</u>	<u>221,295</u>	<u>(571,082)</u>



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NOTES TO THE UNAUDITED ACCOUNTS - 30 September 2016

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	610,156	396,536	1,750,979	1,111,048
Refunds	(48)	(2,259)	(946)	(6,175)
	610,108	394,277	1,750,033	1,104,873
Charter flights	64,606	167,504	212,080	400,179
Fuel surcharge	-	9,387	-	92,741
Freight and cargo	32,308	29,312	94,017	86,461
Ancillary revenue	161,817	107,772	454,638	339,002
Management fee	5	(3)	1,647	941
Aircraft operating lease income	113,558	84,764	323,824	197,218
	982,402	793,013	2,836,239	2,221,415

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

11. Staff cost

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	86,231	74,934	225,242	212,079
Defined contribution retirement plan	6,350	5,931	20,142	18,536
Share option expense	363	136	626	461
	92,944	81,001	246,010	231,076

12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	-	223	-	6,794
Commission income from insurance	1,359	2,160	4,813	5,572
Others	1,143	-	30,156	1,973
	2,502	2,383	34,969	14,339



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13. Finance income/ (costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/09/2016 RM'000	Quarter ended 30/09/2015 RM'000	Period Ended 30/09/2016 RM'000	Period Ended 30/09/2015 RM'000
Finance income:				
Interest income on deposits with licensed banks	1,579	1,295	3,637	2,008
Finance costs:				
Interest expense on bank borrowings	(8,072)	(14,327)	(28,564)	(52,467)
Bank facilities and other charges	(232)	(55)	(747)	(1,260)
	<u>(8,304)</u>	<u>(14,382)</u>	<u>(29,311)</u>	<u>(53,727)</u>
Foreign exchange gain/(loss)				
Unrealised foreign exchange gain/(loss) on:				
- Borrowings	(33,837)	(252,865)	57,238	(372,998)
- Deposits and bank balances	60	11,595	451	16,313
	<u>(33,777)</u>	<u>(241,270)</u>	<u>57,689</u>	<u>(356,685)</u>
Fair value movement recycled from cash flow hedge reserve and others	-	-	-	-
Net foreign exchange gain/(loss)	<u>(33,777)</u>	<u>(241,270)</u>	<u>57,689</u>	<u>(356,685)</u>

14. Taxation

The explanation of the relationship between taxation and profit/(loss) before taxation is as follows

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/09/2016 RM'000	Quarter ended 30/09/2015 RM'000	Period Ended 30/09/2016 RM'000	Period Ended 30/09/2015 RM'000
Profit/(loss) before tax	12,008	(291,419)	221,295	(571,082)
Tax calculated at Malaysian statutory tax rate of 24% (2015: 25%)	2,882	(72,855)	53,111	(142,771)
Tax effects:				
- Under/ (over) accrual in prior year	-	-	-	8,381
- expenses not deductible for tax purposes	22,493	79,860	21,577	101,543
- income not subject to tax	(24,392)	(400)	(44,926)	1,243
- Changes in statutory tax rate	-	(9,831)	-	7,570
Taxation	<u>983</u>	<u>(3,226)</u>	<u>29,762</u>	<u>(24,034)</u>



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15. Disclosure of realised and unrealised accumulated gains/(losses)

The cumulative losses of the Group and its subsidiaries comprise realised and unrealised gains/(losses) are as follows:

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Total accumulated gains/(losses) of AirAsia X Berhad and its subsidiaries		
- Realised	(836,525)	(975,661)
- Unrealised	242,936	174,216
	(593,589)	(801,445)
Total share of accumulated losses from associated company		
- Realised	(20,018)	(20,018)
Total share of accumulated losses from joint venture		
- Realised	(53,888)	(37,566)
Total accumulated losses	(667,495)	(859,029)

16. Property, plant and equipment

(a) Acquisition and disposal

During the quarter ended 30 September 2016, the Group acquired property, plant and equipment amounting to RM95k (quarter ended 30 September 2015: RM26.3 million).

During the quarter ended 30 September 2016, proceeds from disposal of property, plant and equipment totalled RM Nil (quarter ended 30 September 2015: RM2.2 million).

(b) Write-off

There was no write-off of property, plant and equipment for the quarter ended 30 September 2016 (quarter ended 30 September 2015: RM Nil).



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17. Deposits on aircraft purchase

The deposits on aircraft purchase are denominated in US Dollars ("USD") and are in respect of pre-delivery payments on aircraft purchase, which will be delivered between 2018 to 2027. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price upon delivery.

18. Other deposits and prepayments

Other deposits and prepayments include prepayments for maintenance of aircraft and deposits paid to lessors for leased aircraft. These prepayments and deposits are denominated in USD.

19. Investment in an associate

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Unquoted investments, at cost	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(20,018)
	<u>-</u>	<u>-</u>

The details of the associate is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		30/09/2016 %	31/12/2015 %	
Thai AAX Co., Ltd ("TAAX")	Thailand	49%	49%	Commercial air transport services

The Group has discontinued the recognition of its share of losses incurred by TAAX as the Group's interests had been reduced to zero. The Group's share of loss of TAAX for the current financial quarter, which have not been equity accounted for, amounted to RM2.0 million (30 September 2015: RM21.6 million). As at 30 September 2016, the unrecognised amount of the Group's share of loss of TAAX which have not been equity accounted for amounted to RM41.6 million (30 September 2015: RM39.9 million).



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20. Investment in a joint venture

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Unquoted investments, at cost	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(53,888)
	-	-

The details of the joint venture is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		30/09/2016 %	31/12/2015 %	
PT. Indonesia AirAsia Extra ("IAAX")	Indonesia	49%	49%	Commercial air transport services

The Group has discontinued the recognition of its share of losses incurred by IAAX as the Group's interests had been reduced to zero. The Group's share of loss of IAAX for the current financial quarter, which have not been equity accounted for, amounted to RM7.9 million (30 September 2015: RM 8.5 million). As at 30 September 2016, the unrecognised amount of the Group's share of loss of IAAX which have not been equity accounted for amounted to RM50.8 million (30 September 2015: RM 8.5 million).

21. Receivables and prepayments

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Trade receivables	212,106	115,454
Other receivables	40,617	79,093
Prepayments	73,330	61,541
Deposits	26,688	29,325
	352,741	285,413
Less : Allowance for impairment of receivables	(2,755)	(2,950)
	349,986	282,463



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22. Deposits, cash and bank balances

For the purpose of the statement of cash flows, cash and cash equivalents include the following:

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Cash and bank balances	325,815	252,347
Deposits with licensed banks	41,277	58,442
	367,092	310,789
Deposit pledged as securities	(41,277)	(58,442)
Cash and cash equivalents	325,815	252,347

23. Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

24. Derivative Financial Instruments

The fair value of derivative financial instruments is determined in accordance with MFRS139 "Financial Instruments: Recognition and Measurement", and are measured by level 2 of the fair value measurement hierarchy. As at 30 September 2016, outstanding number of barrels of Brent and fuel derivative contracts was 6,783,394 barrels (2015: 2,377,903 barrels).

25. Trade and other payables

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Trade payables	348,183	401,618
Other payables and accruals	460,438	447,457
	808,621	849,075



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26. Borrowings

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
<u>Current</u>		
Secured:		
- Revolving credit	-	120,120
- Term loans	192,452	199,341
- Hire purchase	16	16
	<u>192,468</u>	<u>319,477</u>
<u>Non-current</u>		
Secured:		
- Term loans	928,079	1,109,577
- Hire purchase	20	33
	<u>928,099</u>	<u>1,109,610</u>
Total borrowings	<u><u>1,120,567</u></u>	<u><u>1,429,087</u></u>

The currency profile of borrowings is as follows:

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Ringgit Malaysia	36	49
US Dollar	1,120,531	1,429,038
	<u><u>1,120,567</u></u>	<u><u>1,429,087</u></u>

The movement of the borrowings during the financial period as follows:-

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
At beginning of financial period	1,429,087	1,579,345
Proceeds from borrowings	-	422,900
Repayment of borrowings	(251,282)	(886,048)
Unrealised foreign exchange (gain)/loss on borrowings	(57,238)	312,890
At end of financial period	<u><u>1,120,567</u></u>	<u><u>1,429,087</u></u>



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27. Other payables and accruals

Other payables and accruals include aircraft maintenance accruals for leased aircraft. These payables and accruals are denominated in USD.

28. Share capital

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
<u>Authorised:</u>		
Ordinary shares of RM0.15 each:		
At beginning/end of financial period/year	1,000,000	1,000,000
<u>Issued and fully paid up:</u>		
Ordinary shares of RM0.15 each:		
At beginning/end of financial period/year	622,222	622,222

29. Profit/(Loss) per share

Basic profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit for the quarter/financial period by the weighted average number of ordinary shares in issue during the quarter/financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/09/2016	Quarter Ended 30/09/2015	Period Ended 30/09/2016	Period Ended 30/09/2015
Net profit/(loss) for the individual quarter/ financial period (RM'000)	11,025	(288,193)	191,533	(547,048)
Weighted average number of ordinary shares in issue ('000)	4,148,148	2,962,963	4,148,148	2,962,962.67
Profit/(loss) per share (sen)	0.3	(9.7)	4.6	(18.5)

Diluted profit/(loss) per share

The diluted profit/(loss) per share of the Group is similar to the basic loss per share as the Group does not have any potential dilutive ordinary shares in issue.

30. Post balance sheet events

There is no material subsequent event noted during the financial period ended 30 June 2016.



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31. Contingent assets and contingent liabilities

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

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

(a) Capital commitments not provided for in the financial statements are as follows:-

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Aircraft purchase	110,072,599	113,906,660

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:-

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Future minimum lease payments	8,567,268	9,607,797
Future minimum sublease receipts	2,412,872	2,715,271



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33. Significant related parties transactions

Details of the relationships and transactions between AirAsia X and its significant related parties are as described below.

<u>Name of companies</u>	<u>Relationship</u>
Thai AirAsia X Co Ltd ("TAAX")	Associate
PT Indonesia AirAsia Extra ("IAAX")	Joint Venture
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint control, and common Directors and shareholders
Caterhamjet Global Ltd ("CJG")	Common Directors and shareholders
Thai AirAsia Co. Ltd ("TAA")	Common Directors and shareholders
PT Indonesia AirAsia ("IAA")	Common Directors and shareholders
Zest Airway Inc. ("AAZ")	Common Directors and shareholders
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Common Directors and shareholders
Tune Insurance Malaysia Berhad ("TIMB")	Common Directors and shareholders
Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd) ("Rokki")	Common Directors and shareholders
AirAsia Global Shared Services Sdn Bhd ("AGSS")	Common Directors and shareholders

These following items have been included in the income statement:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/09/2016 RM'000	Quarter Ended 30/09/2015 RM'000	Period Ended 30/09/2016 RM'000	Period Ended 30/09/2015 RM'000
TAAX				
- Aircraft operating lease income for leased aircraft	83,218	59,723	241,188	124,624
- Net operational services charged to TAAX	2,730	2,050	4,818	5,532
IAAX				
- Aircraft operating lease income for leased aircraft	30,340	25,042	82,636	72,595
- Net operational services charged to IAAX	1,746	1,985	7,560	6,991
AAB				
- Operational service charges	(8,599)	(1,366)	(16,481)	(4,966)
- Brand license fee	(321)	(1,594)	(9,041)	(8,620)
- Charter air travel services	11,341	9,562	46,382	9,562
CJG				
- Charter air travel services	-	-	(2,975)	-
TAA				
- Net operational services charged from/(to) TAA	922	72	1,571	2,292
IAA				
- Net operational services charged to IAA	212	301	1,273	1,245
AAZ				
- Net operational services charged from/(to) AAZ	771	11	3,157	2,136
AACOE				
- Training services	(1,708)	(1,732)	(6,807)	(5,055)
TIMB				
- Commission received/ receivable on travel insurance	973	993	3,706	4,021
- Premium collected on behalf of TIMB on travel insurance	(3,890)	(3,973)	(14,822)	(16,086)
Rokki				
- In-flight entertainment system and software expenses	(567)	(659)	(2,206)	(1,776)
AGSS				
- Provision of shared services	(826)	(641)	(3,795)	(7,596)



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34. Review of performance

3 months ended 30 September 2016 compared to 3 months ended 30 September 2015

During the 3 months ended 30 September 2016 (3Q2016), the Group's revenue had increased by 23.9% from RM793.0 million to RM982.4 million in the comparative 3 months ended 30 September 2015 (3Q2015). The increase in revenue was mainly due to:-

- (i) Scheduled flights revenue (net of refunds) increased by 53.9% from RM396.5 million in 3Q2015 to RM610.2 million in 3Q2016. This was a result of increase in Passengers Carried by 35% from 901,884 passengers in 3Q2015 to 1,216,943 passengers in 3Q2016. This was on the back of 29% increase in seat capacity from 1,209,416 seats in 3Q2015 to 1,560,780 seats in 3Q2016. The resultant load factor was an improvement of 3% from 75% load factor in 3Q2015 to 78% load factor in 3Q2016. Average Base Fare also increased by 14% from RM440 in 3Q2015 to RM501 in 3Q2016.
- (ii) Ancillary revenue increased by 50.1% from RM107.8 million in 3Q2015 to RM161.8 million in 3Q2016. Average Ancillary Revenue per Passenger also increased by 10% from RM122 per passenger in 3Q2015 to RM134 per passenger in 3Q2016.
- (iii) Aircraft Operating Lease Income increased by 34% from RM84.8 million in 3Q2015 to RM113.6 million in 3Q2016 arising from 2 new leased aircraft that increased total leased income aircrafts from 6 aircraft in 3Q2015 to 8 aircraft in 3Q2016.
- (iv) Revenue from Charter flights decreased by 61.4% from RM167.5 million in 3Q2015 to RM64.6 million in 3Q2016 arising from Group's decision to reduce Charter activities.
- (v) Freight and Cargo Revenue increased by 10.2% from RM29.3 million in 3Q2015 to RM32.3 million in 3Q2016, due to higher tonnage transported in the current period.
- (vi) In 3Q2016, the Group did not collect any Fuel Surcharge where RM9.4 million was collected in 3Q2015.

The Group's operating expenses increased by 13% from RM826.5 million in 3Q2015 to RM934.1 million in 3Q2016. The increase was mainly due to:-

- (i) Aircraft Operating Lease expenses increased by 22.3% from RM181.8 million in 3Q2015 to RM222.2 million 3Q2016, due to the increase in number of operating leased aircraft in 3Q2016.
- (ii) Correspondingly from the increase in the total fleet size and depreciation of the Malaysian Ringgit during the comparative periods, Maintenance and Overhaul expenses increased by 60.0% from RM98.9 million in 3Q2015 to RM158.3 million in 3Q2016.
- (iii) Arising from the overall increase in number of sectors flown, the User Charges payable to the airports increased by 36.7% from RM87.9 million in 3Q2015 to RM120.2 million in 3Q2016.
- (iv) Aircraft Fuel expenses remained relatively the same at RM282.5 million in 3Q2015 to RM282.1 million in 3Q2016. Despite the 31% increase in fuel consumption from 851,839 barrels in 3Q15 to 1,117,353 barrels in 3Q16 due to increased number of sectors flown, the decrease in fuel price by 23% from USD82/bbl in 3Q2015 to USD63/bbl in 3Q2016 has effectively lowered overall fuel expenditure.
- (v) Depreciation decreased by 26.0% from RM37.8 million in 3Q2015 to RM27.98 million in 3Q2016 due to no depreciation charged on assets classified as non-current assets held for sale in 4Q15.
- (vi) Other operating expenses decreased 46.5% from RM56.6 million in 3Q2015 to RM30.3 million in 3Q2016 primarily due to foreign exchange gains.

The Group recorded an Operating Profit of RM50.8 million in 3Q2016, an improvement from the Operating Loss recorded in 3Q2015 of RM31.1 million, as attributed by higher revenue and more cost efficiencies.

The Group's Profit Before Taxation (PBT) was RM12 million in 3Q2016, an improvement from the recorded Loss Before Taxation (LBT) of RM291.4 million in 3Q2015. Correspondingly, a taxation expense of RM983k was recorded in 3Q2016, in comparison with the tax credits recorded in 3Q2015 of RM3.2 million.

In the current 3 months ended 30 September 2016, the Group recorded a Profit After Taxation of RM11.0 million as compared to a Loss After Taxation on RM288.2 million for the comparative 3 months ended 30 September 2015.



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34. Review of performance

9 months ended 30 September 2016 compared to 9 months ended 30 September 2015

During the 9 months ended 30 September 2016 (YTD2016), the Group's revenue had increased by 27.7% from RM2.22 billion in the comparative 9 months ended 30 September 2015 (YTD2015) to RM2.84 billion in YTD2016. The increase was mainly due to:-

(i) Scheduled flights revenue (net of refunds) increased by 57.6% from RM1.11 billion in YTD2015 to RM1.75 billion in YTD2016. This was a result of increase in Passengers Carried by 26.1% from 2,620,215 passengers in YTD2015 to 3,304,316 passengers in YTD2016. This was on the back of 16% increase in seat capacity from 3,643,705 seats in YTD2015 to 4,229,186 seats in YTD2016. The resultant load factor was an improvement of 6% from 72% load factor in YTD2015 to 78% load factor in YTD2016. Average Base Fare also increased by 25% from RM424 in YTD2015 to RM530 in YTD2016.

(ii) Ancillary revenue increased by 33.3% from RM339 million in YTD2015 to RM454.6 million in YTD2016. Average Ancillary Revenue per Passenger also increased by 7% from RM129 per passenger in YTD2015 to RM138 per passenger in YTD2016.

(iii) Aircraft Operating Lease Income increased by 64% from RM197.2 million in YTD2015 to RM323.8 million in YTD2016 arising from 2 new leased aircraft that increased total leased income aircrafts from 6 aircraft in YTD2015 to 8 aircraft in YTD2016.

(iv) Revenue from Charter flights decreased by 47% from RM400.2 million in YTD2015 to RM212.1 million in YTD2016 arising from Group's decision to reduce Charter activities.

(v) Freight and Cargo Revenue increased by 8.7% from RM86.5 million in YTD2015 to RM94.0 million in YTD2016, due to higher tonnage transported in the current period.

(vi) In YTD2016, the Group did not collect any Fuel Surcharge where RM92.7 million was collected in YTD2015.

The Group's operating expenses increased by 14.2% from RM2.36 billion in YTD2015 to RM2.69 billion in YTD2016. The increase was mainly due to:-

(i) Aircraft Operating Lease expenses increased by 28.6% from RM498.4 million in YTD2015 to RM641.0 million YTD2016, due to the increase in number of operating leased aircraft in YTD2016 and also the depreciation of the Malaysian Ringgit against the US Dollar from RM3.6793:USD1.00 in YTD2015 to RM4.0819:USD1.00 in YTD2016.

(ii) Correspondingly from the increase in the total fleet size and depreciation of the Malaysian Ringgit during the comparative periods, Maintenance and Overhaul expenses increased by 46.5% from RM334.9 million in YTD2015 to RM490.7 million in YTD2016.

(iii) Arising from the overall increase in number of sectors flown, the User Charges payable to the airports increased by 23.8% from RM265.6 million in YTD2015 to RM328.8 million in YTD2016.

(iv) Aircraft Fuel expenses remained relatively the same at RM775.7 million in YTD2015 to RM760.8 million in YTD2016. Despite the 20.9% increase in fuel consumption from 2,589,308 barrels in YTD2015 to 3,130,027 barrels in YTD2016 due to increased number of sectors flown, the decrease in fuel price by 27% from USD81/bbl in YTD2015 to USD59/bbl in YTD2016 has effectively lowered overall fuel expenditure.

(v) Depreciation decreased by 24% from RM113.8 million in YTD2015 to RM86.0 million in YTD2016 due to no depreciation charged on assets classified as non-current assets held for sale in 4Q15.

(vi) Other operating expenses remains consistent at RM141.5 million in YTD2015, and RM142.0 million in YTD2016.

The Group recorded an Operating Profit of RM175.9 million in YTD2016, an improvement from the Operating Loss recorded in YTD2015 of RM125.1 million, as attributed by higher revenue and higher cost efficiencies.

The Group's Profit Before Taxation (PBT) was RM221.3 million in YTD2016, an improvement from the recorded Loss Before Taxation (LBT) of RM571.1 million in YTD2015. Correspondingly, a taxation expense of RM29.8 million was recorded in YTD2016, in comparison with the tax credits recorded in YTD2015 of RM24.0 million.

In the current 9 months ended 30 September 2016, the Group recorded a Profit After Taxation of RM191.5 million as compared to a Loss After Taxation of RM547.0 million for the comparative 9 months ended 30 September 2015.



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35. Operating profit and Profit/Loss Before Tax ("PBT"/"LBT") performance (quarter ended 30 September 2016 compared to quarter ended 30 June 2016)

The Group recorded an Operating Profit of RM50.8 million in 3Q16, whereas the Operating Profit was lower at RM20.0 million for the quarter ended 30 June 2016 ("2Q16"). This was due to the seasonality in operations, whereby travel demand is generally lower in the second quarter.

The Group recorded a PBT of RM12.0 million in 3Q16, an improvement from the LBT previously recorded in 2Q16 of RM9.2 million.

36. Commentary on prospects

Based on the current forward booking trend, the expected number of passengers to be carried in the fourth quarter remains promising. Forward loads and average fares are trending better than the previous year.

Barring any unforeseen circumstances, including but not limited to terrorist attacks, natural disasters, epidemics, economic downturn, fuel price hike and fluctuation in foreign currencies against the Malaysian Ringgit, the Company expects its prospects to remain positive.

37. Profit forecast

The disclosure requirements for explanatory notes for the variance of actual profit attributable to equity holders of the Company as compared to profit forecasts are not applicable.

38. Corporate proposal

There is no corporate proposal which is announced but not completed as at 15 November 2016, being the latest practicable date of this report.

39. Material litigation

As at 15 November 2016, there was no material litigation taken or threatened against the Company and its subsidiaries.

40. Proposed dividend

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