



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 December 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 fourth quarter ended 31 December 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,170,295	841,138	4,006,534	3,062,553
Operating Expenses					
- Staff costs	11	(123,584)	(84,745)	(369,594)	(315,821)
- Depreciation of property, plant and equipment		(27,558)	(31,021)	(113,531)	(144,807)
- Aircraft fuel expenses		(355,293)	(245,143)	(1,116,110)	(1,020,881)
- Maintenance and overhaul		(137,583)	(161,963)	(628,245)	(496,814)
- User charges		(132,836)	(129,493)	(461,685)	(395,051)
- Aircraft operating lease expenses		(205,043)	(207,707)	(846,004)	(706,058)
- Other operating expenses		(109,321)	4,061	(251,336)	(137,445)
Other income	12	21,031	102,542	56,000	116,881
Operating profit/(loss)		100,108	87,669	276,029	(37,443)
Finance income	13	21,138	17,804	24,775	19,812
Finance costs	13	(20,563)	(30,404)	(49,874)	(84,131)
Net operating profit/(loss)		100,683	75,069	250,930	(101,762)
Foreign exchange (loss)/ gain	13	(93,178)	57,123	(35,489)	(299,562)
Share of results of a joint venture	20	-	-	-	(37,566)
Other (loss)/gain		22,379	(7,585)	35,738	(7,585)
Profit/(loss) before taxation		29,884	124,607	251,179	(446,475)
Taxation					
Current taxation	14	517	-	188	(169)
Deferred taxation	14	8,605	72,825	(20,828)	97,028
		9,122	72,825	(20,640)	96,859
Profit/(loss) for the financial period		39,006	197,432	230,539	(349,616)
Attributable to:					
Equity holders of the Company		39,006	197,432	230,539	(349,616)
Non-controlling Interests		-	-	-	-
		39,006	197,432	230,539	(349,616)
Profit/(loss) per share (sen)					
Basic	29	0.9	5.9	5.6	(10.4)
Diluted	29	0.9	5.9	5.6	(10.4)

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
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the financial period	39,006	197,432	230,539	(349,616)
Other comprehensive income/(loss)				
Cash flow hedges	78,806	(83,767)	214,211	(114,108)
Foreign currency translation differences	38	44	68	231
Total comprehensive income/(loss) for the financial period	117,850	113,709	444,818	(463,493)
Total comprehensive income/(losses) attributable				
To equity holder of the company	117,850	113,709	444,818	(463,493)
Non-controlling interest	-	-	-	-
Total comprehensive income/(loss) for the financial period	117,850	113,709	444,818	(463,493)

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	Audited As At
	Note	31/12/2016 RM'000	31/12/2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,568,493	1,677,613
Deferred tax assets	14	521,993	542,821
Deposits on aircraft purchases	17	136,791	243,601
Other deposits and prepayments	18	1,107,800	903,374
Investment in an associate	19	-	-
Investment in a joint venture	20	-	-
		3,335,077	3,367,409
CURRENT ASSETS			
Inventories		14,151	3,985
Receivables and prepayments	21	273,055	282,463
Amount due from related parties		51,561	30,103
Amount due from a joint venture		112,816	55,570
Amount due from an associate		69,590	26,150
Derivative financial instruments	24	134,735	-
Tax recoverable		1,613	712
Deposits, cash and bank balances	22	422,021	310,789
		1,079,542	709,772
Non-current assets held for sale	23	92,781	105,116
		1,172,323	814,888
CURRENT LIABILITIES			
Sales in advance		715,207	671,510
Derivative financial instruments	24	-	115,215
Trade and other payables	25	875,132	849,075
Amounts due to related parties		25,256	45,668
Borrowings	26	208,238	319,477
		1,823,833	2,000,945
Net Current Liabilities		(651,510)	(1,186,057)
NON-CURRENT LIABILITIES			
Borrowings	26	952,088	1,109,610
Other payables and accruals	27	654,370	439,935
		1,606,458	1,549,545
		1,077,109	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		195	127
Accumulated losses		(628,490)	(859,029)
Other reserves		109,139	(105,556)
Shareholders' equity		1,077,109	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 31/12/2016 RM'000	Period Ended 31/12/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	251,179	(446,475)
Adjustments:		
Property, plant and equipment		
- Depreciation	113,531	144,807
- Gain on disposal	-	(32,541)
- Write-off	27,524	7,752
Impairment of trade and other receivables	11,657	-
Finance cost	40,260	75,076
Discount effect of deposits	9,614	9,055
Interest income	(5,193)	(3,849)
Discounting/accretion of interest on deposits	(19,582)	(15,963)
Fair value (gain)/ loss on derivative financial instruments	(35,738)	(101,886)
Share option expense	484	559
Share of results of a joint venture	-	37,566
Net unrealised foreign exchange (gains)/losses	16,435	255,805
	410,171	(70,094)
Changes in working capital:		
Inventories	(10,166)	(2,623)
Receivables, prepayments and other deposits	(5,266)	(141,004)
Related parties balances	(129,333)	(27,033)
Trade and other payables	75,127	122,407
Sales in advance	43,697	173,655
Cash from/(used in) operations	384,230	55,308
Interest paid	(47,815)	(72,483)
Interest received	5,018	3,745
Tax recovered	-	1,001
Tax paid	(712)	(817)
Net cash generated from/(used in) operating activities	340,721	(13,246)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(20,012)	(37,337)
- Proceeds from disposal	412	-
Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement	-	69,178
Refund/(Placement) of deposits on aircraft purchases	508	265,483
Net cash (used in)/generated from investing activities	(19,092)	297,324
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue with warrants	-	391,111
Proceeds from borrowings	-	392,100
Repayments of borrowings	(212,538)	(890,779)
Deposits pledged as securities	1,145	(6,181)
Net cash (used in)/generated from financing activities	(211,393)	(113,749)
NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD	110,236	170,329
CURRENCY TRANSLATION DIFFERENCES	2,141	7,081
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	252,347	74,937
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	364,724	252,347

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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	-	-	-	-	-	-	-	230,539	230,539	-	230,539
Other comprehensive income/(loss)	-	-	-	-	214,211	-	68	-	214,279	-	214,279
Total comprehensive income/(loss)	-	-	-	-	214,211	-	68	230,539	444,818	-	444,818
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	484	-	-	484	-	484
At 31 December 2016	4,148,148	622,222	911,821	62,222	106,581	2,558	195	(628,490)	1,077,109	-	1,077,109
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	-	-	-	-	-	-	-	(349,616)	(349,616)	-	(349,616)
Other comprehensive income/(loss)	-	-	-	-	(114,108)	-	231	-	(113,877)	-	(113,877)
Total comprehensive income/(loss)	-	-	-	-	(114,108)	-	231	(349,616)	(463,493)	-	(463,493)
Right issue with warrants	1,777,778	266,666	62,223	62,222	-	-	-	-	391,111	-	391,111
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	559	-	-	559	-	559
At 31 December 2015	4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807

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 - 31 December 2016

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 31 December	Oct - Dec 2016	Oct - Dec 2015	Changes Y-O-Y
Seat capacity	1,705,925	1,193,959	43%
Passengers carried	1,383,761	985,739	40%
Load factor	81%	83%	-2%
RPK (millions)	6,858	4,896	40%
ASK (millions)	8,474	5,905	44%
Average passenger fare (RM)	565	587	-4%
Ancillary revenue per passenger (RM)	137	141	-3%
Revenue per ASK (sen)	13.83	14.27	-3%
Revenue per ASK (US¢)	3.20	3.33	-4%
Cost per ASK (sen)	12.88	14.50	-11%
Cost per ASK (US¢)	2.98	3.38	-12%
Cost per ASK (sen) - excluding fuel	8.68	10.34	-16%
Cost per ASK (US¢) - excluding fuel	2.01	2.41	-17%
Aircraft (end of period)	30	27	11%
Average sector length (km)	4,968	4,941	1%
Sectors flown	4,525	3,167	43%
Fuel consumed (Barrels)	1,288,036	866,453	49%
Average fuel price (USD/ Barrel)	64	66	-3%

Exchange Rate : RM/USD - 4.3209 for 4Q16 and 4.2858 for 4Q15

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 - 31 December 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 31 December 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 31 December 2016.

8. Dividend paid

No dividends were declared or approved in the quarter ended 31 December 2016.



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9. Segment reporting

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
North Asia	597,499	450,171	2,049,862	1,483,461
Australasia	426,954	293,933	1,368,063	929,634
Others	145,842	97,034	588,609	649,458
	1,170,295	841,138	4,006,534	3,062,553

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
EBITDAR/ (LBITDAR) ¹				
North Asia	188,357	268,848	665,376	342,210
Australasia	105,449	195,907	339,097	252,646
Others	38,903	(138,358)	231,091	218,566
	332,709	326,397	1,235,564	813,422

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
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Profit Before Tax ("PBT")/(Loss Before Tax) ("LBT")				
North Asia	37,490	242,402	178,751	(297,086)
Australasia	(10,829)	159,230	(16,336)	(126,582)
Others	3,223	(277,025)	88,764	(22,807)
	29,884	124,607	251,179	(446,475)



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10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2016	Quarter ended 31/12/2015	Period Ended 31/12/2016	Period Ended 31/12/2015
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	781,499	578,808	2,532,478	1,689,856
Refunds	1,011	(941)	65	(7,116)
	<u>782,510</u>	<u>577,867</u>	<u>2,532,543</u>	<u>1,682,740</u>
Charter flights	42,640	21,483	254,720	421,662
Fuel surcharge	-	6,120	-	98,861
Freight and cargo	40,896	21,047	134,913	107,508
Ancillary revenue	188,077	137,405	642,715	476,407
Management fee	(138)	420	1,509	1,361
Aircraft operating lease income	116,310	76,796	440,134	274,014
	<u>1,170,295</u>	<u>841,138</u>	<u>4,006,534</u>	<u>3,062,553</u>

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 31/12/2016	Quarter ended 31/12/2015	Period Ended 31/12/2016	Period Ended 31/12/2015
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	115,772	77,821	341,014	289,900
Defined contribution retirement plan	7,192	6,826	27,334	25,362
Share option expense	620	98	1,246	559
	<u>123,584</u>	<u>84,745</u>	<u>369,594</u>	<u>315,821</u>

12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2016	Quarter ended 31/12/2015	Period Ended 31/12/2016	Period Ended 31/12/2015
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	-	25,747	-	32,541
Commission income from insurance	1,852	1,523	6,665	7,095
Others	19,179	75,272	49,335	77,245
	<u>21,031</u>	<u>102,542</u>	<u>56,000</u>	<u>116,881</u>



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13. Finance income/ (costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2016 RM'000	Quarter ended 31/12/2015 RM'000	Period Ended 31/12/2016 RM'000	Period Ended 31/12/2015 RM'000
Finance income:				
Interest income on deposits with licensed banks	1,556	1,841	5,193	3,849
Discounting and accretion of interest on deposits	19,582	15,963	19,582	15,963
	<u>21,138</u>	<u>17,804</u>	<u>24,775</u>	<u>19,812</u>

Finance costs:

Interest expense on bank borrowings	(9,152)	(22,340)	(37,716)	(74,807)
Discounting effect of deposits	(9,614)	(9,055)	(9,614)	(9,055)
Bank facilities and other charges	(1,797)	991	(2,544)	(269)
	<u>(20,563)</u>	<u>(30,404)</u>	<u>(49,874)</u>	<u>(84,131)</u>

Foreign exchange gain/(loss)

Unrealised foreign exchange gain/(loss) on:				
- Borrowings	(94,800)	60,108	(37,562)	(312,890)
- Deposits and bank balances	1,622	(9,463)	2,073	6,850
	<u>(93,178)</u>	<u>50,645</u>	<u>(35,489)</u>	<u>(306,040)</u>
Fair value movement recycled from cash flow hedge reserve and others	-	6,478	-	6,478
Net foreign exchange gain/(loss)	<u>(93,178)</u>	<u>57,123</u>	<u>(35,489)</u>	<u>(299,562)</u>

14. Taxation

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2016 RM'000	Quarter ended 31/12/2015 RM'000	Period Ended 31/12/2016 RM'000	Period Ended 31/12/2015 RM'000
Profit/(loss) before tax	29,884	124,607	251,179	(446,475)
Tax calculated at Malaysian statutory tax rate of 24% (2015: 25%)	7,172	31,152	60,283	(111,619)
Tax effects:				
- Under/ (over) accrual in prior year	(169)	(8,381)	(169)	-
- expenses not deductible for tax purposes	(14,877)	(69,073)	6,700	32,470
- income not subject to tax	(1,248)	(32,388)	(46,174)	(31,145)
- Changes in statutory tax rate	-	(3,527)	-	4,043
- Share of results of an associate and a joint venture	-	9,392	-	9,392
Taxation	<u>(9,122)</u>	<u>(72,825)</u>	<u>20,640</u>	<u>(96,859)</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 31/12/2016 RM'000	As at 31/12/2015 RM'000
Total accumulated gains/(losses) of AirAsia X Berhad and its subsidiaries		
- Realised	(745,407)	(959,339)
- Unrealised	190,823	174,216
	<u>(554,584)</u>	<u>(785,123)</u>
Total share of accumulated losses from associated company		
- Realised	(20,018)	(20,018)
Total share of accumulated losses from joint venture		
- Realised	(53,888)	(53,888)
Total accumulated losses	<u>(628,490)</u>	<u>(859,029)</u>

16. Property, plant and equipment

(a) Acquisition and disposal

During the quarter ended 31 December 2016, the Group acquired property, plant and equipment amounting to RM18.5 million (quarter ended 31 December 2015: RM29k).

During the quarter ended 31 December 2016, proceeds from disposal of property, plant and equipment totalled RM Nil (quarter ended 31 December 2015: RM69 million).

(b) Write-off

During the quarter ended 31 December 2016, the Group wrote-off property, plant and equipment amounting to RM27.5 million (quarter ended 31 December 2015: RM7.75 million).



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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 31/12/2016 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)
	-	-

The details of the associate is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		31/12/2016 %	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 RM4.2 million (31 December 2015: RM4.9 million). As at 31 December 2016, the unrecognised amount of the Group's share of loss of TAAX which have not been equity accounted for amounted to RM45.8 million (31 December 2015: RM44.9 million).



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20. Investment in a joint venture

	As at 31/12/2016 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
		31/12/2016 %	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 RM591k (31 December 2015: RM 7.3 million). As at 31 December 2016, the unrecognised amount of the Group's share of loss of IAAX which have not been equity accounted for amounted to RM51.4 million (31 December 2015: RM 15.7 million).

21. Receivables and prepayments

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Trade receivables	112,757	115,454
Other receivables	73,791	79,093
Prepayments	73,034	61,541
Deposits	28,008	29,325
	287,590	285,413
Less : Allowance for impairment of receivables	(14,535)	(2,950)
	273,055	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 31/12/2016 RM'000	As at 31/12/2015 RM'000
Cash and bank balances	364,724	252,347
Deposits with licensed banks	57,297	58,442
	<u>422,021</u>	<u>310,789</u>
Deposit pledged as securities	(57,297)	(58,442)
Cash and cash equivalents	<u>364,724</u>	<u>252,347</u>

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 31 December 2016, outstanding number of barrels of Brent and fuel derivative contracts was 4,168,538 barrels (2015: 2,377,903 barrels).

25. Trade and other payables

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Trade payables	345,156	401,618
Other payables and accruals	529,976	447,457
	<u>875,132</u>	<u>849,075</u>



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26. Borrowings

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
<u>Current</u>		
Secured:		
- Revolving credit	-	120,120
- Term loans	208,222	199,341
- Hire purchase	16	16
	208,238	319,477
<u>Non-current</u>		
Secured:		
- Term loans	952,068	1,109,577
- Hire purchase	20	33
	952,088	1,109,610
Total borrowings	1,160,326	1,429,087

The currency profile of borrowings is as follows:

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Ringgit Malaysia	36	49
US Dollar	1,160,290	1,429,038
	1,160,326	1,429,087

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

	As at 31/12/2016 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	(306,323)	(886,048)
Unrealised foreign exchange (gain)/loss on borrowings	37,562	312,890
At end of financial period	1,160,326	1,429,087



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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 31/12/2016 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 31/12/2016	Quarter Ended 31/12/2015	Period Ended 31/12/2016	Period Ended 31/12/2015
Net profit/(loss) for the individual quarter/ financial period (RM'000)	39,006	197,432	230,539	(349,616)
Weighted average number of ordinary shares in issue ('000)	4,148,148	3,359,107	4,148,148	3,359,107.00
Profit/(loss) per share (sen)	0.9	5.9	5.6	(10.4)

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 31 December 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 31/12/2016 RM'000	As at 31/12/2015 RM'000
Aircraft purchase	119,092,201	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 31/12/2016 RM'000	As at 31/12/2015 RM'000
Future minimum lease payments	9,013,136	9,607,797
Future minimum sublease receipts	2,531,740	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 ("TAA")	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 31/12/2016 RM'000	Quarter Ended 31/12/2015 RM'000	Period Ended 31/12/2016 RM'000	Period Ended 31/12/2015 RM'000
TAA				
- Aircraft operating lease income for leased aircraft	88,203	54,401	329,402	179,025
- Net operational services charged to TAA	5,552	(3,713)	10,370	1,819
IAAX				
- Aircraft operating lease income for leased aircraft	28,107	22,394	110,732	94,989
- Net operational services charged to IAAX	(4,300)	(4,909)	3,260	2,082
AAB				
- Operational service charges	(26,237)	(2,867)	(42,718)	(7,833)
- Brand license fee	-	90	(9,041)	(8,530)
- Charter air travel services	(12,589)	1,378	33,793	10,940
CJG				
- Charter air travel services	(3,631)	(6,386)	(6,606)	(6,386)
TAA				
- Net operational services charged (from)/to TAA	(1,126)	306	445	2,598
IAA				
- Net operational services charged (from)/to IAA	(2)	4,590	1,271	5,835
AAZ				
- Net operational services charged (from)/to AAZ	627	1,527	3,784	3,663
AACOE				
- Training services	(4,225)	(8,159)	(11,032)	(13,214)
TIMB				
- Commission received/ receivable on travel insurance	214	1,190	3,920	5,211
- Premium collected on behalf of TIMB on travel insurance	(859)	(4,757)	(15,681)	(20,843)
Rokki				
- In-flight entertainment system and software expenses	(1,836)	(760)	(4,042)	(2,536)
AGSS				
- Provision of shared services	(1,331)	5,115	(5,126)	(2,481)



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34. Review of performance

3 months ended 31 December 2016 compared to 3 months ended 31 December 2015

During the 3 months ended 31 December 2016 (4Q2016), the Group's revenue had increased by 39.1% from RM841.1 million to RM1,170.3 million in the comparative 3 months ended 31 December 2015 (4Q2015). The increase in revenue was mainly due to:-

(i) Scheduled flights revenue (net of refunds) increased by 35.4% from RM577.9 million in 4Q2015 to RM782.5 million in 4Q2016. This was a result of increase in Passengers Carried by 40% from 985,739 passengers in 4Q2015 to 1,383,761 passengers in 4Q2016. This was on the back of 43% increase in seat capacity from 1,193,959 seats in 4Q2015 to 1,706,925 seats in 4Q2016. The resultant load factor was a slight drawback of 2% from 83% load factor in 4Q2015 to 81% load factor in 4Q2016. Average Base Fare also decreased slightly by 4% from RM587 in 4Q2015 to RM565 in 4Q2016.

(ii) Ancillary revenue increased by 36.9% from RM137.4 million in 4Q2015 to RM188.1 million in 4Q2016. Average Ancillary Revenue per Passenger also decreased slightly by 3% from RM141 per passenger in 4Q2015 to RM137 per passenger in 4Q2016.

(iii) Aircraft Operating Lease Income increased by 51.5% from RM76.8 million in 4Q2015 to RM116.3 million in 4Q2016 arising from additional leased aircraft.

(iv) Revenue from Charter flights increased by 98.5% from RM21.5 million in 4Q2015 to RM42.6 million in 4Q2016.

(v) Freight and Cargo Revenue increased by 94.3% from RM21.1 million in 4Q2015 to RM40.9 million in 4Q2016, due to higher tonnage transported in the current period, as well as the introduction of RedBox courier services.

The Group's operating expenses increased by 27.5% from RM856.0 million in 4Q2015 to RM1,091.2 million in 4Q2016. The increase was mainly due to:-

(i) Increase in staff costs by 45.8% from RM84.7 million in 4Q2015 to RM123.6 million in 4Q2016. This was due to the increase in service staff headcount due to additional aircraft.

(ii) Increase in aircraft fuel expenses by 44.9% from RM245.1 million in 4Q2015 to RM355.3 million in 4Q2016 due to the 49% increase in fuel consumption from 866,453 barrels in 4Q15 to 1,288,036 barrels in 4Q2016. This was cushioned slightly by the fuel price decrease of 2% from USD66/bbl in 4Q2015 to USD64/bbl in 4Q2016.

(iii) Arising from the overall increase in number of sectors flown, the User Charges payable to the airports increased by 2.6% from RM129.5 million in 4Q2015 to RM132.8 million in 4Q2016.

(iv) Other operating expenses increased from a credit of RM4 million in 4Q2015 to RM109.3 million in 4Q2016 primarily due to foreign exchange gains recognised in 4Q2015. Furthermore, the Group had in 4Q2016 written-off fixed assets of RM27.5 million, and further impaired receivables of RM11.7 million.

Other income reduced from RM102.5 million in 4Q2015 to RM21.0 million in 4Q2016. Other income in 4Q2015 primarily relates to a one-off gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements.

The Group recorded an Operating Profit of RM100.1 million in 4Q2016, a 14.2% improvement from the Operating Profit recorded in 4Q2015 of RM87.7 million, as attributed by higher revenue and more cost efficiencies.

The Group's Profit Before Taxation (PBT) was RM29.9 million in 4Q2016, a reduction from the PBT recorded in 4Q2015 of RM124.6 million. This was mainly due to the unfavourable foreign currency movement in 4Q2016, whereas in contrast, there was a favourable foreign currency movement in 4Q2015.

A taxation credit of RM9.1 million was recorded in 4Q2016, in comparison with the tax credits recorded in 4Q2015 of RM72.8 million.

In the current 3 months ended 31 December 2016, the Group recorded a Profit After Taxation of RM39.0 million as compared to a Profit After Taxation on RM197.4 million for the comparative 3 months ended 31 December 2015.



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34. Review of performance

12 months ended 31 December 2016 compared to 12 months ended 31 December 2015

During the 12 months ended 31 December 2016 (YTD2016), the Group's revenue had increased by 30.8% from RM3.06 billion in the comparative 12 months ended 31 December 2015 (YTD2015) to RM4.01 billion in YTD2016. The increase was mainly due to:-

- (i) Scheduled flights revenue (net of refunds) increased by 50.5% from RM1.68 billion in YTD2015 to RM2.53 billion in YTD2016. This was a result of increase in Passengers Carried by 29.7% from 3,613,537 passengers in YTD2015 to 4,688,077 passengers in YTD2016. This was on the back of 22.4% increase in seat capacity from 4,848,974 seats in YTD2015 to 5,935,111 seats in YTD2016. The resultant load factor was an improvement of 4% from 75% load factor in YTD2015 to 79% load factor in YTD2016. Average Base Fare also increased by 9.5% from RM493 in YTD2015 to RM540 in YTD2016.
- (ii) Ancillary revenue increased by 34.9% from RM476.4 million in YTD2015 to RM642.7 million in YTD2016. Average Ancillary Revenue per Passenger also increased by 5.3% from RM132 per passenger in YTD2015 to RM139 per passenger in YTD2016.
- (iii) Aircraft Operating Lease Income increased by 60.6% from RM274.0 million in YTD2015 to RM440.1 million in YTD2016 arising from additional leased aircraft leased.
- (iv) Revenue from Charter flights decreased by 39.6% from RM421.7 million in YTD2015 to RM254.7 million in YTD2016 arising from Group's decision to reduce Charter activities.
- (v) Freight and Cargo Revenue increased by 25.5% from RM107.5 million in YTD2015 to RM134.9 million in YTD2016, due to higher tonnage transported in the current period.

The Group's operating expenses increased by 17.7% from RM3.22 billion in YTD2015 to RM3.79 billion in YTD2016. The increase was mainly due to:-

- (i) Aircraft Operating Lease expenses increased by 19.8% from RM706.1 million in YTD2015 to RM846.0 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.
- (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 26.5% from RM496.8 million in YTD2015 to RM628.2 million in YTD2016.
- (iii) Arising from the overall increase in number of sectors flown, the User Charges payable to the airports increased by 16.9% from RM395.1 million in YTD2015 to RM461.7 million in YTD2016.
- (iv) Aircraft Fuel expenses remained relatively the same at RM1.02 billion in YTD2015 to RM1.12 billion in YTD2016. Despite the 27.8% increase in fuel consumption from 3,455,760 barrels in YTD2015 to 4,418,063 barrels in YTD2016 due to increased number of sectors flown, the decrease in fuel price by 19.7% from USD76/bbl in YTD2015 to USD61/bbl in YTD2016 has effectively lowered overall fuel expenditure.
- (v) Depreciation decreased by 21.6% from RM144.8 million in YTD2015 to RM113.5 million in YTD2016 due to no depreciation charged on assets classified as non-current assets held for sale.
- (vi) Other operating expenses increased by 82.9% from RM137.4 million in YTD2015 to RM251.3 million in YTD2016, primarily due to foreign exchange gains recognised in 2015. Furthermore, the Group had in YTD2016 written-off fixed assets of RM27.5 million, and further impaired receivables of RM11.7 million.

Other income reduced from RM116.9 million in YTD2015 to RM56.0 million in YTD2016. Other income in 2015 primarily relates to a one-off gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements.

The Group recorded an Operating Profit of RM276.0 million in YTD2016, an improvement from the Operating Loss recorded in YTD2015 of RM37.4 million, as attributed by higher revenue and higher cost efficiencies.

The Group's Profit Before Taxation (PBT) was RM251.2 million in YTD2016, an improvement from the recorded Loss Before Taxation (LBT) of RM446.5 million in YTD2015. Correspondingly, a taxation expense of RM20.6 million was recorded in YTD2016, in comparison with the tax credits recorded in YTD2015 of RM96.9 million.

In the current 12 months ended 31 December 2016, the Group recorded a Profit After Taxation of RM230.5 million as compared to a Loss After Taxation of RM349.6 million for the comparative 12 months ended 31 December 2015.



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35. Operating profit and Profit Before Tax ("PBT") performance (quarter ended 31 December 2016 compared to quarter ended 30 September 2016)

The Group recorded an Operating Profit of RM100.1 million in 4Q16, whereas the Operating Profit was lower at RM50.8 million for the quarter ended 30 September 2016 ("3Q16"). This was due to the seasonality in operations, whereby travel demand is generally highest in the fourth quarter.

The Group recorded a PBT of RM29.9 million in 4Q16, an improvement from the PBT previously recorded in 3Q16 of RM12.0 million.

36. Commentary on prospects

Based on the current forward booking trend, forward loads and average fares are trending better than the previous year.

However, the depreciation of the Malaysian Ringgit remains a key concern as a large portion of the Company's borrowings and operating costs are denominated in US Dollars.

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 February 2017, being the latest practicable date of this report.

39. Material litigation

As at 15 February 2017, 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 31 December 2016.