



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2017

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the fourth quarter ended 31 December 2017.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	9	2,657,444	1,936,769	9,709,721	6,846,085
Operating expenses:					
- Staff costs		(482,403)	(314,032)	(1,607,046)	(1,015,258)
- Depreciation of property, plant and equipment		(222,881)	(192,431)	(918,569)	(710,843)
- Aircraft fuel expenses		(748,212)	(450,797)	(2,821,124)	(1,624,206)
- Maintenance and overhaul		(284,101)	(72,369)	(650,401)	(218,753)
- User charges and other related expenses		(305,675)	(245,473)	(1,265,013)	(801,656)
- Aircraft operating lease expenses		(191,858)	(135,519)	(650,695)	(479,485)
- Other operating expenses		(166,052)	(109,570)	(513,576)	(283,031)
Other income	10	440,275	143,549	799,306	352,703
Operating profit		696,537	560,127	2,082,603	2,065,556
Finance income	27	15,107	50,675	54,965	105,332
Finance costs	27	(161,803)	(126,792)	(551,356)	(593,061)
Net operating profit		549,841	484,010	1,586,212	1,577,827
Share of results of associates	23	20,860	(91,870)	71,707	134,704
Share of results of joint ventures		1,903	6,108	19,923	24,285
Impairment of investment in associates		-	(163,750)	-	(163,750)
Foreign exchange gains/(losses)	27	45,919	(8,621)	195,949	49,149
Mark to market (loss)/gain on derivatives		(37,975)	123,319	(121,408)	82,476
Remeasurement gain on consolidation	11	-	-	214,350	-
Negative goodwill on consolidation		(6,279)	-	121,045	-
Profit before tax		574,269	349,196	2,087,778	1,704,691
Current taxation	28	(40,512)	2,705	(37,286)	(6,394)
Deferred taxation	28	(99,534)	112,828	(458,488)	(79,739)
Net profit for the financial period		434,223	464,729	1,592,004	1,618,558
Attributable to:					
- Owners of the company		372,649	465,319	1,639,649	1,621,659
- Non-controlling interests		61,574	(590)	(47,645)	(3,101)
		434,223	464,729	1,592,004	1,618,558

Basic earnings per share (sen) 11.2 16.7 49.1 58.3
Diluted earnings per share (sen) 11.2 16.7 49.1 58.3

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended Restated
	31-12-2017 RM'000	31-12-2016 RM'000	31-12-2017 RM'000	31-12-2016 RM'000
Net profit for the financial period	434,223	464,729	1,592,004	1,618,558
Other comprehensive income/(loss)				
Available-for-sale financial assets	(37,771)	(39,696)	(55,087)	116,070
Cash flow hedges	(607)	622,908	(178,861)	526,358
Foreign currency translation differences	12,307	29,896	161,672	28,045
Total comprehensive income for the period	408,152	1,077,837	1,519,729	2,289,031
Total comprehensive income/(loss) attributable to:				
Owners of the Company	346,578	1,078,427	1,567,374	2,292,132
Non-controlling interests	61,574	(590)	(47,645)	(3,101)
	408,152	1,077,837	1,519,729	2,289,031



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	YEAR ENDED	YEAR ENDED
	31-12-2017	31-12-2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,087,778	1,704,691
Adjustments:		
Property, plant and equipment		
- Depreciation	918,569	710,843
- Gain on disposals	(61,462)	(104,200)
- Impairment of property, plant and equipment	-	11,659
Amortisation of intangible assets	-	281
Reversal of impairment of trade and other receivables	-	(3,037)
Impairment of investment in associates	-	163,750
Gain on disposal of investment in a joint venture	(167,688)	-
Employee benefit expenses	3,900	-
Remeasurement gain on consolidation	(214,350)	-
Negative goodwill on consolidation	121,045	-
Fair value loss on derivative financial instruments	340,519	125,669
Share of results of joint ventures	(19,923)	(24,285)
Share of results of associates	(71,707)	(134,704)
Net unrealised foreign exchange (gain)/losses	(325,501)	344,715
Interest expense	551,356	593,061
Interest income	(54,965)	(134,923)
	3,107,571	3,253,520
Changes in working capital		
Inventories	(24,368)	(17,714)
Receivables and prepayments	(698,236)	(525,617)
Trade and other payables	846,357	520,684
Intercompany balances	38,723	(423,879)
Cash generated from operations	3,270,047	2,806,994
Interest paid	(444,957)	(558,634)
Interest received	25,050	14,377
Tax paid	(15,166)	(17,960)
Net cash generated from operating activities	2,834,974	2,244,777
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(1,976,655)	(1,216,547)
- Proceeds from disposal	88,045	736,791
Investment in a joint venture	(5,597)	-
Additional investment in available-for-sale financial assets	-	(5,438)
Additional deposits on aircraft purchased	(257,502)	-
Additional subscription of shares in associates	(126,398)	(143,218)
Proceeds from disposal of interest in a joint venture	375,921	-
Repayment of aircraft financing by an associate	-	53,962
Acquisition of subsidiaries, net of cash	123,937	(79,036)
Net cash used in investing activities	(1,778,249)	(653,486)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from issuance of shares	1,006,200	-
Buy-back of shares	-	(160)
Dividends paid	(1,230,434)	(111,315)
Proceeds from borrowings	1,167,130	832,208
Repayment of borrowings	(1,959,627)	(3,154,447)
Net cash used in financing activities	(1,016,731)	(2,433,714)
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR	39,994	(842,423)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,741,573	2,426,696
CURRENCY TRANSLATION DIFFERENCES	100,628	157,300
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR*	1,882,195	1,741,573

* Included within the balance at end of the financial period is an amount RM14.6 million restricted cash pledged as securities for banking facilities



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT	AS AT
		31-12-2017 RM'000	Restated 31-12-2016 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	15	12,247,547	10,826,682
Investment in associates	23	548,558	2,210,587
Investment in a jointly controlled entity		5,596	188,309
Available-for-sale financial assets		305,579	356,605
Intangible assets	31	362,566	121,829
Deferred tax assets		467,042	749,211
Receivables and prepayments	32	1,952,692	1,433,054
Deposits on aircraft purchase		246,956	112,133
Amounts due from associates	33	-	344,861
Derivative financial instruments	34	382,177	867,949
		16,518,713	17,211,220
CURRENT ASSETS			
Inventories		68,234	43,866
Receivables and prepayments	32	1,380,151	1,087,657
Deposits on aircraft purchase		669,229	658,115
Amounts due from joint ventures		4,893	8,952
Amounts due from associates	33	147,710	511,446
Amounts due from related parties		7,875	37,424
Deposits, bank and cash balances		1,882,195	1,741,573
Derivative financial instruments	34	244,116	665,668
Tax recoverable		2,263	19,466
		4,406,666	4,774,167
CURRENT LIABILITIES			
Trade and other payables	35	1,830,703	1,882,183
Sales in advance		984,134	607,735
Derivative financial instruments	34	26,195	448,873
Amounts due to an associates		51,007	3,978
Amounts due to a related parties		88,512	29,999
Borrowings	36	1,953,883	1,945,203
		4,934,434	4,917,971
NET CURRENT LIABILITIES			
		(527,768)	(143,804)
NON CURRENT LIABILITIES			
Trade and other payables	35	2,006,208	1,529,293
Amounts due to an associates		89,687	118,898
Amounts due to a related parties		10,939	9,455
Borrowings	36	7,354,751	8,633,939
Derivative financial instruments	34	70,883	148,052
Provision for retirement benefits		72,207	-
		9,604,675	10,439,637
		6,386,270	6,627,779
CAPITAL AND RESERVES			
Share capital	7	2,515,438	278,297
Share Premium		-	1,230,941
Treasury shares		(160)	(160)
Foreign exchange reserve		208,665	46,993
Retained earnings		5,703,684	4,866,084
Other Reserves		(23,118)	210,830
		8,404,509	6,632,985
Non-controlling interests		(2,018,239)	(5,206)
Total equity		6,386,270	6,627,779
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.91	2.38

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company										
	Issued and fully paid ordinary shares of RM0.10 each		Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000									
At 1 January 2017 (as previously stated)	2,782,974	278,297	1,230,941	46,993	(441,994)	224,440	(160)	5,294,468	6,632,985	(5,206)	6,627,779
Prior year adjustment (Note 38)	-	-	-	-	428,384	-	-	(428,384)	-	-	-
At 1 January 2017 (restated)	2,782,974	278,297	1,230,941	46,993	(13,610)	224,440	(160)	4,866,084	6,632,985	(5,206)	6,627,779
Transactions with owners:											
Issuance of shares	7 559,000	55,900	950,300	-	-	-	-	-	1,006,200	-	1,006,200
Dividends	-	-	-	-	-	-	-	(802,049)	(802,049)	-	(802,049)
Transfer to no-par value regime	-	2,181,241	(2,181,241)	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	1,639,649	1,639,649	(47,645)	1,592,005
Other comprehensive income/(loss)	-	-	-	161,672	(178,861)	(55,087)	-	-	(72,276)	-	(72,276)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(1,965,388)	(1,965,388)
At 31 December 2017	3,341,974	2,515,438	-	208,665	(192,471)	169,353	(160)	5,703,684	8,404,509	(2,018,239)	6,386,270
At 1 January 2016	2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	-	3,355,740	4,452,328	(1,474)	4,450,854
Transactions with owners:											
Dividends	-	-	-	-	-	-	-	(111,315)	(111,315)	-	(111,315)
Net profit for the year (restated)	-	-	-	-	-	-	-	1,621,659	1,621,659	(3,101)	1,618,558
Other comprehensive income (restated)	-	-	-	28,045	526,358	116,070	-	-	670,473	-	670,473
Buy-back of own shares	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	(631)	(631)
At 31 December 2016 (as restated)	2,782,974	278,297	1,230,941	46,993	(13,610)	224,440	(160)	4,866,084	6,632,985	(5,206)	6,627,779

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2017

1. Basis of preparation

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

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

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

- PT Indonesia AirAsia
- AirAsia Inc. Group of companies
 - Philippines AirAsia Inc. – through AirAsia Inc.
- Thai AirAsia Co. Ltd
- AirAsia Japan Co. Ltd
- AirAsia (India) Private Limited

In prior years, the Board determined that the Company only had significant influence over these investees, through the respective Brand Licence Agreements (“BLA”), did not have power over these investees, and had therefore accounted for these investees as associates.

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



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NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2017

1. Basis of preparation (continued)

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

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

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

2. Summary of significant accounting policies

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

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

3. Auditors' report on preceding annual financial statements

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



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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 88% in the quarter under review, which was 1 percentage point higher than the same period last year. Compared against the immediate preceding quarter (third quarter July – September 2017), the load factor has increased 1 percentage point. This seasonal pattern is in line with the expectation of the Group.

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

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

6. Changes in estimates

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

7. Capital and reserves

During the quarter ended 31 March 2017, the Company increased its issued share capital by 559,000,000 new ordinary shares at RM1.80 each. These shares rank pari passu with the existing ordinary shares. The total issued and paid-up share capital of the Company have increased to RM2,515,438,000 comprising 3,341,974,080 ordinary shares.

8. Dividends paid and proposed

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

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

No dividend has been proposed during the quarter ended 31 December 2017.



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9. Revenue

	Quarter ended 31/12/2017 RM million	Quarter ended 31/12/2016 RM million
Passenger seat sales	1,898.8	1,248.3
Baggage fees	246.6	144.2
Aircraft operating lease income	276.0	381.2
Other revenue	236.0	163.1
	2,657.4	1,936.8

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

10. Other Income

	Quarter ended 31/12/2017 RM million	Quarter ended 31/12/2016 RM million
Fees charged for the provision of commercial air transport services	32.5	22.5
Gain on disposal of interest in a joint venture	167.7	-
Charter income	33.0	-
Gain on sales and lease back of aircraft	57.0	22.4
Others	150.1	98.6
	440.3	143.5

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

11. Remeasurement gain on consolidation

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



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12. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in mark-to-market position on effective hedging contracts at 31 December 2017 as compared to 30 September 2017 as follows:

	Quarter ended 31/12/2017 RM million	Quarter ended 30/9/2017 RM million
Fair value gain in the period	(37.8)	(27.4)
Amount transferred to income statement	(0.6)	50.0
	<u>(38.4)</u>	<u>22.6</u>

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

13. Status of corporate proposals announced

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

Further to the announcement dated 29 January 2018, the Company has filed the relevant court papers to obtain the requisite order from the High Court at Shah Alam to approve the proposed Internal Reorganisation. Subsequently, the High Court has fixed 9 March 2018 as the court hearing date for the Company's application for approval of the High Court on the Proposed Internal Reorganisation.

AirAsia Joint Venture in Vietnam

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

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

Further to the announcement dated 29 November 2017, there are no further updates on the status of the Memorandum of Understanding with the Everbright and Henan Government.



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13. Status of corporate proposals announced (continued)

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

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

Proceeds totaling RM1,006.2 million were raised and the status of the utilisation of these proceeds as at 31 December 2017 is set out below:

Purpose	Proposed utilisation RM'mil	Actual utilisation RM'mil	Balance unutilised RM'mil	Intended timeframe for utilisation
Pre-payment of unsecured term loan facilities and repayment of unsecured revolving credit	342.0	(342.0)	-	-
Funding of aircraft, spare engines and other aircraft parts and associated pre-delivery payments	275.0	(232.1)	42.9	Within 6 months
Construction and development of our Group's headquarters	103.8	(103.8)	-	-
General corporate and working capital	284.0	(284.0)	-	-
Estimated expenses for the Proposed Shares Issuances	1.4	(1.4)	-	-
Total	1,006.2	(963.3)	42.9	



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14. Disclosure of Realised and Unrealised Profits

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

	As at 31/12/2017	As at 31/12/2016
	RM'000	Restated RM'000
Total retained profit of AirAsia Berhad and its subsidiaries		
Realised	6,665,213	6,883,363
Unrealised	(495,618)	(1,459,738)
	<hr/> 6,169,595	<hr/> 5,423,625
Total share of accumulated losses from associates		
Realised	(615,557)	(687,264)
Total share of accumulated gains from joint ventures		
Realised	149,646	129,723
	<hr/>	<hr/>
Total group retained profit as per consolidated accounts	5,703,684	4,866,084

15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 31 December 2017, the Group acquired property, plant and equipment with a cost of RM796.7 million (quarter ended 31 December 2016: RM116.8 million).

During the quarter ended 31 December 2017, proceeds from disposal of property, plant and equipment totaled RM88.0 million (quarter ended 31 December 2016: RM137.3 million).

(b) revaluation

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



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15. Property, plant and equipment (continued)

(c) impairment

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

16. Post balance sheet events

On 4 January 2018, the share swap agreement between Ground Team Red Holdings Sdn Bhd (“GTRH”) and SATS Ltd. (“SATS”) was completed, wherein GTRH acquired 80% equity stake in SATS Ground Services Singapore Pte. Ltd in exchange for an 11.4% equity stake in GTRH. In addition to this, the transactions for the Company to sell and transfer 38.6% of its shareholding in GTRH to SATS for a consideration of SGD119,300,000 has been completed on 14 February 2018

17. Changes in composition of the Group

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

18. Contingent assets

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

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

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

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

Capital commitments for property, plant and equipment:

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Approved and contracted for	89,812,952	91,092,265
Approved but not contracted for	38,512	9,801,838
	89,851,464	100,894,103



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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 terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

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



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21. Material related party transactions (continued)

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

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

	Quarter ended 31/12/2017 RM’000	Quarter ended 31/12/2016 RM’000
Thai AirAsia		
Lease rental income on aircraft	128,603	137,759
Indonesia AirAsia		
Lease rental income on aircraft	-*	46,516
Charter income from IAAX	32,970	23,000*
Philippines AirAsia		
Lease rental income on aircraft	-*	31,710
India AirAsia		
Lease rental income on aircraft	46,512	29,363
Japan AirAsia		
Lease rental income on aircraft	8,106	8,614
PT Indonesia AirAsia Extra		
Lease rental income on aircraft	17,288	18,373
Aircraft wet lease charges	-	-
Asian Aviation Centre of Excellence Sdn Bhd		
Training costs charged to AirAsia Berhad	(12,828)	(13,171)

* Effective 1 January 2017, the lease rental income on aircraft have been eliminated at Group consolidation as explained in Note 1 above. Whereas charter income of Indonesia AirAsia from IAAX was not consolidated in 2016



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22. Review of Group performance

The Group revenue and expenses have increased significantly due to the consolidation of IAA and PAA Group in the first quarter of 2017. In order to enable better understanding of the Group performance and movement between 4Q16 and 4Q17 and between the financial year ended 31 December 2016 and 31 December 2017, we have included Proforma Consolidated Income Statement and Key Operating Statistics for 4Q16 and the full year 2016 in the table below for ease of reference. The 4Q16 and the full year 2016 Proforma Income Statement and Key Operating Statistics are prepared based on similar basis as in 4Q17 where both IAA and PAA Group results were consolidated in accordance to MFRS 10.

	ACTUAL	PROFORMA	ACTUAL	PROFORMA
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	2,657,444	2,406,061	9,709,721	8,506,277
Operating expenses:				
- Staff costs	(482,403)	(408,774)	(1,607,046)	(1,348,020)
- Depreciation of property, plant and equipment	(222,881)	(204,996)	(918,569)	(783,750)
- Aircraft fuel expenses	(748,212)	(617,551)	(2,821,124)	(2,287,161)
- Maintenance and overhaul	(284,101)	(129,748)	(650,401)	(435,483)
- User charges and other related expenses	(305,675)	(339,685)	(1,265,013)	(1,168,246)
- Aircraft operating lease expenses	(191,858)	(145,021)	(650,695)	(519,187)
- Other operating expenses	(166,052)	(162,420)	(513,576)	(419,409)
Other income	440,275	140,749	799,306	455,556
Operating profit	696,537	538,615	2,082,603	2,000,577
Finance income	15,107	43,665	54,965	76,752
Finance costs	(161,803)	(135,512)	(551,356)	(615,062)
Net operating profit	549,841	446,768	1,586,212	1,462,267
Share of results of associates	20,860	(8,800)	71,707	61,747
Share of results of joint ventures	1,903	6,108	19,923	24,285
Impairment of investment in associates	-	(163,750)	-	(163,750)
Foreign exchange gains/(losses)	45,919	(160,896)	195,949	(205,026)
Mark to market (loss)/gain on derivatives	(37,975)	144,671	(121,408)	312,119
Remeasurement gain on consolidation	-	-	214,350	-
Negative goodwill on consolidation	(6,279)	-	121,045	-
Profit before tax	574,269	264,101	2,087,778	1,491,642
Current taxation	(40,512)	2,705	(37,286)	(91,619)
Deferred taxation	(99,534)	112,828	(458,488)	(115,035)
Net profit	434,223	379,634	1,592,004	1,284,988



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

	ACTUAL	PROFORMA	Change y-o-y
	Quarter ended	Quarter ended	
	31-12-2017 RM'000	31-12-2016 RM'000	
Passengers Carried	10,440,022	8,925,464	17%
Capacity	11,930,844	10,308,450	16%
Seat Load Factor	88%	87%	1%
RPK (million)	13,429	11,708	15%
ASK (million)	15,610	13,689	14%
Average Fare (RM)	182	195	-7%
Ancillary Income Per Pax (RM)	49	48	2%
Unit Passenger Revenue (RM)	231	243	-5%
Revenue / ASK (sen)	15.46	16.14	-4%
Revenue / ASK (US cents)	3.75	3.91	-4%
Cost / ASK (sen)	13.05	13.17	-1%
Cost / ASK (US cents)	3.16	3.19	-1%
Cost / ASK-ex Fuel (sen)	8.26	8.66	-5%
Cost / ASK-ex Fuel (US cents)	2.00	2.10	-5%
Aircraft (end of period)	123	105	17%
Average Stage Length (km)	1,291	1,298	-1%
Number of Flights	66,164	56,689	17%
Fuel Consumed (Barrels)	2,625,583	2,205,429	19%
Average Fuel Price (US\$ / Barrel)	69	64	8%

Exchange Rate: RM:USD – 4.1266 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference



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KEY OPERATING STATISTICS

Performance indicator for the Group's operations for current year against proforma results in the previous financial year

	ACTUAL	PROFORMA	Change y-o-y
	Year ended	Year ended	
	31-12-2017 RM'000	31-12-2016 RM'000	
Passengers Carried	39,092,972	35,102,261	11%
Capacity	44,435,006	40,507,571	10%
Seat Load Factor	88%	87%	1%
RPK (million)	50,805	45,762	11%
ASK (million)	58,311	53,272	9%
Average Fare (RM)	176	176	0%
Ancillary Income Per Pax (RM)	49	46	6%
Unit Passenger Revenue (RM)	225	222	1%
Revenue / ASK (sen)	15.13	14.69	3%
Revenue / ASK (US cents)	3.53	3.43	3%
Cost / ASK (sen)	13.16	12.69	4%
Cost / ASK (US cents)	3.07	2.96	4%
Cost / ASK-ex Fuel (sen)	8.32	8.40	-1%
Cost / ASK-ex Fuel (US cents)	1.94	1.96	-1%
Aircraft (end of period)	123	105	17%
Average Stage Length (km)	1,290	1,291	0%
Number of Flights	246,162	223,788	10%
Fuel Consumed (Barrels)	9,855,011	8,767,851	12%
Average Fuel Price (US\$ / Barrel)	67	61	10%

Exchange Rate: RM:USD – 4.2812 Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference

Definition and calculation methodology

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



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22. Review of Group performance (continued)

4Q17 Group Performance (with IAA and PAA consolidation) against 4Q16 Proforma Statements

During the quarter, total Group revenue has grown 10% from RM2,406.1 million recorded in 4Q16 to RM2,657.4 million in 4Q17. The growth was attributed to a 17% increase in total passengers carried and a corresponding increase in load factor at 88% in 4Q17 compared to 87% in 4Q16. Average fare has decreased 7% from RM195 in 4Q16 to RM182 in 4Q17, whilst the overall RASK of the Group has decreased 4% to 15.46 sen in 4Q17 against 16.14 sen in 4Q16.

During the quarter, the Group has also delivered an additional 1,622,394 seats as compared to 4Q16, which represent an additional 16% growth in capacity compared to 4Q16. This was achieved on the background of a 17% increase in total fleet size of the Group from 105 aircraft in 4Q16 to 123 aircraft in 4Q17.

RM167.7 million gain from the disposal of interest in a joint venture has been included within other income. The total net operating profits of the Group has increased 23% year-on-year to RM549.8 million from RM446.8 million in 4Q16.

Net profit for the current quarter was 14% higher year-on-year at RM434.2 million and was mainly contributed by growth in the business and the RM167.7 million gain from the disposal of Asian Aviation Centre of Excellence Sdn Bhd, a joint venture company. The gain however was partially offsetted by current and deferred taxation charges of RM140.0 million in the current quarter.

Full year 2017 Group Performance (with IAA and PAA consolidation) against full year Proforma Statements

In the full year 2017, total Group revenue has grown 14% from RM8,506.3 million recorded in the year ended 2016 to RM9,709.7 million in the year ended 2017. The growth was attributed to a 11% increase in the total passengers carried and a corresponding increase in load factor to 88% compared to 87% in the year ended 2016. Average fare remained consistent at RM176 year-on-year, whilst the overall RASK of the Group increased 3% to 15.13 sen in 2017 against 14.69 sen in 2016.

During the current year, the Group has also delivered an additional 3,927,435 seats as compared to 2016, which represent an additional 10% growth in capacity compared to 2016. This was achieved on the background of a 17% increase in total fleet size of the Group from 105 aircraft in 2016 to 123 aircraft in 2017.



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22. Review of Group performance (continued)

RM167.7 million gain from the disposal of interest in a joint venture has been included within other income. The total net operating profits of the Group has increased 8% year-on-year to RM1,586.2 million from RM1,462.3 million in 2016. Net profit for the current financial year was 24% higher year-on-year at RM1,592.0 million.

Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	Oct - Dec 2017	July - Sept 2017
Cash from Operations	1,310,090	605,234
Cash from Investing Activities	(722,309)	(487,252)
Cash from Financing Activities	(921,560)	753
Net Cash Flow	(333,779)	118,735

The Group's cash inflow from operations was RM1,310.1 million, compared to inflow of RM605.2 million in the immediate preceding quarter ended 30 September 2017. Net cash outflow in the quarter amounted to RM333.8 million.

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

Balance Sheet RM million	As at 31/12/2017	As at 31/12/2016
Total borrowings	9,309	10,579
Less: Deposit, cash and bank balances	(1,882)	(1,742)
Net debt	7,426	8,837
Total equity	6,386	6,628
Net gearing ratio (times)	1.16	1.33

The Group's total debt as of end of December 2017 was RM9.3 billion. The Group's net debt after offsetting the cash balances amounted to RM7.4 billion.



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23. Associate Companies – Equity Account

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

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

Quarter Ended: 31 December	Oct - Dec 2017	Oct - Dec 2016	Change y-o-y
Passengers Carried	5,338,938	4,365,223	22%
Capacity	6,034,866	5,351,676	13%
Seat Load Factor	88%	82%	6 ppt
RPK (million)	5,254	4,203	25%
ASK (million)	5,972	5,208	15%
Average Fare (THB)	1,496	1,415	6%
Ancillary Income Per Pax (THB)	324	321	1%
Unit Passenger Revenue (THB)	1,820	1,737	5%
Revenue / ASK (THB)	1.62	1.45	12%
Revenue / ASK (US cents)	4.91	4.40	12%
Cost / ASK (THB)	1.49	1.43	4%
Cost / ASK (US cents)	4.51	4.32	4%
Cost / ASK-ex Fuel (THB)	1.02	1.02	0%
Cost / ASK-ex Fuel (US cents)	3.08	3.09	0%
Aircraft (end of period)	56	51	10%
Average Stage Length (km)	989	973	2%
Number of Flights	33,511	29,720	13%
Fuel Consumed (Barrels)	1,118,833	979,629	14%
Average Fuel Price (US\$ / Barrel)	77	66	17%

Exchange Rate: USD:THB – 33.0 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies – Equity Account (continued)

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

Performance indicator for Thai AirAsia operations for current financial year against the previous year

Year Ended: 31 December	Jan - Dec 2017	Jan - Dec 2016	Change y-o-y
Passengers Carried	19,819,034	17,222,964	15%
Capacity	22,703,958	20,481,756	11%
Seat Load Factor	87%	84%	3 ppt
RPK (million)	19,523	17,285	13%
ASK (million)	22,379	20,629	8%
Average Fare (THB)	1,500	1,565	-4%
Ancillary Income Per Pax (THB)	319	323	-1%
Unit Passenger Revenue (THB)	1,819	1,888	-4%
Revenue / ASK (THB)	1.61	1.57	2%
Revenue / ASK (US cents)	4.73	4.63	2%
Cost / ASK (THB)	1.50	1.41	6%
Cost / ASK (US cents)	4.41	4.16	6%
Cost / ASK-ex Fuel (THB)	1.03	1.01	1%
Cost / ASK-ex Fuel (US cents)	3.02	2.98	1%
Aircraft (end of period)	56	51	10%
Average Stage Length (km)	986	1,007	-2%
Number of Flights	126,083	113,776	11%
Fuel Consumed (Barrels)	4,208,172	3,857,209	9%
Average Fuel Price (US\$ / Barrel)	74	63	17%

Exchange Rate: USD:THB – 34.0 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies – Equity Account (continued)

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

Income Statements for the financial period ended 31 December 2017

Quarter Ended: 31 December THB'000	Oct - Dec 2017	Oct - Dec 2016
Revenue	9,681,861	7,559,375
Operating expenses:		
- Staff costs	(1,708,664)	(1,238,003)
- Depreciation of property, plant and equipment	(383,991)	(308,529)
- Aircraft fuel expenses	(2,829,413)	(2,119,841)
- Maintenance & overhaul	(730,374)	(694,708)
- User charges and other related expenses	(1,493,306)	(1,309,990)
- Aircraft operating lease expenses	(1,214,628)	(1,227,025)
- Other operating expenses	(606,715)	(486,958)
Other income	236,339	55,546
Operating profit	951,109	229,867
Finance income	16,959	29,915
Finance costs	(181,709)	(133,454)
Net operating profit	786,359	126,328
Foreign exchange (loss)/gain	75,982	(144,661)
(Loss)/profit before tax	862,341	(18,333)
Taxation	(32,006)	(10,985)
Deferred taxation	12,772	74,440
Net profit after tax	843,107	45,122
EBITDAR	2,549,728	1,765,421
EBITDAR Margin	26%	23%
EBIT Margin	10%	3%



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23. Associate Companies – Equity Account (continued)

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

Income Statements for the financial year ended 31 December 2017

Year Ended: 31 December THB'000	Jan - Dec 2017	Jan - Dec 2016
Revenue	35,945,659	32,466,057
Operating expenses:		
- Staff costs	(5,470,353)	(4,547,899)
- Depreciation of property, plant and equipment	(1,444,837)	(1,163,417)
- Aircraft fuel expenses	(10,582,510)	(8,257,546)
- Maintenance, overhaul, user charges and	(2,937,948)	(2,907,840)
- User charges and other related expenses	(6,089,602)	(5,395,028)
- Aircraft operating lease expenses	(4,955,281)	(4,874,221)
- Other operating expenses	(2,171,030)	(1,969,667)
Other income	757,226	425,187
Operating profit	3,051,324	3,775,626
Finance Income	55,720	76,213
Finance Costs	(686,765)	(552,523)
Net operating profit	2,420,279	3,299,316
Foreign exchange loss	322,049	(79,506)
Profit before tax	2,742,328	3,219,810
Taxation	(121,201)	(50,574)
Deferred taxation	39,996	204,518
Net profit after tax	2,661,123	3,373,754
EBITDAR	9,451,442	9,813,264
EBITDAR Margin	26%	30%
EBIT Margin	8%	12%



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23. Associate Companies – Equity Account (continued)

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

Balance Sheet

Year Ended: 31 December THB'000	2017	2016
Property, Plant & Equipment	25,449,651	20,363,103
Intangible assets, net	10,425	15,463
Other non current assets	873,797	1,040,698
Inventory	148,801	118,176
Aircraft maintenance reserves	3,728,837	2,665,544
Other Debtors & Prepayments	1,029,771	1,100,006
Amounts due from related parties	307,739	804,788
Cash & Short Term Deposits	6,699,632	6,631,016
Total Assets	38,248,653	32,738,795
Sales In Advance	3,469,876	4,238,146
Other Creditors & Accruals	4,126,886	3,011,170
Amounts Owing to Related Party	301,040	437,469
Deferred tax liabilities	267,435	307,431
Debenture	1,598,006	
Borrowings	3,335,581	1,832,753
Finance lease liabilities	14,527,791	13,622,465
Total Liabilities	27,626,615	23,449,434
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	7,557,696	6,225,019
Total Equity	10,622,038	9,289,361

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

Thai AirAsia recorded revenue of THB9,681.9 million in 4Q17, 28% higher compared to the THB7,559.4 million achieved in 4Q16. The increase in revenue was supported by the increase in the number of passengers carried as capacity rose 13% year-on-year resulting in a 22% increase in the number of passengers carried. Unit passenger revenue increased 5% year-on-year whilst the seat load factor increased six ppt to 88%.



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23. Associate Companies – Equity Account (continued)

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

Thai AirAsia’s operating profit was at THB951.1 million in 4Q17, compared to an operating profit of THB229.9 million in 4Q16. Thai AirAsia’s net profit was at THB843.1 million in 4Q17, compared to a net profit of THB45.1 million in 4Q16. AirAsia Berhad has equity accounted RM47.0 million (RM5.3 million in the quarter ended 31 December 2016) in the current period, as reflected in the income statement.

In the full year 2017, Thai AirAsia recorded a net profit of RM337.2 million of which RM151.7 million is equity accounted in the financial statements of AirAsia Berhad.

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

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

Quarter Ended: 31 December	Oct - Dec 2017	Oct - Dec 2016	Change y-o-y
Passengers Carried	1,416,269	792,132	79%
Capacity	1,657,440	921,960	80%
Seat Load Factor	85%	86%	-1 ppt
RPK (million)	1,419	855	66%
ASK (million)	1,628	990	65%
Average Fare (INR)	3,342	3,068	9%
Ancillary Income Per Pax (INR)	416	355	17%
Unit Passenger Revenue (INR)	3,758	3,424	10%
Revenue / ASK (sen)	318.05	273.23	16%
Revenue / ASK (US cents)	4.94	4.25	16%
Cost / ASK (sen)	309.22	282.31	10%
Cost / ASK (US cents)	4.81	4.39	10%
Cost / ASK-ex Fuel (sen)	183.86	174.33	5%
Cost / ASK-ex Fuel (US cents)	2.86	2.71	5%
Aircraft (end of period)	14	8	75%
Average Stage Length (km)	927	1,001	-7%
Number of Flights	9,208	5,122	80%

Exchange Rate: USD:INR – 64.4 - prior year US cents figures are restated at the current period average exchange rate



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NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2017

23. Associate Companies – Equity Account (continued)

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

Performance indicator for AirAsia India operations for current financial year against the previous financial year

Year Ended: 31 December	Jan - Dec 2017	Jan - Dec 2016	Change y-o-y
Passengers Carried	4,441,148	2,453,468	81%
Capacity	5,097,420	2,836,980	80%
Seat Load Factor	87%	86%	1 ppt
RPK (million)	4,627	2,924	58%
ASK (million)	5,226	3,365	55%
Average Fare (RM)	3,161	2,991	6%
Ancillary Income Per Pax (RM)	408	377	8%
Unit Passenger Revenue (RM)	3,569	3,368	6%
Revenue / ASK (sen)	294.07	245.47	20%
Revenue / ASK (US cents)	4.53	3.78	20%
Cost / ASK (sen)	309.57	287.55	8%
Cost / ASK (US cents)	4.77	4.43	8%
Cost / ASK-ex Fuel (sen)	194.11	179.27	8%
Cost / ASK-ex Fuel (US cents)	2.99	2.76	8%
Aircraft (end of period)	14	8	75%
Average Stage Length (km)	963	1,099	-12%
Number of Flights	28,319	15,761	80%

Exchange Rate: USD:INR – 64.9 - prior year US cents figures are restated at the current period average exchange rate



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23. Associate Companies – Equity Account (continued)

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

Income Statements for the financial period ended 31 December 2017

Quarter Ended: 31 December INR'000	Oct - Dec 2017	Oct - Dec 2016
Revenue	5,177,886	2,703,589
Operating expenses:		
- Staff costs	(718,919)	(470,823)
- Depreciation of property, plant and equipment	(23,676)	(15,237)
- Aircraft fuel expenses	(2,040,936)	(1,068,534)
- Maintenance and overhaul	(685,353)	(292,546)
- User charges and other related expenses	(748,157)	(380,730)
- Aircraft operating lease expenses	(744,134)	(458,920)
- Other operating expenses	(222,732)	(168,843)
Other income	146,721	49,634
Operating profit /(loss)	140,700	(102,410)
Finance Income	7,248	17,296
Finance Costs	(4,253)	(4,810)
Net operating profit /(loss)	143,695	(89,924)
Foreign exchange losses	(11,328)	(62,809)
Profit/(loss) before tax	132,367	(152,733)
Taxation	-	-
Net profit/(loss) after tax	132,367	(152,733)
EBITDAR	908,510	371,748
EBITDAR Margin	18%	14%
EBIT Margin	3%	-4%



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23. Associate Companies – Equity Account (continued)

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

Income Statements for the financial year ended 31 December 2017

Year Ended: 31 December INR'000	Jan - Dec 2017	Jan - Dec 2016
Revenue	15,368,970	8,260,009
Operating expenses:		
- Staff costs	(2,748,638)	(1,588,274)
- Depreciation of property, plant and equipment	(103,709)	(91,754)
- Aircraft fuel expenses	(6,034,381)	(3,643,581)
- Maintenance and overhaul	(1,954,027)	(1,018,295)
- User charges and other related expenses	(2,354,755)	(1,200,273)
- Aircraft operating lease expenses	(2,408,265)	(1,620,315)
- Other operating expenses	(1,055,247)	(669,895)
Other income	478,387	161,783
Operating loss	(811,665)	(1,410,595)
Finance income	51,315	41,175
Finance costs	(50,238)	(46,336)
Net operating loss	(810,588)	(1,415,756)
Foreign exchange gain/(loss)	108,598	(30,895)
Loss before tax	(701,990)	(1,446,651)
Current taxation	-	-
Net loss after tax	(701,990)	(1,446,651)
EBITDAR	1,700,309	301,474
EBITDAR Margin	11%	4%
EBIT Margin	-5%	-17%



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23. Associate Companies – Equity Account (continued)

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

Balance Sheet

Year Ended: 31 December	Dec 2017	Dec 2016
INR'000		
Property, Plant & Equipment	598,693	375,110
Inventory	130,497	70,357
Amount due from related parties	114,769	136,227
Other Debtors & Prepayments	1,275,173	672,591
Cash & Short Term Deposits	1,746,032	3,481,604
Total Assets	3,865,164	4,735,888
Sales In Advance	1,095,480	682,496
Other Creditors & Accruals	1,908,467	2,418,237
Amounts Owing to Related Party	1,653,957	1,775,266
Long Term Liabilities	71,571	22,211
Total Liabilities	4,729,476	4,898,211
Share Capital	4,266,500	4,266,500
Retained Earnings	(5,130,812)	(4,428,823)
Total Equity	(864,312)	(162,323)

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 INR5,178 million in 4Q17, 92% higher compared to a revenue of INR2,703.6 million in 4Q16. The number of passengers carried increased 79% with a unit passenger revenue of INR3,758. Ancillary income per passenger was at INR416 while the seat load factor was at 85%.



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23. Associate Companies – Equity Account (continued)

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

AirAsia India recorded a net profit of INR132.4 million (quarter ended 31 December 2016: net loss of INR152.7 million) in the quarter under review out of which RM nil (quarter ended 31 December 2016: net loss of RM5.3 million) is equity accounted in the AirAsia Berhad income statement as the Group’s interest in AirAsia India has been reduced to zero. In accordance with MFRS128, any profits will only be recognized when a total of RM18.4 million of unrecognized losses have been reversed. In the full year 2017, AirAsia India recorded a net loss of RM46.2 million of which RM4.2 million is equity accounted in the financial statements of AirAsia Berhad.

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

AirAsia Japan is an associate company which is incorporated in Japan. On 14 April 2017, AAIL, a wholly owned subsidiary of AirAsia Berhad subscribed to 13,999,999 shares for a cash consideration of JPY980.0 million (equivalent to RM38.3 million) and on 16 October 2017, AAIL subscribed to 33,501,194 shares for a cash consideration of JPY2,345.1 million (equivalent to RM88.1 million). The Group’s equity interest in AirAsia Japan has increased from 49% to 56.9%. AirAsia Japan officially started operations on 29 October 2017. AirAsia Japan recorded a net loss of RM55.2 million (quarter ended 31 December 2016: RM42.8 million) in the quarter under review of which RM35.3 million (quarter ended 31 December 2016: RM20.9 million) is equity accounted in the financial statements of AirAsia Berhad. In the full year 2017, AirAsia Japan recorded a net loss of RM179.7 million of which RM93.8 million is equity accounted in the financial statements of AirAsia Berhad.

24. Variation of results against preceding quarter

The Group had a net profit of RM434.2 million for the quarter under review. This is RM0.1 million lower compared to the net profit of RM434.3 million in the immediately preceding quarter ended 30 September 2017.



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25. Commentary on prospects

The Group is projected to achieve an average load factor of 87% in the first quarter of 2018 based on the existing forward booking trend of MAA, IAA and PAA.

In order to better serve the growing demand in the region, the Group is also planning for a net increase of additional 5 aircraft through operating leases in the first quarter of 2018.

For the first quarter of 2018, despite the volcanic eruption of Mt. Sinabung in Indonesia, we remain optimistic as strong demand continue to be observed across most sectors and forward booking remain strong.

In Thailand, load factor in the first quarter of 2018 is forecast to be 88% based on existing forward booking trend. TAA will focus on leveraging on the existing strength of AirAsia network and strengthening its marketing activities on China and India routes in the remaining quarters of 2018.

In India, the forecast load factor for the first quarter of 2018 is at 87%. AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

In Japan, AirAsia Japan has commenced first commercial flight from Nagoya to Chitose on 29 October 2017. The load factor for the first quarter of 2018 is forecast to be 68%. AirAsia Japan will focus on building footprint in the domestic market and connecting to the Group's existing network within the region.

Barring any unforeseen circumstances, the Board remains positive that the overall results of the Group in 2018 may be better than 2017.

26. Profit forecast

No profit forecast has been issued.



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27. Finance income/(costs) and foreign exchange gain/(losses)

All figures in RM'000	Group			
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/17	31/12/16	31/12/17	Restated 31/12/16
(a) Finance income				
Interest income from:	-	7,570	-	29,694
- amounts due from associates				
- deposits with licensed banks	2,807	277	22,267	14,377
Discounting effect on financial instruments and others	12,300	42,828	32,698	61,261
	15,107	50,675	54,965	105,332
(b) Finance costs				
Bank borrowings	(112,713)	(120,641)	(487,620)	(558,634)
Amortisation of premiums for interest rate caps	(4,267)	(2,442)	(17,353)	(9,420)
Discounting effect on financial instruments, bank facilities and other charges	(44,823)	(3,709)	(46,383)	(25,007)
	(161,803)	(126,792)	(551,356)	(593,061)
(c) Foreign exchange gains/(losses)				
- realized	(1,615)	404,030	45,113	367,602
- unrealized	110,830	(527,679)	325,501	(147,653)
- fair value movement recycled from cash flow hedge reserve	(63,296)	115,028	(174,665)	(170,800)
	45,919	(8,621)	195,949	49,149

28. Income tax and Deferred tax

Income tax expense

The current taxation charge of RM40.5 million comprises tax payable on interest income for the Company and corporate income taxes for the subsidiaries.



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Deferred taxation

RM99.5 million deferred tax liabilities arose in the current financial period. The deferred tax liabilities increased as the difference between the net book value and tax written down value of property, plant and equipment increased in the period. The deferred tax assets reduced as capital allowances were utilized in combination with the Investment Allowances granted.

29. Unquoted investments and properties

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

30. Quoted investments and properties

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

31. Intangible assets

Arising from the consolidation of the associates as stated in Note 1 above, the Group recognised intangible assets amounting to RM235.5 million. Under MFRS 3, Business Combinations, the initial recognition on business combination is measured at fair value of net identifiable assets and liabilities. The Group is currently undertaking a purchase price allocation which shall be completed within one year from the deemed acquisition date.

32. Receivables and prepayments

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Prepayments	1,547,551	1,100,731
Deposits and other receivables	405,141	332,323
	1,952,692	1,433,054
<u>Current:</u>		
Trade and other receivables	565,259	436,624
Prepayments	679,987	615,899
Deposits	134,905	35,134
	1,380,151	1,087,657

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



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33. Amounts due from associates

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Aircraft financing	-	344,861
<u>Current:</u>		
Aircraft financing	-	93,859
Others	147,710	417,587
	<u>147,710</u>	<u>511,446</u>

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

34. Derivative financial instruments

The fair value of derivative financial instruments is determined in accordance with MFRS139 “Financial Instruments: Recognition and Measurement”

(i) Forward Foreign Exchange Contracts

As at 31 December 2017, the Group has hedged approximately 46% of the USD dollar liabilities of its aircraft into Malaysian Ringgit (“MYR”) via Cross-Currency Swaps and Foreign Currency Swaps for aircraft deployed in Malaysia.

(ii) Interest Rate Hedging

As at 31 December 2017, the Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivery from 2005 to 2017.



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34. Derivative financial instruments (continued)

(i) Fuel Hedging

As at 31 December 2017, the Group has entered into Brent swaps which represents up to 13% for H1 2018.

Type of derivatives	Notional Value as at 31/12/2017	Fair Value as at 31/12/2017 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	0.77	50.91
- 1 year to 3 years	-	-
Total	0.77	50.91
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	232.92	(5.81)
- 1 year to 3 years	911.11	(35.61)
- more than 3 years	2,347.95	(40.81)
Total	3,491.98	(82.23)
	RM (million)	RM (million)
(iii) Foreign currency contracts		
- less than 1 year	430.46	79.11
- 1 year to 3 years	365.09	98.78
- more than 3 years	1,062.07	295.12
Total	1,857.62	473.01

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



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35. Trade and other payables

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Aircraft maintenance provision	552,807	413,195
Trade and other payables	1,453,401	1,116,098
	<u>2,006,208</u>	<u>1,529,293</u>
<u>Current:</u>		
Trade payables	276,650	377,128
Accrual for fuel	144,369	112,300
Collateral for derivatives	139,406	355,040
Other payables and accruals	1,270,278	1,037,715
	<u>1,830,703</u>	<u>1,882,183</u>

Other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

36. Borrowings and debt securities

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
<u>Short term:</u>		
Secured	1,508,932	1,444,203
Unsecured	444,951	501,000
<u>Long term:</u>		
Secured	7,354,751	8,633,939
Total Debt	<u>9,308,634</u>	<u>10,579,142</u>



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36. Borrowings and debt securities (continued)

The currency profile of borrowings is as follows:

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Ringgit Malaysia	734,671	1,059,435
US Dollar	8,149,124	9,135,546
Euro	140,666	179,853
Singapore Dollar	182,734	204,308
Philippine Peso	101,439	-
	<u>9,308,634</u>	<u>10,579,142</u>

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

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

Total borrowings include secured liabilities of the Group of RM8.9 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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37. Fair value estimation (continued)

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

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

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	286	-	286
Derivatives used for hedging	-	340	-	340
Available-for-sale financial assets				
- Equity securities	301	-	5	306
Total Assets	301	626	5	932
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	82	-	82
Derivatives used for hedging	-	15	-	15
Total Liabilities	-	97	-	97
31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	425	-	425
Derivatives used for hedging	-	1,108	-	1,108
Available-for-sale financial assets				
- Equity securities	351	-	6	357
Total Assets	351	1,533	6	1,890
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	147	-	147
Derivatives used for hedging	-	449	-	449
Total Liabilities	-	596	-	596



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37. Fair value estimation (continued)

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

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

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



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38. Prior year adjustments

During the financial period, the Group reviewed the internal process at arriving to the cash flow hedge reserves balance and identified accounting error in the cash flow hedge reserves, foreign exchanges losses and the retained earnings in 2016. However, the prior year adjustment did not has any impact on the shareholders' funds as at 31 December 2016.

Financial year ended 31 December 2016
Consolidated statement of comprehensive income

	Foreign exchange gain/(losses) RM'000	Cash flow hedge reserves RM'000
As previously stated for the year ended 31 December 2016	477,533	97,974
Cash flow hedge reserves	(428,384)	428,384
	49,149	526,358

Financial year ended 31 December 2016
Consolidated statement of financial position

	Retained earnings RM'000	Cash flow hedge reserves RM'000
As previously stated for the year ended 31 December 2016	5,294,468	(441,994)
Cash flow hedge reserves	(428,384)	428,384
	4,866,084	(13,610)

39. Material litigation

As at 27 February 2018, there was no material litigation against the Group.



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40. Earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended Restated
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net profit attributable to owners of the Company (RM'000)	372,649	465,319	1,639,649	1,621,659
Weighted average number of ordinary shares in issue ('000)	3,341,974	2,782,874	3,341,974	2,782,874
Basic and diluted earnings per share (sen)	11.2	16.7	49.1	58.3

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



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41. Comparatives

Comparatives included in this report does not consolidate results from PT Indonesia AirAsia and AirAisa Inc. Group as the condition in MFRS 10 Consolidated Financial Statement was only satisfied with effect from 1 January 2017. The financial performance of these two investees were equity accounted for under MFRS 128 Investment in Associates and Joint Ventures and included in the comparatives above.

42. Authorisation for issue

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
27 FEBRUARY 2018