



What does your perfect partnership look like?

Ours looks like this.

CAE has been AirAsia's pilot training partner of choice since 2004. But our relationship is a merging of far more than just business savvy, entrepreneurial excellence, cutting edge innovation and industry-leading ideas. Together, we've consistently created new possibilities and pathways in flight training, setting standards admired and envied the world over.

AirAsia and CAE—we're passionate people, proud partners and a whole lot more.

Your worldwide
training partner
of choice



KEEPING YOU FLYING SAFELY IS OUR BUSINESS

At ST Aerospace, we are committed to providing you with the most advanced aircraft maintenance and repair services that ensure your aircraft is always safe and ready to fly. Our experienced technicians, supported by our state-of-the-art facilities, ensure that your aircraft is always flying safely and reliably. We are committed to keeping you flying safely.



ST Aerospace is a leading provider of aircraft maintenance and repair services.



ST Aerospace

10000 Airport Blvd, Suite 1000, Dallas, TX 75243

The background of the image is a complex, futuristic digital environment. It features a dark blue color palette with numerous glowing, light blue lines and points of light that create a sense of depth and movement. The lines appear to be part of a grid or a network, possibly representing data flow or a virtual space. A bright, horizontal light source is visible in the middle ground, casting a glow across the scene. The overall aesthetic is high-tech and modern.

PERFORMANCE REVIEW



Five-Year Financial Highlights	73
Five-Year Financial & Operating Highlights	74
Share Performance 2017/Market Capitalisation	76

THE WORLD'S **BEST** JUST GOT BETTER

AirAsia bagged another Skytrax World's Best Low-Cost Airline award in 2017



FIVE-YEAR FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016 Restated	2017 ¹
INCOME STATEMENT (RM Million)					
Revenue	5,112	5,416	6,298	6,846	9,710
Net total expenses	4,249	4,590	4,702	4,780	7,549
Operating profit	863	826	1,596	2,066	2,161
Profit before taxation	361	23	215	1,705	2,088
Taxation	1	60	326	-86	-516
Net Profit	362	83	541	1,619	1,571
BALANCE SHEET (RM Million)					
Deposits, cash and bank balances	1,380	1,338	2,427	1,742	1,882
Total assets	17,856	20,664	21,316	21,986	21,674
Net debt (Total debt - Total Cash)	8,790	11,390	10,186	8,838	7,426
Shareholders' equity	5,001	4,555	4,451	6,628	6,710
CASH FLOW STATEMENTS (RM Million)					
Cash flow from operating activities	961	302	2,204	2,167	1,914
Cash flow from investing activities	-2,346	-2,154	-103	-642	-1,345
Cash flow from financing activities	509	1,779	-1,303	-2,433	-478
Net Cash Flow	-876	-73	798	-908	91
FINANCIAL PERFORMANCE (%)					
Return on total assets	2	0.4	2.5	7.4	7.3
Return on shareholders' equity	7.2	1.8	12.2	24.4	23.4
R.O.C.E. (EBIT/(Net Debt + Equity))	6.3	5.2	10.9	13.4	15.3
Operating profit margin	16.9	15.3	25.3	30.2	22.3
Net profit margin	7.1	1.5	8.6	23.6	16.2
OPERATING STATISTICS					
Passengers carried	21,853,036	22,138,796	24,254,506	26,410,922	39,092,972
Capacity	27,307,980	28,073,160	30,079,666	30,282,671	44,435,006
Load factor (%)	80	79	81	87	88
RPK (million)	26,607	27,274	30,006	34,676	50,805
ASK (million)	33,401	34,590	37,408	40,086	58,311
Aircraft utilisation (hours per day)	12.1	12.3	12.4	12.4	12.6
Average fare (RM)	166	165	157	167	176
Revenue per ASK (sen)	14.08	13.36	14.2	14.19	15.13
Cost per ASK (sen)	12.85	12.76	12.21	11.27	13.13
Cost per ASK - excluding fuel (sen)	5.84	6.24	6.86	7.22	8.29
Revenue per ASK (USc)	4.44	4.07	3.6	3.43	3.53
Cost per ASK (USc)	4.05	3.89	3.1	2.72	3.07
Cost per ASK - excluding fuel (USc)	1.84	1.9	1.74	1.74	1.94
Number of stages	151,709	155,962	167,002	166,983	246,162
Average stage length (km)	1,144	1,217	1,247	1,316	1,290
Size of fleet at year end (AirAsia Berhad)	72	81	80	77	116
Size of fleet at year end (Group)	154	172	171	174	205
Number of employees at year end	6,089	6,304	6,636	7,615	12,404
Percentage revenue via internet (%)	85	84	70	72	70
RM-USD average exchange rate	3.17	3.28	3.94	4.14	4.28

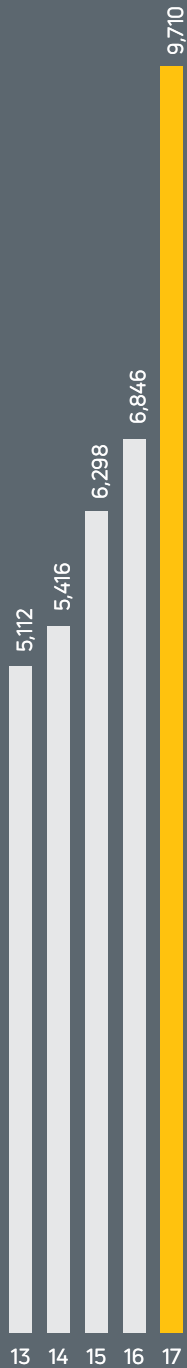
NOTE:

- In 2017, AirAsia Berhad's financials and key operating statistics comprise the consolidated AOCs, namely AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines

FIVE-YEAR FINANCIAL & OPERATING HIGHLIGHTS

REVENUE

RM million



OPERATING PROFIT

RM million



TOTAL ASSETS

RM million



SHAREHOLDERS' EQUITY

RM million



DEPOSITS, CASH AND BANK BALANCES

RM million



REVENUE PER ASK
sen



COST PER ASK
sen



PASSENGERS CARRIED
pax

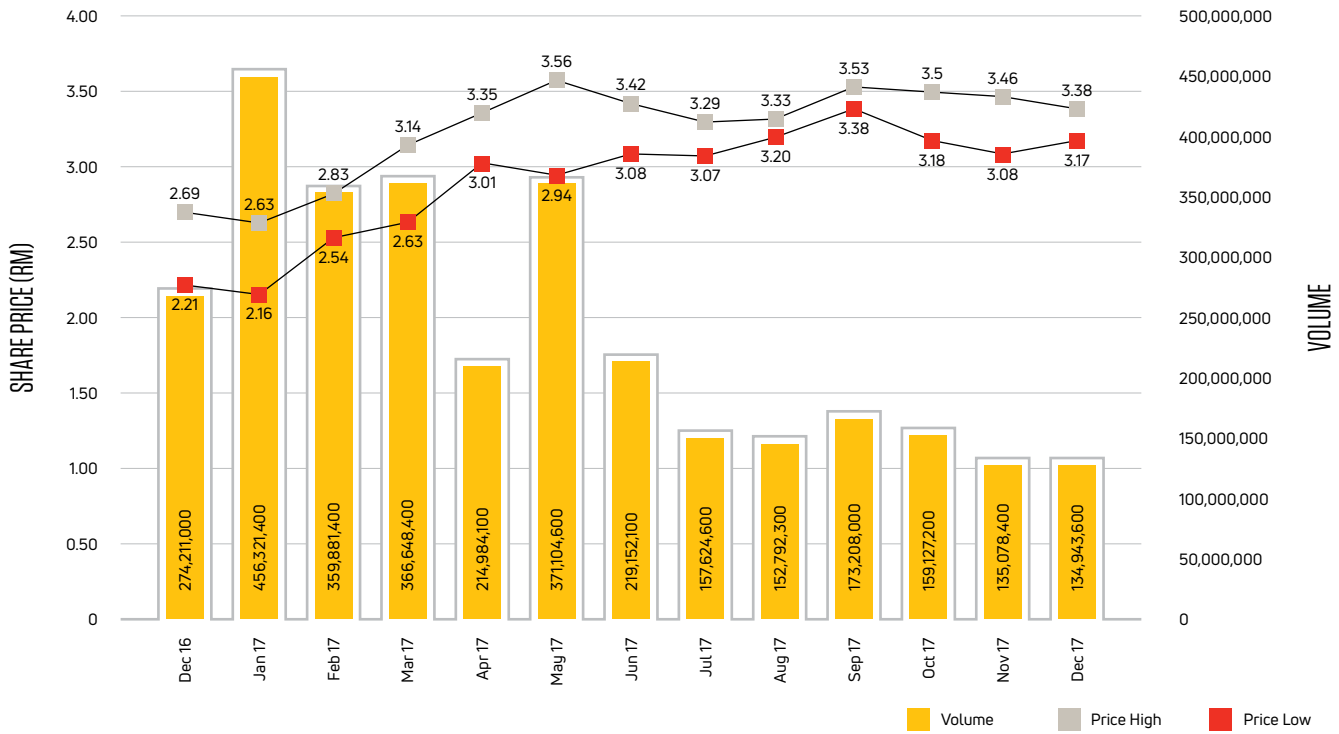


SIZE OF FLEET
AirAsia Berhad¹

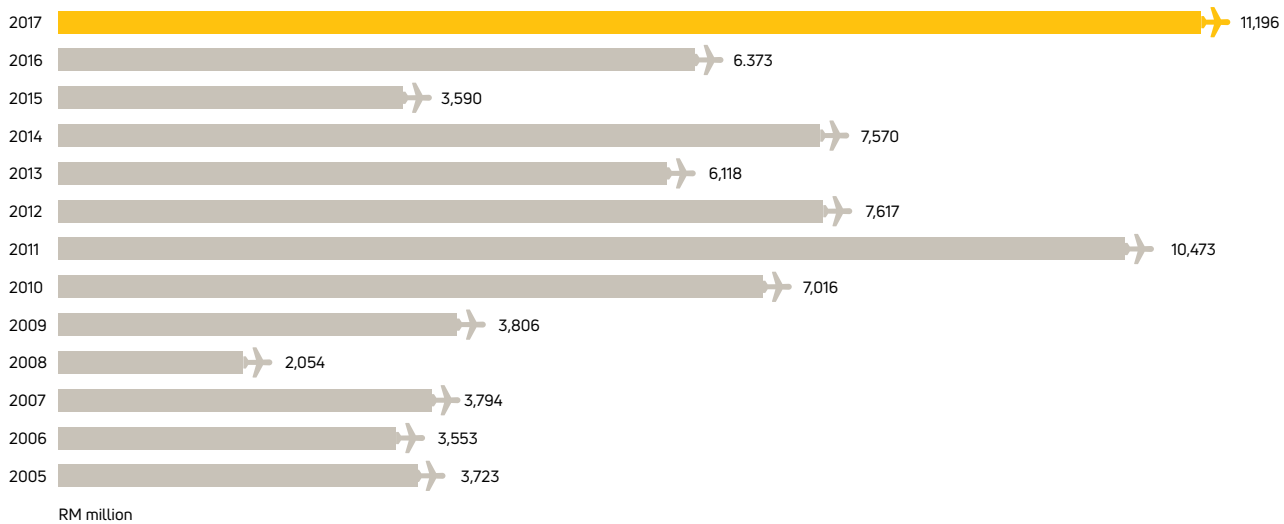


¹ AirAsia Berhad refers to AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines

SHARE PERFORMANCE 2017



MARKET CAPITALISATION AS AT 31 DECEMBER 2017



World Travel Awards 2017

**WORLD'S LEADING
LOW-COST
AIRLINE
CABIN CREW
AT YOUR SERVICE**



Step inside a travel experience like no other.



Transform the way you travel with a card that lets you earn AirMiles faster than ever while offering you comfort between trips, along with exclusive merchant offers across the region. Enjoy these privileges and more with the WorldMiles World Mastercard® credit card.

Faster way to earn AirMiles

- Earn 3 WorldMiles for every RM2 overseas spend,
 - Earn 1 WorldMiles for every RM3 local spend
- And convert them to your preferred frequent flyer programme

Unlimited Plaza Premium Lounge access¹

Complimentary access to Plaza Premium Lounge in KLIA and klia2

Complimentary airport ride transfer²

Get up to RM80 cashback on your Airport Limousine or KLIA Ekspres ride home, with minimum 3x overseas transactions

Travel & lifestyle offers

Enjoy merchant offers from over 4,000 spots across the region

Don't have a WorldMiles card yet? **SMS CARDS to 66399, apply online or call us at 1300 888 888 today.**



sc.com/my

Here for good

Terms and Conditions Excerpts

¹The complimentary access to Plaza Premium International Lounges in KLIA & klia2 is only open to valid principal WorldMiles Cardholders. Accompanying guest(s) will enjoy a discount of 20% off the Plaza Premium Lounges' published rates. ²The Airport Limousine & KLIA Ekspres (ERL) Rides Cash Rebate of up to RM80 is applicable to all principal WorldMiles Cardholders, and must be charged to the cardholder's WorldMiles Credit Card. To qualify for the rebate, cardholder must perform minimum 3 times retail transactions overseas in foreign currency with the WorldMiles Credit Card in the past 30 days, subject to maximum of one (1) cash rebate per calendar month. Please visit sc.com/my for full Terms and Conditions.

TOGETHER WE PROGRESS

Being your trusted partner
Delivering simple, fast and seamless experiences
Providing solutions that help achieve your goals
Nurturing future generations



We are a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationship built with our stakeholders.

www.rhbgroup.com

RHB Group    

RHB Bank Berhad (6171-M)

TOGETHER WE PROGRESS



Go after the things you truly want. Because life is what you make of it.

Reaching your goals won't always be easy. But it's about the experiences you gain and the lessons you learn along the way. Every step forward moves you closer to achieving your dreams. And to help you get there with ease, CIMB is here to support you with our simple and effective banking solutions.

So go on and listen to your heart, even if your head sings a different tune.

FORWARD  **Your Dreams**





@afiklmem

themrolab.com



The MRO Lab[®]

Adaptive Innovations

As an Airline MRO, Air France Industries KLM Engineering & Maintenance has developed a unique portfolio of know-how and engineering capabilities reflected in its development of a wide range of value-adding innovations.

"The MRO Lab" is the program where all the innovations developed by AFI KLM E&M and its network of affiliates converge. Specially tailored to the challenges of aircraft maintenance, the innovations are the fruit of continuous development aimed at satisfying the requirements of airline operating performance.

The know-how deriving from mastery of these technologies benefits AFI KLM E&M clients by generating scale effects and optimizing fleet performance.

AIRFRANCE / **INDUSTRIES**

KLM
Engineering &
Maintenance

A D A P T I V E N E S S[®]



“Believe in yourself
and make it
happen.”

Tanus Kertsombut (Thai)

Then Ground Staff

Now Business Development Manager





PERSPECTIVE

Management Discussion & Analysis..... 86

MANAGEMENT DISCUSSION & ANALYSIS



2017 WAS YET ANOTHER PHENOMENAL YEAR. WE TOOK DELIVERY OF 29 AIRCRAFT - A RECORD FOR THE LAST FOUR YEARS; EXPANDED THE ROUTE NETWORK OF EACH COUNTRY'S OPERATIONS; SAW OUR FIRST FLIGHT IN JAPAN TAKE TO THE SKIES WHILE LAYING THE GROUNDWORK TO START UP IN VIETNAM AND CHINA.

WE ARE PROUD TO ANNOUNCE A NEW GROUP STRUCTURE WHICH SEGREGATES OUR AIR TRANSPORTATION BUSINESS FROM OUR DIGITAL AND SUPPORT BUSINESSES, ENABLING ALL THREE PILLARS TO GROW WITH ENHANCED CLARITY AND FOCUS. THE DIGITAL BUSINESSES WE CURRENTLY HAVE WILL BE ABLE TO EXPAND INTO MAJOR TECHNOLOGY PLAYERS IN THEIR OWN RIGHT.



MANAGEMENT DISCUSSION & ANALYSIS

“FOLLOWING THE COMPLETION OF THE INTERNAL REORGANISATION OF AIRASIA BERHAD (AAB) AND THE TRANSFER OF ITS LISTING STATUS TO AIRASIA GROUP BERHAD (AAGB) ON 16 APRIL 2018, AAB IS NOW A WHOLLY-OWNED SUBSIDIARY OF AAGB. THIS MANAGEMENT DISCUSSION AND ANALYSIS REPRESENTS AAB’S FINANCIAL ACHIEVEMENTS, RESULTS, BUSINESS PLANS AND STRATEGIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (THE FINANCIAL YEAR), WHICH WILL BE ADOPTED BY AAGB IN THE NEXT FINANCIAL YEAR.”

OVERALL PERFORMANCE

It is hard to believe another year has gone. They say time flies when you’re having fun. While we certainly have had our share of fun, the team at AirAsia has also been working extremely hard; and it is probably more accurate to say that our time has flown by so swiftly because of the sheer amount that we achieved. 2017 was yet another year of phenomenal growth as a result. We took delivery of 29 aircraft – a record for the last four years; expanded the route network of each country’s operations; saw our first flight in Japan take to the skies while laying the groundwork to start up in Vietnam and China; and worked to secure an over USD1.18 billion deal revolving around the divestment of our aircraft leasing operations that are currently undertaken by Asia Aviation Capital Limited (AACL).

While others in the region were reducing capacity, we grew ours by 13%, adding new routes and increasing frequencies. As at year end, the Group’s fleet of 205 Airbus A320 aircraft were serving 293 routes to 119 destinations in 21 markets within Asia. With effective route management, we increased our aircraft utilisation from an already very respectable 12.14 hours a day in 2016 to 12.82 hours. Tapping existing demand while stimulating demand on unique routes, we filled up our flights, seeing our load factor grow two percentage points to 88% and the total number of guests carried increase 16% to 65.5 million. That truly is an astronomical figure, roughly a tenth of the entire Asean population.

In Malaysia, we dominate both the domestic and international air travel markets. With over 1,900 flights a week from six hubs, we account for no less than 54% of the total number of flights within the country. Even more gratifying, we also

saw accelerated growth in all our associate airlines, with the exception of Indonesia where operations were disrupted due to volcanic activities in Mt Agung. Having said that, we were still able to successfully list the airline at year end. Additionally, we are proud that all our Asean operations also recorded full-year profits.

Despite a 23.3% increase in fuel cost, as well as a depreciating Ringgit against the US Dollar, AirAsia Berhad (namely AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines) achieved a full-year net operating profit of RM1.58 billion, exceeding the record set in 2016 by 8.5% on a proforma basis. Hedging our fuel and foreign exchange (forex) helped to minimise the impact of the oil price increase and unfavourable forex environment. In addition, we have been able to reap the benefits of some early wins of our digital transformation which took off in earnest, completely revamping our business approach in ways made possible only by better data analysis and mining.

Further building our efficiencies, we started integrating our operations across the Group as we move towards becoming One AirAsia. The idea of One AirAsia is to streamline our operations for enhanced efficiencies and better revenue management leading to greater cost reductions. Working as one, we present a stronger voice in procurement as well as when negotiating deals. In the longer term, we envisage consolidating the financial results of all our country operations as this would present a more accurate picture of the Group’s overall performance and value. Towards this end, we are pleased to share that as of the first quarter of 2017, we have been consolidating the financial figures of our Indonesian and Philippine associates with that of Malaysia when presenting our results in terms of profit and loss, and our balance sheet.

We are proud of our financial performance for the year, which was boosted by USD100 million in proceeds from the divestment of Asian Aviation Centre of Excellence (AAE). We also monetised our ground handling unit and firmed up a transaction for our leasing business. Proceeds from these latter two transactions will be reflected in our 2018 financial figures.

GROUP AT A GLANCE

TOTAL
ALLSTARS

19,314

PASSENGERS FLOWN
TO DATE

435
MILLION

TOTAL
FLEET

205
AIRBUS A320

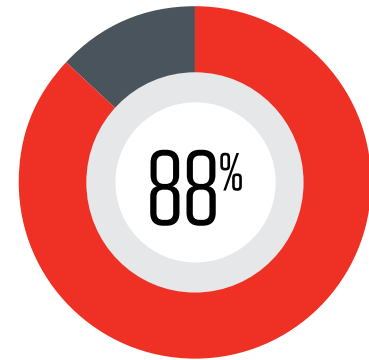
PASSENGERS CARRIED
IN 2017

65.5
MILLION

¹ By “the Group” we refer to AirAsia Malaysia, AirAsia Indonesia, AirAsia Philippines, AirAsia Thailand, AirAsia India and AirAsia Japan. Although the Group’s total fleet size stood at 205, this included three aircraft on lease to third parties, six that were grounded for redeployment to other affiliates in 1Q18 and eight operated by AirAsia X Indonesia.



AIRASIA GROUP
LOAD FACTOR



PASSENGERS CARRIED IN 2017

AIRASIA
MALAYSIA

29.2
MILLION

AIRASIA
THAILAND

19.8
MILLION

AIRASIA
INDONESIA

6.7²
MILLION

AIRASIA
PHILIPPINES

5.3
MILLION

AIRASIA
INDIA

4.4
MILLION

AIRASIA
JAPAN

0.03
MILLION

FINANCIAL REVIEW

For the financial year ended 31 December 2017, AirAsia Berhad³ recorded a 42% increase in revenue from RM6.85 billion in 2016 to RM9.71 billion. This was contributed by a 10% year-on-year increase in capacity and 11% increase in number of guests carried to 39.1 million. Revenue was further boosted by a 6% increase in ancillary income per guest

to RM49, while our average fare was maintained at RM176 given the planned capacity expansion.

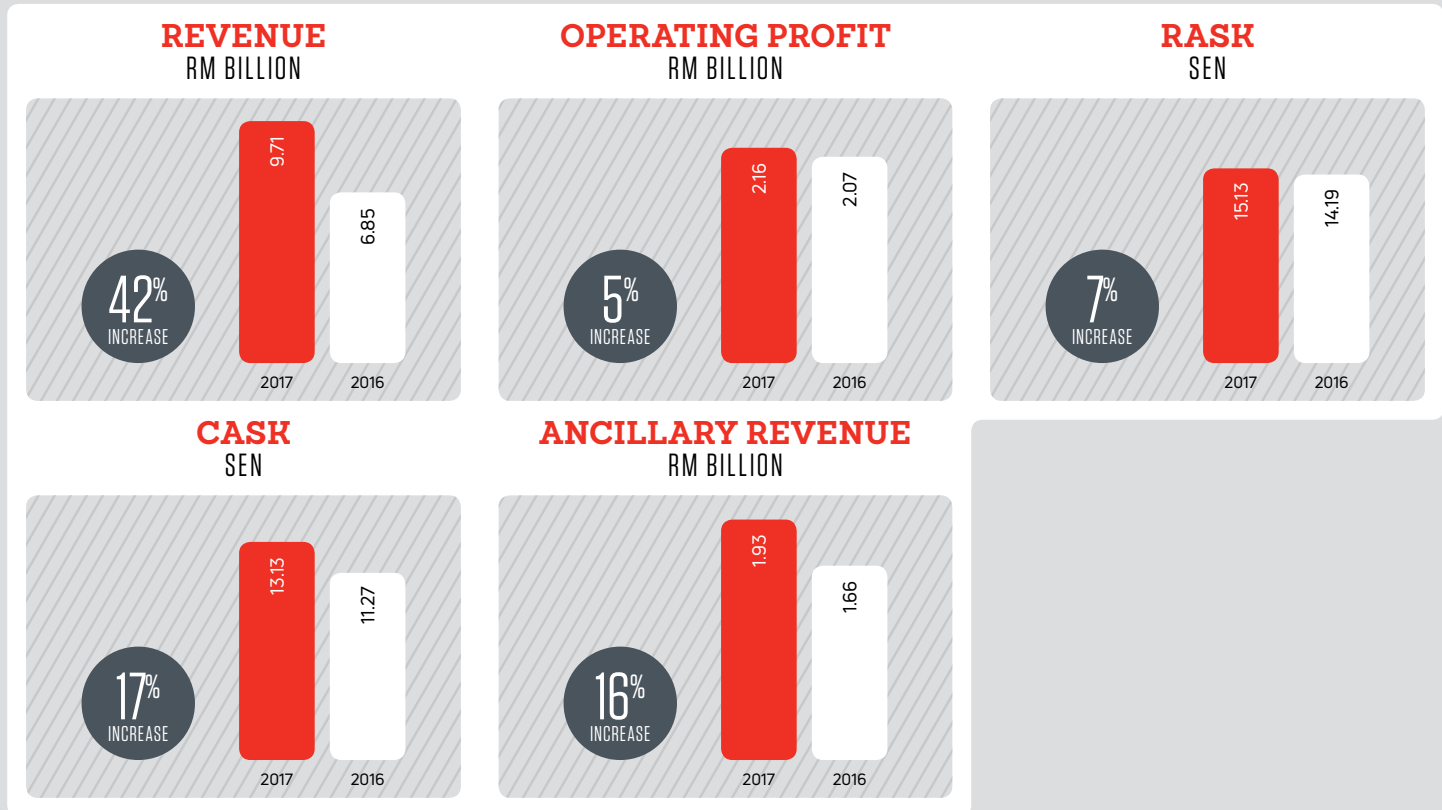
We achieved a full-year operating profit of RM2.16 billion, 5% higher than RM2.07 billion in 2016. Despite a 5% reduction in average stage length, our overall cost per available seat kilometre (CASK) including fuel increased by 16% to 13.13 sen as a result of the fuel price hike. CASK

excluding fuel stood at 8.29 sen, which was 15% higher than in 2016 due to an increase in staff cost, mainly that for pilots and talent retention supporting the Group's continuous growth. Revenue per available seat kilometre (RASK) increased by 7% to 15.13 sen. Profit was also boosted by 16% growth in ancillary revenue year-on-year to RM1.93 billion.

² 6.7 million (including passengers carried by 8 A320 aircraft operated by AirAsia X Indonesia)

³ AirAsia Berhad refers to the consolidated units of AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines.

MANAGEMENT DISCUSSION & ANALYSIS

**Cash Flow & Debt**

Cash inflow from operations stood at RM1.91 billion, compared to RM2.24 billion in the previous year. As at 31 December 2017, our cash position amounted to RM1.88 billion. We ended the year with a reduced total debt of RM9.31 billion as compared to RM10.58 billion and a net debt of RM7.43 billion as compared to RM8.84 billion in 2016 after offsetting our cash balances of RM1.88 billion. Net gearing, meanwhile, improved substantially from 1.33 times as at end 2016 to 1.11 times as at end 2017, following the repayment of borrowings and the

equity injections of RM1,006.2 million by the two of us. As a result, AirAsia Berhad's cash position grew to approximately RM1.88 billion as at the end of December 2017.

Meanwhile, to mitigate the company's exposure to fuel price risks, currency risks and interest rate risks, we hedged approximately 78% of AirAsia Berhad (AAB)'s fuel consumption requirement for 2017 at USD60 per barrel, about 57% of AAB's USD currency risk, and 100% of our interest rate risks. For the year, the US Dollar to Ringgit exchange rate averaged 4.2812.

Capital Expenditure

In 2017, as part of our fleet renewal programme, and to meet the Group's expansion plans, we received 20 new aircraft – 17 Airbus A320neo and three Airbus A320ceo. These aircraft were financed via asset-backed bank financing and sale and leaseback for tenures between 12 and 15 years. In addition, we returned two Airbus A320ceo aircraft that were on lease to AirAsia Philippines to the third-party lessors and sourced 11 additional Airbus A320ceo aircraft from operating lessors' portfolios to increase our fleet growth to 29 aircraft.

DIVIDEND OF
24
 SEN
 PER SHARE PAID IN
 FINANCIAL YEAR 2017

In 2018, we aim to receive 23 new aircraft – 13 Airbus A320neo and 10 Airbus A320ceo – for further Group expansion. These aircraft will be financed via sale and leaseback for tenures between 12 and 15 years. In addition, we seek to return three leased Airbus A320ceo aircraft from AirAsia Philippines to the third-party lessors and have sourced four more aircraft – two used Airbus A320neo and two used Airbus A320ceo – from lessors to increase our net fleet growth to 24 aircraft.

Capital Structure

On 26 January 2017, we completed the issuance of 559,000,000 new ordinary

shares of RM0.10 each in AirAsia Berhad to Tune Live Sdn Bhd at an issue price of RM1.80 per share. As a result, we raised a total of RM1,006.20 million.

Dividend Policy

In 2013, the Group announced a dividend policy of paying an annual dividend of up to 20% of our net operating profit (as per the audited financial statements of AirAsia Berhad), rounded to the nearest whole sen, provided this would not be detrimental to our cash flow requirements. We have to date fulfilled this policy; and during the financial year 2017, paid a dividend of 12 sen per share for the financial performance

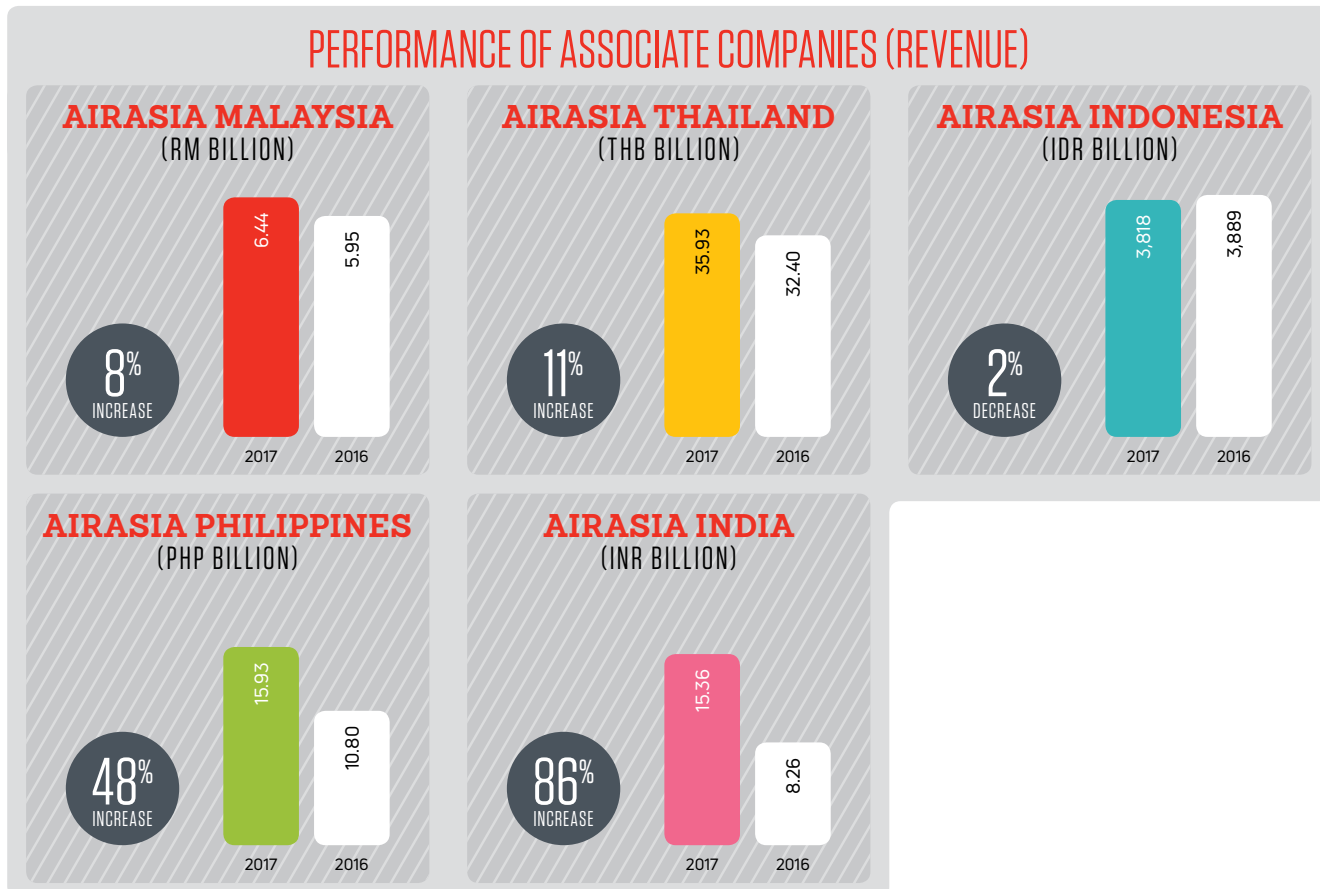
of 2016, and another 12 sen per share as interim dividend for the financial year 2017. The total dividend paid represents a 7% yield based on the share closing price of RM3.35 as at 31 December 2017.

We have also committed to a biennial distribution of special dividends from the monetisation of non-core assets. Having monetised our ground handling services in an agreement with SATS, we intend to declare a special dividend in 2018.



MANAGEMENT DISCUSSION & ANALYSIS

PERFORMANCE OF ASSOCIATE COMPANIES (REVENUE)



PERFORMANCE OF COUNTRY OPERATIONS

AirAsia Malaysia

With seven new aircraft, AirAsia Malaysia continued to grow its route network both domestically and regionally to further entrench its position as the leading airline in the country, contributing to the Group's 54.3% and 30.8% share of the domestic and international markets respectively. Its 8% increase in capacity also saw the airline fly 10% more guests totalling 29.2 million. Strong performance, as indicated by an 89% load factor; aircraft utilisation

of 14 hours a day; and 2% increase in revenue per guest, led to AirAsia Malaysia achieving a 2% increase in RASK to 14.49 sen. For the full year, its revenue grew 8% to RM6.44 billion while net operating profit was recorded at RM1.51 billion.

AirAsia Thailand

Despite the government's crackdown on zero-dollar tours from China and mourning over the passing of their King, AirAsia Thailand pulled together a robust set of results. While increasing its capacity by 11%, it flew 15% more guests year-on-year totalling 19.80 million and grew its load

factor three percentage points to 87%. This contributed to an 11% surge in revenue from THB32.40 billion to THB35.93 billion. Although CASK – including fuel and a hike in excise tax on jet fuel consumption for domestic flights – increased by 7% to THB1.52, its RASK grew 2% to THB1.61, enabling our associate to record a profit after tax of THB2.69 billion, making it the only profitable airline in the country for the year. Meanwhile, its EBIT and EBITDAR margins stood at 9% and 27%, respectively.

AirAsia Indonesia

After a couple of years of capacity rationalisation, in 2017 AirAsia Indonesia (PT Indonesia AirAsia) welcomed a new aircraft, increasing its fleet to 23, and introduced two new international routes, further reaffirming AirAsia's leadership as the airline group with the largest international travel market share in the country. Despite volcanic activity impacting travel into Indonesia in the fourth quarter, our associate flew a total of 6.7 million guests for the year, down only 1% from the number in 2016, and maintained a healthy load factor of 84%. Its net operating profit stood at IDR378.5 billion while profit before tax was IDR300.30 billion. Since the official listing of PT AirAsia Indonesia Tbk, the holding company of PT Indonesia AirAsia, on 29 December 2017, retail investor interest in PT AirAsia Indonesia Tbk has been growing.

AirAsia Philippines

We are extremely proud of the turnaround by our Philippine operations, proving that perseverance and our business model truly work. Despite numerous one-off costs for aircraft redeliveries, maintenance and overhaul throughout 2017, AirAsia Philippines grew its revenue 48% from PHP10.80 billion in 2016 to PHP15.93 billion and achieved a net operating profit of PHP686.4 million backed by ASK growth of 37%. Revenue was boosted by a 32% increase in number of guests carried and 8% increase in average fare. While increasing its capacity by 31% our Philippines operations also maintained its load factor at 87%. Meanwhile, ancillary income per guest grew 26% from PHP419 to PHP528.

AirAsia India

Our associate airline in India achieved tremendous growth in 2017, increasing its revenue 86% from INR8.26 billion to INR15.36 billion, boosted by an 81% hike in

number of guests carried. The delivery of six aircraft during the year enabled AirAsia India to increase its capacity by 80% via route network expansion that included five new destinations. Ancillary income per guest also grew 8% from INR376 to INR408 while its load factor stood at 87%, an increase from 86% in 2016. Most encouragingly, our associate recorded its first net operating profit of INR144 million, in the fourth quarter. With its affordable fares, AirAsia India is stimulating demand in the country.

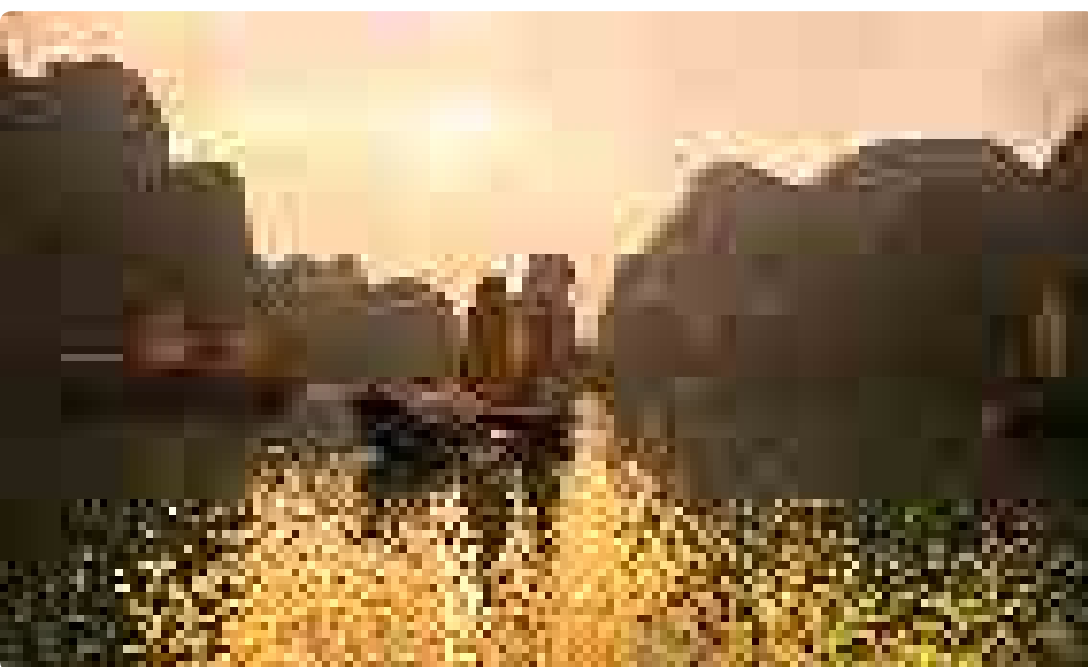
AirAsia Japan

AirAsia Japan took off commercially on 29 October 2017, stamping its operations with a high level of efficiency, its single aircraft achieving an on-time performance of 90% on the twice daily route between Nagoya and Sapporo. With two aircraft in 2018, our associate will focus on route expansion.

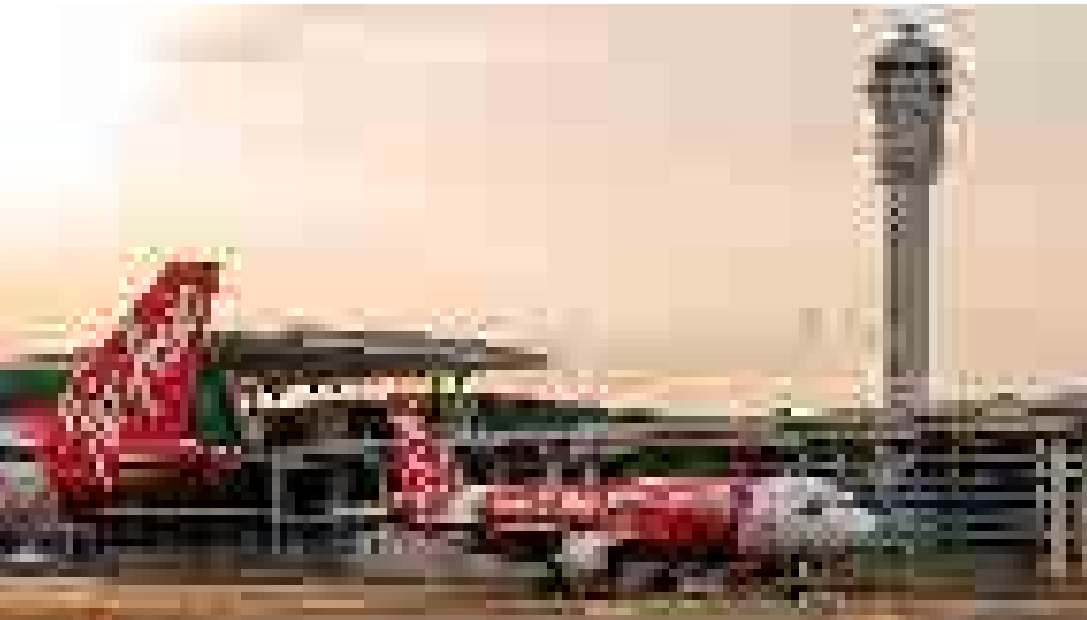
EXPANSION INTO THE REGION

We have come a long way from our humble beginnings, yet are still some distance from filling all the dots within the Asean, and certainly the Asian, map. In 2017, however, we managed to make positive advances in this regard, clearing a path towards setting up operations in two markets that have great appeal and that would help us complete the loop of airlines we have created within the Asia-Pacific region.

After years of eyeing Vietnam, we have finally found suitable partners for a joint venture there. The country has always attracted us because of its sizeable population of 95 million, fast-expanding middle income segment and rapid growth in air travel which, in the last two years, was the fastest in the world. This growth, moreover, is set to continue in double digits over the next decade. We are very excited by the prospect of being part of this growth, and indeed to stimulate it further.



MANAGEMENT DISCUSSION & ANALYSIS



“FIVE OF OUR COUNTRY OPERATIONS SERVE 45 ROUTES TO 15 CITIES IN MAINLAND CHINA, WITH 12 ROUTES UNIQUE TO AIRASIA. IN 2017 ITSELF, WE ADDED FIVE NEW ROUTES.”

We also entered into a memorandum of understanding (MoU) with China Everbright Group in May to enable us to start LCC operations in China. Everbright is a state-owned financial services conglomerate and a major shareholder in China Aircraft Leasing Group Holdings.

AirAsia was the first foreign LCC to enter greater China in 2005 with our inaugural Bangkok to Macao flight on 5 July. We have since rapidly deepened our presence

in the country, and are today the top foreign carrier at 11 Chinese airports including Chongqing, Wuhan, Changsha, Shenzhen, Hangzhou, Xi’an, Guangzhou, Nanning, Kunming, Chengdu and Shantou. Five of our country operations serve 45 routes to 15 cities in mainland China, with 12 routes unique to AirAsia. In 2017 itself, we added five new routes: Kuala Lumpur-Wuhan, Manila-Guangzhou, Langkawi-Shenzhen, Kuching-Shenzhen and Kalibo-Shanghai while increasing the frequencies of four routes, ending the year with no less than 360 flights a week. Together with AirAsia X, we have carried more than 40 million guests to the country, earning ourselves the title of being The Most Influential Foreign Airline in China.

Supporting our operations in China, we established a wholly foreign-owned entity (WFOE) in Guangzhou to serve as a base for all current Allstars representing

the different AirAsia operations in the country. Operational as of 1 January 2018, the WFOE enables us to create greater efficiencies through shared resources and economies of scale, further reducing our distribution and marketing costs.

Indeed, China is one of our strongest markets, and one that we intend to further grow via our LCC operations by connecting more tier 2 and 3 cities with our multiple hubs. Having already established a very strong base in southern China, and particularly Shenzhen and Guangzhou, we now seek to expand more extensively into central China while creating links with northeast China through long-haul routes. This would not only support the One Belt One Road initiative but also our own vision to create bridges between China and Asean.

ANCILLARY

AirAsia Berhad’s ancillary business has continued to grow, marking a 16% increase in revenue from RM1.66 billion in 2016 to RM1.93 billion for the year, which accounted for 20% of our total revenue.

While maintaining our zeal to introduce new and exciting products that guests would find irresistible, a key focus during the year was to increase their uptake through a dynamic pricing strategy as well as more personalised communication based on data analysis of guests’ past purchasing behaviour. In the third quarter, we introduced more tiers in the pricing mechanisms for check-in baggage and seat selection, which led to a 21% increase in baggage fees to RM925.4 million; and an 18% increase in revenue from seat selection to RM114.8 million.

In October, we started to personalise our communication with guests using data analysis. This helped to increase the take-up of a range of services – from inflight food to duty-free.

Among our ancillary services, we were especially pleased with Fly-Thru, which is a key differentiator for AirAsia, providing our guests an extensive network that includes the routes of all country operations as well as those of our sister AirAsia X Group. During the year, Fly-Thru for both AirAsia and AirAsia X Groups saw a 37% increase in take-up to 3.01 million. This was aided by the addition of 497 new city pairs, to total 1,845 routes. klia2 continued to be the top transit hub, accounting for 85% of the overall Fly-Thru traffic, with 2.5 million guests passing through the airport during the year. Meanwhile, our operations in India saw the highest growth in Fly-Thru traffic, its hubs in Bengaluru, Kolkata and New Delhi accommodating a 677% increase in transit guests. Overall, AirAsia and AirAsia X Groups recorded RM204.1 million from Fly-Thru in 2017, and we foresee higher uptakes in coming years as we integrate our operations more fully and efficiently.

As our digital transformation progresses, we will be able to capture even more data on our guests and use this for more targeted up-sell and cross-sell of ancillary products. Towards the end of the year, we started using electronic point of sales (ePOS) devices for inflight transactions, and have integrated the data obtained onto our centralised platform. This enhances our guest profiles and will guide us in serving them better. It also gives us the confidence to target achieving RM60 in ancillary income per guest by 2020 from RM49 as at end 2017. Some say it is ambitious, but we ‘dare to dream’.

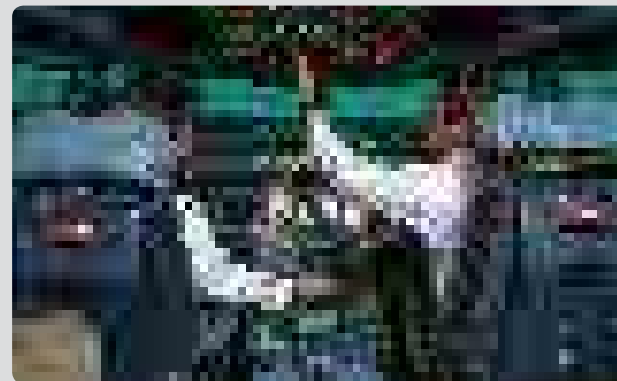
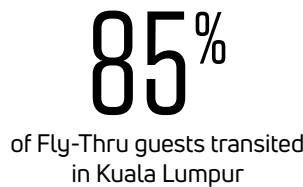
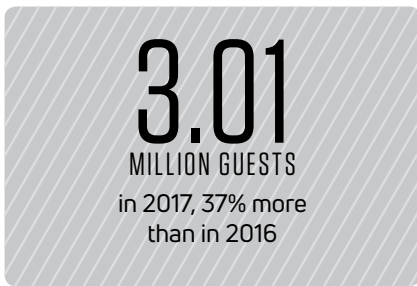
ADJACENCY BUSINESSES

Adjacency businesses are those we have established – mostly in partnership with other companies, but some also on our own steam – to generate income from our assets and resources. A number of these companies have begun to earn sizeable revenue, prompting us to monetise them to recognise their value. The process began in 2015, when we disposed of 25% of our equity in AirAsia Expedia, our online travel

company. The year 2017 was significant as we took our monetisation programme a notch higher.

In August, we concluded the sale of AACE, the training company we had established in 2011 with CAE International Holding Ltd (CAE), to our Canadian partner for USD100 million. This effectively gives CAE full control over AACE’s training centres in Sepang, Singapore and Ho Chi Minh City – as well as its share of the Philippine Academy of Aviation Training (PAAT), a joint-venture between AACE and Cebu Pacific, located in Manila. As our exclusive training partner, CAE will continue to provide the highest quality training of pilots and cabin crew at agreed rates for the entire Group until 2036.

**AIRASIA GROUP FLY-THRU
(Including AirAsia X Group)**



MANAGEMENT DISCUSSION & ANALYSIS

In October, we entered into a 50% partnership for our ground handling business (Ground Team Red Holdings Sdn Bhd) with Singapore-based SATS, a gateway services and food solutions provider. In return, we acquired 40% effective stake in SATS Ground Services Singapore Pte Ltd (SGSS), which serves Changi Airport's new Terminal 4, and retained 51% of Ground Team Red Sdn Bhd, our Malaysian ground handling operations, for SGD119.3 million in cash, which was received in January 2018. Our joint venture, SATS Ground Team Red Holdings Sdn Bhd, will take over ground handling of all AirAsia stations in Malaysia and Singapore. With SATS as our partner, we expect to drive down our unit aircraft turnaround costs by approximately 16% in the first year of operations.

Additionally, during the year, the team at our leasing arm Asia Aviation Capital Limited (AACL) worked around the clock to finalise a deal with BBAM Limited Partnership (BBAM) for selected aircraft leasing portfolio. On 1 March 2018, we were able to announce an agreement reached worth USD1.18 billion. For us, this deal validates the huge investments we made over the years in aircraft acquisitions, and is a clear indication of the strategic thought behind all our actions. As a result of various transactions contained within the agreement, we will receive USD902 million cash in the later part of 2018, while eliminating residual risks and reducing our debt significantly.

In the midst of these monetisation deals, we also acquired a 50% stake in travel start-up Touristly, which offers attractive promotions on tours, attractions, activities, spas and restaurants around the region. Touristly will take over and manage deals.airasia.com and the online version of our travel magazine, travel360.com, to present a comprehensive site where holiday-makers can discover interesting

places to visit, exciting things to do while they are there, and even book their activities. It represents a new stream of revenue under an increasingly more digital AirAsia.

DIGITALISATION

Since setting up our Digital and Data team in 2016, the process of digitalising AirAsia has been gaining momentum, and has accumulated a number of snapshot wins. Our mobile conversion rate has increased 70% from 3.39% in 2016 to 5.75%. Since digitalising our ancillary business in September, the take-up rate of products has improved by 6.6% with an estimated revenue generation of USD1.7 million per month. From the recently launched simplified payment enhancement, our booking conversion has increased from 7.46% to 8.57%, with an estimated incremental revenue of USD30 million a month.

These, however, represent just the tip of massive changes that are taking place at deeper levels, where entire systems and processes are being digitalised so that every bit of information, or data, concerning AirAsia will be captured on one platform to guide all our actions and decisions. Our ultimate objective is to create optimum operational efficiencies while enhancing the customer experience – by 'customer' here we do not mean only our guests, but also our employees. Although our journey has begun in earnest, it will take time to complete given the extent of what we hope to achieve, with our team targeting the magic year, 2020.

"SINCE SETTING UP OUR DIGITAL AND DATA TEAM IN 2016, THE PROCESS OF DIGITALISING AIRASIA HAS BEEN GAINING MOMENTUM, AND HAS ACCUMULATED A NUMBER OF SNAPSHOT WINS."



Among the bigger steps taken this year as part of this journey, we have signed an MoU for Inmarsat Aviation's GX Aviation high-speed broadband which is to be installed in more than 120 of our aircraft, starting from 2018. This would not only enable us to upgrade the inflight entertainment provided to guests but also to install internet of things (IoT) sensors on our aircraft for real-time data on their physical condition and, especially, their engine performance. We are also negotiating a deal for Airbus to roll out its latest SkyWise aviation data system to serve as our core platform. To support and further build on the digital platforms we are acquiring, we are investing in our own highly specialised satellite digital teams. The first team has already been set up in Bengaluru, India's equivalent of Silicon Valley; and there are plans to set up another in Bandung, Indonesia, another hotbed of IT talent.

COMMITMENT TO SAFETY

Safety has always been, and will always be our topmost priority. We recognise the responsibility we undertake in flying thousands of guests and Allstars every day. This is a responsibility we do not shoulder lightly, but one that has seen us continuously enhance our processes and procedures to ensure there are no gaps in our safety mechanisms.

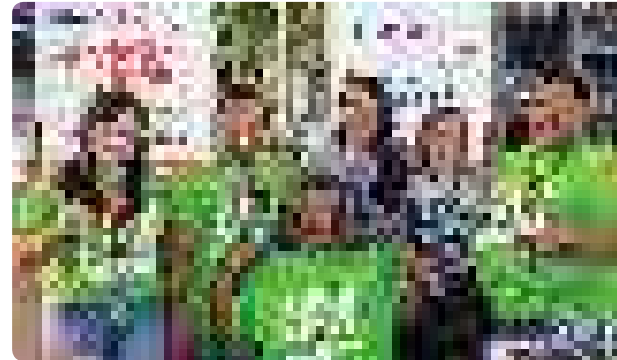
All our airlines across the Group have adopted Safety Management Systems (SMS) which serve as the framework for robust safety structures. These SMS encompass formal Safety Policies, effective Safety Risk Management processes, as well Safety Assurance and Safety Promotion components. Our safety policies and processes are not static, but keep improving as we adopt best practices within the global aviation industry.

As an example, we have embarked on a Safety Digitisation effort through the use of digital safety reporting, safety observations and safety audits. All data captured are analysed using a common platform that enables us to have an overview of our daily operational risks as well as emerging hazards, which can be mitigated accordingly.

During the year, our associate in Thailand was the first LCC in the country to have its Air Operator's Certificate (AOC) re-certified by the Civil Aviation Authority of Thailand (CAAT) while the latter was in the process of attempting to lift the red flag that had been imposed on the country's aviation industry by the International Civil Aviation Organization (ICAO). Meanwhile, in Malaysia, we have embarked on the process of attaining the IATA Operational Safety Audit (IOSA) certification, which serves as an internationally recognised benchmark of an airline's safety standards. We have completed the initial IOSA audit, and expect to receive the certification in 2018.

SUSTAINABILITY

Sustainability has always been integral to our operations as our business model requires us to be efficient in the use of all our resources, to minimise waste and maximise efficiencies. This model, moreover, places our guest at the heart of everything we do; in all our business decisions, we are driven to stay true to our core promise, to enable everyone to fly. However, driven by stakeholder expectations, and especially that of regulators and investors, sustainability has taken on a more organised meaning. Rather than something we have always done as 'second nature', therefore, we are putting in place systems and processes to build a sustainability framework that will allow us to meet evolving expectations.



During the year, we have been working on a sustainability governance structure to ensure clear lines of authority and responsibility in meeting our environmental, economic and social obligations to stakeholders. A Sustainability Committee comprising employees from different departments has been put together which will report to the Board. We also have a new team, Green & Environmental Affairs, to overlook all issues related to the environment, which is one of our most pertinent sustainability issues. Goals and targets will be set so that we know what we are working towards and are able to keep track of our progress. We will be transparent about our performance and disclose key results in our annual Sustainability Reports.

MANAGEMENT DISCUSSION & ANALYSIS



This is the second year we have produced a Sustainability Report guided by international best practice, and we urge you to read it (see pages 156 to 179) for a better understanding of the ways in which we seek to create value for our stakeholders. We had stated last year that we would be enhancing the scope of our reporting as we put in place more systems and measurements, and are pleased this has been the case. In terms of carbon emissions reporting, for example, we are now disclosing our emissions from electricity usage, in addition to emissions from fuel use (for our aircraft and ground vehicles). We are also pleased to note

that, as a result of various energy-efficient initiatives, our total emissions intensity has continued to decrease.

On the more human side of sustainability, the one initiative that has been close to our hearts is our support of the National Cancer Council Malaysia (MAKNA). We have been championing their cause since 2015 and, in 2017, we contributed a total of RM300,000 to the organisation, benefitting 291 patients. We also involved more of our Group associates in MAKNA programmes. Four Allstars from across the Group participated in MAKNA's Klimb Kinabalu 2017 expedition. And, in early

2018, we ran an #AirAsiaMAKNA: Rebel with a Cause campaign featuring gutsy survivors from across the Group, to inspire other cancer patients. They included AirAsia Philippines' Chairperson, a cabin crew from India and a ramp bus driver from Thailand, among others.

TALENT MANAGEMENT

Whenever people ask us what makes AirAsia special or what lies behind our success, our answer is unequivocal: our people. AirAsia has been built by the contributions of all our Allstars. We have

an amazing group of people who work well together and are passionate about our dream, namely to enable everyone to fly. We have also established an amazing dynamic with our Allstars – just as they support our dreams, we support theirs. We have always encouraged our Allstars to pursue their ambitions, and have provided them all the support we can. The Allstars who feature on the cover of this annual report, and whose stories are captured in the dividers, are good examples of the way we have grown our talents internally.

Over the years, we have streamlined our talent management processes and implemented more mechanisms to be able to attract the right talent and then grow them. A key hire during the year was that of our Chief People & Culture Officer who is creating a better framework to ensure we meet our human capital needs while meeting the needs of our people. Along with the fast pace at which we are growing, we have been intensifying our recruitment initiatives; some 30 recruitment drives were held across the Group during the year. We also offered permanent positions within the company to no less than 30 interns. We believe in exposing our interns to our Asean philosophy and culture, and do this via cross-country postings. During the year, 11 interns from Korea were placed in Malaysia or Thailand. At more senior levels, we are providing high-performers the opportunity to pursue MBAs at the Asia School of Business.

Our objective is to nurture our talent and develop a strong pipeline of future leaders so that all senior positions can be filled by Allstars who have a deep understanding of the AirAsia way, and will be able to keep strengthening our culture. This culture has got us to where we are, and underlines our long-term sustainability.

RISK MANAGEMENT & MITIGATION

The aviation industry has its share of inherent risks. However, by identifying and monitoring our risks, we are better prepared to prevent and manage them to a level that is practicable.

Financial Risks:

Our most pertinent financial risks revolve around volatilities in fuel price, currencies, interest rates and maintaining adequate liquidity. These are managed via hedging as well as securing the financing for aircraft purchases a year in advance (please refer to our Financial Review, under the section on 'Cash Flow & Debt').

Operational Risks:

We protect our assets from adverse operational scenarios by strengthening the Group's governance as well as various frameworks that support the efficient and effective identification and assessment of risks.

Risks that are monitored and managed include those relating to critical information systems outage, cyber intrusion, market competition, loss of critical airport services and loss of physical workspace. We have put in place systems and back-up plans for each risk, and continuously test them for efficacy. Given our reliance on IT systems, we have worked towards and achieved certification in ISO/IEC 27001 Information Security Management System (ISMS).

To ensure business continuity, we have specific business plans for our main hubs and work closely with the relevant

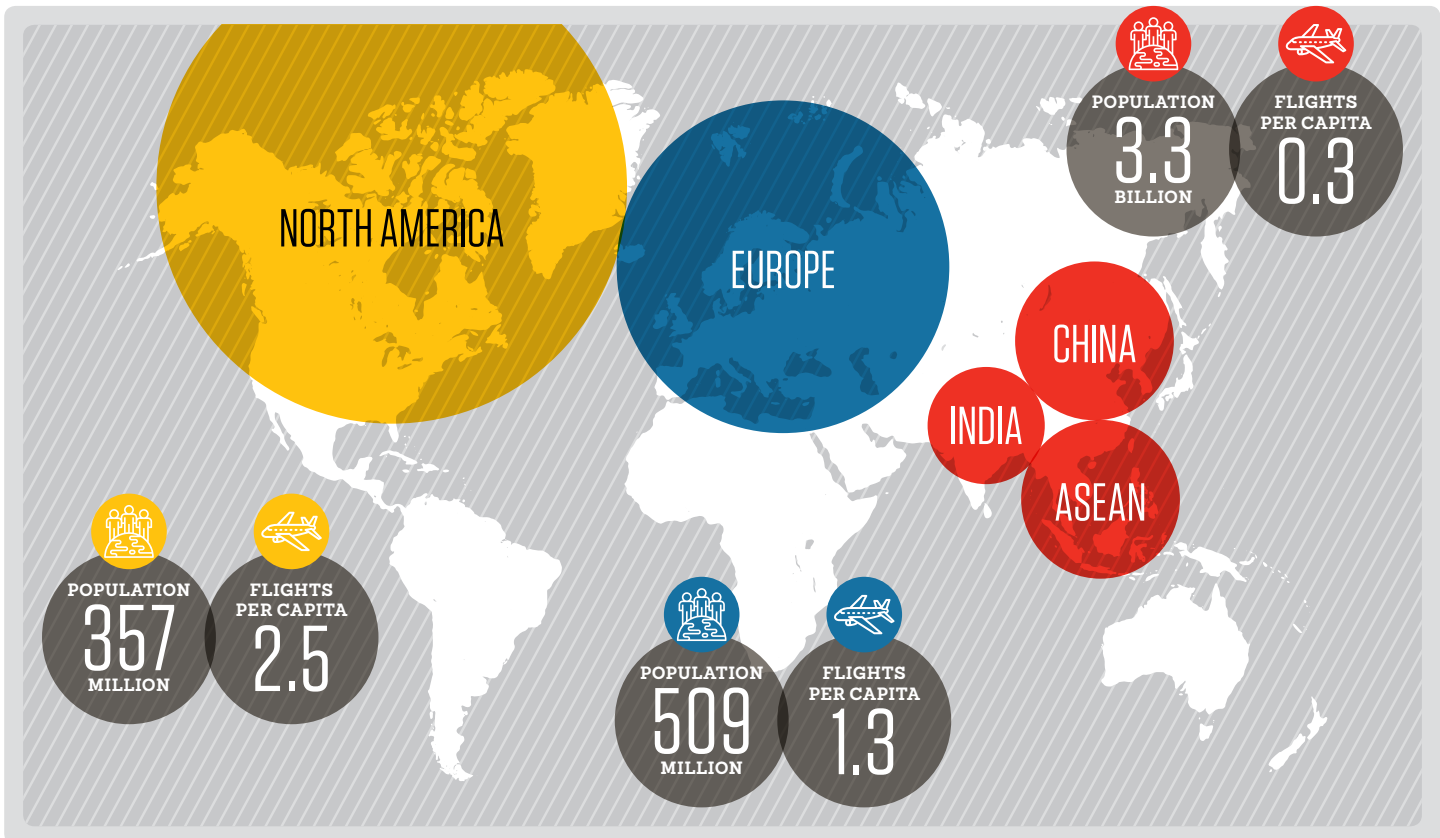
airport operators and authorities to ensure we can continue to operate should any incident take place. We have also set up an alternative workplace to RedQ in the event of a crisis, and are strengthening our commitment to business continuity and disaster recovery.

For a fuller report on our risk policies and processes, please refer to our Statement on Risk Management and Internal Control (page 197), and our Sustainability Statement (page 156).



MANAGEMENT DISCUSSION & ANALYSIS

“FOR THE YEAR 2018 ITSELF, WE HAVE EXACTLY 30 AIRCRAFT WAITING IN THE WINGS.”



OUTLOOK

We operate in a market that is still under-served. Within Asean, China and India – which together have a population of 3.3 billion – there are only 0.3 flights per capita as compared to 1.3 flights per capita in the European Union (population: 509 million), and 2.5 in North America (population: 357 million). Along with increasing wealth, demand for travel – and especially affordable travel – will continue to increase our connectivity, stimulate demand and grow rapidly.

To meet this demand, AirAsia Group is gearing up to expand our narrow-body fleet to 500 aircraft over the next 10 years, which entails adding approximately 28 to 30 new aircraft every year. For the year 2018 itself, we have exactly 30 aircraft waiting in the wings – seven each for Malaysia, Thailand and India, six for the Philippines, and three for Indonesia. This includes six grounded aircraft that were delivered at the end of 2017 for reallocation in 2018.

The additional aircraft will serve as an impetus for further network expansion of all our airline operations. The year 2018 is certainly looking bright for all of them, and especially AirAsia India which hopes to launch international flights. This year, as its fleet size increases to 21, it will meet the government's requirement for airlines operating international routes to have at least 20 aircraft serving domestic routes. We will also be submitting the documentation required to kick-start our listing process for AirAsia Philippines.

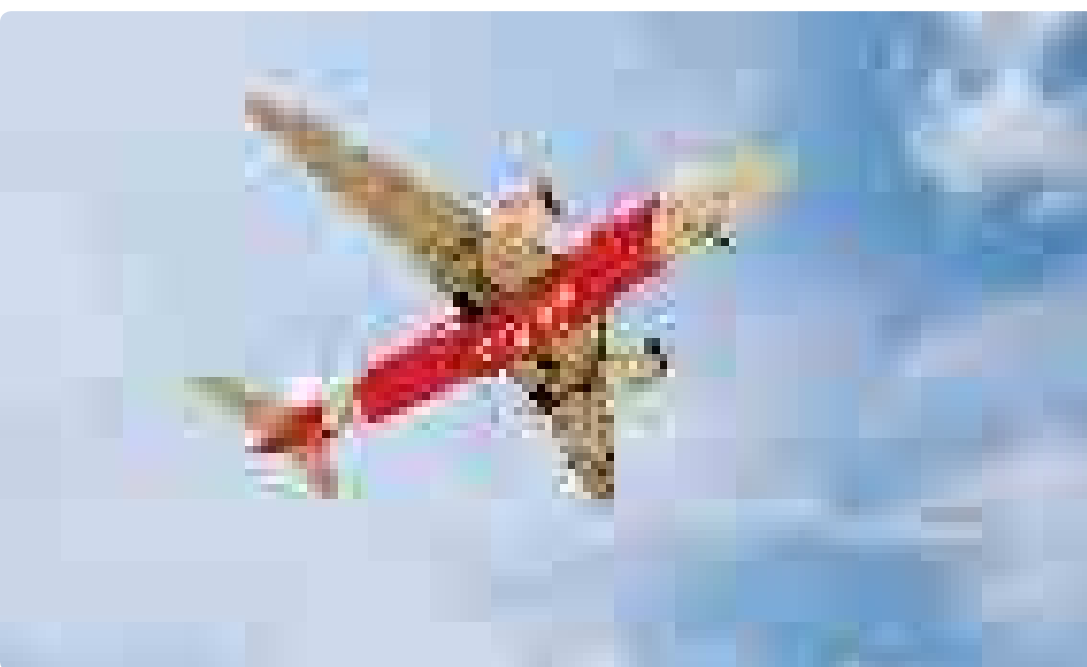
At the corporate level, we are undergoing an internal reorganisation that will bring together all our operations under one grouping. Shareholders have already approved the move to transfer AirAsia Berhad's listing status to AirAsia Group Berhad (AAGB) at an extraordinary general meeting (EGM) on 8 January 2018. AAGB would effectively provide the foundation for One AirAsia, clearing the path for the creation of greater synergies across all our country operations as well as for further consolidation of our financial reporting.

The new group structure includes segregation of our air transportation businesses from our digital and support businesses, enabling all three pillars to grow with enhanced clarity and focus. Strengthened by our ongoing digital transformation, the various digital businesses we currently have – such as BIG Loyalty, ROKKI, Touristly and BigPay – will be able to expand into major technology players in their own right in addition to supporting the AirAsia airline

business. Together, these ventures create an attractive digital travel and lifestyle ecosystem that will have strong appeal in the markets that we serve. One area we have not devoted sufficient attention to in the past, and which we intend to develop more fully, is e-commerce. With the expertise of SATS, our partner in ground handling, we are in a stronger position now to grow Red Cargo (our courier service) and start Red Box (our logistics and door-to-door delivery business). We have also appointed the former CEO of Pos Malaysia to lead this growth.

AirAsia is definitely at a very exciting juncture in our onward journey. There are many changes in the offing that hold the promise of a better, brighter future. As we go boldly into this future, however, we will not forget the basics, and especially the people we fly. While we have always served our guests to the best of our ability – and have even won awards for this – we believe we can do more. As of 2018, we will intensify our focus on our guests' happiness by really listening to their feedback and mining our data for enhanced service. We do not want to be just an affordable way to fly, but a great way to fly.

For this, we will also need the support of our Allstars. Our Allstars have exceeded our expectations all these years. And we know they will continue to deliver. On behalf of the management, we would like to say a heartfelt thank you to the team for always being there for us, giving us their all. They have inspired us by daring to dream and given us the privilege of helping make their dreams come true. With them, we would like to do the same for the millions of others who look to AirAsia when they dream of flying.



See the world in a BIG way

with the power of a BIG card



Chase.com

See the world in a BIG way with the power of a BIG card. Chase Sapphire Reserve® is a premium card that offers a host of benefits, including 50% more points on travel, access to exclusive experiences, and more. To learn more, visit Chase.com.



50% more points on travel



Access to exclusive experiences



Priority Pass airport lounge access



Complimentary hotel and car rental elite status



25% more points on dining

0% Introductory APR on purchases

Chase Sapphire Reserve®



25%
LOYALTY

TUNE

Tune Hotel klia2

SIMPLICITY PERFECTED

Best rates guaranteed when you book direct

www.tunehotels.com



NEW at Tune Hotel klia2

MAKAN restaurant

MINUM bar & lounge

Day Use Transit Rooms from 7am-7pm

COMMITMENT TO SERVICE EXCELLENCE & QUALITY



At the heart of our commitment to service excellence and quality is a deep understanding of our customers' needs and expectations. We strive to deliver exceptional service and quality in every interaction, ensuring that our customers are satisfied and our business thrives. Our commitment to service excellence and quality is a core value that guides all our actions and decisions.

Our commitment to service excellence and quality is a core value that guides all our actions and decisions. We strive to deliver exceptional service and quality in every interaction, ensuring that our customers are satisfied and our business thrives. Our commitment to service excellence and quality is a core value that guides all our actions and decisions.



REACHING NEW HEIGHTS **TOGETHER**

AVOLON 



Avolon and AirAsia - Proud Partners
avolon.aero



“AirAsia allows me
to live a life with
dreams.”

Ayako Kobayashi (Japanese)

Then People Department Manager

Now Group Performance Management and Employee Value
Proposition (EVP) Manager

The background is a dark, deep blue with a complex, futuristic aesthetic. It features several glowing, white and light blue lines that intersect and curve across the frame, creating a sense of depth and movement. A prominent, bright white horizontal light streak cuts across the middle of the image, just above the text. The overall effect is that of a high-tech, digital environment.

BUSINESS REVIEW

AirAsia Malaysia	110
AirAsia Thailand	114
AirAsia Indonesia	118
AirAsia Philippines.....	122
AirAsia India.....	126
AirAsia Japan	130
AirAsia X.....	134
Branding	138
Ancillary	140
Social Media	142
Digital & Data.....	144
Adjacency Businesses	146

BUSINESS
REVIEW

AIRASIA MALAYSIA



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

29.2
MILLION

NUMBER OF ALLSTARS

8,956

TOTAL FLEET

84³
A320

NETWORK

ROUTES

116

UNIQUE ROUTES

56

NEW ROUTES
IN 2017

16

HUBS

6

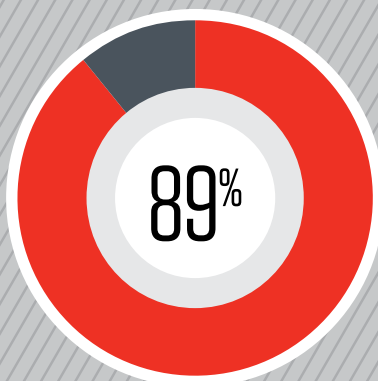
DESTINATIONS

75

COUNTRIES

18

LOAD FACTOR



MARKET SHARE



TOTAL MARKET SHARE

38.1%

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY TO DECEMBER 2017, MARKET SHARE REFERS TO AIRASIA GROUP'S MARKET SHARE IN MALAYSIA.
3. TOTAL FLEET: 84 A320 (EXCLUDING 3 LEASED TO THIRD PARTIES & 6 GROUNDED FOR REDEPLOYMENT TO OTHER AFFILIATES IN 1Q18).



Setting the Stage for One AirAsia

AirAsia Malaysia is 'the original' AirAsia. It is here that our story began, and continues to unfold. It was AirAsia Malaysia's successful growth, from a two-aircraft outfit into the leading airline in the country it is today, that proved we had got it right with our low-cost model, and gave us the confidence to replicate it in other AirAsia airlines across Asean, and now, Asia.

AirAsia Malaysia not only opened the path to developing AirAsia as an Asian brand, its network – now comprising 116 routes worldwide – has continuously fuelled the growth of our associate airlines. When guests book a flight on AirAsia Thailand or India, or indeed any one of our associates, an extensive web of destinations is immediately opened to them through the AirAsia Group within which AirAsia Malaysia is still the clear leader.

And this network continues to grow. Just in 2017, while other airlines in the country were cutting back on their capacity, AirAsia welcomed seven new aircraft and put them to use on 16 new routes, of which no less than 14 are unique. A key focus was to strengthen its connectivity within AirAsia's core markets, namely Asean, China and India, not only from Kuala Lumpur but also secondary hubs such as Langkawi, Johor Bahru and Kuching. Johor Bahru was linked with Macao and Kolkata (India); Kuching and Langkawi with Shenzhen (China); and Kuching, additionally, with Pontianak (Indonesia). Within Malaysia itself, two of the three new skybridges connect the Peninsula with East Malaysia, enhancing unity between east and west.

Supporting the government's ambition to grow Langkawi as a leading international tourist destination, AirAsia Malaysia made the island its latest hub in 2016, and has been increasing its connectivity since. As a result, direct international tourist arrivals have grown 12% from 5.74 million passengers in 2016 to 6.43 million as at end 2017, with AirAsia Malaysia contributing to a large number of this. AirAsia Malaysia now flies to three international destinations from Langkawi:

Shenzhen, Singapore and Guangzhou. Domestically, it has four routes into Langkawi, from Kuala Lumpur, Penang, Johor Bahru and Kuching. Via Fly-Thru, meanwhile, we connect Langkawi to 15 countries including Vietnam, South Korea and Taiwan.

Although Langkawi has been in AirAsia Malaysia's spotlight, other destinations in the country have not been neglected. Not only is the airline creating more international links from its secondary hubs, it is also deepening the domestic network which, indirectly, enhances tourists' access to smaller cities. Reaffirming its commitment to promote tourism generally across the country, in May, AirAsia Malaysia signed an agreement with Tourism Malaysia to promote Malaysia to all 10 Asean countries as well as China, Japan, South Korea, India, Sri Lanka, Bangladesh, Nepal, Maldives, Saudi Arabia, Iran, Australia and New Zealand. The same month, a separate agreement was signed with the Terengganu State Government to help it attract 5.5 million tourists in 2017.

Initiatives such as these contributed to AirAsia Malaysia winning yet another slew of awards, including the coveted "World's Best Low Cost Airline" from Skytrax – for the ninth year running. They also helped the airline to increase its load factor by two percentage points to 89%. Together with an 8% increase in capacity and 9% increase in revenue from ticket sales from RM4.4 billion to RM4.8 billion, it meant a significant revenue enhancement, which grew 8% to RM6.44 billion.

With seven new aircraft to be delivered in 2018, AirAsia Malaysia is set to expand even more both domestically and in its key markets. Already, in February, it increased the frequency of several local routes, including Kuala Lumpur to Bintulu, Labuan and Penang. On the international front, it seeks to create more skybridges to lesser-known Tier 3 cities, introducing Malaysians (and Asians more generally) to more hidden gems within the region.

At the same time, as the airline enhances its digital systems, guests can expect an even better and smoother travel experience, from more effective booking and selection of ancillary services, to the check-in and boarding process, inflight service and disembarkation. AirAsia Malaysia will continue to mine Big Data to understand our guests better and anticipate their needs at every point of their interface with the airline. A number of digital solutions are also in the pipeline, such as BigPay, a cashless payment system; and Travel360.com, an interactive and personalised online magazine through which guests can learn about and book exciting tours and other travel-related deals.

Its digital platform, moreover, will be extended to all other associate airlines to facilitate the creation of One AirAsia. This forms the next big step in the AirAsia journey, one that our Malaysian airline will once again lead.



REVENUE

RM6.44
BILLION



NET PROFIT

RM1.67
BILLION

INTERNATIONAL ROUTES



DOMESTIC ROUTES



AIRASIA MALAYSIA

+

AIRASIA X MALAYSIA

Hubs in Malaysia

- Kuala Lumpur International Airport
- Kota Kinabalu International Airport
- Penang International Airport
- Johor Bahru International Airport
- Kuching International Airport
- Langkawi International Airport

— International Route

— Domestic Route

— AirAsia X Malaysia Routes

BUSINESS
REVIEW

AIRASIA THAILAND



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

19.8
MILLION

NUMBER OF ALLSTARS

4,992

TOTAL FLEET

56
A320

NETWORK

ROUTES

81

UNIQUE ROUTES

24

NEW ROUTES
IN 2017

8

HUBS

6

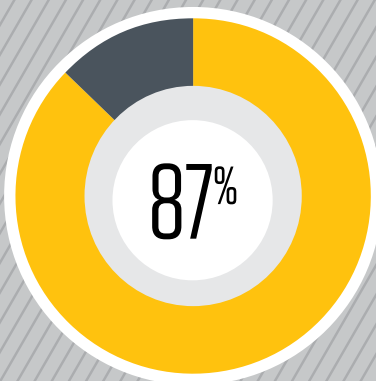
DESTINATIONS

56

COUNTRIES

13

LOAD FACTOR



MARKET SHARE



TOTAL MARKET SHARE

18.8%

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY TO DECEMBER 2017, MARKET SHARE REFERS TO AIRASIA GROUP'S MARKET SHARE IN THAILAND.



AIRCRAFT UTILISATION
HOURS

11.9

The number 13 is thought to be unlucky by some, but for AirAsia Thailand it has been just the opposite. In its 13th year of operation, our affiliate has further entrenched its position as the first – and leading – low-cost carrier in the country. It welcomed five new aircraft to boost its fleet to 56, added eight new routes to a rapidly expanding network, and grew the number of guests carried 15% to 19.8 million. All this was achieved while also enhancing its load factor by three percentage points to 87% and its aircraft utilisation to 11.9 hours from 11.7 hours in 2016.

The choice of Thailand as our first associate in Asean was obvious. The country – with its stunning beaches, amazing food and beautiful smiles – has always been and will always be a natural tourist haven. Since catching the imagination of travellers from China following the 2012 release of the Chinese blockbuster film, *Lost in Thailand*, it has been receiving a huge influx of tourists from this vast nation, which has not been much affected by the government's crackdown on zero-dollar tours. In 2017, Thailand continued to be the favourite destination for Chinese holiday-makers and constituted the largest contingent of foreign arrivals to Thailand, at 9.8 million

13 Years and Getting Stronger

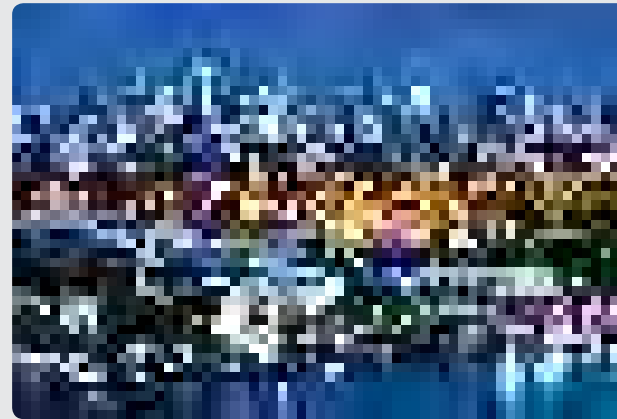
visitors, an increase of 12% from the number in 2016.

Ex-China, Thailand was the most popular tourist destination in Asia-Pacific, and the ninth most popular in the world in 2017, according to the World Tourism Organization.

The challenge AirAsia Thailand faces is not, therefore, to do with demand. It is more with differentiating itself in a market that is becoming increasingly competitive. This it achieves admirably by continuously reinforcing the quality of its service and on-time performance (OTP) while maintaining the highest level of safety and, of course, one of the most affordable fares.

In September, AirAsia Thailand rolled out our Red Carpet in several airports – Bangkok, Phuket, Chiang Mai and Udon Thani. Guests who opt for this ancillary service are given the VIP treatment, with attractive privileges such as a special check-in counter, pre-flight snacks and drinks at the airport lounge, priority boarding and priority baggage claim. The airline's OTP, meanwhile, was maintained at a high of 83%. And its safety performance, consistently of the highest standard, was duly recognised when, in

April, AirAsia Thailand was the first low-cost airline in the country to have its Air Operator's Certificate (AOC) re-certified by the Civil Aviation Authority of Thailand (CAAT). CAAT's evaluation – of all local airlines – was part of an overriding effort to lift the red flag that had been imposed on the country's aviation industry by the International Civil Aviation Organization (ICAO) in June 2015.



REVENUE

THB 35.93

BILLION

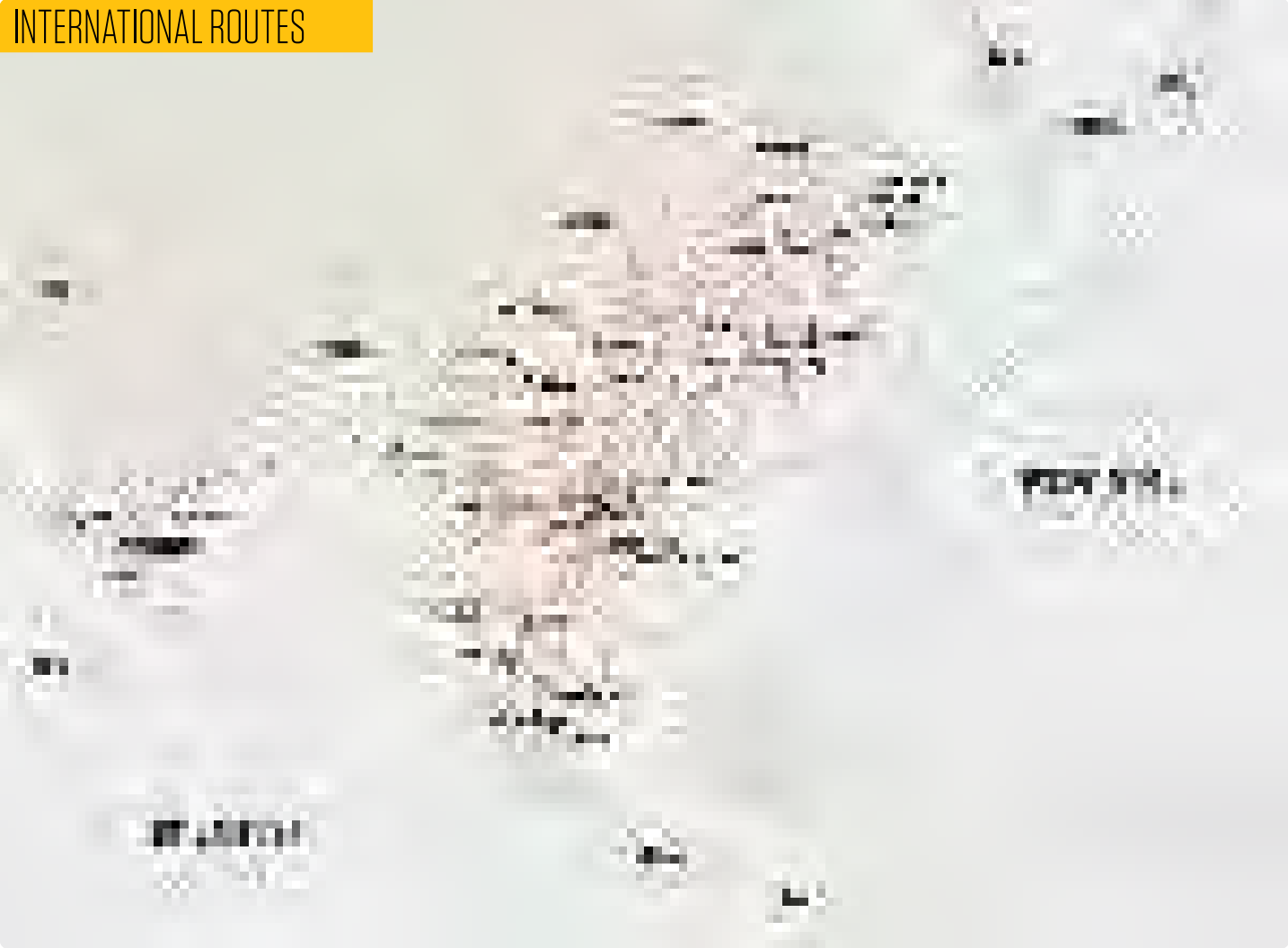


NET PROFIT

THB 2.69

BILLION

INTERNATIONAL ROUTES



DOMESTIC ROUTES



AIRASIA THAILAND + AIRASIA X THAILAND

Hubs in Thailand

- Don Mueang International Airport, Bangkok
- Phuket International Airport
- Chiang Mai International Airport
- Krabi International Airport
- U-Tapao Rayong-Pattaya International Airport
- Hat Yai International Airport

- International Route
- Domestic Route
- AirAsia X Thailand Route



1st

LOW-COST AIRLINE
RE-CERTIFIED BY CAAT



ON-TIME PERFORMANCE

83%



In true AirAsia fashion, our affiliate has also been expanding its route network. Internationally, following a couple of years of intense focus on increasing its presence in China – partly in response to a spike in demand for China outbound tourism to Thailand – it is looking to deepen its network in India and Asean. With existing skybridges to Chennai, Bengaluru, Kolkata and Kochi partially contributing to the overall 18% increase in tourist arrivals from the Indian subcontinent year-on-year, AirAsia Thailand launched new routes from Bangkok to Jaipur, in Rajasthan, as well as to Tiruchirappalli (or Trichy) in Tamil Nadu. Strengthening its Indochinese connections, meanwhile, it also launched Bangkok–Da Nang. And tapping into another global tourist magnet, it introduced daily Bangkok–Maldives flights starting from June.

Within Thailand itself, it is connecting more Tier II destinations to Bangkok as well as to each other, helping to stimulate tourism in lesser-known destinations. New domestic routes include Pattaya–Phuket, Pattaya–Ubon Ratchathani, Chiang Mai–Ubon Ratchathani and Khon Khaen–Phuket.

Going forward, our affiliate plans to receive another seven aircraft in 2018, which will provide it with the capacity to further expand its network and increase frequencies of popular routes. Based on strong demand from India, Indochina and other Asean countries, these will be target destinations as it diversifies its network for revenue and business sustainability. At the same time, it will be building its domestic connectivity and, in line with the general AirAsia strategy, add more underserved Tier II locations to its network.

In this respect, our affiliate is fortunate in that it also has the government's support to do so. The government itself has ambitions to promote 55 secondary provinces that have been identified. Among these is Ranong, also known as the City of Onsen due to its hot springs. To bring this gem along the Andaman coast to the world traveller's attention, AirAsia Thailand established the first Bangkok–Ranong route which became operational in February 2018.

In other words, our affiliate has a clear plan for 2018. It also has some clear targets, such as maintaining its load factor at 87% and putting smiles on the faces of 23.2 million guests by making their travel dreams come true. All going well, these targets will be met, putting a smile on AirAsia Thailand too.

BUSINESS
REVIEW

AIRASIA INDONESIA



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

6.7³
MILLION

NUMBER OF ALLSTARS

1,819

TOTAL FLEET

23⁴
A320

NETWORK

ROUTES

31

UNIQUE ROUTES

6

NEW ROUTES
IN 2017

5

HUBS

4

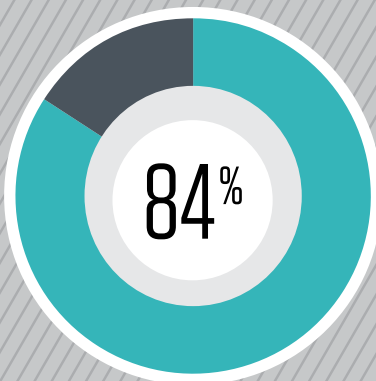
DESTINATIONS

17

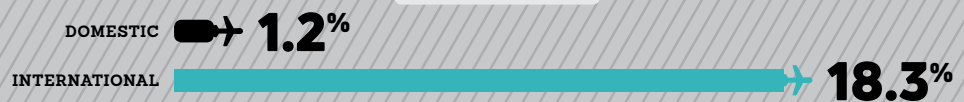
COUNTRIES

7

LOAD FACTOR



MARKET SHARE



TOTAL MARKET SHARE

5.9%

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY TO DECEMBER 2017, MARKET SHARE REFERS TO AIRASIA GROUP'S MARKET SHARE IN INDONESIA.
3. 6.7 MILLION (INCLUDING PASSENGERS CARRIED BY 8 A320 AIRCRAFT OPERATED BY AIRASIA X INDONESIA).
4. TOTAL FLEET: 23 A320 (INCLUDING 8 A320 AIRCRAFT OPERATED BY AIRASIA X INDONESIA).



SHARE OF INTERNATIONAL
VISITOR ARRIVALS IN LCCs

24.5%

Now Truly the People's Airline

While AirAsia Indonesia has always been a people's airline, this year it was made official. On 29 December, following a successful reverse takeover, PT AirAsia Indonesia Tbk was publicly listed on the Indonesia Stock Exchange, with PT Indonesia AirAsia (the company behind our Indonesian operations) as its subsidiary.

Its listing on the very last working day of the year – to achieve a target it had set earlier, namely 'to go public in 2017' – was the result of sheer grit and determination, two qualities that have marked AirAsia Indonesia since its beginnings in 2004. The going has not always been easy; Mt Agung's volcanic activities from September onwards being just the latest in a line of challenges.

Yet, AirAsia Indonesia has always been able to pick itself up and move on. In 2017, despite the disruption caused by volcanic activities, it recorded its second consecutive year of operating profits.

In the first three quarters of the year, our associate steadily built on the successful turnaround it had achieved in 2016, enhancing its average fares and operating profits. In the fourth quarter, revenue was affected by dampened tourism due to fears related to Mt Agung. Despite this hiccup, for the full year, it carried a total of 6.72 million passengers, marking an increase of 3% from 6.52 million in 2016, with a load factor that remained constant at a healthy 84%.

After a couple of years of removing non-performing routes to better manage its capacity, this year AirAsia Indonesia unfolded its wings and, with one new aircraft bringing its fleet size to 23, started to build new skybridges once again.

Its target destinations? Two of the most populous markets in the world, China and India, with the Jakarta-Macao route launched in August, followed by Bali-Kolkata in October. The choice of these destinations was influenced by AirAsia Indonesia's strategy of tapping into long-haul sister airline AirAsia X Indonesia's connectivity. Earlier in the year, AirAsia X Indonesia had launched flights from Bali to Tokyo (Japan) and Mumbai (India). Flights to and from Kolkata involved a stopover in Kuala Lumpur, making AirAsia Indonesia (along with AirAsia X Indonesia) the first within the AirAsia Group to endeavour 5th freedom rights. This route, unfortunately, had to be suspended following Mt Agung's eruption in November and its impact on AirAsia Indonesia's operations. However, always relentless in optimising its assets, AirAsia Indonesia immediately used the aircraft time to strengthen its Asean interconnectivity by increasing the frequencies of Jakarta-Penang, one of its most profitable routes, as well as Medan-Kuala Lumpur.



REVENUE

IDR 3,818
BILLION

INTERNATIONAL ROUTES



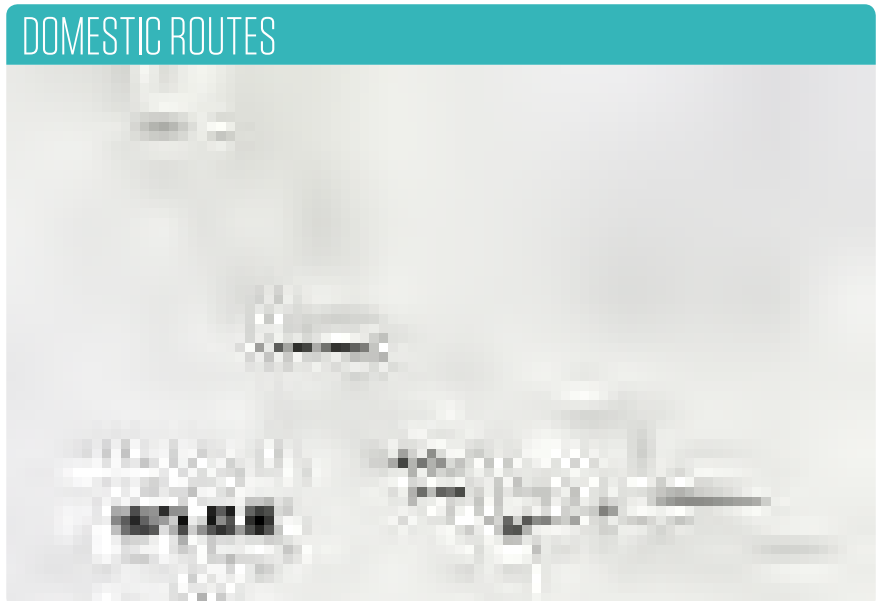
AIRASIA INDONESIA + AIRASIA X INDONESIA

Hubs in Indonesia

- Soekarno-Hatta International Airport, Jakarta
- Ngurah Rai International Airport, Bali
- Juanda International Airport, Surabaya
- Kualanamu International Airport, Medan

- International Route
- Domestic Route

DOMESTIC ROUTES



“AIRASIA INDONESIA PLANS TO GROW ITS CAPACITY BY A SIGNIFICANT 13%, VIA THE ADDITION OF ANOTHER TWO OR THREE AIRCRAFT AND NEW ROUTES CONNECTING INDONESIA WITH INDOCHINA, PADANG AND MEDAN WITH SINGAPORE, AND JAKARTA WITH MEDAN.”

This was in addition to increased frequencies on three other routes – two originating from Bali and one from Jakarta. Increased capacity helped our associate to maintain its position as Indonesia’s leading low-cost airline, contributing to 24.5% of the approximately 13 million international routes passengers from and to Indonesia during the year.

Part of its success in this regard is due to AirAsia Indonesia’s high visibility among international tourists. The airline has over the years been partnering the Government in promoting Indonesia in the international space. Since 2016, it has been working closely with the Ministry of Tourism on the Wonderful Indonesia campaign, which seeks to attract no less than 20 million tourists a year by 2019. On its own, too, AirAsia Indonesia maintains a high profile by running various campaigns that demonstrate to the world what makes it special. In 2017, two campaigns that

caught the imagination encapsulate not only our associate’s spirit, but that of the entire AirAsia Group – how we seek to make dreams come true.

Other than campaigns, AirAsia Indonesia continued to build on its ancillary offerings to differentiate itself from the pack. Leveraging the Group’s ROKKI service, in November it became the first low-cost carrier in Indonesia to provide wifi access on board flights. It also made itself more accessible to the significant number of Indonesians who do not have internet access by opening two new travel centres, in Banda Aceh and Pekanbaru.

Moving into 2018, our associate plans to further grow its capacity – by a significant 13% – via the addition of another two or three aircraft as well as new routes connecting Indonesia with Indochina, Padang and Medan with Singapore, and, domestically, Jakarta with Medan. Further

strengthening its financial position, it aims to shore up its revenue by steadily increasing its average fare in tandem with its load factor as well as aircraft utilisation. At the same time, various initiatives have been outlined to drive down costs. These include purchasing its current office building to eliminate rent payments and negotiating better deals with aircraft maintenance and repair operators.

After two years of profitable margins, AirAsia Indonesia is optimistic of 2018 proving to be its best on record. Given its tenacity, we share its confidence.



BUSINESS
REVIEW

AIRASIA PHILIPPINES



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

5.3
MILLION

NUMBER OF ALLSTARS

1,588

TOTAL FLEET

17
A320

NETWORK

ROUTES

34

UNIQUE ROUTES

3

NEW ROUTES
IN 2017

13

HUBS

3

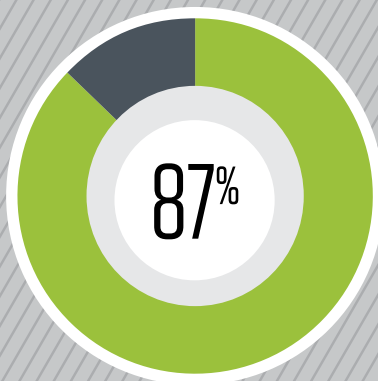
DESTINATIONS

22

COUNTRIES

9

LOAD FACTOR



MARKET SHARE



TOTAL MARKET SHARE

11.0%

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY TO DECEMBER 2017, MARKET SHARE REFERS TO AIRASIA GROUP'S MARKET SHARE IN PHILIPPINES.

Going for Gold

Always championing local heroes, in May 2017, AirAsia Philippines unveiled a new livery featuring the logo of a successful home-grown hypermarket. The word 'PUREGOLD' is now emblazoned prominently on two of its aircraft, advertising the eponymous retail brand. Although this marks a symbiotic business arrangement between our associate and Puregold Price Club Inc, it is also symbolic given that, in 2017, AirAsia Philippines truly struck gold.

After years of legal and corporate wrangling following the acquisition of a local airline; struggles for slots in overstretched airports; replacing its inherited fleet with new Airbus A320 aircraft that has become the standard throughout AirAsia, our associate in the Philippines has finally been able to settle down and focus all its attention on the business of flying, and is doing this so well that the year's results have been nothing short of remarkable.

During the year, it welcomed three new Airbus A320 aircraft, and immediately put them to good use, supporting significant network expansion. No less than 13 new routes have been introduced, all of which are performing well. Together with existing routes, they have enabled AirAsia Philippines to maintain its high load factor of 87% while growing the number of guests carried by 32%, from 3.99 million in 2016 to 5.28 million. In total, AirAsia Philippines' available seat kilometres

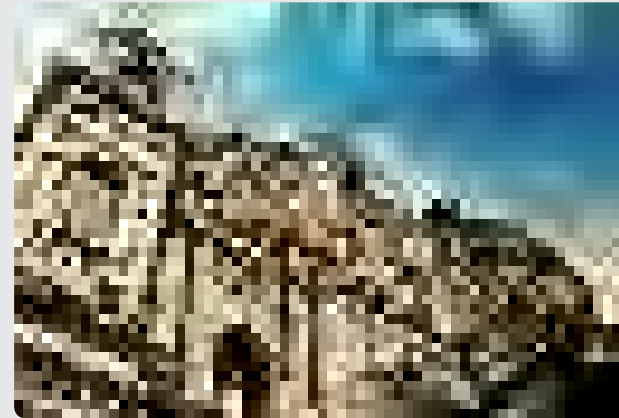
(ASK) grew by a significant 37% while high demand meant it could maintain its fares thus achieve an equally significant increase in revenue per kilometre (RPK), of 38%.

Together, these positively encouraging figures led to a record revenue of PHP15.93 billion and a net operating profit of PHP686.4 million. Despite several one-off costs, AirAsia Philippines also managed to pull together a healthy net profit of PHP378.2 million. Revenue from ancillary services contributed to the increase in revenue, with the new pricing structure for baggage allowance and seat selection adding significantly to this income stream.

Most of AirAsia Philippines' new capacity was directed at building skybridges between domestic destinations, further strengthening its positioning as the leisure airline connecting people to beautiful places in the Philippines. In an archipelago of more than 7,500 islands, there are a multitude of stunning locations in the country that only a few have heard about, or indeed have access to. AirAsia Philippines has made it its mission to open up as many of these destinations as possible. When Caticlan Airport in Malay (in the province of Aklan) was upgraded to accommodate bigger aircraft, it immediately secured slots to fly to this scenic spot on the north-western coast of the Visayas. On 15 March, the inaugural flight to Caticlan from Manila took off with a full load. This was followed by the

launch on 22 April of flights from Kalibo and Davao to Caticlan; and on 15 December, flights from Clark.

The year also saw AirAsia Philippines provide direct access to Boracay, Palawan and Davao from Cebu, enabling local and foreign tourists arriving in Cebu to fly straight to the country's best island destinations without having to go through Ninoy Aquino International Airport (NAIA).



REVENUE

PHP 15.9
BILLION



NET PROFIT

PHP 378.2
MILLION

INTERNATIONAL & DOMESTIC ROUTES





INAUGURAL
MANILA-CATICLAN FLIGHT

100%
LOAD

“THE YEAR ALSO SAW AIRASIA PHILIPPINES PROVIDE DIRECT ACCESS TO BORACAY, PALAWAN AND DAVAO FROM CEBU.”



Efforts to avert traffic from the space-constrained, busy NAIA received a boost when our associate was able to return some of its operations to Clark Air Base in Pampanga, its hub when it first commenced operations in 2012. As of March, AirAsia Philippines' guests arriving at Clark Air Base can head off directly to Kalibo and Davao, the gateway to Mindanao. Not only will our associate's guests benefit from the convenience of a more spacious airport, the entire Pampanga community stand to gain from the economic spinoffs of a thriving international airport.

Lending further support to the development of lesser-known destinations in the country, AirAsia Philippines launched a successful Chasing Wonders campaign, highlighting unique experiences, attractions, adventures, culture, people and communities through engaging videos, photos and stories. It also organised its first social media

reality contest, #CreateCamp, which took participants off the beaten track to capture 'the unseen Philippines' in videos, photographs as well as stories. The contest had two main aims: to empower young Filipinos with creative talents, and to bring to the world's attention the country's yet-to-be discovered gems.

While building capacity, our associate is also focusing on its impending listing.

AirAsia Philippines underwent the IATA Operational Safety Audit (IOSA), which it passed with flying colours. It also gained ISO certification, providing assurance that its products, services and systems are of world-class standards in terms of quality, safety and efficiency.

Following its planned listing, AirAsia Philippines will be flushed with funds to support even greater expansion. All the ingredients for growth are there. Tourism in the Philippines is increasing,

and will accelerate with the Government's support via marketing and campaigns, as well as investments into the necessary infrastructure. Of 75 flagship projects to be launched in 2018, around one-third are airports. AirAsia Philippines will capitalise on these positive changes to capture more of the domestic and international travel markets. With continued focus on underserved routes, supplemented by AirAsia's brand of innovative service, it is confident of further intensifying its route network both within the country as well as the region.

AirAsia Philippines has finally come of age. And with all systems firmly in place, it is set to enter a golden phase in its ongoing journey.

BUSINESS
REVIEW

AIRASIA INDIA



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

4.4
MILLION

NUMBER OF ALLSTARS

1,668

TOTAL FLEET

14
A320

NETWORK

ROUTES

30

UNIQUE ROUTES

1

NEW ROUTES
IN 2017

15

HUBS

3

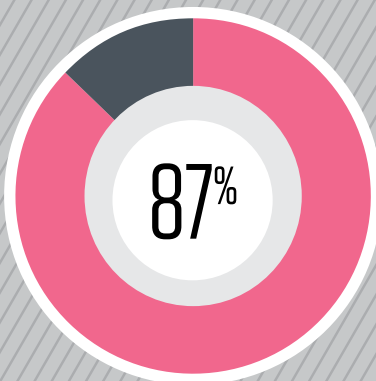
DESTINATIONS

16

COUNTRIES

1

LOAD FACTOR



MARKET SHARE



TOTAL MARKET SHARE

3.7%

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY TO DECEMBER 2017, MARKET SHARE REFERS TO AIRASIA GROUP'S MARKET SHARE IN INDIA.

Growing Fast and Furious



Just three years into operations, AirAsia India may still be considered a new kid on the block in a mature low-cost carrier market. But it is fast proving itself to be a force to be reckoned with. It has big ambitions to connect more and more Tier II and III cities within the large Indian subcontinent, with a longer-term view of going international; and its performance in 2017 indicates it is well on the way not just to achieve its goals, but to do so quickly.

During the year, it increased its fleet size 75% from eight to 14; added five new destinations to its network – Srinagar (Kashmir), Ranchi (Jharkand), Bagdogra (West Bengal), Kolkata (West Bengal) and Bhubaneswar (Odisha); and doubled the number of guests carried to 4 million. Following a survey carried out during the

year, OAG, the world's leading provider of digital flight information, ranked our associate as the 10th fastest growing airline in the world.

Most impressively, its prodigious growth is being managed cost effectively. Despite consciously reducing its average stage length, AirAsia India doubled its revenue to INR15,369 million and, best of all, achieved its first ever full-year gross profit.

No doubt, some of this growth is fuelled by demand. While competition in India is stiff, with a large and growing number of airlines including low-cost operators, demand still outweighs supply. India is currently considered the third-largest domestic civil aviation market in the world. During the year, capacity as measured by number of seats increased by 14%, while the number of passengers carried increased by 17%, and the industry load factor grew three percentage points. According to the Directorate General of Civil Aviation (DGCA), from April 2006 to March 2017, domestic passenger traffic expanded at a compounded annual growth rate (CAGR) of 11.46%.

Demand on its own, however, does not explain our affiliate's phenomenal performance. In a land of much choice, AirAsia India is doing many things right to command the growth it is experiencing. Marketing is probably one. The Dotcom brand campaign – One Destination for

All Destinations, Women's Day campaign and Independence Day campaign, among others, are portraying AirAsia India in just the right light, marking it as an organisation with a sense of humour that takes social issues to heart. They have also brought Head of Marketing Anupama Jangid recognition; she was named Digital Marketer of the Year in the Travel Category by the Internet and Mobile Association of India (IAMAI).

The One Destination for All Destinations campaign, which aimed at increasing awareness of how easy it is to make travel bookings on the airline's website and the mobile app, was so successful, it saw a 53.5% increase in online and app bookings, and 85% growth in app downloads, taking AirAsia's total app base in India to 1.4 million, far ahead of other low-cost carriers in the country.



REVENUE

INR 15.36
BILLION

DOMESTIC ROUTES

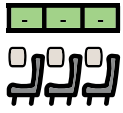


AIRASIA INDIA

Hubs in India

- Kempegowda International Airport, Bengaluru
- Indira Gandhi International Airport, New Delhi
- Netaji Subhas Chandra Bose International Airport, Kolkata

— Domestic Route



NUMBER OF SEATS

+14%



NUMBER OF PASSENGERS

+17%



INDUSTRY LOAD FACTOR

+3%



CAGR

11.46%

In terms of service, too, AirAsia India is proving to hit the right spot with offerings such as MyCorporate, providing extra perks to business travellers (such as complimentary meals, standard seat assignment, dedicated check-in counters, and the ability to change flights); Fly-Thru, which makes transits between two flights hassle-free; and the BIG Loyalty programme, which has the distinction of being the only loyalty programme to be offered by a low-cost carrier in the country. These demonstrate AirAsia India's commitment to add value to the customer experience.

Another offering that guests thoroughly appreciate is the five-star inflight food, provided by TajSATS, which combines the culinary nous of the Taj Hotels Resorts and Palaces with the ground-handling

expertise of SATS. AirAsia India was a pioneer in the domestic low-cost space to serve up delicious hot meals to Indian fliers. In addition to making available a healthy mix of modern and traditional cuisine, our associate also provides information on calories and nutrition, the presence of known allergens, etc, to help guests make informed choices.

Moving into 2018, AirAsia India will focus on connecting more Tier II and III cities. Along with the AirAsia Group, it will also place increasing emphasis on leveraging technology for operational efficiencies as well as to further enhance the customer experience.

Above all, our associate will continue to prioritise safe operations. Thanks to various programmes, an internal survey

conducted among employees during the year indicate that safety is always top-most in their minds. Further building on its culture of safety, in February 2017, AirAsia India set up Anaz Red Wings, a state-of-the-art safety training centre in Bengaluru. Anaz Ahmad Tajuddin, our late Group COO who served AirAsia more than a decade, would be honoured. We, too, feel reassured by the knowledge that no matter how fast or aggressively our young associate grows, it has its priorities right. Guided by the Group and its own values, it will not lose sight of its ultimate responsibility, namely to care for the well-being of the millions of guests who enjoy its hospitality.



BUSINESS
REVIEW

AIRASIA JAPAN



KEY FACTS

TOTAL PASSENGERS CARRIED
IN 2017

32,064

NUMBER OF ALLSTARS

250

TOTAL FLEET

2²

NETWORK

ROUTES

1

NEW ROUTES
IN 2017

1

HUBS

1

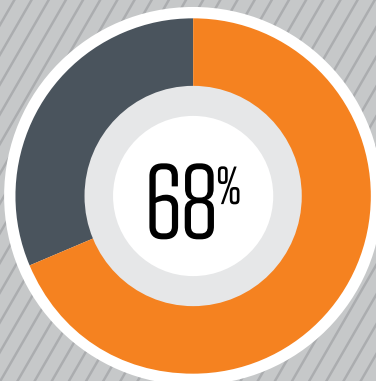
DESTINATIONS

2

COUNTRIES

1

LOAD FACTOR



ON-TIME PERFORMANCE

90%



REVENUE

JPY 185.8
MILLION

NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.
2. FLEET COUNT INCLUDES ONE SPARE AIRCRAFT.

New Star in the Land of the Rising Sun

“THE ENTIRE NAGOYA AIRPORT WAS PAINTED IN AIRASIA’S DISTINCT RED, WITH ADVERTISEMENTS AND A FLOOR-TO-CEILING WINDOW STICKER PROUDLY DEPICTING AN AIRASIA AIRBUS A320 TAIL FIN.”

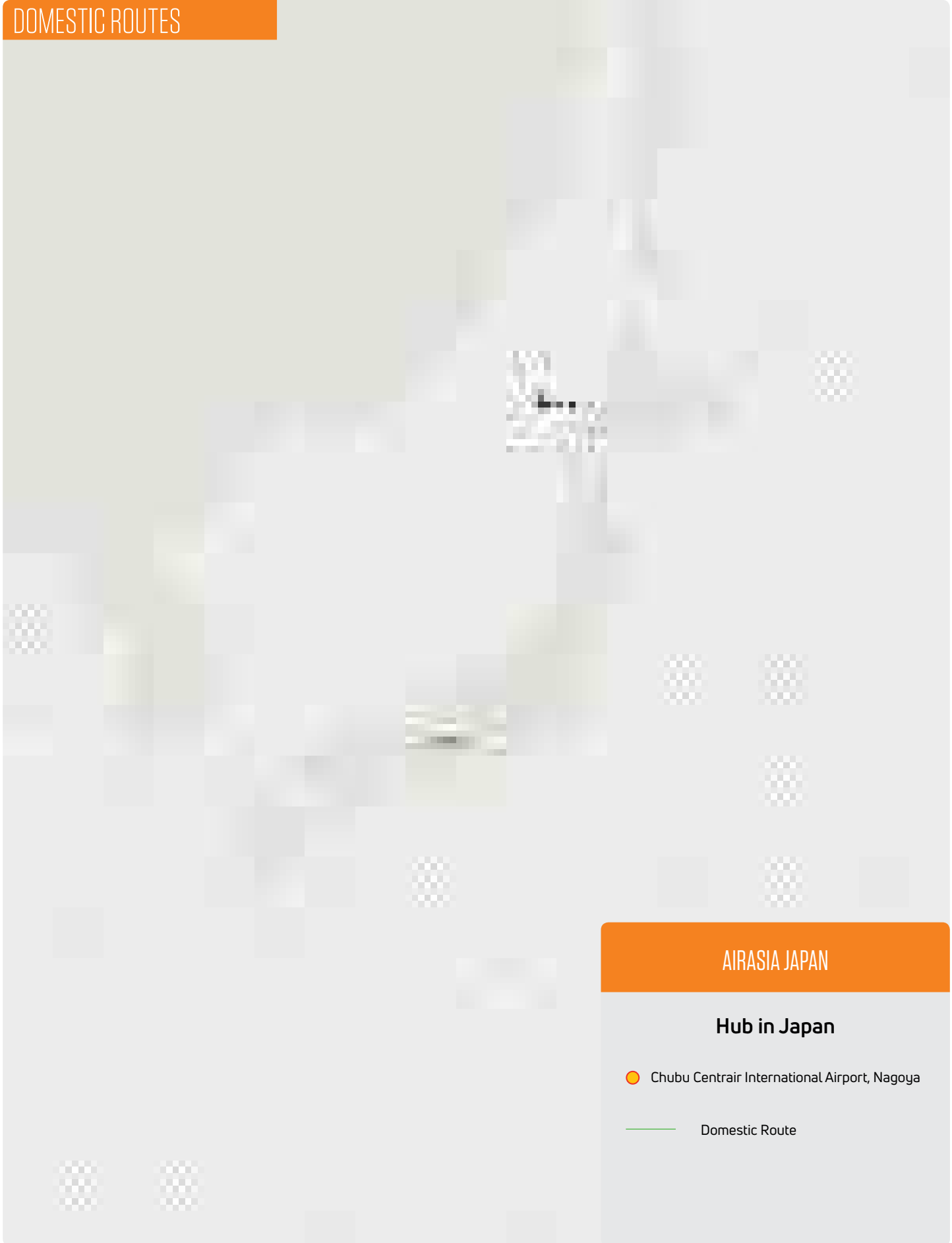
A new dawn broke for the Group on 29 October 2017 when the first AirAsia flight took off from Chubu Centrair International Airport, Nagoya to Shin Chitose Airport, Sapporo, in the Land of the Rising Sun. To mark the occasion, the entire airport in Nagoya was painted in AirAsia’s distinct red, with prominent wall-to-wall advertisements featuring its cabin crew and launch route, while a floor-to-ceiling window sticker proudly depicted an AirAsia Airbus A320 tail fin.

There certainly was reason to celebrate, as the airline did take its time to get off the ground. AirAsia entered into a partnership with Rakuten Inc, Octave Japan Infrastructure Fund I GK, Noevir Holdings Co Ltd and Alpen Co Ltd to form AirAsia Japan back in 2014, and announced in 2015 that it was set to commence operations. However, as Group CEO Tan Sri (Dr) Tony Fernandes mentioned to reporters when the first flight took off some two years later, some ventures, like good wine, take time to mature.

And it would seem that the maturity period for this new venture is paying off. Though operational only two months before the year ended, AirAsia Japan has notched an impressive on-time performance of 90% on its twice daily flights between the capital of Aichi prefecture in the Chubu region, famous for its automotive industry; and the capital of Hokkaido prefecture, famous for its beer, skiing and annual Sapporo Snow Festival.



DOMESTIC ROUTES





LCC MARKET SHARE
IN NAGOYA

13%



LCC MARKET SHARE
IN OSAKA

44%



LCC MARKET SHARE
IN TOKYO

30%



The choice of setting up base in Nagoya was strategic. Although the low-cost carrier (LCC) market in Japan is gradually increasing, its market share in Chubu Centrair International Airport is still relatively low, at 13%, compared to, say, Kansai International Airport in Osaka, where it accounts for 44% of the market; and Narita International Airport, Tokyo, where it is 30%. AirAsia Japan is, moreover, the only LCC to actually have its operational base in Nagoya.

Japan, as a country, also represents a strategic choice for our latest international AirAsia airline venture. As our easternmost affiliate, it pushes the geographic boundaries of destinations we can reach via our four-hour flights. In addition, Japan is still relatively virgin territory within

the LCC space, which started to develop properly only in 2012. Given the late start, LCCs currently comprise only about 8% of the domestic and 11% of the international travel markets, respectively, much lower than their penetration in Asean and South Asia which, in turn, lag behind Europe and North America. Experts predict that in the next 10 years, the Japanese LCC market share will grow two-and-a-half times domestically and three times internationally.

AirAsia Japan is certainly prepping itself to be a part of this growth, leveraging AirAsia Group's wide network to differentiate itself from local competitors. It is also working very closely with Centrair Airport, the local government and business partners to build a home-grown brand that the

local community trusts and comes to love. It is already investing in building strong ties with the local community. Together with the airport, it organised an 'airline school' explaining to students how an airline operates. On a separate occasion, Allstars visited local schools to talk about careers in aviation.

Going forward, AirAsia Japan seeks to expand its capacity both domestically and in the international space, filling in demand wherever it arises. Already, it has pinned Taipei on its drawing board. By the time we report on our associate in Japan this time next year, we feel confident of having much to say, about many new destinations, not just Taipei.

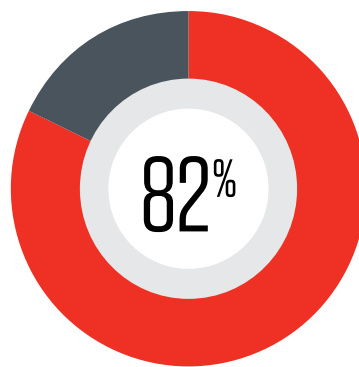
AIRASIA X: FLYING WITH THE X FACTOR

The year 2017 marked the 10th anniversary of our long-haul sister airline, AirAsia X, one which it was able to celebrate in great style – with flights to Honolulu just a few months before the event, and a second full-year of profits a few months after.

The launch in June of Kuala Lumpur-Osaka-Honolulu was a veritable milestone for AirAsia X as it marked the airline's entry into an entirely new continent, North America. This route, moreover, was made possible only after AirAsia X passed a stringent safety audit conducted by the US Federal Aviation Administration (FAA). Until very recently, no other LCC in Asean could lay claim to having FAA approval. For guests, Hawaii is a dream destination come true; it has a strong appeal among Asians above a certain age who grew up with images of sandy beaches, rolling waves and surf boarders from the long-running TV programme Hawaii Five-0.

Honolulu was, and is, without doubt special. It was also an exception in another important respect. A conscious decision had been made by AirAsia X as a Group to grow its presence in its core markets, namely North Asia and India. Other than Honolulu, therefore, all four other destinations launched in the year – Wuhan and Jeju, from Kuala Lumpur; as well as Tokyo and Mumbai, from Bali – targeted these markets, as did increased flight frequencies. AirAsia X Malaysia's new destinations and increased frequencies led to a 21% growth in its capacity, enabling it to carry 25% more guests year-on-year to total 5.8 million while upping its load factor by three

LOAD FACTOR



percentage points to 82%, its highest to date.

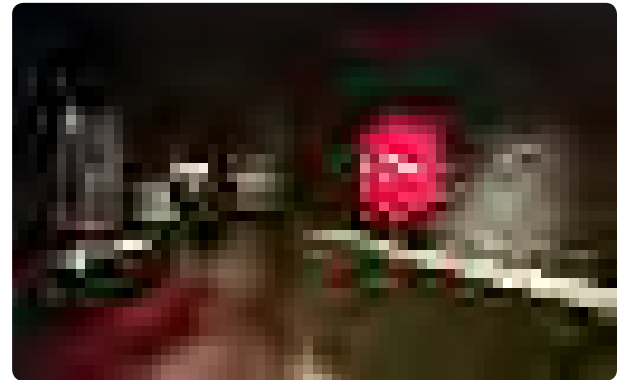
Although there was a slight dent in yields as a result of such aggressive capacity expansion, this was a small price to pay for the long-term benefits of market dominance. And, for the year, the drop in revenue per available seat kilometre (RASK) was more than compensated for by the 30% increase in revenue from ancillary and 27% increase in freight service. Ancillary income was boosted by increased contributions from baggage allowance and seat selection, which benefited from more dynamic pricing structures, as well as uptake of the newly launched Xcite Inflight Entertainment, the AirAsia Premium Red Lounge at klia2, and AirAsia Duty Free & Merchandise. Freight services, meanwhile, were enhanced by increased capacity for cargo along with AirAsia X's capacity expansion more generally. Overall, AirAsia X Berhad's revenue increased by 17% to RM4.6 billion.

CAPACITY

+21%

REVENUE

+17%



NO. OF SCHEDULED FLIGHTS A WEEK

237

**AIRASIA X
KEY FACTS**

**TOTAL PASSENGERS CARRIED
IN 2017**

7.8
MILLION

NUMBER OF ALLSTARS

3,149

TOTAL FLEET

30
A330 - 300

NETWORK

ROUTES

33

UNIQUE ROUTES

8

**NEW ROUTES
IN 2017**

6

HUBS

3

DESTINATIONS

28

COUNTRIES

12

AIRASIA X HUBS

AirAsia X Hubs

- Kuala Lumpur International Airport
- Don Mueang International Airport, Bangkok
- Ngurah Rai International Airport, Bali
- AirAsia X Malaysia Route
- AirAsia X Thailand Route
- AirAsia X Indonesia Route



NOTES:

1. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET ARE AS AT 31 DECEMBER 2017.

FLYING WITH THE X FACTOR

At the same time, pressing on with the turnaround initiatives, AirAsia X continued to scrutinise all costs and trim any unnecessary expense. As part of its cost reduction drive, it did not take in any new aircraft during the year, for the third year running. Instead, the team focused intently on its fleet management to ensure better turnaround times and on-time performance enabling increased aircraft utilisation.

The results were quite astounding, with aircraft utilisation improving from an already high 14.5 hours in 2016 to 15.4 hours. In addition, management renegotiated various contracts with partners and vendors, while outlining

effective strategies to manage the increase in fuel price as well as the depreciating Ringgit. As a result, AirAsia X Berhad's cost per available seat kilometre (CASK) reduced by 2% from 13.12 sen in 2016 to 12.80 sen, firmly establishing its position as the lowest unit cost airline in the world. This contributed to AirAsia X Berhad more than doubling its profit after tax (PAT) from RM44.8 million to RM98.9 million.

It was a turnaround year for AirAsia X Thailand, which recorded its first full-year profit of USD8.7 million. Although starting on slightly shaky grounds following the death of the nation's King and the government's clampdown on zero-dollar tours in the last quarter of 2016,

the tourism market very quickly rallied. AirAsia X Thailand capitalised on the upturn to increase its flight frequencies to Osaka (Japan) and Seoul (South Korea), ending the year with a 17.4% increase in number of guests carried to 1.62 million accompanied by a significantly enhanced load factor of 91%, compared to 85% in 2016, as well as an even more pronounced on-time performance improvement, from 72% in 2016 to 92%. With the lifting of the International Civil Aviation Organization (ICAO)'s red flag on the Thai aviation industry in August, and the delivery of three aircraft in 2018, it is set to spread its wings even further.





Following a temporary suspension of operations as part of an extensive network restructuring, in May AirAsia X Indonesia launched new routes to Mumbai (India) and Tokyo (Japan). Overall, the airline performed well and even recorded a profit in the third quarter before tourism was affected by volcanic activity in Mt Agung, prompting travel alerts by various countries. For three days in November, the airport in Bali was forced to shut down. Although AirAsia X Indonesia's results were necessarily impacted, we are confident of a relatively quick recovery, especially with support from the newly listed AirAsia Indonesia and the rest of the AirAsia Group.

Having earned its stripes, AirAsia X will be receiving six new aircraft in 2018 which will add a fillip to its capacity expansion drive. Of these, three aircraft

will be delivered to Malaysia and the remaining three to Thailand. Despite the new aircraft, our sister airline intends to maintain a utilisation rate of up to 16 hours a day, either on new routes or increased frequencies. Continuing its focus on North Asia and India, it plans to carve more routes into China and Japan while adding frequency to existing routes in South Korea.

With AirAsia Group CEO Tan Sri (Dr) Tony Fernandes partnering Datuk Kamarudin Meranun as joint Group CEO beginning January 2018, there will also be enhanced focus on greater integration with the AirAsia Group. This bodes well for both AirAsia and AirAsia X, and we can expect some amazing synergies to be created, which will be highlighted in next year's report.

BRANDING: Dare to Dream

THERE CAN BE
NO DOUBT WE ARE A



COOL, BOLD & INNOVATIVE

AIRLINE



AirAsia was built on the wings of the dreams of our founders, Tan Sri (Dr) Tony Fernandes and Datuk Kamarudin Meranun. They had a vision of creating a low-cost airline that would enable everyone to fly. Sixteen years later, with successful operations not only in Malaysia but also Thailand, Indonesia, the Philippines, India, Japan and, soon, Vietnam and China, their dream has certainly come true.

In the process, they have enabled some 450 million guests to meet new people and experience new places that, in the past, they could only dream of visiting. With our extensive network, anyone can now fly according to their whim or fancy to more than 130 destinations, from the clear waters of Palawan to the backwaters of Kochi, the temples of Siem Reap to the casinos of Macao, the rolling fields of Luang Prabang to the chocolate hills of Bohol... The list is almost endless.

And yet, the web of dreams we help to realise does not stop here. At AirAsia itself, the 'dare to dream' credo of our founders has been woven into a culture that encourages Allstars to aspire for more, and to pursue their dreams relentlessly, with the company supporting them all the way. In this fashion, we have had office boys become pilots, a call centre officer become head of sales and even a ground handling staff be promoted to business development manager.



Within the communities that we support, too, we encourage people to dream. We believe Asean is home to great talent, and would like to see more of these talent achieve the acclaim they deserve. That is why, in 2017, we ran an extensive Dare to Dream campaign. Under its banner, we produced a series of videos of the sheer grit and determination of home-grown athletes such as cyclists Azizulhasni Awang (aka the Pocket Rocketman) and Fatehah Mustapa, national diver Leong Mun Yee, go-kart driver Muizzuddin Musyaffa, as well as British Olympian swimmer, Ben Proud, to achieve their dreams. Each one of these amazing sports personalities has won numerous local and international competitions, bringing themselves and their countries fame and glory.

Working with Ben Proud, who grew up in Malaysia and clocked in many hours in the pool under a local coach before leaving for Britain, we designed a swim clinic for young swimmers with promise.

Many of the participants who attended these sessions in Putrajaya, Penang and Kota Kinabalu left with ambitions to win Olympic golds!

We also entered into a partnership with American mixed martial arts organisation UFC (Ultimate Fighting Championship) to unravel and nurture talent from Asia Pacific. One fighter with potential will get to spend two to three weeks training under top UFC proponents at the UFC Performance Institute in Las Vegas. Another will be given the opportunity to participate in the Dana White Tuesday Night Contender series, a launch pad for many amateur fighters.

Musicians have not been left out. In November, we organised a Dreams Come True with David Foster campaign to discover the next Asean music sensation. Working with music platform Spotify, we identified 20 promising musical talents from the region, and encouraged listeners to 'vote' for their favourite by streaming

the artistes on Spotify during a nine-week campaign. The performer with the most streams got to perform with legendary producer, musician, composer and AirAsia ambassador David Foster in Surabaya and Solo in March 2018, while he was on tour.

AirAsia would not have been born if our founders had not dared to dream. Our Allstars would not be where they are if they had not either. We understand fully the power of dreams and would like as many people as possible to benefit from the life-changing opportunities that await them if they only dare to dream. This was our message to all our fans and friends in 2017. If, through our campaigns, we have succeeded in changing even one life for the better, we will have achieved our goal. But, of course, we won't stop here. We at AirAsia will continue to dream. And we will continue to get the people we serve to dream along with us.

ANCILLARY: Leading the Broadband Wagon



In 2014, AirAsia created a first in Malaysia by making wifi available on board our flights. Today, others have joined the bandwagon, but we still maintain our lead by having the most aircraft – 45 – that offer the service. Using it, guests can browse the web, connect with others via social media, email and chat. They can also access films, music, news and games. On top of that, they get to enjoy exclusive inflight shopping deals.

When it was launched, ROKKI was a coup for AirAsia. Not only was it the first for an airline in the country, it had also been developed in-house. There were, however, certain speed and bandwidth limitations, and in 2017 these were addressed. In September, we signed a deal with Inmarsat Aviation which will see GX Aviation high-speed broadband installed in more than 120 of the Group's

aircraft starting 2018. Our memorandum of understanding (MoU) marks yet another industry milestone; it is one of the largest orders for high-speed broadband service by any airline in the world.

ROKKI, as our wifi and inflight entertainment service is called, is one of the many ancillary offerings we present to guests to enhance their flying experience. While providing them 'fringe benefits', these services also represent a significant additional revenue stream for us, one moreover that grows with every passing year. In 2017, ancillary made up RM1.93 billion of AirAsia Berhad's revenue, accounting for 20% of the total. Revenue from ROKKI itself grew by 137% year on year, from RM503,000 to RM1.2 million.

The biggest ancillary contributor, however, continues to be baggage allowance.

Baggage has always represented a major source of revenue, and in 2017 its contribution was enhanced even further following the implementation of a dynamic pricing mechanism. Under the new system, we increased the number of pricing tiers from 15 to 45 in April, and upped it again to 60 in October. The pricing mechanism now is more sensitive than before to route demand and the time of booking, with earlier pre-booked baggage allowance commanding a lower price. With the new mechanism, revenue per guest from baggage increased 9% to RM27.

A similar dynamic pricing mechanism was also implemented for seat selection, increasing the number of tiers from 25 to 70 with more seat row groupings. This contributed to an 11% increase in revenue per guest to RM4.50. Recognising the value of dynamic pricing, we are currently in talks with a couple of leading vendors with technologies geared specifically for airline ticket and ancillary pricing.

While pricing is a key concern of our ancillary team, much focus is also trained on the continuous innovation of products and services we offer to increase their take-up by guests.

Among the innovative services that have caught our guests' attention is Fly-Thru, which allows them to connect seamlessly from one AirAsia flight onto another. Fly-Thru traffic increased by 37% year-on-year in 2017 to 3.01 million guests. We now offer 1,845 city pair connections, adding 497 pairs during the year itself. Although Fly-Thru is an important source of revenue, it also forms a critical component of our overall expansion strategy, as it allows us to link two separate flights within the Group, either short-haul – short-haul or short-haul – long-haul, to effectively create 'tag

¹ AirAsia Berhad's financials comprise the consolidated AOCs, namely AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines.

ANCILLARY SERVICES
REVENUE

RM1.93
BILLION

ROKKI
REVENUE

RM1.2
MILLION

BAGGAGE REVENUE
PER GUEST

+9%

+137% y-o-y

flights' namely flights with one stop-over. To guests, this greatly enhances our route network. To keep growing Fly-Thru, we are continuously equipping more hubs with the systems required for the facility, and now have 11 Fly-Thru transit hubs, the key ones being Kuala Lumpur, Bangkok, Jakarta, Bali, Bengaluru, New Delhi, Manila and Kota Kinabalu. Efforts to increase the number of hubs and city pairs will continue, with special focus on winning greater market share in our core markets.

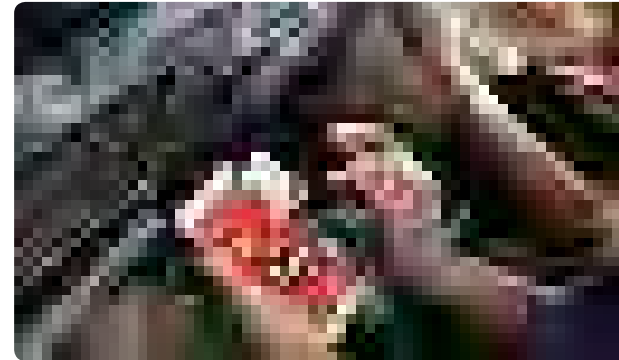
Innovation is also evident in the way we keep enhancing our inflight food selection to create an affordable gourmet experience on board. This year, we got our guests to give us ideas. We ran a survey asking them to recommend their favourite Asian dishes. A clear winner emerged – Kung Pao Chicken – which was subsequently included in our menu, Santan. Another addition was popular Japanese stuffed rice balls, onigiri, which we serve with miso soup. Moving towards One AirAsia, we are standardising our menu across the Group so that no matter which AirAsia country airline a guest flies, the food offering will be the same – representing the best from Asia.

Other than food, we believe there is great potential to further innovate on our duty-free. In 2015, we launched an online version of duty-free, making it more

convenient for guests to purchase goods. During the year, we continued to introduce more duty-free offerings, with a focus on affordable yet trendy products priced below RM100. We are also sourcing more made-in-Asia brands to differentiate the shopping experience with AirAsia while supporting Asian entrepreneurs. For better deals with suppliers, we are increasing the volume of our purchases by standardising our duty-free offerings across the Group. This will translate into more attractively priced items than are available in the open market or indeed in other airport duty-free shops. Every month, moreover, we offer promos that are difficult to resist.

Meanwhile, to address the dip in insurance take-up rates – which had been affected by rulings by the Malaysian and subsequently Indonesian authorities requiring airlines to disable the auto opt-in for coverage – we now offer insurance as part of Value Packs, with encouraging results. Our insurance take-up rate has grown back to 10%.

The overall ancillary penetration rate of AirAsia Berhad remains in the region of 55%-60%, which indicates much room for improvement. We are focusing on this by making more effective use of the digital data that we have from on-ground transactions and enhancing it with the use of electronic point of sale (ePOS) devices to capture data from



purchases on board our flights. We are also developing ROKKI to serve as our inflight brand for various digital offerings, not just entertainment. Through ROKKI, we will be able to integrate all the data we have from individual guests to be able to personalise our offerings, thus enhance our guests' experience and increase ancillary sales. We are very excited about this development and look forward to reporting on more ROKKI-ing news next year.

“OUR MOU WITH INMARSAT AVIATION MARKS ONE OF THE LARGEST ORDERS FOR HIGH-SPEED BROADBAND SERVICE BY ANY AIRLINE IN THE WORLD.”

SEAT SELECTION REVENUE
PER GUEST

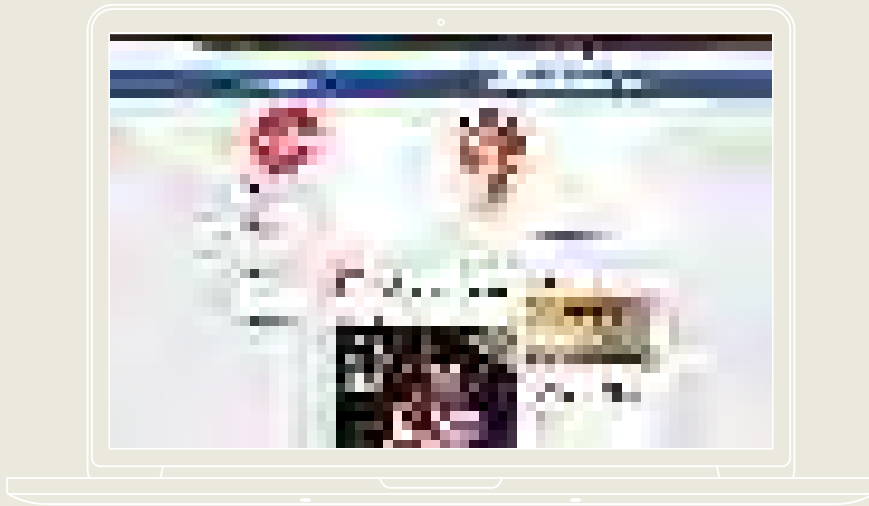
+11%

FLY-THRU
TRAFFIC

+37%

y-o-y

SOCIAL MEDIA: The Perks of Being a Social Butterfly



“Hanoi-ce to meet you, Halong you been coming here?” – may not be the best pick-up ruse ever, but it, along with a compilation of other corny one-liners we posted on our Facebook page on Valentine’s Day, including “Baby, meeting you was a Miri-cle” and “For a love to keep me safe and warm Iran to you”, certainly got some smiles, and saw us trend at least for the day. It also got us mentioned on local TV programme Astro Awani and several online sites.

Facebook postings such as the Valentine’s pick-up lines and videos depicting the region’s interesting people and places have contributed to our rapidly growing

Facebook following which, by end 2017, stood at more than 11 million, the second highest among all airlines in the world, according to Crucial Perspective, an Asian transport equity research house. In one of its reports released in June 2017, AirAsia ranked among the top five of global airlines for our overall social media presence. For Twitter in particular, we lead the pack with almost 8 million followers across six language channels, more than double that of the no. 2 Tweeting airline, Garuda.

These numbers are reassuring, proving to us that we have got it right in the way we connect with our fans and followers. It has

always been our intention to use social media as a means of creating meaningful links with our guests, friends and fans – allowing them to get to know us better and vice versa. However, in Crucial Perspective’s report, *Airlines Social Media Influence 2017 – Social Butterflies or Media Wallflowers?*, there would appear to be even greater, more business-oriented perks from having strong social media presence. The report noted that the social butterflies among airlines “tend to be airlines that have expanded aggressively in the past 10 years”. The top five airlines in its survey have notched between us an average growth rate of 19.8% over the past 10 years compared to the industry average of 5%.

While this report did not provide an explanation for the link, other social media analysts have noted how social media presence influences consumers’ behaviour. No less than 54% of Twitter users, surveyed by Twitter, reported that they had taken positive action in relation to a brand after seeing it mentioned in Tweets (including visiting their website, searching for the brand, or retweeting content). Brandwatch, a digital company that helps organisations understand their customers better through social media analysis, notes that the average Twitter user follows five businesses, and 77% feel more positive about a brand when their Tweet has been replied to. Twitter is, moreover, an excellent platform for people to ‘advertise’ – consciously or not –

FACEBOOK
FOLLOWERS

11
MILLION

TWITTER
FOLLOWERS

8
MILLION

AIRASIA AMONG

TOP 5

GLOBAL AIRLINES
FOR SOCIAL MEDIA PRESENCE

OVERALL SOCIAL
MEDIA FAN BASE50
MILLIONYOUTUBE
FANS

+90%

“NO LESS THAN 54% OF TWITTER USERS SURVEYED BY TWITTER REPORTED THAT THEY HAD TAKEN POSITIVE ACTION IN RELATION TO A BRAND AFTER SEEING IT MENTIONED IN TWEETS.”

brands that they like, with more than 80% having mentioned a brand in a Tweet.

All of this is, of course, positive news for AirAsia as we continue to reinforce our social media platforms. Rather than jump onto every new social media bandwagon that comes along, though, we have been selective of those we use. And, now, we are further streamlining our social media presence. As of 2017, we have begun the process of removing accounts which are not particularly active, such as LINE accounts for AirAsia Global, Indonesia and Japan. At the same time, in line with becoming One AirAsia, we are merging various platforms. All our Instagram accounts are being consolidated based on language, while all our different Facebook pages – for AirAsia Thailand, AirAsia India, AirAsia Philippines, etc – have been integrated into one. This means, no matter where our Facebook friend is, he or she will access the same AirAsia Facebook page.

As a result of the consolidation exercise, our overall social media fan base remained fairly constant, at around 50 million. However, we did experience an increase in fans/followers on key platforms such as Facebook, Twitter, Instagram, LinkedIn, YouTube, Weibo, WeChat and LINE Thailand. Of these, our YouTube fan base increased the most, by 90%, followed by Instagram (45%), LinkedIn (36%) and Twitter (32%).

One of the biggest perks of engaging with our guests on social media is being able to discover what they like about us and how we can improve to meet their expectations. We have always placed emphasis on using guests' feedback to guide us in new route selection, the introduction of more dishes on our inflight menu, as well as to rectify operational gaps. However, we recognise that we can do more by upgrading our technology. This, indeed, is our mission for 2018. We have already begun the process of adopting the latest listening tools for deeper insights based on not only our own online conversations but also those of our competitors. With our new digital system in place, we are able to monitor brand sentiments and keep check of trending topics, hence create better social media content and enhance the way we engage with guests and friends.

While mining our data to make guests even happier, we will also intensify efforts to support the vision of One AirAsia. We have within our six country operations our very own AirAsia Allstar social media influencers with a combined reach of over two million followers, and growing. Their Tweets and other postings, combined with the campaigns organised by our Social Media teams, will further strengthen the One AirAsia brand, creating a more magnificent and gregarious 'butterfly' able to flit more effectively and efficiently across the social space.



DIGITAL & DATA: Let's Get Digital

IF YOU RESPONDED TO AN ONLINE SURVEY SENT TO YOU AFTER YOUR LAST AIRASIA FLIGHT, AND MADE SUGGESTIONS ON HOW WE CAN IMPROVE OUR SERVICE, CHANCES ARE THE NEXT TIME YOU FLY WITH US, THE CHANGES YOU HAD INDICATED WILL HAVE BEEN IMPLEMENTED. THAT IS BECAUSE ALL GUEST FEEDBACK NOW IS BEING CAPTURED IN A GROWING CENTRALISED DATABASE AND FED ALMOST IMMEDIATELY TO THE APPROPRIATE PEOPLE FOR THEM TO TAKE APPROPRIATE ACTION.

This data integration is part of our digital transformation, which began in earnest in 2016 with the establishment of a Digital & Data team. The aim is to create one repository for all data related to AirAsia Group-wide, not just data related to our guests, which are crucial for commercial purposes, but also that related to on-ground and inflight operations including technical data. Analysis of such data will lead to better business decisions and improved efficiencies, while providing more and better ways to engage with customers, ultimately enhancing the customer experience both internally, among our Allstars, and externally, among our guests.

In order to achieve our objective, everyone and everything in AirAsia – including our aircraft – has to be connected. And the process of doing this has begun, starting with the Commercial, Operations and People departments.

Commercially, we already have an enormous database of some 70 million unique guests. What we are doing now is installing systems to be able to mine this data to enable more personalised communication with guests and the ability to upsell our products while enhancing our customer interaction. To fully digitalise our interactions, as of April 2018 we have started using electronic point of sale (ePOS) devices to capture all inflight guest transactions in relation to food, duty-free and entertainment. We are also developing a digital wallet to enable cashless payments. This requires all our aircraft to have wifi connectivity. To date, we have installed ROKKI, our own brand of wifi, on 45 aircraft and hope to have the entire fleet connected by end 2019.

In terms of operations, we seek to develop fully digitalised ground services, as well as to migrate all systems and processes that are currently manual – and there are many – onto the digital platform.

Part of our vision – at least what we aim to achieve in our ground services – can be seen at Singapore's Changi Airport Terminal 4 (T4), which opened on 31 October 2017. Being new, the airport has adopted the latest Fast and Seamless Travel (FAST) technology, based on facial recognition, to enable passengers to go through the process from check-in, to printing their boarding passes and bag tags, dropping off their bags, clearing immigration and entering boarding gates, by themselves, without human intervention. Recognising the immense benefit of FAST to passengers, airlines and airport operators, we were one of the first airlines to move to T4, and are using the terminal as a case study to be improved upon when we launch our own digital airport systems.





Inflight, we have started to install Internet of Things (IoT) sensors on our aircraft in order to keep track of the aircraft's overall performance. A critical component here are the engines. Data from the sensors would indicate, for example, whether our engines require servicing, allowing us to organise maintenance activities based on need as opposed to a predetermined schedule. While ensuring our engines are in optimal condition at all times, it would also significantly reduce our fuel consumption.

The entire process of digitalising AirAsia will necessarily take time and money. We are currently in discussions with Airbus to install its recently launched SkyWise data system to serve as our centralised platform, which we will keep enhancing and upgrading. To reduce reliance on third parties, in the fourth quarter of 2017, we set up a 15-strong digital/technology team in Bengaluru, India, and there are plans

to open another digital branch, possibly in Bandung, Indonesia. Our target is for AirAsia to be fully digitalised by 2020.

Meanwhile, it is encouraging to see how readily guests are taking to our digital initiatives. Use of mobile apps is generally a good barometer of market's readiness and acceptance of an organisation's digital processes. During the year, most online searches on AirAsia (65%) were done on mobile, marking a 15% increase from 2016, with mobile accounting for 37% of all direct bookings, exceeding our target of 35%. We intend to keep pushing this figure up, and have set a goal of 50% for 2018. For a better mobile experience, we are improving the payment process by allowing one-click purchases.

Ultimately, digital AirAsia will present a more efficient, personalised organisation to the market. Our business partners, investors and regulators will have better

access to us and our operations. Our Allstars will enjoy more fulfilling careers with us. Most importantly, our guests will find that while we are the most affordable airline in the world, we are also the smartest and most convenient way to fly.

ADJACENCY BUSINESSES

AirAsia has a number of joint ventures in which we have partnered leaders in various travel-related sectors who are able to leverage our database and other resources in order for both parties to grow. We call these ventures 'adjacency businesses' which, like our ancillary services, provide the opportunity to earn additional income. Some of the earlier adjacency businesses we entered into have achieved success beyond our imagination, prompting us to monetise them for value recognition.

During the year, for example, we sold our 50% equity in the Asian Aviation Centre of Excellence (AACE) to our partner, CAE International Holding Ltd (CAE) for a cash consideration of USD100 million. This was followed by the sale of 50% equity in Ground Team Red Holdings Sdn Bhd (GTRH) to Singapore-based SATS for SGD119.3 million in early 2018.

Subsequently, not long before this annual report went to print, we firmed up a deal to divest our aircraft leasing operations that are currently undertaken by Asia Aviation Capital Limited (AACL) for USD1.18 billion.

The intention is to spin off more of our adjacency businesses when the time is right.

ASIA AVIATION CAPITAL LIMITED (AACL)

Established as a wholly-owned leasing arm of AirAsia Berhad in 2014 to serve primarily the group, AACL quickly evolved, expanding both its fleet as well as network of customers to include third parties.

By August 2016, the Group recognised the potential of monetising its leasing portfolio, and a new management based in Singapore was put together to work on

ESTABLISHED AS A WHOLLY-OWNED LEASING ARM OF AIRASIA BERHAD IN 2014 TO SERVE PRIMARILY THE GROUP, AACL QUICKLY EVOLVED, EXPANDING BOTH ITS FLEET AS WELL AS NETWORK OF CUSTOMERS TO INCLUDE THIRD PARTIES.

this. Discussions with several interested investors began towards the end of the year.

While these discussions were ongoing, AACL continued to achieve more milestones. In July 2017, it set up operations in Ireland enabling it to cover not only the rapidly growing Asia-Pacific aviation market from Singapore but also the more matured European market. Just a few months after its outfit in Dublin became operational, AACL executed a deal with Ireland's Pembroke Aircraft Leasing on 16 November to purchase its first Boeing aircraft, which is being leased to Norwegian Air, its first lessee in Europe. Then, in mid-November, AACL entered into a purchase and leaseback (PLB) agreement with Mexican low-cost carrier VivaAerobus for two Airbus A320ceo aircraft. The first aircraft was delivered to VivaAerobus on 11 December 2017, and the second, on 16 February 2018.

The year 2018 began well with the delivery not only to VivaAerobus but also of the first Airbus A320neo to AirAsia Group under a PLB programme that had been established. However, the turning point for AACL was being able to finalise the divestment worth USD1.18 billion.



TOURISTLY TRAVEL SDN BHD



Touristly Travel Sdn Bhd, set up in 2015, is an online travel planner with a difference; it allows customers not only to plan their holiday itineraries but also to book exciting activities in one go. With over 13,000 deals on tours, attractions, activities, spas and restaurants in over

78 destinations around Asia Pacific, Touristly offers enormous choice on how to make trips more memorable. On 19 April 2017, AirAsia Berhad acquired a 50% stake in Touristly, enabling the start-up to scale up with instant access to

AirAsia's 60 million guests per annum, as well as other operations within the Tune Group, specifically AirAsia BIG Loyalty programme, Tune Hotels and Tune Protect (insurance). At the same time, the partnership provides a new revenue stream for AirAsia, with Touristly managing deals.airasia.com and the online version of our travel magazine, travel360.com.

In 2018, Touristly is to launch a video discovery platform Vidi to help travellers discover things to do in Asia and beyond. The platform will work like Instagram but offer users the added ability to book activities. It will also leverage the AirAsia network to increase traffic to its site while enhancing its offerings to improve conversions. The target for the year is to grow its bookable deals to 20,000 in at least 90 destinations.

GROUND TEAM RED HOLDINGS (GTRH)

GTRH, established in October 2017, is a 50:50 joint venture between AirAsia Berhad and SATS Ltd, to create a pan-ASEAN ground handling business. It currently serves AirAsia operations in Malaysia and Singapore, with plans to extend to our associates across Asean as well as to third-party airline clients.

The partnership is strategic for both parties. AirAsia gets to leverage SATS' resources and expertise from being Asia's largest provider of gateway services and food solutions, while SATS is able to draw on AirAsia's significant presence across Asean and rapid growth in the region.

Among the unique strengths that SATS brings to the partnership are its connectivity technology designed specifically for airlines and passengers in airports; capabilities in retail e-commerce logistics; IATA-accredited ramp services training; and the SATS dynamic rostering system.

Employing its Smartwatch, we will be able to disseminate information and data such as work schedules and instructions, which used to be done manually. Now, for example, our technical ramp handling personnel can get their work instructions in a more timely manner, boosting efficiency and allowing reallocation of

resources for greater productivity. With its e-commerce capabilities, we will be able to quickly develop modular Regional Distribution Centres (RDCs) to enhance our cargo and other logistics operations. Its ramp services training and rostering system, meanwhile, would create greater efficiencies in ground handling operations.



ADJACENCY BUSINESSES

ONE OF THE BEST PRIVILEGES OF BECOMING A BIG MEMBER IS THE OPPORTUNITY TO REDEEM FLIGHTS AT UP TO 90% DISCOUNT EVERY MONTH DURING THE FINAL CALL SALE AND TO ENJOY 24-HOUR LEAD TO REDEEM FREE SEATS BEFORE THE PUBLIC.



THINK BIG DIGITAL SDN BHD

Think BIG Digital was established as a joint venture between AirAsia, Tune Group and Canada-based loyalty management company Aimia Inc to manage AirAsia BIG Loyalty. A key differentiator of AirAsia BIG Loyalty compared to other airline loyalty programmes is its regional presence, serving over 12 markets such as Malaysia, Thailand, Indonesia, the Philippines, India, Singapore, China, Australia, Japan, South Korea, New Zealand and Taiwan, to form a unique and rewarding ecosystem of BIG Points that can be earned and redeemed in any country served by AirAsia.

The programme has grown steadily year after year, with increased membership and network of partners, as well as number of points issued and redeemed. In 2017, membership expanded to over 17 million, with 3.5 million members from Malaysia, 1.9 million from Thailand and 1.2 million from Indonesia representing the largest nationalities. China boasted the fastest-growing membership base, with a 63% increase in member acquisition, followed by India at 46%, and South Korea at 45%. The programme achieved a 36% and 38% increase in number of points issued and redeemed, respectively, contributing to 41% growth in profit after tax.

Furthering its goal to disrupt airline loyalty, the world's first Freedom Flyer Programme was launched in September to reward guests who fly more with AirAsia with more BIG Points per one-way flight, regardless of how much they spend on fares. Guests are assigned a membership status, with everyone starting at Red then moving up to Gold, Platinum and Black to enjoy differentiated privileges.

Red represents members who have flown up to 13 one-way short-haul flights in the preceding 12 months, while Gold is for those who have flown up to 23 flights, Platinum up to 49 flights, and finally Black, those who have flown 50 or more times. For every RM10 spent, Red members earn up to 20 BIG Points, Gold up to 40, Platinum up to 70 and Black up to 120. Long-haul and Fly-Thru flights count as two one-way short-haul flights, making it doubly rewarding to travel with AirAsia X.

In terms of co-brand partnerships, Bangkok Bank AirAsia Platinum Mastercard spend surged 68%, with 28.5% more members linking their BIG Member ID to the card to fully enjoy the BIG Points earned from their card spend. Indonesian cardmembers were the most engaged, with 34.2% of them redeeming their points for flights and other rewards.

To bring rewards to daily life, in December AirAsia BIG Loyalty launched its eStore, accessible exclusively on airasiabig.com. Members can shop online from over 160 lifestyle and travel brands – earning 1 BIG Point for every RM1, THB10 or IDR4,000 spent. This makes earning BIG Points even faster than before as it takes only a few transactions to accumulate sufficient BIG Points to redeem flights.

Complementing these two major launches, the membership experience was enhanced with a revamp of airasiabig.com and the AirAsia BIG Loyalty app, as well as strategic digital marketing efforts – all complemented by an efficient membership services team.

One of the best privileges of becoming a BIG Member is the opportunity to redeem flights at up to 90% discount every month during the Final Call Sale and to enjoy

24-hour lead to redeem Free Seats before the public. This year, 275,637 seats were redeemed on AirAsia flights through the Final Call Sale, while 102,947 seats were snapped up during the Free Seats promo by BIG Members, and 86,904 on AirAsia X flights.

To access these member-exclusive flight deals, members need to download the AirAsia BIG Loyalty app as all flight promotions are available only on this platform. In less than a year of its launch, the app has been downloaded 826,117 times, with over 75% of members using it actively. Members can check their BIG Points balance, store up to 10 credit card details for faster flight redemption, redeem flights for a maximum of 10 family members, earn BIG Points from selected partners and be notified of the latest deals anytime, anywhere.

Going forward, there are plans to make BIG Points a useful and ubiquitous currency. Members with low BIG Points balances will be able to purchase BIG Points at the checkout. On airasia.com, BIG Points will be made a form of payment for the purchase of flights. A points exchange platform and more payment methods will be introduced for faster and more convenient checkout. In addition, the mobile app will be enhanced with new features to make it an even more powerful platform for travel retailing. Members can also look forward to more privileges and rewards such as priority check-in, free wifi and flight discounts. To top it all, using data analytics, AirAsia BIG Loyalty will offer a more personalised experience when members come onboard.

T&CO COFFEE SDN BHD

T&Co has been supplying AirAsia with freshly brewed coffee and tea on board our aircraft since 2013. Recognising that taste buds function differently at high altitudes, it has invested in formulations that taste good when consumed 30,000 feet above ground, gaining a legion of fans among our guests.

In 2017, our café brand made coffee drinkers among Allstars too extremely happy by setting up an outlet at our headquarters, RedQ. This is its third outlet on the ground, following the establishment of its flagship café in Mid Valley Megamall in 2014 followed by another outlet at the MiCasa All Suite Hotel in Kuala Lumpur city.

The team has shown itself to be as adept at satisfying caffeine cravings on ground as in the air, judging by the crowds that regularly throng its kiosks. It helps that, like AirAsia, they truly listen to customers and take action on feedback. Based on comments received, T&Co enhanced its Vietnamese Iced Coffee; and the result was so pleasing, it became the star product of the year.

Forever expanding its offerings, the year saw T&Co initiate a hamper service (catering for festivities such as Hari Raya and Chinese New Year), and introduce to its cafés the snacks that it previously offered only inflight. In addition, it embarked on a bulk-order service, enabling customers to place orders in advance for scheduled pick-ups.

T&Co's ambition is to supply all flights within the AirAsia Group and is in the midst of discussions with our associates to iron out the details for this to happen. At the same time, it has been working on the much-awaited Asean Blend coffee, which will be rolled out in 2018. In the pipeline are also an improved 3-in-1 coffee, ambient ready-to-drink juices and a ready-to-drink coffee in either aluminium can or tetra pack packaging. On the ground, it intends to introduce full meals in its outlets and to take these to the corporate offices of our associates. Even better for fans, delivery services in Kuala Lumpur city are in the offing. For even greater expansion, there are plans to start franchising the T&Co Café brand.



T&CO HAS BEEN SUPPLYING AIRASIA GUESTS WITH FRESHLY BREWED COFFEE AND TEA ON BOARD OUR AIRCRAFT SINCE 2013.



While working on its expansion plans, T&Co lent its expertise to one of AirAsia Foundation's grant recipients – Muser Coffee Hill – to develop drip bags for its coffee. Muser coffee, from the highlands of Thailand, are part of T&Co's Asean Blend.

BIGPAY MALAYSIA SDN BHD

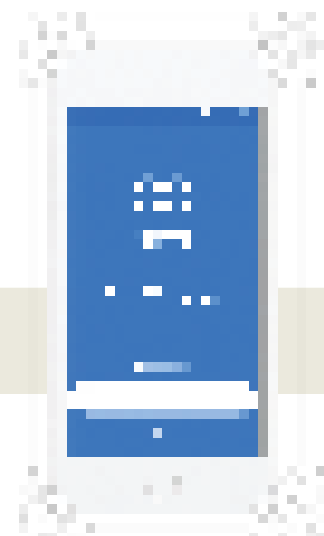
BigPay is a homegrown Asean fintech company that is set to democratise financial services in the region, providing a convenient, user-friendly digital alternative to conventional bank accounts.

In the third quarter of 2017, BigPay launched a closed beta app that allows users to manage money on the go from their smartphones. Users can see their transactions in real-time, add photo receipts to purchases, track their monthly spending, freeze their card and send money to friends and family for free.

To open a BigPay account, customers need only download the app and sign up, following which they are issued a Mastercard that enables them to spend securely at over 35 million merchants – both on and offline – as well as to withdraw cash from ATMs globally.

As part of the AirAsia ecosystem, BigPay seeks to reduce the cost of travel. Unlike most debit and credit cards in the market, therefore, it does not charge any FX mark-up on international spend. Neither does it charge any transactional fees or hidden cross-border fees. Since its public launch in Malaysia in January 2018, BigPay has

attracted strong interest and sign-up growth, with limited marketing spend. Going forward, there are plans to roll out many new and exciting features. BigPay is a licensed e-money issuer regulated by Bank Negara Malaysia.





CARED SPACE AGENT

Handwritten-style text: "Handwritten Agent Name: [Name]"

Handwritten-style text: "Handwritten Agent ID: [ID]"

Handwritten-style text: "Handwritten Agent Address: [Address]"

NOIEMA

2011

www.noiema.com.br
R. Rio de Janeiro, 100 - Lapa - Rio de Janeiro - RJ



NOIEMA
R. Rio de Janeiro, 100 - Lapa - Rio de Janeiro - RJ
www.noiema.com.br

NOIEMA
R. Rio de Janeiro, 100 - Lapa - Rio de Janeiro - RJ
www.noiema.com.br



“AirAsia thinks
‘community’ and
inspires me to
give back.”

Desiree Bandal (Filipino)

Then Marketing Executive

Now Group Head for Government Policy and Asean