



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**ANNOUNCEMENT**

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the first quarter ended 31 March 2018.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		31-03-18 RM'000	31-03-17 RM'000	31-03-18 RM'000	31-03-17 RM'000
Revenue	9	2,555,182	2,226,554	2,555,182	2,226,554
Operating expenses:					
- Staff costs		(379,070)	(363,497)	(379,070)	(363,497)
- Depreciation of property, plant and equipment		(185,443)	(204,770)	(185,443)	(204,770)
- Aircraft fuel expenses		(852,457)	(680,800)	(852,457)	(680,800)
- Maintenance and overhaul		(170,590)	(114,273)	(170,590)	(114,273)
- User charges and other related expenses		(357,003)	(331,534)	(357,003)	(331,534)
- Aircraft operating lease expenses		(200,225)	(148,671)	(200,225)	(148,671)
- Other operating expenses		(145,352)	(103,953)	(145,352)	(103,953)
Other income	10	480,672	111,892	480,672	111,892
<b>Operating profit</b>		<b>745,714</b>	<b>390,948</b>	<b>745,714</b>	<b>390,948</b>
Finance income	11	7,484	19,042	7,484	19,042
Finance costs	11	(112,206)	(142,909)	(112,206)	(142,909)
<b>Net operating profit</b>		<b>640,992</b>	<b>267,081</b>	<b>640,992</b>	<b>267,081</b>
Share of results of associates	25	55,502	34,359	55,502	34,359
Share of results of joint ventures		-	4,763	-	4,763
Foreign exchange gains	11	5,825	56,875	5,825	56,875
Mark to market loss on derivatives		(42,692)	(63,424)	(42,692)	(63,424)
Remeasurement gain on loss of control in a subsidiary	12	534,712	-	534,712	-
Remeasurement gain on consolidation	13	-	127,324	-	127,324
Negative goodwill on consolidation		-	214,350	-	214,350
<b>Profit before taxation</b>		<b>1,194,339</b>	<b>641,328</b>	<b>1,194,339</b>	<b>641,328</b>
Tax expense	29	(6,179)	(39,972)	(6,179)	(39,972)
Deferred taxation	29	(97,819)	(17,108)	(97,819)	(17,108)
<b>Net profit for the financial period</b>		<b>1,090,341</b>	<b>584,248</b>	<b>1,090,341</b>	<b>584,248</b>
Attributable to:					
- Owners of the company		1,141,985	615,810	1,141,985	615,810
- Non-controlling interests		(51,644)	(31,562)	(51,644)	(31,562)
		<b>1,090,341</b>	<b>584,248</b>	<b>1,090,341</b>	<b>584,248</b>
Earnings per share attributable to owners of the Company (sen)					
- Basic		34.2	18.4	34.2	18.4
- Diluted		34.2	18.4	34.2	18.4

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		31-03-2018 RM'000	31-03-2017 RM'000	31-03-2018 RM'000	31-03-2017 RM'000
<b>Net profit for the financial period</b>		1,090,341	584,248	1,090,341	584,248
Other comprehensive income/(loss)					
Available-for-sale financial assets		23,902	20,777	23,902	20,777
Cash flow hedges	14	(1,193)	(127,078)	(1,193)	(127,078)
Foreign currency translation differences		114,989	91,964	114,989	91,964
<b>Total comprehensive income for the period</b>		<b>1,228,039</b>	<b>569,911</b>	<b>1,228,039</b>	<b>569,911</b>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,279,683	601,473	1,279,683	601,473
Non-controlling interests		(51,644)	(31,562)	(51,644)	(31,562)
		<b>1,228,039</b>	<b>569,911</b>	<b>1,228,039</b>	<b>569,911</b>



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>Period ended</b> <b>31-03-2018</b> <b>RM'000</b>	<b>Period ended</b> <b>31-03-2017</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,194,339	641,328
Adjustments:		
Property, plant and equipment		
- Depreciation	185,443	204,770
- Gain on disposals	(33,832)	5,470
(Writeback)/provision for retirement benefits	(2,001)	464
Gain on disposal of interest in a subsidiary	(350,317)	-
Remeasurement gain on loss of control in a subsidiary	(534,712)	-
Remeasurement gain on consolidation	-	(214,350)
Negative goodwill on consolidation	-	(127,324)
Fair value loss on derivatives	42,692	63,424
Share of results of joint ventures	-	(4,763)
Share of results of associates	(55,502)	(34,359)
Net unrealised foreign exchange gain	(5,825)	(56,875)
Interest expense	112,206	142,909
Interest income	(7,484)	(19,042)
	545,007	601,652
<b>Changes in working capital</b>		
Inventories	(5,714)	(15,143)
Receivables and prepayments	46,163	(185,603)
Trade and other payables	(74,543)	208,272
Intercompany balances	(57,220)	13,698
<b>Cash generated from operations</b>	453,693	622,876
Interest paid	(80,687)	(89,839)
Interest received	(1,577)	8,794
Tax paid	-	(41,507)
<b>Net cash generated from operating activities</b>	<b>371,429</b>	<b>500,324</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(792,664)	(293,564)
- Proceeds from disposal	33,832	35
Proceeds from disposal of interest in a subsidiary	358,774	-
Additional subscription of shares in associates	(103,477)	-
Acquisition of subsidiaries, net of cash	-	123,937
<b>Net cash used in investing activities</b>	<b>(503,535)</b>	<b>(169,592)</b>
<b>CASH FLOWS FROM FINANCING FACILITIES</b>		
Proceeds from issuance of shares	395	1,006,200
Proceeds from borrowings	710,922	64,672
Repayment of borrowings	(408,698)	(560,920)
<b>Net cash generated from financing activities</b>	<b>302,619</b>	<b>509,952</b>
<b>NET INCREASE FOR THE FINANCIAL PERIOD</b>	<b>170,513</b>	<b>840,684</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>1,882,195</b>	<b>1,741,573</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>(18,831)</b>	<b>(29,945)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	<b>2,033,877</b>	<b>2,552,312</b>

\* Included within the balance at end of the financial period is an amount RM14.3 million restricted cash pledged as securities for banking facilities



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		AS AT	AS AT
	Note	31-03-2018 RM'000	31-12-2017 RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	17	5,056,719	12,303,522
Investment in associates	25	707,537	548,558
Investment in a jointly controlled entity		555,166	5,596
Investment securities	2(b)	325,724	-
Available-for-sale financial assets		-	301,518
Intangible assets		603,768	609,329
Deferred tax assets	29	369,042	486,880
Receivables and prepayments	33	2,385,887	2,301,531
Deposits on aircraft purchase		520,290	412,272
Derivative financial instruments	35	299,074	382,177
		<b>10,823,207</b>	<b>17,351,383</b>
<b>CURRENT ASSETS</b>			
Inventories		73,948	68,234
Receivables and prepayments	33	1,360,833	1,482,291
Deposits on aircraft purchase		350,549	503,914
Amounts due from joint ventures		28,443	4,893
Amounts due from associates	34	147,632	147,617
Amounts due from related parties		9,406	7,875
Deposits, bank and cash balances		2,033,877	1,882,195
Derivative financial instruments	35	132,847	205,380
Tax recoverable		19,999	20,296
Assets classified as held for sale	36	7,637,848	-
		<b>11,795,382</b>	<b>4,322,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	37	1,943,405	2,148,682
Aircraft maintenance provisions		173,367	178,569
Sales in advance		973,190	938,342
Derivative financial instruments	35	51,207	74,852
Amounts due to an associates		52,971	59,499
Amounts due to a related parties		70,145	94,019
Borrowings	38	1,419,726	1,821,847
Provision of taxation		14,564	18,033
Liabilities directly associated with assets held for sale	36	5,912,712	-
		<b>10,611,287</b>	<b>5,333,843</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>1,184,095</b>	<b>(1,011,148)</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	37	1,304,603	1,239,025
Aircraft maintenance provisions		612,648	559,068
Amounts due to an associates		85,109	86,292
Amounts due to a related parties		10,400	10,939
Borrowings	38	1,832,901	7,486,787
Deferred tax liabilities		89,684	104,954
Derivative financial instruments	35	51,279	70,883
Provision for retirement benefits		70,206	72,207
		<b>4,056,830</b>	<b>9,630,155</b>
		<b>7,950,472</b>	<b>6,710,080</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	7	2,515,673	2,515,438
Treasury shares		-	(160)
Foreign exchange reserve		310,348	196,050
Retained earnings		6,558,336	5,404,393
Other Reserves		(44,208)	(67,608)
		<b>9,340,149</b>	<b>8,048,113</b>
Non-controlling interests		(1,389,677)	(1,338,033)
Total equity		<b>7,950,472</b>	<b>6,710,080</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>2.38</b>	<b>2.01</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**

(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Note	Attributable to owners of the Company									Non-controlling interests RM'000	Total equity RM'000	
		Issued and fully paid ordinary shares of RM0.10 each		Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Fair value reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000			Total RM'000
		Number of shares '000	Nominal value RM'000										
<b>At 1 January 2018</b>													
As previously stated		3,341,974	2,515,438	-	195,359	(236,270)	169,353	-	(160)	5,404,393	8,048,113	(1,338,033)	6,710,080
Effects of changes in accounting policies	2	-	-	-	-	-	(169,353)	169,353	-	11,958	11,958	-	11,958
<b>At 1 January 2018, as restated</b>		<b>3,341,974</b>	<b>2,515,438</b>	<b>-</b>	<b>195,359</b>	<b>(236,270)</b>	<b>-</b>	<b>169,353</b>	<b>(160)</b>	<b>5,416,351</b>	<b>8,060,071</b>	<b>(1,338,033)</b>	<b>6,722,038</b>
Treasury shares		-	235	-	-	-	-	-	160	-	395	-	395
Net profit for the year		-	-	-	-	-	-	-	-	1,141,985	1,141,985	(51,644)	1,090,341
Other comprehensive income/(loss)		-	-	-	114,989	(1,193)	-	23,902	-	-	137,698	-	137,698
<b>At 31 March 2018</b>		<b>3,341,974</b>	<b>2,515,673</b>	<b>-</b>	<b>310,348</b>	<b>(237,463)</b>	<b>-</b>	<b>193,255</b>	<b>-</b>	<b>6,558,336</b>	<b>9,340,149</b>	<b>(1,389,677)</b>	<b>7,950,472</b>
<b>At 1 January 2017</b>		<b>2,782,974</b>	<b>278,297</b>	<b>1,230,941</b>	<b>46,993</b>	<b>(441,994)</b>	<b>224,440</b>	<b>-</b>	<b>(160)</b>	<b>5,294,468</b>	<b>6,632,985</b>	<b>(5,206)</b>	<b>6,627,779</b>
Transactions with owners: Issuance of shares	7	559,000	55,900	950,300	-	-	-	-	-	-	1,006,200	-	1,006,200
Transfer to no-par value regime		-	2,181,241	(2,181,241)	-	-	-	-	-	-	-	-	-
Net profit for the year		-	-	-	-	-	-	-	-	615,810	615,810	(31,562)	584,248
Other comprehensive income		-	-	-	91,964	(127,078)	20,777	-	-	-	(14,337)	-	(14,337)
Non-controlling interest arising from business combination		-	-	-	-	-	-	-	-	-	-	(2,144,036)	(2,144,036)
<b>At 31 March 2017</b>		<b>3,341,974</b>	<b>2,515,438</b>	<b>-</b>	<b>138,957</b>	<b>(569,072)</b>	<b>245,217</b>	<b>-</b>	<b>(160)</b>	<b>5,910,278</b>	<b>8,240,658</b>	<b>(2,180,804)</b>	<b>6,059,854</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The following companies are qualified to be deemed as subsidiaries in accordance with MFRS 10, with effect from 1 January 2017, and as such their results were accounted for based on the consolidation method:

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

### 2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2018 or later are provided in the notes to the financial statements in the audited financial statements of the Group for the financial year ended 31 December 2017. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

At the beginning of the current financial year, the Group and the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

#### **Effective for annual periods beginning on or after 1 January 2018**

Amendments to MFRS 2: Shared-based Payment: Classification and Measurement of Share-based Payment Transactions  
MFRS 9: Financial Instruments  
MFRS 15: Revenue from Contracts with Customers  
Amendments to MFRS 140 Investment Property: Transfer of Investment Property Annual Improvements to MFRS Standards 2014-2016 Cycle  
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 2. Summary of significant accounting policies (continued)

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company except as mentioned below:

#### (a) MFRS 15: Revenue from Contracts with Customers

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Effects arising from the initial application of MFRS 15 are as follows:

	<b>Impact of adoption of MFRS 15 to opening balance at 1 January 2018 RM' million</b>
Increase in retained earnings	14.7
Increase in sales in advance	8.9
Decrease in deferred revenue	21.5
Decrease in deferred tax liabilities	2.1



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 2. Summary of significant accounting policies (continued)

#### (b) MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory. The new requirements introduced for all three aspects of the accounting for financial instruments is as follows:

- classification and measurement;

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

#### Impact as a result of MFRS 9 adoption

Both quoted and unquoted equity instruments which are not held for trading and we previously classified as Available-for-sale financial assets are now classified as “Investment Securities” and measured either FVTPL or FVOCI.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.





**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 2. Summary of significant accounting policies (continued)

#### (b) MFRS 9: Financial Instruments (continued)

- impairment; and

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group does not have other financial assets other than trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in. The impact upon application of the new impairment model was not material in relation to the opening balance of the Group as at 1 January 2018.

#### Impact as a result of MFRS 9 adoption

Effects arising from the initial application of the new impairment model are as follows:

	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM' million</b>
Decrease in retained earnings	2.8
Decrease in trade and other receivables	3.7
Increase in deferred tax assets	0.9



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 2. Summary of significant accounting policies (continued)

#### (b) MFRS 9: Financial Instruments (continued)

- hedge accounting.

The Group has decided to continue applying hedge accounting as set out in MFRS 139 to all hedges until the project on accounting for macro hedging is completed by International Accounting Standards Board (IASB).

### 3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the financial year ended 31 December 2017 in their report dated 16 April 2018.

### 4. Seasonality of operations

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The load factor was 87% in the quarter under review, which was 2 percentage points lower than the same period last year. Compared against the immediate preceding quarter (fourth quarter October – December 2017), the load factor has decreased 1 percentage point. This seasonal pattern is in line with the expectation of the Group.

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

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

### 6. Changes in estimates

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 7. Capital and reserves

During quarter ended 31 March 2018, the total issued and paid-up share capital of the Company remained unchanged at RM3,341,974,080. There was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 March 2018.

### 8. Dividends paid and proposed

The Directors have approved an interim single-tier dividend in respect of the financial year ending 31 December 2018 of 13 sen per share on 3,341,974,080 ordinary share of RM0.10 each.

### 9. Revenue

	Quarter ended 31/3/2018 RM million	Quarter ended 31/3/2017 RM million
Passenger seat sales	1,823.1	1,561.8
Baggage fees	244.3	209.2
Aircraft operating lease income	238.0	234.3
Surcharges and fees	10.2	9.4
Freight services	44.3	46.2
Other revenue	195.3	165.6
	<u>2,555.2</u>	<u>2,226.6</u>

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

### 10. Other income

	Quarter ended 31/3/2018 RM million	Quarter ended 31/3/2017 RM million
Fees charged for the provision of commercial air transport services	33.7	27.9
Gain on disposal of interest in a subsidiary	350.3	-
Charter income	19.4	22.8
Gain on sales and lease back of aircraft	33.8	-
Others	43.5	61.2
	<u>480.7</u>	<u>111.9</u>



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**10. Other income (continued)**

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

**11. Finance income/(costs) and foreign exchange gains/(losses)**

All figures in RM'000	Group			
	Quarter ended 31/3/18	Quarter ended 31/3/17	Period ended 31/3/18	Period ended 31/3/17
<b>(a) Finance income</b>				
Interest income from:				
- deposits with licensed banks	6,565	8,923	6,565	8,923
Discounting effect on financial instruments and others	919	10,119	919	10,119
	7,484	19,042	7,484	19,042
<b>(b) Finance costs</b>				
Bank borrowings	(106,897)	(136,400)	(106,897)	(136,400)
Amortisation of premiums for interest rate caps	(3,525)	(4,389)	(3,525)	(4,389)
Discounting effect on financial instruments, bank facilities and other charges	(1,784)	(2,120)	(1,784)	(2,120)
	(112,206)	(142,909)	(112,206)	(142,909)
<b>(c) Foreign exchange gains/(losses)</b>				
- realized	27,669	3,809	27,669	3,809
- unrealized	46,681	81,010	46,681	81,010
- fair value movement recycled from cash flow hedge reserve	(68,525)	(27,944)	(68,525)	(27,944)
	5,825	56,875	5,825	56,875



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 12. Remeasurement gain on loss of control in a subsidiary

MFRS 3, Business Combinations require revaluation of the previously held interest in the equity accounted investment at its fair value on the acquisition-date, and recognise any gain or loss derived from the deemed disposal in the Income Statement. On 4 January 2018, the share swap agreement between Ground Team Red Holdings Sdn Bhd (“GTRH”) and SATS Ltd. (“SATS”) was completed, wherein GTRH acquired 80% equity stake in SATS Ground Services Singapore Pte. Ltd in exchange for an 11.4% equity stake in GTRH. In addition to this, the transaction for the Company to sell and transfer 38.6% of its shareholding in GTRH to SATS for a consideration of SGD119,300,000 has been completed on 14 February 2018. Pursuant to this, a re-measurement gain of RM534.7 million has been recognized in the financial statements of the Group.

### 13. Remeasurement gain on consolidation

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

### 14. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in mark-to-market position on effective hedging contracts at 31 March 2018 as compared to 31 December 2017 as follows:

	Quarter ended 31/3/2018 RM million	Quarter ended 31/12/2017 RM million
Fair value gain in the period	23.9	(37.8)
Amount transferred to income statement	(1.2)	(0.6)
	<u>22.7</u>	<u>(38.4)</u>

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 15. Status of corporate proposals announced

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

Further to the announcement dated 16 April 2018, the Internal Reorganisation by way of a Members' Scheme of Arrangement under Section 366 of the Companies Act, 2016 has been completed. The Transfer Listing has been completed on 16 April 2018 following the de-listing of AirAsia Berhad (“AAB”) shares and the listing and quotation of AirAsia Group Berhad (“AAGB”) shares in its place. Consequently, AAB is now a wholly-owned subsidiary of AAGB.

#### AirAsia Joint Venture in Vietnam

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

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

Further to the announcement dated 27 February 2018, there are no further updates on the status of the Memorandum of Understanding with the Everbright and Henan Government.

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

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**16. Status of corporate proposals announced (continued)**

*Issuance and allotment of 559.00 million new ordinary shares in the Company (continued)*

Proceeds totaling RM1,006.2 million were raised and the status of the utilisation of these proceeds as at 31 March 2018 is set out below:

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

**17. Property, plant and equipment**

*(a) acquisition and disposals*

During the quarter ended 31 March 2018, the Group acquired property, plant and equipment with a cost of RM792.7 million (quarter ended 31 March 2017: RM293.6 million).

During the quarter ended 31 March 2018, proceeds from disposal of property, plant and equipment totaled RM33.8 million (quarter ended 31 March 2017: RM35,000).

*(b) revaluation*

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 17. Property, plant and equipment (continued)

#### (c) impairment

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

### 18. Post balance sheet events

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 March 2018 as at the date of this report.

### 19. Changes in composition of the Group

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

### 20. Contingent assets

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

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

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2017.

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

Capital commitments for property, plant and equipment:

	As at 31/3/2018 RM'000	As at 31/3/2017 RM'000
Approved and contracted for	84,175,053	89,750,815
Approved but not contracted for	74,539	9,806,522
	<u>84,249,592</u>	<u>99,557,337</u>





**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 23. Material related party transactions

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

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**23. Material related party transactions (continued)**

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

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 31 March 2018 are set out below:

	<b>Quarter ended 31/3/2018 RM'000</b>	<b>Quarter ended 31/3/2017 RM'000</b>
<b>Thai AirAsia</b>		
Lease rental income on aircraft	119,515	140,161
<b>Indonesia AirAsia</b>		
Lease rental income on aircraft	-	-*
Charter income from IAAX		
<b>Philippines AirAsia</b>		
Lease rental income on aircraft	-	-*
<b>India AirAsia</b>		
Lease rental income on aircraft	46,333	30,607
<b>Japan AirAsia</b>		
Lease rental income on aircraft	7,647	8,707
<b>PT Indonesia AirAsia Extra</b>		
Lease rental income on aircraft	16,311	18,571
Aircraft wet lease charges	-	20,337

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**24. Review of Group performance**

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

	Quarter ended 31-03-2018	Quarter ended 31-03-2017	Change y-o-y
Passengers Carried	10,654,194	9,149,255	16%
Capacity	12,204,348	10,270,470	19%
Seat Load Factor	87%	89%	-2%
RPK (million)	13,815	11,973	15%
ASK (million)	15,979	13,589	18%
Average Fare (RM)	171	171	0%
Ancillary Income Per Pax (RM)	47	50	-5%
Unit Passenger Revenue (RM)	218	220	-1%
Revenue / ASK (sen)	14.68	14.91	-2%
Revenue / ASK (US cents)	3.77	3.83	-2%
Cost / ASK (sen)	13.55	13.61	0%
Cost / ASK (US cents)	3.48	3.50	0%
Cost / ASK-ex Fuel (sen)	8.22	8.60	-4%
Cost / ASK-ex Fuel (US cents)	2.11	2.21	-4%
Aircraft (end of period)	123	106	16%
Average Stage Length (km)	1,290	1,287	0%
Number of Flights	67,566	56,692	19%
Fuel Consumed (Barrels)	2,632,112	2,289,929	15%
Average Fuel Price (US\$ / Barrel)	83	76	9%

*Exchange Rate: RM:USD – 3.8934 - Prior year US cent and dollar are restated at current average exchange rate during the quarter for ease of reference*

During the quarter, total Group revenue has grown 15% from RM 2,226.6 million recorded in 1Q17 to RM2,555.2 million in 1Q18. The growth was attributed to a 16% increase in total passengers carried. Load factor was at 87% in 1Q18 compared to 89% in 1Q17. Average fare has remained constant at RM171 year on year, whilst the overall RASK of the Group has decreased 2% to 14.68 sen in 1Q18 against 14.91 sen in 1Q17.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**24. Review of Group performance (continued)**

During the quarter, the Group has also delivered an additional 1,933,878 seats as compared to 1Q17, which represent an additional 19% growth in capacity compared to 1Q17. The total net operating profits of the Group has increased 140% year-on-year to RM641.0 million from RM267.1 million in 1Q17. A gain on RM350.3 million is recognized within other income as gain on disposal of interest in a subsidiary company namely Ground Team Red Holdings Sdn Bhd.

Net profit for the current quarter was 87% higher year-on-year at RM1,090.3 million and was mainly contributed by growth in the business and the RM534.7 million remeasurement gain from the disposal of Ground Team Red Holdings Sdn Bhd. The gain however was partially offsetted by current and deferred taxation charges of RM104.0 million in the current quarter.

**Cashflow commentary for current quarter against immediately preceding quarter**

<b>Net Cash Flow (RM'000)</b>	<b>Jan - Mar 2018</b>	<b>Oct - Dec 2017</b>
Cash from Operations	371,429	1,310,090
Cash from Investing Activities	(503,535)	(722,309)
Cash from Financing Activities	302,619	(921,560)
<b>Net Cash Flow</b>	<b>170,513</b>	<b>(333,779)</b>

The Group's cash inflow from operations was RM371.4 million, compared to inflow of RM1,310.1 million in the immediate preceding quarter ended 31 December 2017. Net cash inflow in the quarter amounted to RM170.5 million.

**The net gearing ratio as at 31 March 2018 and 31 December 2017 was as follows:**

<b>Balance Sheet RM million</b>	<b>As at 31-03-2018</b>	<b>As at 31-12-2017</b>
Total borrowings	3,253	9,309
Liabilities directly associated with assets held for sale	5,913	-
Less: Deposit, cash and bank balances	(2,034)	(1,882)
Net debt	7,132	7,427
Total equity	7,950	6,710
Net gearing ratio (times)	0.90	1.11

The Group's total debt, including liabilities directly associated with assets held for sale, as of end of March 2018 was RM9.2 billion. The Group's net debt after offsetting the cash balances amounted to RM7.1 billion.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**25. Associate Companies – Equity Account**

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

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

Quarter Ended: 31 March	Jan - Mar 2018	Jan - Mar 2017	Change y-o-y
Passengers Carried	5,639,204	4,851,398	16%
Capacity	6,224,610	5,423,652	15%
Seat Load Factor	91%	89%	2 ppt
RPK (million)	5,618	4,749	18%
ASK (million)	6,245	5,327	17%
Average Fare (THB)	1,664	1,569	6%
Ancillary Income Per Pax (THB)	336	323	4%
Unit Passenger Revenue (THB)	2,000	1,892	6%
Revenue / ASK (THB)	1.80	1.72	5%
Revenue / ASK (US cents)	5.72	5.46	5%
Cost / ASK (THB)	1.50	1.53	-2%
Cost / ASK (US cents)	4.76	4.87	-2%
Cost / ASK-ex Fuel (THB)	0.96	1.05	-9%
Cost / ASK-ex Fuel (US cents)	3.04	3.33	-9%
Aircraft (end of period)	59	53	11%
Average Stage Length (km)	1,003	983	2%
Number of Flights	34,506	30,109	15%
Fuel Consumed (Barrels)	1,154,128	1,010,601	14%
Average Fuel Price (US\$ / Barrel)	93	81	15%

*Exchange Rate: USD:THB – 31.5 - prior year US cents figures are restated at the current period average exchange rate*



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

25. Associate Companies – Equity Account (continued)

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

Income Statements for the financial period ended 31 March 2018

Quarter Ended: 31 March THB'000	Jan - Mar 2018	Jan - Mar 2017
<b>Revenue</b>	<b>11,266,794</b>	<b>9,164,101</b>
Operating expenses:		
- Staff costs	(1,512,219)	(1,212,250)
- Depreciation of property, plant and equipment	(402,101)	(325,233)
- Aircraft fuel expenses	(3,384,474)	(2,571,943)
- Maintenance & overhaul	(759,057)	(736,977)
- User charges and other related expenses	(1,601,810)	(1,579,077)
- Aircraft operating lease expenses	(1,218,850)	(1,261,374)
- Other operating expenses	(551,533)	(512,289)
Other income	217,614	187,056
<b>Operating profit</b>	<b>2,054,364</b>	<b>1,152,014</b>
Finance income	12,507	7,037
Finance costs	(179,455)	(167,983)
<b>Net operating profit</b>	<b>1,887,416</b>	<b>991,068</b>
Foreign exchange gain	77,503	143,584
<b>Profit before tax</b>	<b>1,964,919</b>	<b>1,134,652</b>
Taxation	(31,578)	(62,578)
Deferred taxation	(98,732)	(36,248)
<b>Net profit after tax</b>	<b>1,834,609</b>	<b>1,035,826</b>
EBITDAR	3,675,315	2,738,621
EBITDAR Margin	33%	30%
EBIT Margin	18%	13%



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**25. Associate Companies – Equity Account (continued)**

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

**Balance Sheet**

<b>Year Ended: 31 March</b>	<b>March 2017</b>	<b>Dec 2017</b>
<b>THB'000</b>		
Property, Plant & Equipment	25,170,682	25,449,651
Intangible assets, net	10,425	10,425
Other non current assets	890,924	873,797
Inventory	151,297	148,801
Aircraft maintenance reserves	3,947,317	3,728,837
Other Debtors & Prepayments	1,110,124	1,029,771
Amounts due from related parties	474,459	307,739
Cash & Short Term Deposits	7,385,910	6,699,632
<b>Total Assets</b>	<b>39,141,136</b>	<b>38,248,653</b>
Sales In Advance	3,243,558	3,469,876
Other Creditors & Accruals	3,838,973	4,126,886
Amounts Owing to Related Party	563,308	301,040
Deferred tax liabilities	366,167	267,435
Debenture	1,598,157	1,598,006
Borrowings	3,159,241	3,335,581
Finance lease liabilities	13,915,085	14,527,791
<b>Total Liabilities</b>	<b>26,684,490</b>	<b>27,626,615</b>
Share Capital	435,556	435,556
Share Premium	2,628,786	2,628,786
Retained Earnings	9,392,304	7,557,696
<b>Total Equity</b>	<b>12,456,646</b>	<b>10,622,038</b>

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

Thai AirAsia recorded revenue of THB11,266.8 million in 1Q18, 23% higher compared to the THB9,164.1 million achieved in 1Q17. The increase in revenue was supported by the increase in the number of passengers carried as capacity rose 15% year-on-year resulting in a 16% increase in the number of passengers carried. Unit passenger revenue increased 6% year-on-year whilst the seat load factor increased 2 ppt to 91%.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**25. Associate Companies – Equity Account (continued)**

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

Thai AirAsia’s operating profit was at THB2,054.4 million in 1Q18, compared to an operating profit of THB1,152.0 million in 1Q17. Thai AirAsia’s net profit was at THB1,834.6 million in 1Q18, compared to a net profit of THB1,035.8 million in 1Q17. AirAsia Berhad has equity accounted RM102.7 million (RM59.4 million in the quarter ended 31 March 2017) in the current period, as reflected in the income statement.

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

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

Quarter Ended: 31 March	Jan - Mar 2018	Jan - Mar 2017	Change y-o-y
Passengers Carried	1,468,931	844,964	74%
Capacity	1,769,220	945,180	87%
Seat Load Factor	83%	89%	-6 ppt
RPK (million)	1,497	915	64%
ASK (million)	1,770	1,012	75%
Average Fare (INR)	2,972	2,973	0%
Ancillary Income Per Pax (INR)	374	385	-3%
Unit Passenger Revenue (INR)	3,346	3,358	0%
Revenue / ASK (sen)	273.08	272.03	0%
Revenue / ASK (US cents)	4.22	4.21	0%
Cost / ASK (sen)	327.91	325.96	1%
Cost / ASK (US cents)	5.07	5.04	1%
Cost / ASK-ex Fuel (sen)	190.72	223.19	-15%
Cost / ASK-ex Fuel (US cents)	2.95	3.45	-15%
Aircraft (end of period)	16	8	100%
Average Stage Length (km)	1,000	996	0%
Number of Flights	9,829	5,251	87%

*Exchange Rate: USD:INR – 64.6 - prior year US cents figures are restated at the current period average exchange rate*





**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

25. Associate Companies – Equity Account (continued)

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

Income Statements for the financial period ended 31 March 2018

Quarter Ended: 31 March INR'000	Jan - Mar 2018	Jan - Mar 2017
<b>Revenue</b>	<b>4,832,475</b>	<b>2,752,971</b>
Operating expenses:		
- Staff costs	(826,099)	(676,565)
- Depreciation of property, plant and equipment	(34,790)	(41,241)
- Aircraft fuel expenses	(2,427,846)	(1,040,022)
- Maintenance and overhaul	(711,360)	(337,951)
- User charges and other related expenses	(817,669)	(447,666)
- Aircraft operating lease expenses	(819,348)	(465,964)
- Other operating expenses	(314,734)	(370,066)
Other income	152,761	84,136
<b>Operating loss</b>	<b>(966,611)</b>	<b>(542,368)</b>
Finance Income	2,568	25,752
Finance Costs	(6,400)	(29,130)
<b>Net operating loss</b>	<b>(970,443)</b>	<b>(545,746)</b>
Foreign exchange (loss)/gain	(3,826)	119,301
<b>Loss before tax</b>	<b>(974,269)</b>	<b>(426,444)</b>
Taxation	-	-
<b>Net loss after tax</b>	<b>(974,269)</b>	<b>(426,444)</b>
EBITDAR	<b>(112,472)</b>	<b>(35,163)</b>
EBITDAR Margin	-2%	-1%
EBIT Margin	-20%	-20%



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 25. Associate Companies – Equity Account (continued)

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

##### Balance Sheet

Year Ended: 31 March INR'000	Mar 2018	Dec 2017
Property, Plant & Equipment	700,283	598,693
Inventory	144,335	130,497
Amount due from related parties	113,207	114,769
Other Debtors & Prepayments	1,513,834	1,275,172
Cash & Short Term Deposits	2,072,451	1,746,032
<b>Total Assets</b>	<b>4,544,111</b>	<b>3,865,163</b>
Sales In Advance	1,066,226	1,095,480
Other Creditors & Accruals	2,164,356	1,908,467
Amounts Owing to Related Party	2,009,734	1,653,957
Long Term Liabilities	93,286	71,571
<b>Total Liabilities</b>	<b>5,333,602</b>	<b>4,729,475</b>
Share Capital	4,266,500	4,266,500
Other Reserves	1,049,090	-
Retained Earnings	(6,105,081)	(5,130,812)
<b>Total Equity</b>	<b>(789,491)</b>	<b>(864,312)</b>

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

AirAsia India recorded revenue of INR4,832.5 million in 1Q18, 76% higher compared to a revenue of INR2,753.0 million in 1Q17. The number of passengers carried increased 74% with a unit passenger revenue of INR3,346. Ancillary income per passenger was at INR374 while the seat load factor was at 83%.

AirAsia India recorded a net loss of INR974.3 million (quarter ended 31 March 2017: net loss of INR426.4 million) in the quarter under review out of which RM31.4 (quarter ended 31 March 2017: RM4.2 million) is equity accounted in the AirAsia Berhad income statement. As the Group's interest in AirAsia India has been reduced to zero, in accordance with MFRS128, any profits will only be recognized when a total of RM15.7 million of unrecognized losses have been reversed.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 25. Associate Companies – Equity Account (continued)

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

AirAsia Japan is an associate company which is incorporated in Japan. On 14 April 2017, AAIL, a wholly owned subsidiary of AirAsia Berhad subscribed to 13,999,999 shares for a cash consideration of JPY980.0 million (equivalent to RM38.3 million) and on 16 October 2017, AAIL subscribed to 33,501,194 shares for a cash consideration of JPY2,345.1 million (equivalent to RM88.1 million). On 8 February 2018, AAIL subscribed to 28,571,428 shares for a cash consideration of JPY2,000.0 million (equivalent to RM72.0 million). The Group’s equity interest in AirAsia Japan has increased from 56.9% to 62.76%. AirAsia Japan officially started operations on 29 October 2017. AirAsia Japan recorded a net loss of RM36.6 million (quarter ended 31 March 2017: net loss RM39.7 million) in the quarter under review of which RM21.5 million (quarter ended 31 March 2017: RM19.5 million) is equity accounted in the financial statements of AirAsia Berhad.

### 26. Variation of results against preceding quarter

The Group had a net profit of RM1,090.3 million for the quarter under review. This is RM656.1 million higher compared to the net profit of RM434.2 million in the immediately preceding quarter ended 31 December 2017.

### 27. Profit forecast

No profit forecast has been issued.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 28. Commentary on prospects

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

In Thailand, load factor in the second quarter of 2018 is forecast to be 84% based on existing forward booking trend. TAA will focus on leveraging on the existing strength of AirAsia network and strengthening its marketing activities on China and India routes in the remaining quarters of 2018.

In India, the forecast load factor for the second quarter of 2018 is at 86%. AirAsia India will remain focused on building a footprint in the Indian domestic market with the introduction of new routes and frequency increases.

In Japan, the forecast load factor for the second quarter of 2018 is forecast to be 76%. AirAsia Japan will focus on building footprint in the domestic market and connecting to the Group's existing network within the region. The growth of Japan will depend on the speed of regulatory approval.

In order to better serve the growing demand in the region, the Group is also planning for a net increase of additional 3 aircraft through operating leases in the second quarter of 2018.

Fuel is adding cost pressure and to mitigate this, the Group is actively reducing costs by driving more ancillary sales and ensuring better performance by all Associate airlines.

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

### 29. Income tax and Deferred tax

#### Income tax expense

The current taxation charge of RM6.2 million comprises tax payable on interest income for the Company and corporate income taxes for the subsidiaries.

#### Deferred taxation

RM97.8 million deferred tax liabilities arose in the current financial period. The deferred tax liabilities increased as the difference between the net book value and tax written down value of property, plant and equipment increased in the period. The deferred tax assets reduced as capital allowances were utilized in combination with the Investment Allowances granted.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 30. Unquoted investments and properties

Further to the announcement dated 21 November 2017, there are no further updates on the investment in Touristly Travel Sdn. Bhd.

### 31. Quoted investments and properties

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

### 32. Intangible assets

Arising from the consolidation of the associates as stated in Note 1 above, the Group recognised intangible assets amounting to RM609.3 million in the previous financial year. Under MFRS 3, Business Combinations, the initial recognition on business combination is measured at fair value of net identifiable assets and liabilities. The Group has completed the purchase price allocation.

### 33. Receivables and prepayments

	As at 31/3/2018 RM'000	As at 31/12/2017 RM'000
<u>Non-current:</u>		
Prepayments	1,718,379	1,614,732
Deposits and other receivables	667,508	686,799
	2,385,887	2,301,531
<u>Current:</u>		
Trade and other receivables	564,651	719,667
Prepayments	600,641	582,679
Deposits	195,541	179,945
	1,360,833	1,482,291

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**34. Amounts due from associates**

	As at 31/3/2018 RM'000	As at 31/12/2017 RM'000
<u>Current:</u>		
Aircraft financing	-	-
Others	147,632	147,617
	<u>147,632</u>	<u>147,617</u>

Amounts due from associates in the prior financial year included balances due from PT Indonesia AirAsia (“IAA”) and AirAsia Inc. Group. These amount have been eliminated in the current financial period following the consolidation of these entities effective 1 January 2017.

**35. Derivative financial instruments**

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

(i) Forward Foreign Exchange Contracts

As at 31 March 2018, the Group has hedged approximately 45% of the USD dollar liabilities of its aircraft into Malaysia Ringgit (“MYR”) via Cross-Currency Swaps and Foreign Currency Swaps for aircraft deployed in Malaysia.

(ii) Interest Rate Hedging

As at 31 March 2018, the Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivery from 2005 to 2018.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**35. Derivative financial instruments (continued)**

(iii) Fuel Hedging

As at 31 March 2018, the Group has entered into Brent swaps which represents up to 10% for FY 2018.

Type of derivatives	Notional Value as at 31/03/2018	Fair Value as at 31/03/2018 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	0.59	36.00
- 1 year to 3 years	-	-
<b>Total</b>	<b>0.59</b>	<b>36.00</b>
(ii) Interest rate contracts	RM (million)	RM (million)
- less than 1 year	201.38	(3.18)
- 1 year to 3 years	824.02	(24.87)
- more than 3 years	2,621.51	(0.48)
<b>Total</b>	<b>3,646.91</b>	<b>(28.53)</b>
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	263.79	41.87
- 1 year to 3 years	389.95	70.36
- more than 3 years	958.78	168.86
<b>Total</b>	<b>1,612.52</b>	<b>281.09</b>

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**36. Assets classified as held for sale and liabilities associated with assets held for sale**

On 28 February 2018, the Company entered into sale and purchase agreements to divest its aircraft leasing operations that are currently undertaken by Asia Aviation Capital Limited (“AACL”), a wholly-owned subsidiary of the Company, to entities managed by BBAM Limited Partnership for a disposal consideration of USD1,185.0 million (approximately RM4,619.7 million). As such, these aircraft assets have been reclassified to current assets in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Correspondingly, the depreciation on those assets have ceased and aircraft liabilities have been reclassified to current liabilities.

**37. Trade and other payables**

	<b>As at 31/3/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
<u>Non-current:</u>		
Trade and other payables	1,304,603	1,239,025
<u>Current:</u>		
Trade payables	197,974	293,769
Accrual for fuel	165,405	144,369
Collateral for derivatives	56,751	139,406
Aircraft maintenance reserve funds	499,787	539,780
Flight related charges	580,837	554,538
Other payables and accruals	442,650	493,939
	<hr/> 1,943,405	<hr/> 2,148,682

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





**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**38. Borrowings and debt securities**

	As at 31/3/2018 RM'000	As at 31/12/2017 RM'000
<u>Short term:</u>		
Secured	1,105,364	1,376,896
Unsecured	314,362	444,951
Liabilities directly associated with assets held for sale	5,912,712	-
<u>Long term:</u>		
Secured	1,832,901	7,486,787
Total Debt	9,165,339	9,308,634

The currency profile of borrowings is as follows:

	As at 31/3/2018 RM'000	As at 31/12/2017 RM'000
Ringgit Malaysia	720,731	734,671
US Dollar	8,040,217	8,126,971
Euro	147,178	162,819
Singapore Dollar	173,802	182,734
Philippine Peso	83,411	101,439
	9,165,339	9,308,634

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

The maturity period of non-current borrowing is 11 years and below. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 33 (i).

Total borrowings include secured liabilities of the Group of RM2.9 billion. These are secured by the following:

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### 39. Fair value estimation (continued)

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

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

The following tables presents the Group's assets and liabilities that are measured at fair value at 31 March 2018 and 31 December 2017:

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>31 March 2018</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	165	-	165
Derivatives used for hedging	-	267	-	267
Investment securities				
- Equity securities	302	-	5	307
<b>Total Assets</b>	<b>302</b>	<b>432</b>	<b>5</b>	<b>739</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	55	-	55
Derivatives used for hedging	-	47	-	47
<b>Total Liabilities</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>102</b>
<b>31 December 2017</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	261	-	261
Derivatives used for hedging	-	327	-	327
Available-for-sale financial assets				
- Equity securities	301	-	5	306
<b>Total Assets</b>	<b>301</b>	<b>588</b>	<b>5</b>	<b>894</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	92	-	92
Derivatives used for hedging	-	54	-	54
<b>Total Liabilities</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>146</b>



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

## NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018

### **39. Fair value estimation (continued)**

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

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

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

### **40. Material litigation**

As at 24 May 2018, there was no material litigation against the Group.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**41. Earnings per share**

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period ended	Period ended
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
Net profit attributable to owners of the Company (RM'000)	1,141,985	615,810	1,141,985	615,810
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974
Basic and diluted earnings per share (sen)	34.2	18.4	34.2	18.4

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

**42. Authorisation for issue**

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)  
COMPANY SECRETARY  
24 MAY 2018

**AIRASIA GROUP BERHAD**  
(Company No. 1244493-V)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**

	<b>Quarter ended</b>
	<b>31-03-2018</b>
	<b>RM</b>
Revenue	-
Operating expenses	(12,725)
Loss before taxation	(12,725)
Tax expenses	-
Net loss for the financial period	(12,725)

The condensed statement of profit or loss should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**AIRASIA GROUP BERHAD**  
 (Company No. 1244493-V)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**

	Period ended
	31-03-2018
	RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Loss before taxation	(12,725)
<b>Changes in working capital</b>	
Other receivables and prepayments	(461)
Other payables and accruals	13,186
Net cash from operating activities	-
<b>NET INCREASE FOR THE FINANCIAL PERIOD</b>	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	2
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	2

The condensed statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**AIRASIA GROUP BERHAD**  
 (Company No. 1244493-V)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION**

	<b>As at</b>	<b>As at</b>
	<b>31-03-2018</b>	<b>31-12-2017</b>
	<b>RM</b>	<b>RM</b>
<b>CURRENT ASSETS</b>		
Other receivables and prepayments	461	-
Cash and cash equivalents	2	2
	<b>463</b>	<b>2</b>
<b>CURRENT LIABILITIES</b>		
Other creditors and accruals	19,522	6,336
	<b>19,522</b>	<b>6,336</b>
<b>NET CURRENT LIABILITIES</b>	<b>(19,059)</b>	<b>(6,334)</b>
<b>EQUITY</b>		
Share capital	2	2
Accumulated losses	(19,061)	(6,336)
<b>Total equity</b>	<b>(19,059)</b>	<b>(6,334)</b>

The condensed statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**AIRASIA GROUP BERHAD**  
 (Company No. 1244493-V)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 FIRST QUARTER REPORT ENDED 31 MARCH 2018

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Non-distributable		Total RM
	Share Capital RM	Accumulated Losses RM	
At 1 January 2018	2	(6,336)	(6,334)
Loss for the financial period		(12,725)	(12,725)
<b>Balance as at 31 March 2018</b>	<b>2</b>	<b>(19,061)</b>	<b>(19,059)</b>

The condensed statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA GROUP BERHAD**  
(Company No. 1244493-V)  
**(Incorporated in Malaysia with limited liability under the Companies Act, 1965)**  
**FIRST QUARTER REPORT ENDED 31 MARCH 2018**

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**1. Basis of preparation**

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

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017.

**2. Summary of significant accounting policies**

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Company with effect from 1 January 2018 or later are provided in the notes to the financial statements in the audited financial statements of the Company for the financial year ended 31 December 2017. The Company did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

At the beginning of the current financial year, the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

**Effective for annual periods beginning on or after 1 January 2018**

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 140 Investment Property: Transfer of Investment Property Annual Improvements to MFRS Standards 2014-2016 Cycle

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of these pronouncements did not have an impact to the financial statements of the Company which has remained dormant in the current financial period.

**AIRASIA GROUP BERHAD**  
(Company No. 1244493-V)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FIRST QUARTER REPORT ENDED 31 MARCH 2018

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**3. Auditors' report on preceding annual financial statements**

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the financial year ended 31 December 2017 in their report dated 16 April 2018.

**4. Seasonality of operations**

The Company did not experience significant fluctuations in operations due to seasonal factors.

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

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

**6. Changes in estimates**

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

**7. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review.

**8. Proposed dividend**

The Board of Directors has declared an Interim Single-Tier Dividend of 12 sen per share on 3,341,974,080 ordinary share of RM0.10 each for the financial year ending 31 December 2018.

**9. Changes in composition of the Group**

The changes in composition of the Company as described in Status of Corporate Proposal in Note 10 of this Report.

**AIRASIA GROUP BERHAD**  
(Company No. 1244493-V)  
**(Incorporated in Malaysia with limited liability under the Companies Act, 1965)**  
**FIRST QUARTER REPORT ENDED 31 MARCH 2018**

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**10. Status of corporate proposals**

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

On 15 March 2018, the High Court has approved the internal reorganisation by way of a Members' Scheme of Arrangement under Section 366 of the Companies Act, 2016 for the following proposals;

- (a) the exchange of 3,341,974,080 ordinary shares in the Company (including treasury shares), representing the entire issued share capital of AirAsia Berhad ("AAB"), with 3,341,974,080 new ordinary shares in AirAsia Group Berhad ("AAGB"), a newly incorporated investment holding company, on the basis of 1 new AAGB Share for every 1 existing AAB Share held on 6 April 2018; and
- (b) the assumption of the listing status of AAB by AAGB and the admission of AAGB to and withdrawal of AAB from the Official List of Bursa Malaysia Securities Berhad, with the listing of and quotation for AAGB Shares on the Main Market of Bursa Securities

Accordingly, the internal reorganisation has been completed on 16 April 2018. Following the completion of the internal reorganisation of AAB and the transfer of its listing status to AAGB on 16 April 2018, AAB is now a wholly-owned subsidiary of AAGB. Moving forward, AAGB will spearhead AirAsia Group's future growth. The shareholders will benefit in the longer term from the improved earnings of AAGB as a result of the improved management efficiency and effectiveness of AAGB.

**11. Post balance sheet events**

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 March 2018 as at the date of this report.

**12. Changes in Contingent Assets and Contingent Liabilities**

There were no material contingent liabilities or contingent assets as of the date of this report.

**13. Profit forecast**

No profit forecast has been issued.

**AIRASIA GROUP BERHAD**  
(Company No. 1244493-V)  
**(Incorporated in Malaysia with limited liability under the Companies Act, 1965)**  
**FIRST QUARTER REPORT ENDED 31 MARCH 2018**

**NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2018**

**14. Commentary on prospects**

For the first quarter of 2018, the Company recorded a net loss of RM12,725 which comprised mainly of administrative expenses and professional fees.

Refer to attached Appendix for the financial statements of the AirAsia Berhad Group (“AAB”) for the first quarter ended 31 March 2018.

**15. Material litigation**

As at 24 May 2018, there was no material litigation against the Group.

**16. Comparatives**

No comparative figures are available as the Company was only incorporated on 24 August 2017.

**17. Authorisation for issue**

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)  
COMPANY SECRETARY  
24 MAY 2018