

AirAsia X Berhad (754161-K)

REALISING DREAMS

ANNUAL REPORT 2016



THE FOURTH ISSUE

*Air
Asia*



Go online to our website at:

www.airasiax.com

It's always been our dream to be the low-cost airline of choice in Asia and to serve the 3 billion people who are currently underserved with lack of connectivity and high fares. Today, we're realising our dreams in more ways than one. We've had a couple of challenging years but our turnaround initiatives marked a turning point for AirAsia X which has left us feeling optimistic and confident for the year ahead. Our achievements include new route launches, a record-high number of passengers choosing to fly with us and amazing new destinations.

It's also been a year of strong passenger recognition, as we won the renowned Skytrax awards for World's Best Low-Cost Premium Cabin and World's Best Low-Cost Airline Premium Seats for the fourth year running.

Together with the dedication and passion of our awesome team of Allstars, we are confident of AirAsia X continuing on an upward trend. Together, we'll keep reaching for the stars.



Realising Dreams

FULL YEAR 2016

Total Assets:

RM4,490

million

Total Revenue:

RM4,007

million

Revenue Per ASK (RASK):

RM13.68

sen

Cost Per ASK (CASK):

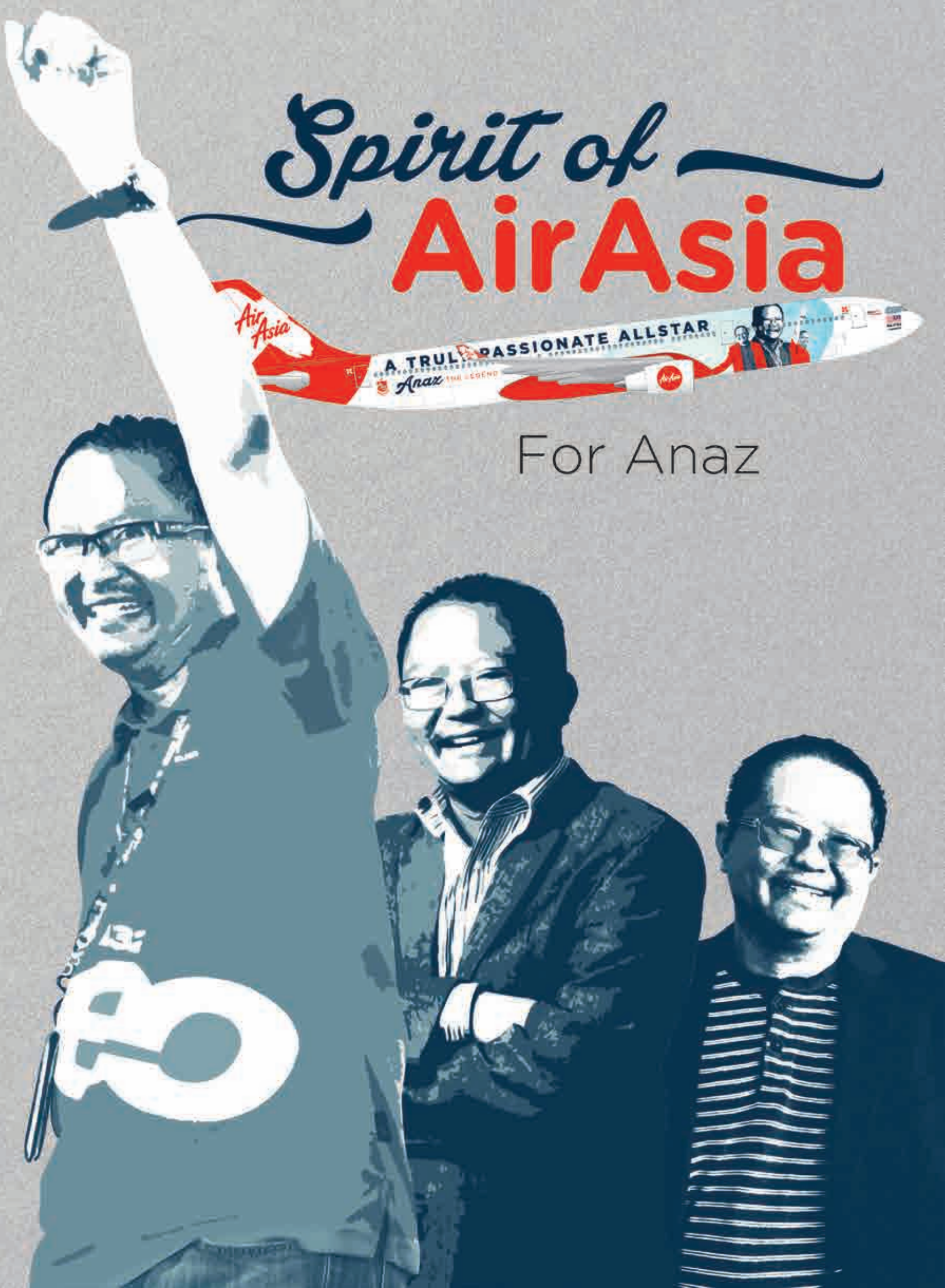
RM12.87

sen

Spirit of AirAsia



For Anaz



"Anaz was a very close friend. He was incredibly supportive of me when I joined AirAsia. He was the guy I would go to if ever I needed guidance on engineering matters. He's an example to many of us not to give up. He never took no for an answer... He inspired me to be a better person. I mean, he had to fight every battle there was in himself. I can't imagine how hard it must have been for him to do it."

Ben

PULL HERE

*Air
Asia*

In loving memory of a true Allstar
Anaz Ahmad Tajuddin

AirAsia Group Chief Operating Officer,
who sadly passed away on
13 January 2017,
after battling cancer.





"It's the reason I keep coming to work. The doctor gave me a six-month medical leave but I put it away. There are times I come in late, but I still come in to work because this is where I feel the energy."



"He was very professional, very meticulous and expected the best from everyone... because he gave the best. He knew his stuff very well, and was always someone you could depend on.

He was always there, a true friend, a brother who would go all the way. He would always be by your side in times of trouble. Someone I will find very difficult to replace. I can't get over the fact he's not here. Sometimes I still want to call him."

@Din

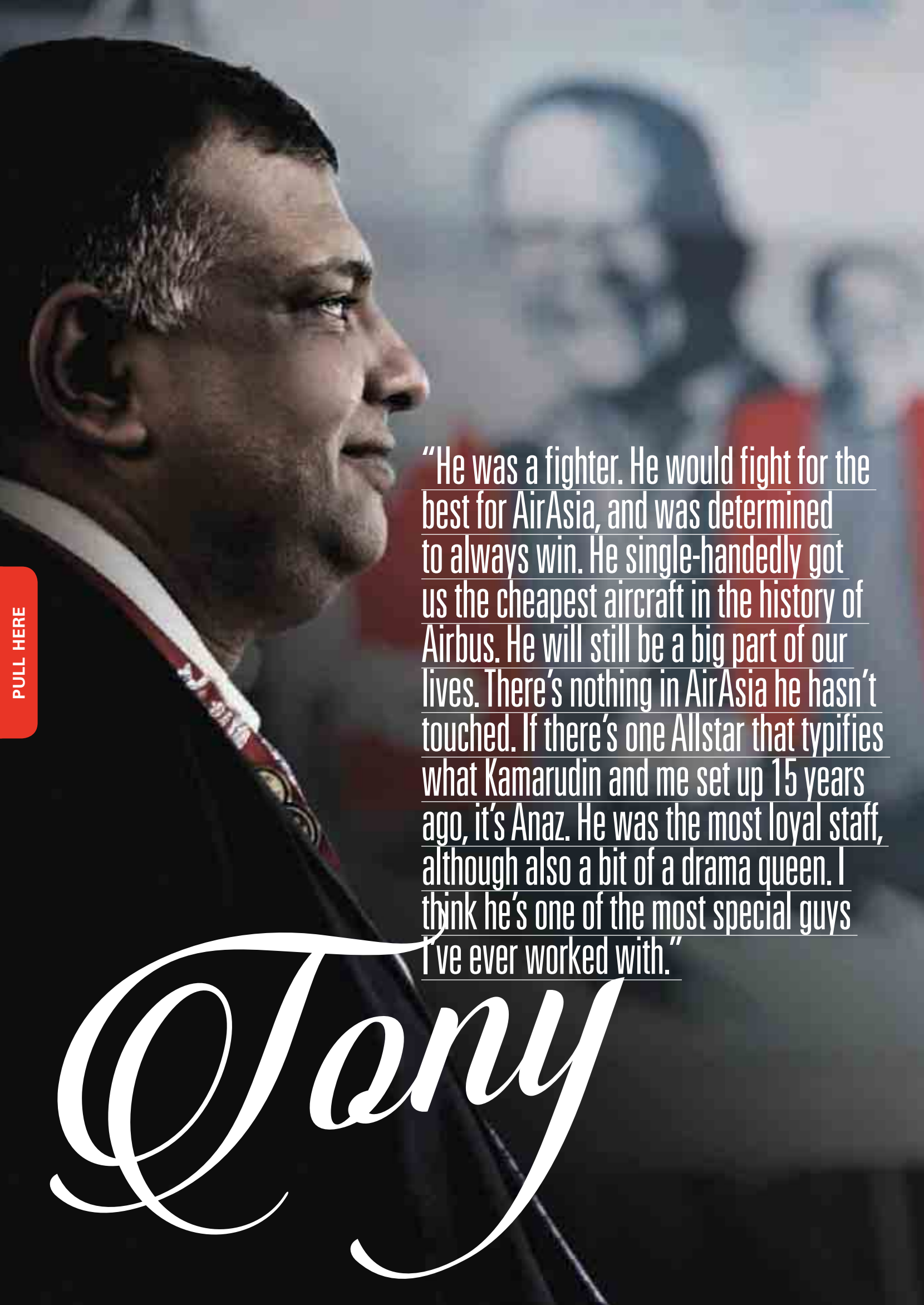
Anaz Tajuddin

"AirAsia is a beautiful family. You look at this office, there is an,

**ENERGY
HERE"**



PULL HERE



"He was a fighter. He would fight for the best for AirAsia, and was determined to always win. He single-handedly got us the cheapest aircraft in the history of Airbus. He will still be a big part of our lives. There's nothing in AirAsia he hasn't touched. If there's one Allstar that typifies what Kamarudin and me set up 15 years ago, it's Anaz. He was the most loyal staff, although also a bit of a drama queen. I think he's one of the most special guys I've ever worked with."

Tony

xcite
INFLIGHT ENTERTAINMENT

LET'S *xcite*
YOUR FLIGHT EXPERIENCE
TO NEW HEIGHTS!

MOVIES

GAMES

MUSIC

MAGAZINES

MENU

Complimentary for Premium Flatbed guest



OUR VERY OWN TRAILBLAZER

Name: **CAPTAIN NORASIKIN ONN**

Designation: **LINE PILOT (CAPTAIN)**

Joined AirAsia X: **2012**

She may be diminutive, but Capt Norasikin is big on firsts. The first female commercial pilot in Malaysia (1996); the first female flight commander/captain of a commercial airline in Malaysia (2001); first female flight commander/captain for wide-bodied aircraft for commercial airlines in Malaysia (2012)... She holds the record for these, and more.

WHY WE LOVE HER:

She's our trailblazing captain, the pride of our cabin, a role model to millions of young girls in the country (she's even included in the national curriculum, in one of the texts within a Standard 5 Bahasa Malaysia school book). Yet, Capt Sikin is incredibly modest, believing anyone can achieve what she has. "Just believe in yourself and go for it!" she says.

WHY SHE LOVES AIRASIA X:

Although she was already a pilot before joining AirAsia X (and even before she joined AirAsia in 2005), she credits our airline for giving her the opportunity to fly wide-bodied aircraft. This to her is the penultimate achievement to an already fantastic journey in aviation that began when she got her Commercial Pilot Licence from Fort Pierce Flying Academy in the US in 1990. It's even going to be recorded in the Malaysian Book of Records!"

SOME HIGHLIGHTS OF HER CAREER:

- Flying an all-women crew to Sydney.
- Landing in Saudi Arabia (where women are still not allowed to drive cars) with a female co-pilot and an all-female crew.

As AirAsia X is fast expanding, and with flights to US on the cards, Capt Sikin is excited about the prospects of flying to the country that gave her the wings to fly. But her dreams do not end here. She would like to finish the work of her inspirational icon, Amelia Earheart, by traversing the entire circumference of the planet and bring glory to women aviators.

"This journey has given me a lot of insight into different cultures. I've learnt so much more than just flying. But the biggest lesson of all is the importance of our roots, and how special it is to be part of a home-grown airline. Nothing beats home."

THE ENGINEER WHO DECIDED TO FLY

Name: **CAPTAIN PARAMJEET SINGH**

Designation: **CAPTAIN, INSTRUCTOR, EXAMINER**

Joined AirAsia X: **JUNE 2007**

Wanting to have a bird's eye view. That's what made Capt Paramjeet leave the relative prestige of being an avionics engineer to take up flying. "I liked the fact that pilots have a bigger picture of the company. They interact with heads of different departments like engineering, load control, customer service. They deal directly with customers. It's more of a management role as opposed to engineering which is just technical," he explains.

WHY WE LOVE HIM:

Capt Paramjeet was seconded to AirAsia X from AirAsia when our airline was just being established. With his 25 years' experience in aviation, he was instrumental in setting up our Pilot Operations and Training.

WHY HE LOVES AIRASIA X:

"I am currently an Authorised Examiner on the A330 and enjoy every moment of my duty whether flying, instructing, examining or conducting ground school as it gives me an opportunity to share and nurture future generation of technical and cabin crew to excel and perhaps take the company to greater heights."

SOME HIGHLIGHTS OF HIS CAREER:

Flying the return leg of our first ever flight - from Kuala Lumpur to the Gold Coast. "There were a lot of people at the airport there to see us off - people from the local council, from airlines, the airport authorities. There was a lot of media attention as well. It was quite a big thing for them too because our A330 was the first wide-bodied aircraft to land there."

Capt Paramjeet feels the culture at AirAsia X, indeed the entire AirAsia Group, is very empowering. To fellow Allstars, his note of advice is: "Do not give up on your dreams. Stay focused on your goals as challenges will come and go but sheer perseverance will take us there."

"People say that mine is a success story but I beg to add that it's very achievable. Just remember to thank our blessings, appreciate what we have, work on our limitations and give back more to AAX that has fed our very existence."



PEACE OF MIND
STARTS WITH
QUIET

ZONE



EXTEND THE
HAPPINESS FOR
YOUR TRIP WITH
HOT SEAT



delight ————— delightful

QUIET ZONE

FLY IN PEACE
WITH
MINIMAL
DISTURBANCE



QUIET ZONE



STANDARD SEAT

FROM

MYR 69

HOT SEAT

EXTRA
LEGROOM,
EXPRESS
BOARDING



QUIET ZONE



HOT SEAT

FROM

MYR 149

*Seat configuration between A320 and A330 aircraft differs slightly.



QUIET ZONE & HOT SEAT



Live Life. Choose Adventure!

Sign up with AirAsia's award-winning Loyalty Programme now.

Join over 10 million AirAsia BIG members to enjoy exclusive benefits and redeem flights from just 500 AirAsia BIG Points!

Download the mobile app to explore a world of privileges and amazing destinations at your fingertips.

FINAL CALL SALE

Best value with AirAsia BIG Points worth up to RM0.60!

PRIORITY ACCESS

Be the first to enjoy AirAsia sales and promos!

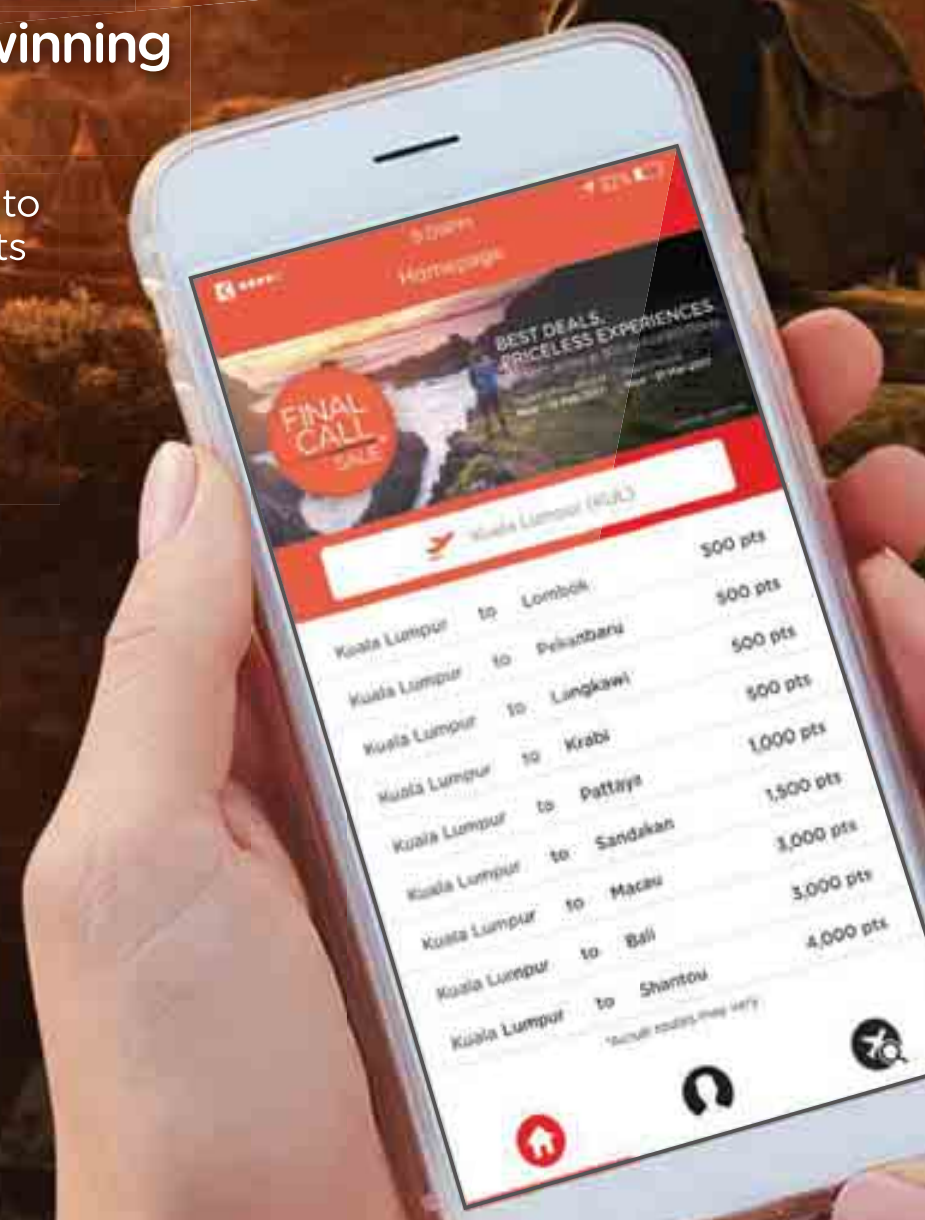
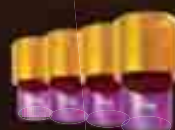
POINTS + CASH REDEMPTION

Short of points? Use 'AirAsia BIG Points + Cash' at checkout!



MARKETING THE LOYALTY & ENGAGEMENT AWARDS

Loyalty Programme of the Year 2016



Terms & Conditions apply.

Find out more www.airasiabig.com

Follow us on AirAsiaBIG

Download the AirAsia BIG mobile app



ATTRACTED BY CHALLENGE

Name: **MOSES DEVANAYAGAM**

Designation: **SENIOR DIRECTOR**

Joined AirAsia X: **JULY 2007**

At the age of 60, when most think of retiring, Moses was approached to be one of the pioneers at AirAsia X, to help set up our Operations function. It was an offer he simply could not resist, even if "my CEO was 20 years younger than me and most of the Allstars were in their 20s and 30s." Age has not been a barrier for Moses, who has an open and consultative approach to management, saying he learns as much from his Allstars as they do from him.

WHY WE LOVE HIM:

He always has a ready smile and a joke for everyone. Then, of course, he also has this immense store of knowledge, from 44 years in aviation, beginning as an apprentice with Malaysia-Singapore Airlines in 1971...

WHY HE LOVES US:

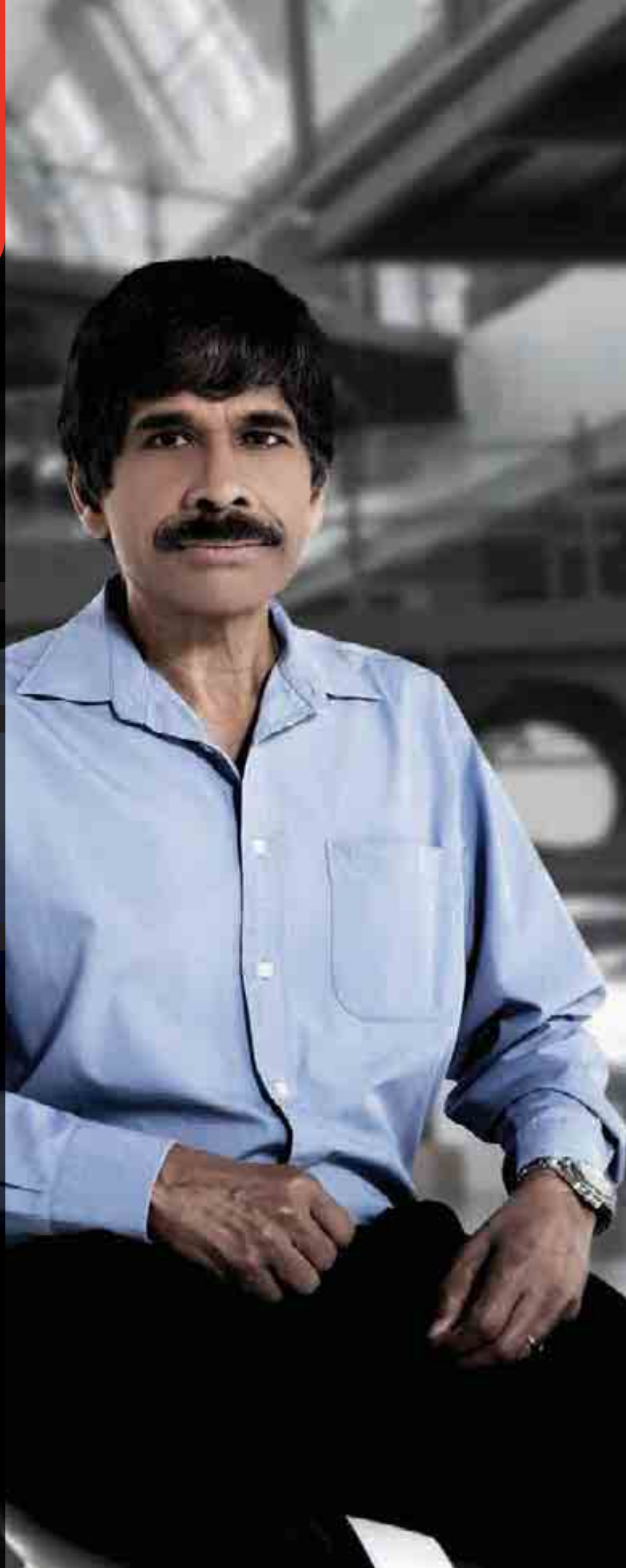
"There is something very attractive about developing something new. Before joining, when I was told AirAsia X was going to enter the mid to long-haul low-cost sector, I was intrigued. It had never been done before. Then, coming here in 2007 when there was nothing - no aeroplanes, no operations staff - and having built all of that from zero to having 2,000-3,000 people plus 30 aircraft, it's just great. It's wonderful to feel as if I planted some seeds that developed into what we are today."

AN UNFORGETTABLE EXPERIENCE:

When the Icelandic volcano Eyjafjallajokull erupted in May 2010, and he made the call to cancel our flight to London. "The other big carriers were not cancelling, but if our plane had to divert to another station, we had no other bases in Europe where they could land. Who would look after our crew and guests? There were 340 guests from KL to London and probably another 340 from London to KL. I remember telling the bosses that if I hadn't made the right call... But it turned out to be right. Within the next couple of hours, the whole of Europe was shut down for a few weeks. In all my career, that was my biggest, most dramatic call."

Less dramatically, he says, the job has given him an immense sense of satisfaction of having made a difference in the lives of others by nurturing them, and giving them a sense of ownership in their careers.

"Most of the people we have here are bristling with ideas and willing to take up challenges and play ball. We just have to nurture them, mentor them and put the plans in place."



A HOME OF OUR OWN!

Name: **RED QUARTERS AKA REDQ**

Designation: **OUR WORKING, MAKAN-ING, SOMETIMES SLEEPING GROUNDS, IE OUR HOME**

Joined AirAsia X: **NOVEMBER 2016**

A big highlight of the year was moving into our new home – the first we can truly call our own – a space that has been designed for us (2,000 Allstars) and with us in mind. Our 22,000m², three-storied RedQ is perfect for us to work together and bounce ideas off each other, while also providing workstations where we can concentrate undisturbed. There are also chill out zones where we can unwind... after many arduous hours of mental exertion, of course.

WHY WE LOVE REDQ:

Let us count the ways: 1) The atrium – the heart and soul of RedQ – is perfect for us to get together, chit chat over coffee (from T&Co), maybe even over lunch or tea or dinner. Oh, and in the evenings, this is where we Zumba! 2) The six meeting pods that kind of float over the atrium, each with its own destination theme – Manila, Hong Kong, Sydney, Jakarta, Kuala Lumpur, Seoul. The Sydney room is particularly cool, with a view of the Harbour Bridge and a surfboard-table that looks like it's been snapped by a shark. 3) The Millennium Falcon, or our boardroom, is really futuristic, inspired by the starship from Star Wars. 4) The bridges and metal stairways that criss-cross the atrium, linking floors and reminding us of how we build skybridges across Asia. 5) The cafeteria, salad bar and T&Co stand where we can get pretty decent fare at pretty decent prices. We do actually love T&Co coffees (just saying, but when you next fly with us, they're available on our planes...) 6) The gym, where we can work off those calories from the cafeteria, salad bar and T&Co stand. By the way, did we tell you T&Co also has some pretty decent cakes?

WHAT WE ARE LOOKING FORWARD TO:

RedQ is not 100% completed yet, and promises even more attractions. Coming soon will be a gigantic slide, floating globe and rooftop amenities such as a caged futsal court, badminton court and jogging track. We're also excited about a new clubhouse as well as crèche for Allstar babies.

REDQ IS JUST, WELL, FAB. WE ABSOLUTELY LOVE IT!






“At the core of our business is the software — our Allstars — and we wanted to make sure that they are provided the infrastructure to continue dreaming big and achieving the unimaginable.”

DATUK KAMARUDIN MERANUN





Wow!

NO OTHER WORD COULD DESCRIBE SO SUCCINCTLY THE WAY WE PERFORMED IN 2016.

We finally did it! After continuous losses since our IPO, we achieved a record-breaking year in every possible sense. A full year's net profit after tax of RM210.3 million; 31% increase in revenue (year-on-year); 30% increase in number of guests carried; 22% increase in capacity... The list goes on.

And they said a long-haul low-cost model just wouldn't work. But that's because 'they' did not have what we do - you. Yes, the market was more rational during the year. Yes, we did re-negotiate many contracts. Yes, we stopped some of our loss-making routes and made the most of low oil prices. We basically did everything we could to make ourselves leaner, fitter and better able to squeeze as much value from every Ringgit spent.

Yet, none of this would have worked if not for you.

You put into motion the countless initiatives we outlined for our massive turnaround. You put in the hours to make sure all our operations carried on smoothly despite many operational structures falling down (metaphorically) all around you, replaced by new ways, better ways of doing things. In fact, you contributed many ideas as to how we could rebuild ourselves as a more effective and efficient organisation.

It was certainly a very tough year. But because of your energy and enthusiasm; most of all, your passion and conviction - we were able to overcome numerous hurdles to get to where we are today. We are aware of the many little, and maybe not so little, personal sacrifices you made over the one year. And we would like to thank every single one of you, our 3,467 fantastic AirAsia X Allstars, most genuinely and sincerely, for all you have done.



We've reached new heights in 2016 and we're flying high in more ways than one. Our impressive list of achievements has left us feeling optimistic about the year ahead. We've had new routes launched, a record-high number of guests choosing to fly with us and amazing new destinations. Together, let us work towards realising our common dreams.

YOUR EXCELLENCE DRIVES OUR SUCCESS



DATUK KAMARUDIN MERANUN

It's also been a year of strong passenger recognition, as we won the renowned Skytrax awards for World's Best Low-Cost Premium Cabin and World's Best Low-Cost Airline Premium Seats for the fourth year running.

Together with the passion of our awesome team of Allstars, we are confident of AirAsia X continuing on an upward trend. Together we'll keep reaching for the stars.

TAN SRI DR. TONY FERNANDES

Thank you ALLSTARS





A NOTE TO ALLSTARS

Our turnaround happened because of you. We have the opportunity now to build on recent successes accelerating our momentum in 2017.

Well done... and thank you!



FROM US

Datuk Kamarudin Meranun, Tan Sri Dr. Tony Fernandes, Benyamin Ismail

AirAsia X Berhad 2016

KEY HIGHLIGHTS

Financial Highlights AirAsia X Berhad

Revenue RM **4** bil

Net Profit RM **210** mil

Operating Profit RM **285** mil

Cash RM **422** mil

Passengers Carried

6,275,984



NO. OF AIRCRAFT
30

AirAsia X Malaysia 22
AirAsia X Thailand 6
AirAsia X Indonesia 2

AirAsia X Malaysia
4,688,077

AirAsia X Thailand
1,377,832

AirAsia X Indonesia
210,075



79%
AirAsia X Malaysia

84%
AirAsia X Thailand

71%
AirAsia X Indonesia

Load Factor

CALL SIGNS

AirAsia X Malaysia

IATA : D7
ICAO : XAX
Callsign :

XANADU



AirAsia X Thailand

IATA : XJ
ICAO : TAX
Callsign :

EXPRESS WING

AirAsia X Indonesia

IATA : XT
ICAO : IDX
Callsign :

RED PHOENIX



Network

No. of Destinations

24

AirAsia X Malaysia = 24
AirAsia X Thailand = 5
AirAsia X Indonesia = 2

No. of Routes

28

23 AirAsia X Malaysia
4 AirAsia X Thailand
1 AirAsia X Indonesia

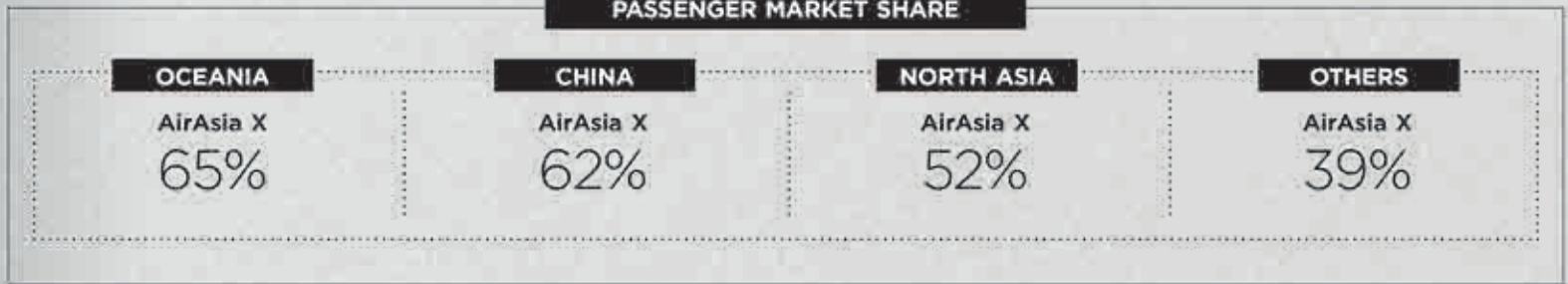
No. of Countries

AirAsia X Malaysia = 11
AirAsia X Thailand = 5
AirAsia X Indonesia = 2

AIRASIA X MARKET SHARE TO DESTINATIONS WE OPERATE INTO

AirAsia X Malaysia (Operates From Malaysia)

PASSENGER MARKET SHARE



No. of Flights Per Week-Average

209

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
166	41	2

KEY MILESTONE

AirAsia X Group

World's Best Low-Cost Airline Premium Cabin and World's Best Low-Cost Airline Premium Seat by Skytrax



No. of Allstars (31 Dec 2016)

AirAsia X Malaysia	AirAsia X Thailand
2,621	640
AirAsia X Indonesia	TOTAL
176	3,467

Allstars nationalities

AAX GROUP
26

No. of Hubs

3

Unique Routes

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
9	0	0

Routes Launched

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
8	2	0

Social Media



Facebook 10.6 Million Fans	Pinterest 3.7K Followers	WeChat 176K Followers
Twitter 7.5 Million Fans	Instagram 730K Followers	Kakao Story 4.8 Million Fans
LinkedIn 122K Followers	Viber Public Chat 112 Million Fans	Line 29.8 Million Fans
Google+ 34,245 Subscribers	YouTube 91,616 Subscribers	

Note:

- All figures refer to AirAsia X Group unless stated otherwise.
- AirAsia X Group includes AirAsia X Malaysia, AirAsia X Thailand and AirAsia X Indonesia.
- Financials refers to AirAsia X Berhad's 2016 audited financial statements.
- All figures provided are as at 31 December 2016 for AirAsia X Malaysia and AirAsia X Thailand, while AirAsia X Indonesia is as of September 2016 unless stated otherwise.
- Source of Market Share: Paxis, based on number of passengers carried, January to December 2016.

AirAsia

AAX_AR/16

THE FOURTH ISSUE



- 001 Cover Rationale
- 002 Spirit of AirAsia for Anaz
- 005 Our Very Own Trailblazer – Captain Norasikin Onn
- 006 The Engineer Who Decided to Fly – Captain Paramjeet Singh
- 009 Attracted by Challenge – Moses Devanayagam
- 010 A Home of Our Own! – RedQ
- 012 A Note To Allstars

AIRASIA X AT A GLANCE

- 014 Key Highlights
- 016 Contents
- 021 Vision
- 023 Mission
- 025 Values

KEY MESSAGES

- 028 Chairman's Statement
- 030 Group CEO's Statement

WHO WE ARE AND WHAT WE DO

- 034 9th Anniversary
- 036 About Us
- 038 AirAsia X Group Destinations
- 040 AirAsia X Group Network
- 043 Corporate Structure
- 044 Organisation Structure
- 045 Corporate Information

LEADERSHIP

- 046 Board of Directors
- 048 Our Board at a Glance
- 049 Board of Directors' Profile
- 056 The Chief Executive Officers
- 058 Leadership Team
- 060 Profiles of the Leadership Team
- 070 AirAsia X Thailand Leadership Team
- 072 AirAsia X Indonesia Leadership Team

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

- 074 CEO's Management Discussion & Analysis
- 084 Business Model

PERFORMANCE REVIEW

- 088 Five-Year Financial & Operational Highlights
- 089 Key Performance Indicators
- 090 Simplified Group Statement of Financial Position & Segmental Analysis
- 093 Group Quarterly Financial Performance
- 094 Investor Relations
- 097 Share Price Performance
- 098 Market Capitalisation
- 100 2016 Financial Calendar
- 101 2017 Quarterly Results Announcements

BUSINESS REVIEW

- 102 AirAsia X Thailand: Steadily Building Momentum
- 103 AirAsia X Indonesia: Building the Bali Connection



HIGHLIGHTS:

028

Chairman's Statement

030

Group CEO's Statement

049

Board of Directors' Profile

WHAT'S INSIDE



A I R A S I A X B E R H A D

11th



ANNUAL GENERAL MEETING
OF AIRASIA X BERHAD



WHERE

Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia



WHEN

Tuesday, 23 May 2017



TIME

10.00 a.m.

ACHIEVEMENTS

- 108** Corporate Milestones
- 112** 2016 Corporate Events
- 118** Media Highlights
 - press clippings
 - television
 - social media
- 122** AirAsia X Achievements

SUSTAINABILITY REPORT

- 128** SAFETY at work
- 130** INNOVATION for better guest experience
- 131** Celebrating TALENT in AirAsia X
- 132** Keeping our ENVIRONMENT green
- 134** Our COMMUNITY ties

CORPORATE GOVERNANCE

- 138** Statement on Corporate Governance
- 148** Statement of Risk Management & Internal Control
- 151** Audit Committee Report
- 153** Additional Compliance Information
- 158** Code of Business Conduct

FINANCIAL STATEMENTS

- 162** Directors' Report
- 165** Income Statements
- 166** Statements of Comprehensive Income
- 167** Balance Sheets
- 168** Consolidated Statement of Changes in Equity
- 169** Company Statement of Changes in Equity
- 170** Statements of Cash Flows
- 172** Notes to The Financial Statements
- 227** Supplementary Information
- 228** Statement by Directors
- 228** Statutory Declaration
- 229** Independent Auditors' Report

OTHER INFORMATION

- 234** Analysis of Shareholdings
- 235** List of Directors' Shareholdings
- 236** List of Top 30 Largest Shareholders
- 237** Analysis of Warrant Holdings
- 238** List of Directors' Warrant Holdings
- 239** List of Top 30 Largest Warrant Holders
- 241** Corporate Directory
- 242** Notice of Annual General Meeting
- 246** Glossary
 - Form of Proxy

060

Profiles of Leadership Team

074

CEO's Management Discussion & Analysis

242

Notice of Annual General Meeting



FLAT-OUT
COMFORTABLE.

play 120°

sleep 180°



work 90°

PREMIUM FLATBED

**MORE
COMFORT,
GREATER
BENEFITS**

STAY FLAT-OUT
COMFORTABLE
TO YOUR
FAVOURITE
DESTINATIONS



**PREMIUM
FLATBED**

More comfort, greater benefits

(Include all USPs in visual + "Recharge Your Devices")



PREMIUM FLATBED





Malaysia



*Air
Asia*

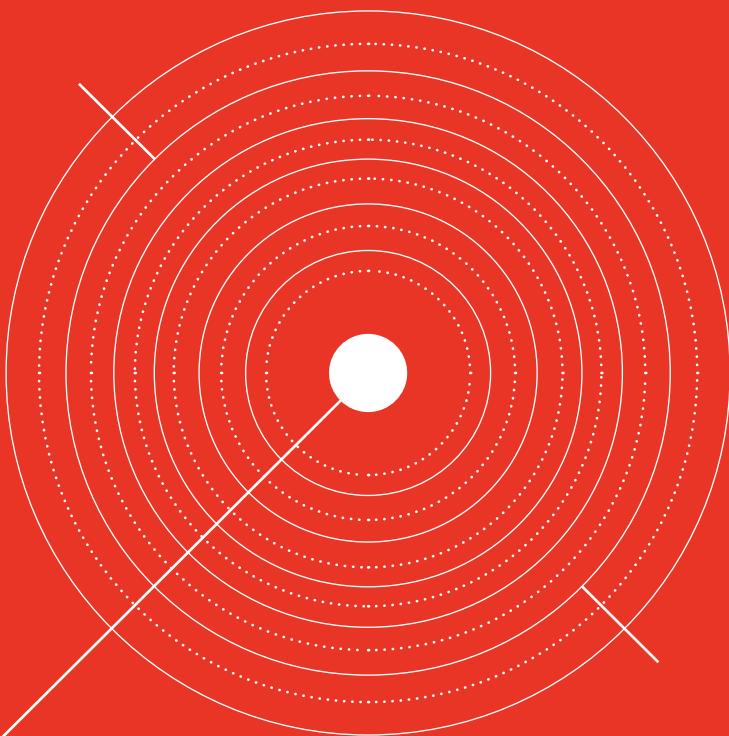
Name :

Address :

Country :

Phone :

**TO BE THE
LARGEST LOW
COST AIRLINE
IN ASIA AND
SERVING THE
3 BILLION
PEOPLE WHO
ARE CURRENTLY
UNDERSERVED
WITH POOR
CONNECTIVITY
AND HIGH FARES.**



*Air
Asia*





Indonesia





*Air
Asia*

Name :

Address :

Country :

Phone :

01 To be the best company to work for whereby employees are treated as part of a big family

02 CREATE A GLOBALLY
RECOGNISED

*Asean
brand*

03 To attain the lowest cost so that everyone can fly with AirAsia

04 Maintain the highest quality product, embracing technology to reduce cost and enhance service levels



*Air
Asia*

Thailand





*Air
Asia*

Name :

Address :

Country :

Phone :

We are Allstars and we are...

01

SAFETY CONSCIOUS

A safe airline is a happy airline. Our guests' safety is our primary concern so we do our jobs with care. Because where safety is concerned, every little thing matters.

02

CARING

It's a warm and friendly feeling to have, so we take pleasure in caring for our guests in ways that make them feel at home.

03

PASSIONATE

Being passionate means going the extra mile to achieve a purpose much larger than ourselves. They say passionate people can change the world and that's something that's very close to our hearts.

04

FULL OF INTEGRITY

We believe everything that is worth doing, is worth doing right. It's about us doing the right things at all times.

05

HARDWORKING

It means one team, working together towards a common goal. Whether it's meeting our 90 minute turnaround time or making sure we keep you connected to the best destinations at the lowest prices, we do it as a team. All for one. One for all.

06

FUN

Fun means we celebrate life. It means we laugh louder, our smiles are wider, and we can be our own unique selves. We're a sociable bunch and we enjoy sharing ideas and solutions to make things even better. After all, fun is meant to be shared.

VALUES

Almost everything about the A330neo is **new**

new A350 generation engines

new wings with A350 sharklets

new A350 cabin

Flying further with less fuel



The Airbus Widebody Family
featuring the new Airspace cabin



AIRBUS

SHAREHOLDERS' BENEFIT PROGRAMME



CALLING ALL ELIGIBLE AIRASIA X SHAREHOLDERS TO REDEEM RETURN TICKETS TO ANY **AIRASIA X DESTINATION**

ONLY FOR SHAREHOLDERS WHO SUBSCRIBED TO AND ACQUIRED A MINIMUM OF 10,000 IPO SHARES AND HAVE HELD ON UP TO OUR THREE ANNIVERSARIES



FOURTH YEAR ANNIVERSARY

10 July 2017 - 9 July 2018



FIFTH YEAR ANNIVERSARY

10 July 2018 - 9 July 2019



SIXTH YEAR ANNIVERSARY

10 July 2019 - 9 July 2020

The Benefit:

- **Category A: Min. 10,000 - 99,999 shares**
1 Return Flight with Zero Base Fare to any AirAsia X destination
- **Category B: Min. 100,000 shares and above**
3 Return Flights with Zero Base Fare to any AirAsia X destination

HOW TO CHECK ELIGIBILITY & REDEEM YOUR TICKET

Email us at aax_shareholder@airasia.com or contact us at **+603 8775 4680** (Monday - Friday, 9am to 6pm) to redeem and provide the following details:

Full Name as per your National Registration

Identity Card ("NRIC") number:

NRIC Number/Passport Number:

BIG Card Number (if applicable):

AirAsia Member User ID (if applicable):

Travel Destination:

Preferred Travel Date and Time:



Lowest fares@airasia.com

TERMS AND CONDITIONS

- All return tickets must be utilised before the start of next anniversary; No extension is allowed.
- All return tickets are not available during the blackout period (refer to AAX website).
- All tickets from previous years will be forfeited if not redeemed.
- For further terms and conditions, please refer to AAX website at www.airasiax.com =>Shareholders Benefit Programme => FAQ

CHAIRMAN'S STATEMENT

TAN SRI RAFIDAH AZIZ

Chairman



Assalamualaikum Warahmatullahi Wabarakatuh,

Dear Shareholders,

AirAsia X has come a long way since its inception in 2007, and the year 2016 was a significant turning point. The Board has been pleased to see how, after four years of making losses, the airline has delivered a profit after tax, of RM210.3 million, on the back of RM4.0 billion in revenue.

This was achieved by the team working closely on a comprehensive turnaround plan that had been mapped out, which outlined various initiatives to cut costs, and create greater efficiencies, across every aspect of AirAsia X's operations. We already had a model that demanded a high level of efficiency, but as a low-cost long-haul carrier there was, and still is, a need to take efficiency to its extreme. This is by no means easy to accomplish, but with strategic planning, and dedicated team work, we have managed what many in the industry, as well as outside, thought was impossible. Well done to the team!

I am also very pleased to share that AirAsia X as a Group has made tremendous steps forward with its first foray into an entirely new market as we look beyond Asia-Pacific, namely the American continent. In January 2017, the United States of America's Federal Aviation Administration (FAA) granted AirAsia X the right to fly to the US, making us the first Asean low-cost carrier to receive such approval.

In another development, the FAA also announced in August 2016, that Indonesia complied with International Civil Aviation Organization (ICAO) safety standards, and has been granted a Category 1 rating. This means our associate, AirAsia X Indonesia, can now apply for new routes that were not permissible before the upgrade.

The Board takes the safety of each guest extremely seriously; and as the number of guests we fly increases, so does our sense of responsibility. In 2016, we flew 4.7 million guests, representing 30% growth over 2015. Every year, we can expect that number to increase. Our safety governance is reflected in the strong safety infrastructure we have in place. This includes a Safety Review Board, which meets once every quarter, and which I personally head. Safety is closely linked with Risk Management, and one of our goals at the Board is to see the Risk Management culture become more fully integrated into the company at all levels. We believe that if every Allstar is aware of the risks we face, and is properly equipped to manage these at his or her functional level, we will not only minimise our risks, but also avoid risks being triggered.

In 2017, we continue to witness political uncertainties and economic volatilities in the global environment. However, we are confident that the travel industry will continue to grow. By building on the momentum of growth achieved in 2016, we should enjoy another positive year ahead. The Board of Directors of AirAsia X is committed, and remains focused on exploring strategic initiatives to ensure sustainable growth, in order to continue to create long-term value for our shareholders.

Most of you will no doubt be aware that we are launching flights to Hawaii. Certainly, we won't stop just with Hawaii, but will continue to look at other destinations in the US, and elsewhere that we can serve, as this forms part of our overarching ambition to offer exciting destinations to our guests. We would like to assume a significant role in connecting Malaysia to the world, as well as in bringing the world to Malaysia, and to Asia. Malaysia, and the region, has so much to offer and I believe AirAsia X has what it takes, to enable more people to discover the many hidden natural wonders that we have at our doorstep.

Once again, I would like to say this has been a good year for AirAsia X. And we could not have achieved what we have done without everyone working together as a team towards our shared goal: to create our own success story.

I would like to thank my colleagues on the Board for their continued guidance and unstinting support of the Company. I would also like to highly commend the management of AirAsia X for their vision of what we can be, and their tenacity in making sure we get there. My heartfelt thanks also goes to all our Allstars who have worked very hard since the inception of AirAsia X. But this is just the beginning. Let us not sit on our laurels. My fervent wish is for us all to continue to work together as a Group and together with the AirAsia Group - to keep pushing boundaries, and keep building upon our strong foundation, so we can truly take to the skies and go global.

Most of all, allow me to close with a special thanks to our shareholders for your continued support. The initiatives that we have implemented are a long-term approach. Without your support, we would not be in the position of strength that we are in today.

Let us work together to realise our common dreams.

**Wabillahi taufiq walhidayah
wassalamualaikum warahmatullahi
wabarakatuh.**

Assalamualaikum Warahmatullahi Wabarakatuh,

For too many years, we have heard the sceptics say the long-haul low-cost carrier (LCC) model does not work. In 2016, we finally and decisively proved them wrong. Not only did we achieve a full-year of profit (the first since we went public in 2013), we earned a record revenue of RM4 billion.

What a year it has been, and what a great job our Allstars have done! It is thanks to their hard work and belief in our company that we have been able to achieve the commendable performance we did. A net operating profit of RM259.8 million, and 31% growth in revenue to RM4.0 billion may seem modest to some; to us, it is the beginning of a new chapter in our journey, one which we have already celebrated with the launch of flights to Honolulu.

As I reflect on the last nine years, I truly believe that we have come a long way. How did we do this? To be honest, with sheer grit and lots of determination... and the full support of our fantastic team of Allstars. The convergence of skills and knowledge is what makes us effective, especially in a challenging aviation industry. My heartfelt thanks goes to all of them.

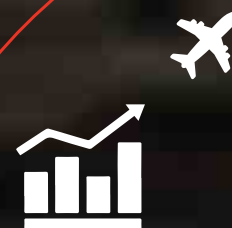
Starting from early 2015, we went through a laborious, soul-searching exercise to determine where we had gone wrong and how we could set things right again. The result was a multi-pronged turnaround plan which we rolled out throughout 2015, and is still ongoing. Having completed the first phase – of ‘de-risking’ our operations; we are in the midst of our second phase – of ‘re-building’ the company; while also embarking on the third phase – of ‘re-creating’ ourselves with disciplined capacity expansion. ‘Disciplined’ here entails optimising our capital structure, improving our balance sheet and better managing our capital deployment.

We were fortunate in 2016 in that there were no major upheavals in the operating environment. Although the global economy continued to be soft, travel within Asia-Pacific as well as in and out of the region, was not in any way impeded.

Our associate in Thailand did experience a glitch in travel numbers in the fourth quarter following the passing of King Bhumibol Adulyadej in October, which was further compounded by the government clamping down on zero-dollar tours from China. However, for the year taken as a whole, key parameters continued to improve. AirAsia X Thailand carried 48.9% more guests in 2016 (1.37 million) compared to 2015 (0.92 million), and saw a three percentage point increase in passenger load factor to 84%. A more pressing concern are restrictions imposed on route expansion – for all Thai carriers – following a safety downgrade by the International Civil Aviation Organization (ICAO) of Thailand’s Department of Civil Aviation. This is being dealt with by the relevant authorities and we have reason to believe a resolution is imminent.

In Indonesia, we continued to face regulatory issues which led to a decision to temporarily suspend operations, allowing the team to completely restructure its network as well as operational efficiencies. However, we are confident that upon completion of its restructuring exercise, we will be able to recommence flights from this hub in the near future.

What a great year it has been, and what a great job our Allstars have done! It is thanks to their hard work and belief in our company that we have been able to achieve the spectacular performance we did.



Net Operating Profit
RM259.8
million

31%
GROWTH
in revenue to
RM4.0 billion

DATUK KAMARUDIN MERANUN

GCEO



GCEO'S STATEMENT



GCEO's Statement

Fuel expenses from
RM1.02 billion
 in 2015 to

RM1.12 billion

despite a 27.8% increase in consumption from operating more routes and incremental frequencies.

these best-in-class aircraft will make up no less than

90.4%
 of our fleet

The low oil price environment was a bonus for the airline industry in general. For us, it meant a 19.7% decrease in fuel price from USD76 per barrel in 2015 to USD61 per barrel, allowing us to better manage our fuel cost. This increased only minimally, from RM1.02 billion in 2015 to RM1.12 billion, despite a 27.8% increase in consumption from operating more routes and incremental frequencies. We have been the lowest unit cost long-haul airline in the world for many years, and in 2016 further entrenched our leading position.

I am pleased to share that once we start converting our fleet into the newer, even more fuel efficient and larger-capacity Airbus new engine option (neo) aircraft, we will further enhance our cost efficiencies. The A330neo will afford us additional fuel savings while also reducing our maintenance costs. We have placed orders for 66 A330neo aircraft till 2027, and will be taking delivery of our first

We are the manufacturer's biggest global customer, and our relationship has grown to such an extent over the years that both parties consider each other as strategic business partners.



two aircraft in 2018 (making up 6.5% of our fleet). By the time all 66 are delivered in 2027, these best-in-class aircraft will make up no less than 90.4% of our fleet.

Not many airlines in the world would be able to make such significant aircraft purchases, and I would like to stress how our association with our sister company, AirAsia, places us on a very strong footing to be able to negotiate incredibly attractive deals with Airbus. We are truly One AirAsia in brand and communication. We are the manufacturer's biggest global customer, and our relationship has grown to such an extent over the years that both parties consider each other as strategic business partners.

Procurement is not the only way in which we stand to benefit from being One AirAsia. AirAsia X both contributes to and benefits from the extensive AirAsia route network across the Asia-Pacific region, which gives our guests flight choices that no other airline in the region affords. While AirAsia X as a Group flies to 24 destinations, together with AirAsia, we offer guests more than 200 routes, of which eight are unique to us. In March 2016, we launched our first 'tag flight' (ie one-stop route) linking Kuala Lumpur-Gold Coast-Auckland, but in fact, with AirAsia, we offer our guests over 120 one-stop routes within Asia. And with Fly-Thru, we are making more and more of these connections easier.

On our own, we have established a strong presence in our key markets, ie North Asia and Australia, which we are continuing to build on. Although the year saw the launch of only one new route within these markets (that to

Auckland), we shored up flight frequencies to Taipei, Beijing, Shanghai, Osaka and Sapporo, as well as to Melbourne, Perth and Sydney in Australia. We also beefed up our sales and marketing teams in both regions and even sponsored a Korean Broadcasting System (KBS) TV drama series to strengthen our presence in Korea. Together with other offbeat marketing efforts and the appointment of popular celebrities from the region as AirAsia Group ambassadors, we are reinforcing our relationships, brand recognition and reputation in these markets.

Moving forward, we hope to build our network of hubs to facilitate even greater expansion. India and Japan are attractive possibilities as they would allow us to expand into Europe, Africa and North America. In February, we announced the launch of flights to Honolulu, to begin in June this year. We are not only very excited about this new route which will take us to the Americas for the first time, but are also proud of the achievement because of the stringent safety conditions we had to satisfy before being granted the US Federal Aviation Administration (FAA)'s approval to fly into the US. We are the only LCC from Asean to have been awarded this approval, and will make the most of the potential to spread our wings across the American continent.

Meanwhile, we are confident that our Thai associate will continue to grow steadily. While the zero-dollar tour ban may impact tour group arrivals from China, AirAsia is changing the way Chinese travel, as indicated by our being named the Most Influential Airline in China at the 2016 New Power of Travel Awards. If any airline can convince Chinese nationals to travel independently, we believe it will be us. We are also hopeful that ongoing actions prompted by the Thai Government will see the nation removed from ICAO's blacklist in the near future, perhaps even this year. Until ICAO's red flag is lifted, our associate is not able to launch new routes in its target markets. However, it can and will increase its frequencies of existing routes, especially to Korea, one of the most popular holiday destinations for Thai nationals.

In Indonesia, with the recent upgrade of its FAA rating from Category 2 to Category 1, local carriers now have

MOVING

FORWARD

we hope to build our network of hubs to facilitate even greater expansion. India and Japan are attractive possibilities as they would allow us to expand into Europe, Africa and North America.

open access to any international market. This is excellent news for our associate, AirAsia X Indonesia, which has outlined its journey to start creating skybridges linking North Asia-India-Australasia. To begin with, it aims to re-start long-haul routes from Bali connecting with destinations in India and Japan, markets where it will enjoy an edge over competition from local support – such as distribution/payment channels and dedicated marketing teams – provided by our short-haul associates in those countries.

Among the major challenges we envisage going into the future is that of foreign exchange losses given the Ringgit's continued depreciation and the fact that a large proportion of our operating costs are denominated in USD. We will continue to look for avenues to mitigate our foreign exchange risk by hedging as well as intensifying sales from stronger currency markets.

We have just emerged from what has probably been one of the worst times for us, yet we have tidied up our house, and set ourselves up to go forward... leaner, more focused and resilient. The experience has at times been painful, but it has brought the team closer together. And this is a great strength for us. AirAsia X has always been about our people. With stronger teamwork, and the knowledge that we have what it takes to make long-haul low-cost travel work, we can truly soar. Right now, the future is in our hands. It is up to us to make it big. We have made a good start, Allstars. Let us now make our onward journey even better, In syaa Allah.

To our shareholders, I wish to record our appreciation of your continued support of our strategic initiatives to strengthen the AirAsia X Group and position us well for the future.

We celebrated nine great years of long-haul regional connectivity with special aircraft livery and cabin interior design dedicated to those who have been the X factor that made us the world's best – our awesome Allstars!



A true dedication in AirAsia X fashion - the names of all AirAsia X Allstars from all sectors and countries were included as part of the interior cabin design, printed and displayed in plain sight for all guests onboard.

As an airline that embraces diversity and appreciates talent, our Allstars will always be our strongest asset in serving our 24 million guests worldwide.

Anniversary





ABOUT US

AIRASIA X WAS INITIALLY KNOWN AS FLY ASIAN XPRESS (FAX) WHEN IT STARTED OPERATIONS IN 2006, SERVICING RURAL AREAS OF SARAWAK AND SABAH WITH TURBOPROP AIRCRAFT, BEFORE REBRANDING WAS DONE IN SEPTEMBER 2007 AND ITS FIRST FLIGHT WAS LAUNCHED TO GOLD COAST IN NOVEMBER 2006. TODAY, AIRASIA X OPERATES OUT OF THREE HUBS, KUALA LUMPUR, BANGKOK AND DENPASAR, BALI. WE CURRENTLY SERVE 24 DESTINATIONS ACROSS ASIA (SAPPORO, TOKYO, OSAKA, SEOUL, BUSAN, TAIPEI, XI'AN, BEIJING, HANGZHOU, CHENGDU, SHANGHAI, CHONGQING, WUHAN, NEW DELHI AND KATHMANDU), AUSTRALIA (SYDNEY, MELBOURNE, PERTH AND GOLD COAST), NEW ZEALAND (AUCKLAND), THE MIDDLE EAST (JEDDAH, MEDINA AND TEHRAN) AND THE UNITED STATES OF AMERICA (HAWAII). AIRASIA X IS THE FIRST LOW-COST AIRLINE IN ASEAN TO BE GIVEN APPROVAL BY THE FEDERAL AVIATION ADMINISTRATION TO OPERATE INTO USA.

As at 31 December 2016, we have a core fleet of 30 Airbus A330-300 aircraft including six for our affiliates AirAsia X Thailand and two for AirAsia X Indonesia.

AirAsia X Berhad is a leading long-haul, low-cost airline, operating primarily in the Asia-Pacific region. Based on our breakthrough business model, we believe that we have the lowest unit cost base of any long-haul airline in the world, with cost per available-seat kilometre (CASK) of US\$3.11 and CASK (excluding fuel) of US\$2.19 for the year ended 2016. This enables us to offer fares that are targeted, on average, to be 30% lower than full-service carriers and to stimulate new market demand.

AirAsia X was the first long-haul, low-cost carrier to introduce Premium Flatbed seats, which have standard business class specifications of 20" width, 60" pitch and stretch out to 77" in a full-recline position. The Premium flatbeds feature universal power sockets, adjustable headrests and built-in personal utilities such as tray tables, drink holders, reading lights and privacy screens. Premium seat guests also enjoy premium complimentary products and services including Pick-A-Seat, Priority Check-in, Priority Boarding, Priority Baggage, 40kg Baggage Allowance, complimentary meals and use of pillows and duvets, inflight entertainment and lounge.

On top of that, AirAsia X offers a Quiet Zone cabin on all flights across its network. The service enhancement is exclusively for guests who are above age 12. The Quiet Zone features soft lighting and a more relaxed cabin atmosphere, which will ensure a more pleasant journey for our guests.

AirAsia X was named the World's Best Low-Cost Airline Premium Seat and the World's Best Low-Cost Airline Premium Cabin for four consecutive years while the AirAsia Group was named World's Best Low-Cost Airline for eight consecutive years at the Skytrax World Airline Awards held during the Farnborough International Airshow.

Seven years and counting



March 29, 2010 was our first check for AirAsia X. Since then, the airline has gained much success as one of the leading low cost carriers in the world. As a partner MRO, we strive to match their momentum, with our commitment to provide safety, reliability, and support.

We are approaching our 50th layover for AirAsia X, a testament to the long-term partnership we have built and solidified over the past seven years.

Thank you for your continued trust!

Lufthansa Technik Philippines, sales@ltp.com.ph
Call us: +63-2-855-9315



Lufthansa Technik
Philippines

More mobility for the world

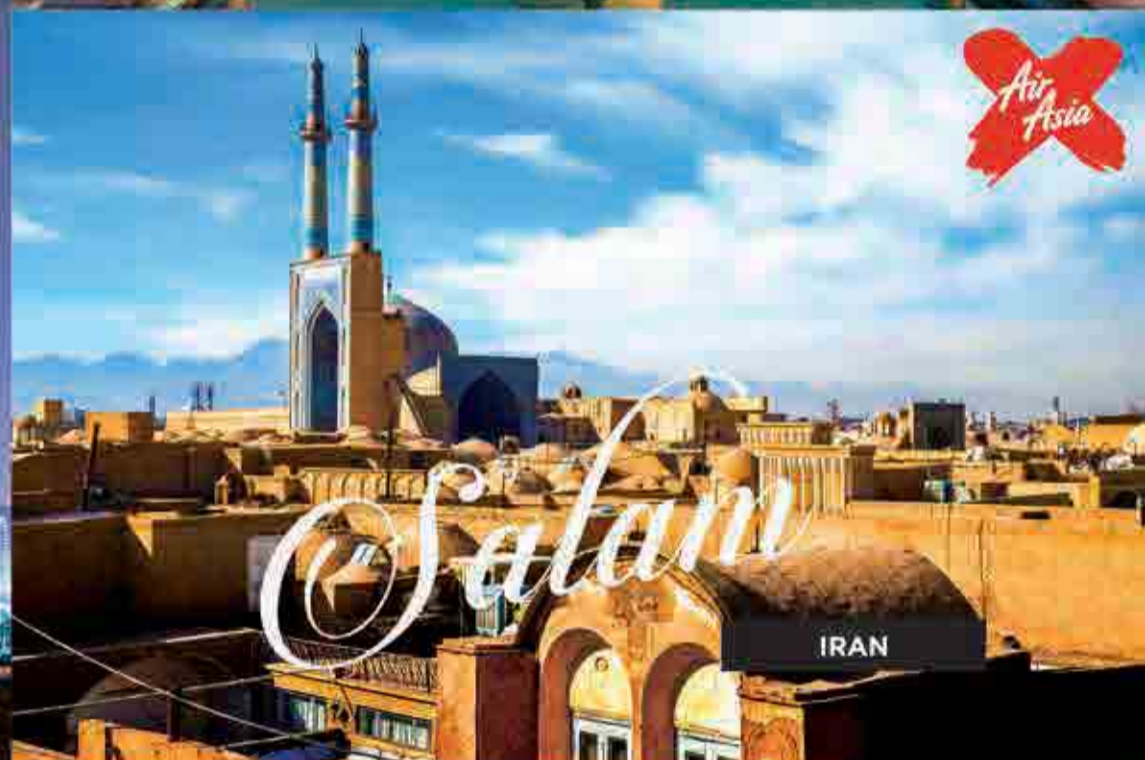
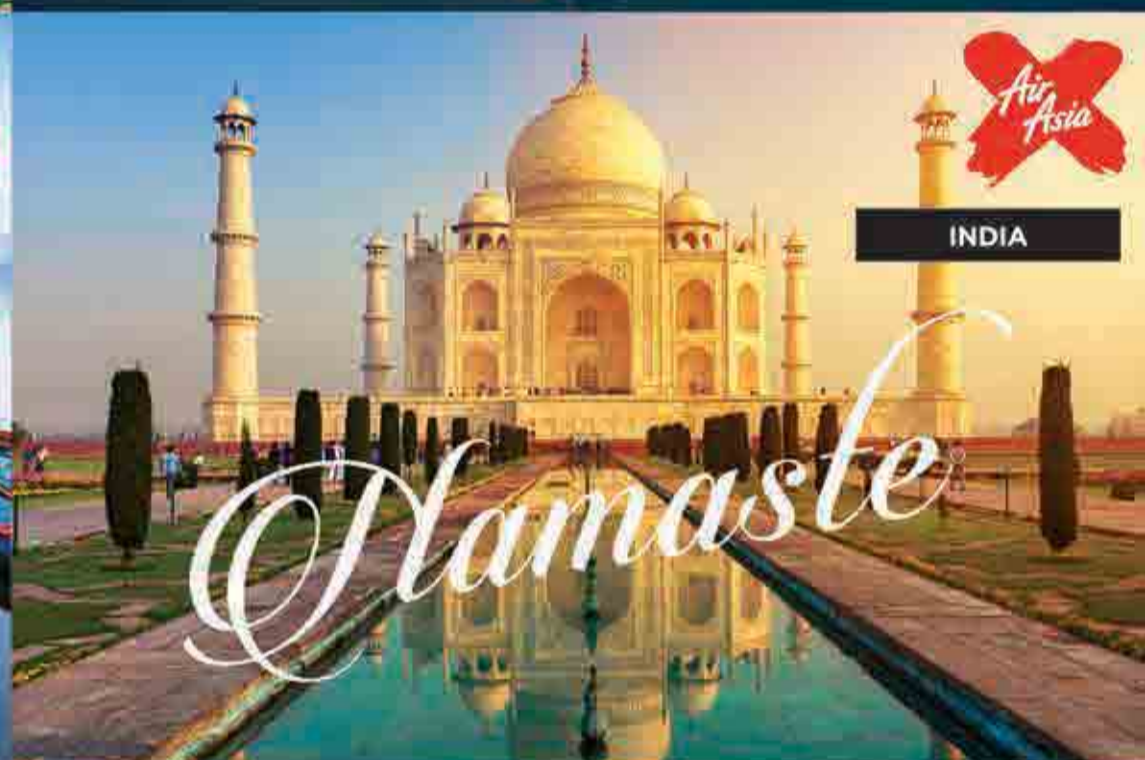
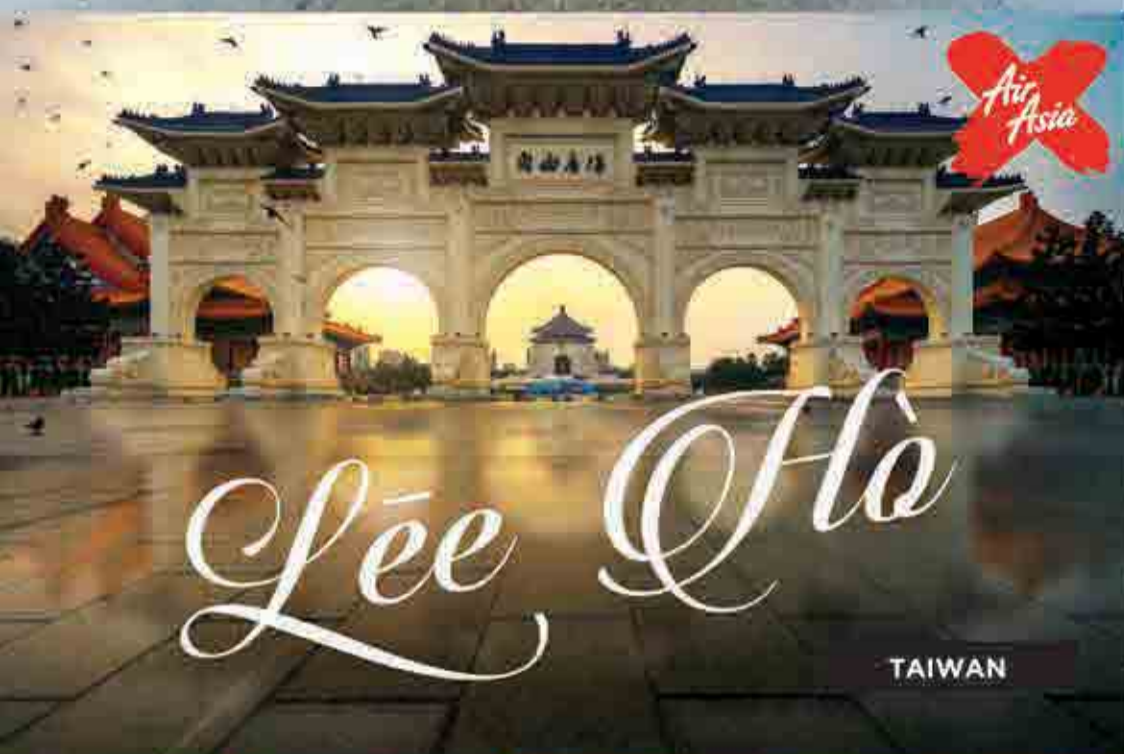
AIRASIA X GROUP

Destinations



Honolulu





Places to visit

- Kings Park & Botanic Garden
- National Gallery of Victoria
- Sydney Opera House
- Mermaid beach



Cities we fly to

- Perth
- Melbourne
- Sydney
- Gold Coast



Places to visit

- Hobbiton Movie Set
- Doubtful Sound



Cities we fly to

- Auckland



Places to visit

- Dazu Rock Carvings
- Shanghai Disneyland
- The Forbidden City
- Wuzhen Water Town
- Dujiangyan Panda Base



Cities we fly to

- Beijing
- ChongQing
- Shanghai
- Hangzhou
- Chengdu
- Xi'an
- Wuhan



Places to visit

- Yangmingshan National Park
- Beitou Hot Springs



Cities we fly to

- Taipei



Places to visit

- Disneyland Tokyo
- Shibuya Crossing
- Historic Village of Hokaido
- Universal Studio Japan
- Osaka Castle



Cities we fly to

- Tokyo
- Sapporo
- Osaka



Places to visit

- Haedong Yonggungsa
- Songdo Central Park



Cities we fly to

- Busan
- Seoul



Places to visit

- Qutub Minar
- Red Fort



Cities we fly to

- Delhi



Places to visit

- Nagarkot
- Boudhanath Stupa



Cities we fly to

- Kathmandu



Places to visit

- Azadi Tower
- Golestan Palace



Cities we fly to

- Tehran



Places to visit

- King Fahd's Fountain
- Nasseef House
- Al-Masjid an-Nabawi



Cities we fly to

- Jeddah
- Medina



Places to visit

- Wat Arun
- Floating market



Our hub

- Bangkok



Places to visit

- Tanah lot temple
- Tegallalang rice terraces



Our hub

- Denpasar (Bali)



Places to visit

- Petronas Twin Towers
- Mount Kinabalu
- Malacca City



Our hub

- Kuala Lumpur





AirAsia



AirAsia X
Malaysia



AirAsia X
Thailand



AirAsia X
Indonesia