



## AIRASIA X BERHAD

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

### ANNOUNCEMENT

The Board of Directors of AirAsia X Berhad (“AirAsia X” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia X and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 June 2018.

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		30/06/2018	30/06/2017	30/06/2018	30/06/2017
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,053,620	1,036,347	2,318,954	2,217,074
Operating Expenses					
- Staff costs	11	(107,892)	(92,004)	(217,468)	(196,980)
- Depreciation of property, plant and equipment		(27,165)	(27,363)	(54,492)	(54,376)
- Aircraft fuel expenses		(440,967)	(353,701)	(911,443)	(731,392)
- Maintenance and overhaul		(166,287)	(169,066)	(312,217)	(343,646)
- User charges		(125,961)	(121,523)	(278,310)	(245,442)
- Aircraft operating lease expenses		(214,992)	(237,505)	(432,209)	(480,436)
- Other operating expenses		(77,731)	(59,308)	(164,904)	(139,912)
Other income	12	11,458	11,338	16,718	12,876
<b>Operating profit/(loss)</b>		<b>(95,917)</b>	<b>(12,785)</b>	<b>(35,371)</b>	<b>37,766</b>
Finance income	13	4,718	6,374	9,744	7,473
Finance costs	13	(8,055)	(9,601)	(15,313)	(20,292)
<b>Net operating profit/(loss)</b>		<b>(99,254)</b>	<b>(16,012)</b>	<b>(40,940)</b>	<b>24,947</b>
Foreign exchange gains	13	34,748	48,243	23,452	61,443
Share of results of an associate	17	8,263	-	24,232	-
Share of results of a joint venture	18	-	-	-	-
Other losses		(8,542)	(4,284)	(16,188)	(26,535)
<b>Profit/(loss) before taxation</b>		<b>(64,785)</b>	<b>27,947</b>	<b>(9,444)</b>	<b>59,855</b>
Taxation					
Current taxation	14	(1,076)	(1,530)	(2,282)	(2,976)
Deferred taxation	14	8,403	21,021	(4,233)	895
		7,327	19,491	(6,515)	(2,081)
<b>Profit/(loss) for the financial period</b>		<b>(57,457)</b>	<b>47,438</b>	<b>(15,959)</b>	<b>57,774</b>
Attributable to:					
Equity holders of the Company		(57,457)	47,438	(15,959)	57,774
Non-controlling Interests		-	-	-	-
		<b>(57,457)</b>	<b>47,438</b>	<b>(15,959)</b>	<b>57,774</b>
Profit per share (sen)					
Basic	24	(1.4)	1.1	(0.4)	1.4
Diluted	24	(1.4)	1.1	(0.4)	1.4

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



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SECOND QUARTER REPORT ENDED 30 JUNE 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2018 RM'000	Quarter ended 30/06/2017 RM'000	Period Ended 30/06/2018 RM'000	Period Ended 30/06/2017 Restated RM'000
<b>Profit/(loss) for the financial period</b>	(57,457)	47,438	(15,959)	57,774
Other comprehensive income/(loss)				
Cash flow hedges	795	(38,713)	795	(118,745)
Foreign currency translation differences	81	(78)	(86)	50
<b>Total comprehensive income/(loss) for the financial period</b>	(56,581)	8,647	(15,250)	(60,921)
Total comprehensive income/(loss) attributable				
To equity holder of the company	(56,581)	8,647	(15,250)	(60,921)
Non-controlling interest	-	-	-	-
<b>Total comprehensive income/(loss) for the financial period</b>	(56,581)	8,647	(15,250)	(60,921)

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



**AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		Unaudited As At	Restated As At
	Note	30/06/2018 RM'000	31/12/2017 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	1,548,241	1,595,903
Deferred tax assets		424,451	428,381
Other deposits and prepayments	16	1,603,198	1,513,349
Amount due from an associate		73,396	81,305
Amount due from a joint venture		40,180	44,010
Investment in an associate	17	24,232	-
Investment in a joint venture	18	-	-
		3,713,697	3,662,948
<b>CURRENT ASSETS</b>			
Inventories		4,786	8,518
Receivables and prepayments	19	497,417	535,978
Amount due from an associate		7,372	28,969
Amount due from related parties		50,910	75,305
Derivative financial instruments	21	7,701	23,094
Deposits, cash and bank balances	20	337,741	432,675
		905,928	1,104,539
<b>CURRENT LIABILITIES</b>			
Sales in advance		694,915	732,832
Trade and other payables	22	1,108,077	1,164,130
Provision for taxation		1,453	782
Amount due to a joint venture		164,872	122,827
Amounts due to related parties		34,275	28,963
Borrowings	23	187,611	188,528
		2,191,203	2,238,062
<b>Net Current Liabilities</b>		(1,285,276)	(1,133,523)
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	23	576,385	673,442
Other payables and accruals	22	893,620	882,316
		1,470,005	1,555,758
		958,417	973,667
<b>CAPITAL AND RESERVES</b>			
Share capital		1,534,043	1,534,043
Warrant reserve		62,222	62,222
Currency translation reserve		92	178
Other reserves		-	(795)
Accumulated losses		(637,940)	(621,981)
<b>Shareholders' equity</b>		958,417	973,667

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(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Note	
	Period Ended 30/06/2018 RM'000	Period Ended 30/06/2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	(9,444)	59,855
Adjustments:		
Property, plant and equipment		
- Depreciation	54,492	54,376
- Write-off	7,462	-
Reversal of provision for doubtful debts no longer required	(292)	-
Finance cost	15,313	20,292
Interest income	(9,744)	(7,473)
Fair value loss on derivative financial instruments	16,188	26,535
Share option expense	-	120
Share of results of an associate	(24,232)	-
Net unrealised foreign exchange losses/(gains)	(29,648)	(66,838)
	20,096	86,867
Changes in working capital:		
Inventories	3,732	1,232
Receivables, prepayments and other deposits	(51,752)	25,008
Related parties balances	104,709	32,320
Trade and other payables	(17,843)	(7,886)
Sales in advance	(35,443)	(2,481)
<b>Cash from operations</b>	23,499	135,060
Interest paid	(15,569)	(20,969)
Interest received	9,665	2,369
Tax paid	(1,914)	(197)
<b>Net cash generated from operating activities</b>	15,681	116,263
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(14,293)	(17,776)
<b>Net cash used in investing activities</b>	(14,293)	(17,776)



**AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>Period Ended</b>	<b>Period Ended</b>
	<b>30/06/2018</b>	<b>30/06/2017</b>
Note	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	(91,348)	(102,140)
Deposits pledged as securities	(2,350)	5,468
<b>Net cash used in financing activities</b>	<b>(93,698)</b>	<b>(96,672)</b>
<b>NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD</b>	<b>(92,310)</b>	<b>1,815</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>(4,973)</b>	<b>(15,102)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>391,447</b>	<b>382,406</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>294,163</b>	<b>369,119</b>

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



**AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

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

Issued and fully paid  
ordinary shares  
of RM0.15 each

	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Warrant Reserve RM'000	Cash Flow Hedge Reserve RM'000	Other Reserve	Currency Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
At 1 January 2018 (as previously stated)	4,148,148	1,534,043	-	62,222	(795)	-	178	(607,042)	988,606	-	988,606
Opening balance adjustment from adoption of MFRS 9	-	-	-	-	-	-	-	(1,072)	(1,072)	-	(1,072)
Opening balance adjustment from adoption of MFRS 15	-	-	-	-	-	-	-	(13,867)	(13,867)	-	(13,867)
At 1 January 2018 (restated)	4,148,148	1,534,043	-	62,222	(795)	-	178	(621,981)	973,667	-	973,667
Net profit/(loss) for the financial period	-	-	-	-	-	-	-	(15,959)	(15,959)	-	(15,959)
Other comprehensive loss	-	-	-	-	795	-	(86)	-	709	-	709
Total comprehensive (loss)/income	-	-	-	-	795	-	(86)	(15,959)	(15,250)	-	(15,250)
At 30 June 2018	4,148,148	1,534,043	-	62,222	-	-	92	(637,940)	958,417	-	958,417
At 1 January 2017	4,148,148	622,222	911,821	62,222	106,582	2,558	195	(648,715)	1,056,885	-	1,056,885
Transfer to no-par value regime	-	911,821	(911,821)	-	-	-	-	-	-	-	-
Net profit for the financial period	-	-	-	-	-	-	-	57,774	57,774	-	57,774
Other comprehensive income	-	-	-	-	(118,745)	-	50	-	(118,695)	-	(118,695)
Total comprehensive income	-	-	-	-	(118,745)	-	50	57,774	(60,921)	-	(60,921)
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	120	-	-	120	-	120
At 30 June 2017	4,148,148	1,534,043	-	62,222	(12,163)	2,678	245	(590,941)	996,084	-	996,084

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**SECOND QUARTER REPORT ENDED 30 JUNE 2018**

**KEY OPERATING STATISTICS - 30 JUNE 2018**

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 30 June	Apr - Jun 2018	Apr - Jun 2017	Changes Y-O-Y
Seat capacity	1,922,323	1,722,513	12%
Passengers carried	1,568,578	1,387,257	13%
Load factor	81%	80%	1%
RPK (millions)	7,281	6,791	7%
ASK (millions)	8,957	8,449	6%
Average passenger fare (RM)	418	455	-8%
Ancillary revenue per passenger (RM)	155	168	-8%
Revenue per ASK (sen)	11.77	12.28	-4%
Revenue per ASK (US¢)	2.99	2.83	6%
Cost per ASK (sen)	12.96	12.55	3%
Cost per ASK (US¢)	3.29	2.84	16%
Cost per ASK (sen) - excluding fuel	8.04	8.37	-4%
Cost per ASK (US¢) - excluding fuel	2.04	1.88	9%
Aircraft (end of period)	31	30	3%
Average sector length (km)	4,660	4,905	-5%
Sectors flown	5,099	4,569	12%
Fuel consumed (Barrels)	1,263,828	1,250,640	1%
Average fuel price (USD/ Barrel)	89	65	36%

*Exchange Rate : RM/USD - 3.9357 for 2Q18 and 4.3319 for 2Q17*

**Definitions and calculation methodology**

RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown
Revenue per ASK	Total revenue divided by ASK
Cost per ASK	Total expenses before interest and tax divided by ASK
Cost per ASK - excluding fuel	Costs, as defined above, less fuel expenses, divided by ASK
Average passenger fare	Total schedule flight revenue, divided by number of passengers



**AIRASIA X BERHAD**  
(Company No. 734161-K)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 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 consolidated financial statements 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 consolidated financial statements of the Group 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 changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. The Group has adopted MFRS 15 "Revenue from Contracts with Customers" and MFRS 9 "Financial Instruments" from 1 January 2018. Other new standards with effective date from 1 January 2018 do not have material effect on the Group's financial statements. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards. The changes arising from the adoption of new standards are as described below:





**AIRASIA X BERHAD**  
(Company No. 734161-K)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

(a) Adoption of MFRS 15 "Revenue" from Contracts with Customers

MFRS 15 "Revenue from Contracts with Customers" replaces the guidance in MFRS 111 "Construction Contracts", MFRS 118 "Revenue", IC Interpretation 13 "Customer Loyalty Programmes", IC Interpretation 15 "Agreements for Construction of Real Estate", IC Interpretation 18 "Transfers of Assets from Customers" and IC Interpretation 131 "Revenue - Barter Transactions Involving Advertising Services". MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risk and rewards.

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

**Impact of adoption of  
MFRS 15 to opening  
balance at 1 January 2018**

	<b>RM'000</b>
Decrease in Retained Earnings	13,867
Increase in Sales in Advance	18,246
Increase in deferred tax assets	4,379

(b) Adoption of MFRS 9 "Financial Instrument"

MFRS 9 "Financial Instruments" replaces the guidance in 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 are as follows:-

i) classification and measurement;

MFRS 9 contains three principal classification 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.



**AIRASIA X BERHAD**  
(Company No. 734161-K)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

Impact as a result of MFRS 9 adoption

The Group does not expect a significant impact on its balance sheet or equity on applying and measurement of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

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 are not required.

ii) 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 MFRS 9 with the new impairment model are as follows:-

	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018</b>
	<b>RM'000</b>
Decrease in Retained Earnings	1,072
Decrease in Trade and Other Receivables	1,410
Increase in Deferred Tax Assets	338

iii) 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).



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SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

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

The auditors have expressed an unqualified opinion on the audited Group's statutory financial statements for the financial year ended 31 December 2017 in their report dated 27 March 2018.

**4. Seasonality of operations**

AirAsia X is primarily involved in the provision of air transportation services and thus, is subject to seasonal demand for air travel. The load factor is 81% in the quarter under review, which has increase 1% with the same period last year. Compared against the immediate preceding quarter (first quarter Jan - Mar 2018), the load factor has reduced three (3) 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.

**6. Changes in estimates**

There were no changes in estimates that have had material effect on the results of current quarter and financial period.

**7. Capital and reserves**

During the quarter ended 30 June 2018, 375 warrants were exercised and converted to 375 ordinary shares at an exercise price of RM0.46 per share. Total issued and paid up share capital as at 30 June 2018 is RM1,534,043,217. (30 June 2017: RM1,534,043,045). These new shares rank pari passu with the existing ordinary shares.

**8. Dividend paid**

No dividends were declared, approved or paid during the quarter ended 30 June 2018.



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**9. Segment reporting**

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, which is the Group's Chief Executive Officer ("GCEO"). The GCEO considers the business from a geographical perspective. The operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand and Indonesia.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Reconciliation to the reportable segments relates to the elimination of the associate and joint venture companies.

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
<b>Quarter ended 30 June 2018</b>					
<b><u>Segment results</u></b>					
Revenue	1,053,620	349,598	74,594	(115,392)	1,362,420
Operating expenses					
- Staff costs	(107,892)	(37,983)	(8,042)	-	(153,917)
- Depreciation of property, plant and equipment	(27,165)	(1,297)	(494)	-	(28,956)
- Aircraft fuel expenses	(440,967)	(122,155)	(40,812)	-	(603,934)
- Maintenance and overhaul	(166,287)	(41,010)	(18,844)	42,755	(183,386)
- User charges and other related expenses	(125,961)	(40,639)	(14,609)	-	(181,209)
- Aircraft operating lease expenses	(214,992)	(67,262)	(18,561)	80,229	(220,586)
- Other operating expenses	(77,731)	(24,456)	(1,558)	(7,592)	(111,337)
Other income	11,458	5,728	697	-	17,883
<b>Operating profit/(loss)</b>	<b>(95,917)</b>	<b>20,524</b>	<b>(27,629)</b>	<b>-</b>	<b>(103,022)</b>
Finance income	4,718	500	32	-	5,250
Finance costs	(8,055)	(354)	-	-	(8,409)
<b>Net operating profit/(loss)</b>	<b>(99,254)</b>	<b>20,670</b>	<b>(27,597)</b>	<b>-</b>	<b>(106,181)</b>
Foreign exchange gains/(losses)	34,748	10,142	8,790	-	53,680
Share of results of an associate	8,263	-	-	(8,263)	-
Other losses	(8,542)	-	-	-	(8,542)
<b>Profit/(loss) before taxation</b>	<b>(64,785)</b>	<b>30,812</b>	<b>(18,807)</b>	<b>(8,263)</b>	<b>(61,043)</b>



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(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
<b>Period ended 30 June 2018</b>					
<b><u>Segment results</u></b>					
Revenue	2,318,954	749,763	243,118	(226,047)	3,085,788
Operating expenses					
- Staff costs	(217,468)	(72,625)	(16,492)	-	(306,585)
- Depreciation of property, plant and equipment	(54,492)	(2,538)	(971)	-	(58,001)
- Aircraft fuel expenses	(911,443)	(233,651)	(120,649)	-	(1,265,743)
- Maintenance and overhaul	(312,217)	(80,027)	(41,085)	83,560	(349,769)
- User charges and other related expenses	(278,310)	(82,704)	(54,668)	-	(415,682)
- Aircraft operating lease expenses	(432,209)	(126,718)	(53,464)	155,355	(457,036)
- Other operating expenses	(164,904)	(52,461)	(6,440)	(12,868)	(236,673)
Other income	16,718	10,749	812	-	28,279
<b>Operating profit/(loss)</b>	<b>(35,371)</b>	<b>109,788</b>	<b>(49,839)</b>	<b>-</b>	<b>24,578</b>
Finance income	9,744	664	54	-	10,462
Finance costs	(15,313)	(1,050)	(167)	-	(16,530)
<b>Net operating profit/(loss)</b>	<b>(40,940)</b>	<b>109,402</b>	<b>(49,952)</b>	<b>-</b>	<b>18,510</b>
Foreign exchange gains/(losses)	23,452	7,621	20,536	-	51,609
Share of results of an associate	24,232	-	-	(24,232)	-
Other losses	(16,188)	-	-	-	(16,188)
<b>Profit/(loss) before taxation</b>	<b>(9,444)</b>	<b>117,023</b>	<b>(29,416)</b>	<b>(24,232)</b>	<b>53,931</b>



**AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
<b>Quarter ended 30 June 2017</b>					
<b><u>Segment results</u></b>					
Revenue	1,036,347	271,520	173,133	(122,995)	1,358,005
Operating expenses					-
- Staff costs	(92,004)	(29,677)	(7,571)	-	(129,252)
- Depreciation of property, plant and equipment	(27,363)	(1,279)	(547)	-	(29,189)
- Aircraft fuel expenses	(353,701)	(77,325)	(49,934)	-	(480,960)
- Maintenance and overhaul	(169,066)	(37,855)	(20,377)	45,792	(181,506)
- User charges and other related expenses	(121,523)	(37,160)	(11,837)	-	(170,520)
- Aircraft operating lease expenses	(237,505)	(71,938)	(35,500)	76,614	(268,329)
- Other operating expenses	(59,308)	(20,210)	(65,267)	589	(124,428)
Other income	11,338	5,266	198	-	16,802
<b>Operating profit/(loss)</b>	<b>(12,785)</b>	<b>1,342</b>	<b>(17,702)</b>	<b>-</b>	<b>(9,377)</b>
Finance income	6,374	179	37	-	6,590
Finance costs	(9,601)	(666)	-	-	(10,267)
<b>Net operating profit/(loss)</b>	<b>(16,012)</b>	<b>855</b>	<b>(17,665)</b>	<b>-</b>	<b>(13,054)</b>
Foreign exchange gains/(losses)	48,243	(588)	1,064	-	28,951
Other losses	(4,284)	-	-	-	(4,284)
<b>Profit/(loss) before taxation</b>	<b>27,947</b>	<b>267</b>	<b>(16,601)</b>	<b>-</b>	<b>11,613</b>



**AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
<b>Period ended 30 June 2017</b>					
<b><u>Segment results</u></b>					
Revenue	2,217,074	572,803	285,723	(243,281)	2,832,319
Operating expenses					
- Staff costs	(196,980)	(61,423)	(16,276)	-	(274,679)
- Depreciation of property, plant and equipment	(54,376)	(2,321)	(1,072)	-	(57,769)
- Aircraft fuel expenses	(731,392)	(164,785)	(86,302)	-	(982,479)
- Maintenance and overhaul	(343,646)	(77,068)	(45,757)	87,669	(378,802)
- User charges and other related expenses	(245,442)	(79,795)	(22,547)	-	(347,784)
- Aircraft operating lease expenses	(480,436)	(132,955)	(71,946)	155,398	(529,939)
- Other operating expenses	(139,912)	(42,517)	(92,899)	214	(245,560)
Other income	12,876	9,977	867	-	23,720
<b>Operating profit/(loss)</b>	<b>37,766</b>	<b>21,916</b>	<b>(50,209)</b>	<b>-</b>	<b>39,027</b>
Finance income	7,473	253	75	-	7,801
Finance costs	(20,292)	(1,199)	-	-	(21,491)
<b>Net operating profit/(loss)</b>	<b>24,947</b>	<b>20,970</b>	<b>(50,134)</b>	<b>-</b>	<b>25,337</b>
Foreign exchange gains/(losses)	61,443	1,169	(1,311)	-	31,747
Other losses	(26,535)	-	-	-	(26,535)
<b>Profit/(loss) before taxation</b>	<b>59,855</b>	<b>22,139</b>	<b>(51,445)</b>	<b>-</b>	<b>30,549</b>



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

a) Reconciliation of segment revenue to reported revenue:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Segment revenue	1,362,420	1,358,005	3,085,788	2,832,319
Add: Inter-segment revenue	115,392	122,995	226,047	243,281
Less: Revenue from affiliates which were not consolidated	(424,192)	(444,653)	(992,881)	(858,526)
	<u>1,053,620</u>	<u>1,036,347</u>	<u>2,318,954</u>	<u>2,217,074</u>

b) Reconciliation of segment profit before taxation to reported profit before taxation:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Segment (loss)/profit before taxation	(61,043)	11,613	53,931	30,549
Add: (Revenue)/Expenses from affiliates which were not consolidated	(3,742)	16,334	(63,375)	29,306
	<u>(64,785)</u>	<u>27,947</u>	<u>(9,444)</u>	<u>59,855</u>

**10. Revenue**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Scheduled flights *	656,059	631,314	1,492,573	1,393,495
Charter flights	42,871	48,880	92,921	104,894
Freight services	44,038	39,159	87,129	71,941
Ancillary revenue **	198,371	193,513	422,378	402,389
Aircraft operating lease income	111,522	122,995	222,177	243,281
Management fees	760	486	1,775	1,074
	<u>1,053,620</u>	<u>1,036,347</u>	<u>2,318,954</u>	<u>2,217,074</u>

\* Scheduled flights for the current quarter has netted-off the commission of RM1.4 million for the quarter under review (period ended 30 June 2018: RM2.2m) on loyalty program in compliance with MFRS 15.

\*\* Ancillary revenue includes assigned seat, cancellation, documentation and other fees, and the on-board sale of meals and merchandise.





## AIRASIA X BERHAD

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

### NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018

#### 11. Staff cost

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	97,951	82,373	198,346	174,707
Defined contribution retirement plan	9,941	9,566	19,122	22,130
Share option expense	-	64	-	143
	<u>107,892</u>	<u>92,004</u>	<u>217,468</u>	<u>196,980</u>

#### 12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Commission income from insurance	954	883	2,189	2,073
Others	10,504	10,455	14,529	10,803
	<u>11,458</u>	<u>11,338</u>	<u>16,718</u>	<u>12,876</u>

#### 13. Finance income/(costs) and foreign exchange gains/(losses)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
<b>Finance income:</b>				
Interest income on deposits with licensed banks	1,538	1,299	3,254	2,398
Other interest income	3,180	5,075	6,490	5,075
	<u>4,718</u>	<u>6,374</u>	<u>9,744</u>	<u>7,473</u>
<b>Finance costs:</b>				
Interest expense on bank borrowings	(7,144)	(9,172)	(14,284)	(18,616)
Bank facilities and other charges	(911)	(429)	(1,029)	(1,676)
	<u>(8,055)</u>	<u>(9,601)</u>	<u>(15,313)</u>	<u>(20,292)</u>
<b>Foreign exchange gains/(losses)</b>				
Realized	27,226	13,594	23,555	20,642
Unrealized	7,522	34,649	(103)	40,801
	<u>34,748</u>	<u>48,243</u>	<u>23,452</u>	<u>61,443</u>



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**14. Taxation**

**Current taxation**

The current taxation charge comprises tax payable on interest income.

**Deferred taxation**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2018 RM'000	Quarter ended 30/06/2017 RM'000	Period ended 30/06/2018 RM'000	Period ended 30/06/2017 RM'000
Profit/ (Loss) before tax	(64,785)	27,947	(9,444)	59,855
Tax calculated at Malaysian statutory tax rate of 24% (2017: 24%)	(15,548)	6,707	(2,267)	14,365
Tax effects:				
- deferred tax movement	17,837	-	5,201	-
- underprovision of prior year tax	-	-	-	1,182
- expenses not deductible for tax purposes	(9,673)	(11,401)	3,524	3,164
- income not subject to tax	57	(14,797)	57	(16,630)
Taxation	<u>(7,327)</u>	<u>(19,491)</u>	<u>6,515</u>	<u>2,081</u>

**15. Property, plant and equipment**

(a) Acquisition and disposal

During the quarter ended 30 June 2018, the Group acquired property, plant and equipment amounting to RM14.2 million (quarter ended 30 June 2017: RM17.8 million).

During the quarter ended 30 June 2018, there is no disposal of property, plant and equipment (quarter ended 30 June 2017: RM Nil).

(b) Revaluation

There was no revaluation of property, plant and equipment for the quarter ended 30 June 2018 (quarter ended 30 June 2017: RM Nil).

(c) Write-off

During the quarter ended 30 June 2018, there was a write-off of property, plant and equipment of RM7.5 million (quarter ended 30 June 2017: RM Nil).



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**16. Other deposits and prepayments**

Other deposits and prepayments include deposits paid to lessors for leased aircraft, funds placed with lessors in respect of maintenance of the leased aircraft, and prepayments for lease of aircraft and maintenance of aircraft and engines. These prepayments and deposits are denominated in USD.

**17. Investment in an associate**

	As at 30/06/2018	As at 31/12/2017
	RM'000	RM'000
Unquoted investments, at cost	20,018	20,018
Group's share of post-acquisition profit	4,214	(20,018)
	24,232	-

The details of the associate is as follows:-

<b>Name</b>	<b>Country of Incorporation</b>	<b>Group effective equity interest</b>		<b>Principal activity</b>
		<b>30/06/2018</b>	<b>31/12/2017</b>	
		%	%	
Thai AirAsia X Co. Ltd ("TAAX")	Thailand	49%	49%	Commercial air transport services

TAAX recorded a net profit of THB249 million (equivalent to RM31.4 million) in the current quarter (quarter ended 30 June 2017: THB2 million (equivalent to RM0.25 million), out of which RM24.2 million (quarter ended 30 June 2017: RM Nil) is equity accounted in the AAX's income statement. In accordance to MFRS 128, any profits will only be recognised when its shares of the profits equals the share of losses previously not recognised.



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**18. Investment in a joint venture**

	As at 30/06/2018	As at 31/12/2017
	RM'000	RM'000
Unquoted investments, at cost	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(53,888)
	-	-
	-	-

The details of the joint venture is as follows:-

	Group effective equity interest		Principal activity
	As at	As at	
Name	Country of Incorporation	%	%
PT. Indonesia AirAsia Extra ("IAAX")	Indonesia	49%	49%
			Commercial air transport services

The Group has discontinued the recognition of its share of losses incurred by IAAX as the Group's interests had been reduced to zero. The Group's share of loss of IAAX for the current financial quarter, which have not been equity accounted for, amounted to loss of RM4.8 million (30 June 2017: loss of RM8.1 million). As at 30 June 2018, the unrecognised amount of the Group's share of loss of IAAX which have not been equity accounted for amounted to RM64.9 million (30 June 2017: RM52.60 million).

**19. Receivables and prepayments**

	As at 30/06/2018	As at 31/12/2017
	RM'000	RM'000
Trade receivables	95,928	159,130
Less : Allowance for impairment of receivables	(57,857)	(58,318)
	38,071	100,812
Other receivables	351,755	331,338
Less : Allowance for impairment of receivables	(11,086)	(17,676)
	340,669	313,662
Deposits	28,882	26,804
Prepayments	89,795	94,700
	497,417	535,978



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**20. Deposits, cash and bank balances**

For the purpose of the statement of cash flows, cash and cash equivalents include the following:

	As at 30/06/2018	As at 31/12/2017
	RM'000	RM'000
Cash and bank balances	222,287	287,875
Deposits with licensed banks	115,454	144,800
	337,741	432,675
Bank balances and deposits pledged as securities	(43,578)	(41,228)
Cash and cash equivalents	294,163	391,447

**21. Derivative Financial Instruments**

The fair value of derivative financial instruments is determined in accordance with MFRS9 "Financial Instruments: Recognition and Measurement".

**Fuel hedging**

As at 30 June 2018, outstanding number of barrels of Brent and fuel derivative contracts was 519,213 barrels (2017: 2,134,341 barrels).

**22. Trade and other payables**

	As at 30/06/2018	As at 31/12/2017
	RM'000	RM'000
Non-current:		
Aircraft maintenance provision	787,504	789,043
Other deposits	106,116	93,273
	893,620	882,316
Current:		
Trade payables	295,286	222,506
Other payables and accruals	812,791	941,624
	1,108,077	1,164,130

Included in other payables and accruals are operational expenses, passenger service charges payable to airport authorities and deferred lease income.



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**23. Borrowings**

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Current		
Secured:		
- Term loans	187,592	188,501
- Hire purchase	19	27
	<u>187,611</u>	<u>188,528</u>
Non-current		
Secured:		
- Term loans	576,346	673,392
- Hire purchase	39	50
	<u>576,385</u>	<u>673,442</u>
Total borrowings	<u><u>763,996</u></u>	<u><u>861,970</u></u>

The currency profile of borrowings is as follows:

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Ringgit Malaysia	58	77
US Dollar	763,938	861,893
	<u><u>763,996</u></u>	<u><u>861,970</u></u>

The Group's and Company's borrowings are repayable as follows:

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Not later than 1 year	187,649	188,528
Later than 1 year and not later than 5 years	472,062	526,744
Later than 5 years	104,285	146,698
	<u><u>763,996</u></u>	<u><u>861,970</u></u>



**AIRASIA X BERHAD**  
(Company No. 734161-K)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**24. Profit per share**

Basic profit per share

Basic profit per share is calculated by dividing the net profit for the quarter/financial period by the weighted average number of ordinary shares in issue during the quarter/financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2018	Quarter ended 30/06/2017	Period ended 30/06/2018	Period ended 30/06/2017
Net profit/(loss) (RM'000)	(57,457)	47,438	(15,959)	57,774
Weighted average number of ordinary shares in issue ('000)	4,148,148	4,148,148	4,148,148	4,148,148
Profit per share (sen)	(1.4)	1.1	(0.4)	1.4

**25. Post balance sheet events**

As at the date of this report, there were no material events after the period end that have not been reflected in the financial statements for the period ended 30 June 2018.

**26. Contingent assets**

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

**27. Contingent liabilities**

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



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

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

(a) Capital commitments not provided for in the financial statements are as follows:-

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Aircraft purchase	107,353,148	107,873,854

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:-

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Future minimum lease payments	7,093,340	7,591,532
Future minimum sublease receipts	1,854,677	2,006,436

**29. Significant related parties transactions**

Details of the relationships and transactions between AirAsia X and its significant related parties are as described below:

<u>Name of companies</u>	<u>Relationship</u>
Thai AirAsia X Co Ltd ("TAAX")	Associate
PT Indonesia AirAsia Extra ("IAAX")	Joint Venture
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint control, and common Directors and shareholders
Caterhamjet Global Ltd ("CJG")	Common Directors and shareholders
Thai AirAsia Co., Ltd ("TAA")	Common Directors and shareholders
PT Indonesia AirAsia ("IAA")	Common Directors and shareholders
AirAsia Japan Co., Ltd ("AAJ")	Common Directors and shareholders
Philippines AirAsia Inc. (formerly known as "Zest Airway Inc.") ("AAZ")	Common Directors and shareholders
AirAsia Global Shared Services Sdn Bhd ("AGSS")	Common Directors and shareholders
Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd) ("Rokki")	Common Directors and shareholders
Tune Insurance Malaysia Berhad ("TIMB")	Common Directors and shareholders
Yummy Kitchen Sdn Bhd ("Yummy Kitchen")	Common Directors and shareholders
Ground Team Red Sdn Bhd ("GTR")	Common Directors and shareholders
AirAsia (India) Pvt Ltd ("AAI")	Common Directors and shareholders





**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

These following items have been included in the income statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2018 RM'000	Quarter ended 30/06/2017 RM'000	Period ended 30/06/2018 RM'000	Period ended 30/06/2017 RM'000
<b>TAA</b>				
- Aircraft operating lease income for leased aircraft	83,276	92,275	167,221	183,411
- Net operational services charged to TAA	17,130	3,229	24,195	10,463
<b>IAA</b>				
- Aircraft operating lease income for leased aircraft	28,246	30,720	54,956	59,870
- Net operational services charged (from)/to IAA	(667)	871	1,428	3,019
<b>AAB</b>				
- Brand license fee	(2,831)	(3,120)	(8,530)	(8,530)
- Lounge services	415	600	856	766
- Net operational services charged from AAB	(13,786)	(8,845)	(23,114)	(20,667)
<b>CJG</b>				
- Charter air travel services	-	-	-	(2,780)
<b>TAA</b>				
- Net operational services charged to TAA	70	88	174	321
<b>IAA</b>				
- Net operational services charged to IAA	549	9	327	15
<b>AAJ</b>				
- Net operational services charged from AAJ	(152)	(44)	(1,360)	(20)
<b>AAZ</b>				
- Net operational services charged to AAZ	6,612	336	8,733	595
<b>AGSS</b>				
- Provision of shared services	(748)	(822)	(1,316)	(1,756)
- Net operational services charged from AGSS	(455)	(64)	(953)	(133)
<b>Rokki</b>				
- In-flight entertainment system and software expenses	(906)	(980)	(1,821)	(1,960)



**AIRASIA X BERHAD**  
 (Company No. 734161-K)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
 SECOND QUARTER REPORT ENDED 30 JUNE 2018

**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2018 RM'000	Quarter ended 30/06/2017 RM'000	Period ended 30/06/2018 RM'000	Period ended 30/06/2017 RM'000
<b>TIMB</b>				
- Commission received/receivable on travel insurance insurance	1,237	820	2,035	1,270
- Premium collected on behalf of TIMB on travel insurance	(4,946)	(3,283)	(8,139)	(5,082)
- Net operational services charged from TIMB	(7)	-	(8)	-
<b>Yummy Kitchen</b>				
- Provision of food catering services	(289)	(276)	(762)	(594)
<b>GTR</b>				
- Ground handling services	(5,612)	-	(11,114)	-
- Net operational services charged (to)/from GTR	636	-	(752)	-
<b>AAI</b>				
- Net operational services charged from AAI	(179)	(610)	(426)	(883)

### 30. Review of Group's performance

#### Performance of current quarter against the same quarter last year for Malaysia

The Group recorded revenue of RM1,053.6 million for the quarter ended 30 June 2018 ("2Q18"), 2% higher than revenue of RM1,036.3 million for the quarter ended 30 June 2017 ("2Q17"). The revenue was supported by a 13% growth in passenger volume and 1% increase of load factor compare to 2Q17.

In spite of the revenue growth, the net operating loss for the group in 2Q18 is RM99 million (2Q17: RM16.0 million). This was mainly contributed by increase in average fuel price from USD65 per barrel in 2Q17 to USD89 per barrel in 2Q18.

During the quarter, CASK increased 3% to 12.96 sen mainly due to increase in average fuel price. During the quarter, CASK ex-fuel has reduced by 4% from 8.37 sen to 8.04 sen as compared to 2Q17.

#### 31. Variance of results against preceding quarter

The Group recorded a net loss of RM57.4 million in 2Q18, compared to the net profit of RM41.5 million in 1Q18. This seasonal pattern is in line with the business trend of the Group.



## **AIRASIA X BERHAD**

(Company No. 734161-K)

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

SECOND QUARTER REPORT ENDED 30 JUNE 2018

### **NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

#### **32. Other profit and loss items**

In the current quarter and financial period, there has been no interest income, other income including investment income, interest expense, depreciation and amortisation, provision for and write off of receivables and inventories, gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets, foreign exchange gain or loss, gain or loss on derivatives and/or exceptional items except as disclosed either in the consolidated income statements and/or notes to the unaudited financial statements.

#### **33. Commentary on prospects**

The company recognises the challenges posed by the recent hike in fuel prices, and efforts are being made to mitigate this by boosting ancillary revenue and capacity. A new fares structure has been implemented and the company is actively pushing ancillary revenue, which will ultimately improve yields, while Management remains focused on monitoring operating expenses to ensure better cost efficiencies to offset higher fuel expenses.

In order to better serve the growing demand in the Asia Pacific region, the Group is also planning to increase fleet size by an additional 5 aircraft through operating leases in the second half of 2018. The additional aircraft will be deployed to AirAsia X Malaysia and AirAsia X Thailand.

Based on the current forward booking trend, forward loads are ahead of the previous year. The company is confident of presenting the results from these measures during the third and fourth quarters of the financial year.

The Company is also actively monitoring the progress of all associate and joint-venture airlines to ensure better performance. The Company expects AirAsia X Thailand to remain profitable for the rest of the year. AirAsia X Thailand will focus on leveraging on the existing strength of the AirAsia Group network and strengthening North Asia markets in the remaining quarters of 2018.

The Company foresees the operational environment to remain challenging for AirAsia X Indonesia and is currently evaluating available options to ensure the sustainability of the business model.

#### **34. Profit forecast**

The disclosure requirements for explanatory notes for the variance of actual profit attributable to equity holders of the Company as compared to profit forecasts are not applicable.

#### **35. Corporate proposal**

There was no corporate proposal which is announced but not completed as at 23 August 2018, being the latest practicable date of this report.



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**NOTES TO THE UNAUDITED ACCOUNTS - 30 JUNE 2018**

**36. Material litigation**

As at 23 August 2018, there was no material litigation taken or threatened against the Company and its subsidiaries.

**37. Proposed dividend**

The Directors did not recommend any dividend for the quarter ended 30 June 2018.

**38. Reclassification of comparative figures**

Certain accounts were being reclassified to conform with current year's presentation.

**By Order of the Board**

JASMINDAR KAUR a/p SARBAN SINGH  
(MAICSA 7002687)  
COMPANY SECRETARY  
30 AUGUST 2018