



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2017

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 2017.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		30/06/2017	30/06/2016	30/06/2017	30/06/2016
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,036,347	883,163	2,217,074	1,853,837
Operating Expenses					
- Staff costs	11	(92,004)	(78,261)	(196,980)	(153,066)
- Depreciation of property, plant and equipment		(27,363)	(28,820)	(54,376)	(57,988)
- Aircraft fuel expenses		(353,701)	(235,633)	(731,392)	(478,688)
- Maintenance and overhaul		(169,066)	(169,868)	(343,646)	(332,354)
- User charges		(121,523)	(91,178)	(245,442)	(208,620)
- Aircraft operating lease expenses		(237,505)	(212,264)	(480,436)	(418,722)
- Other operating expenses		(39,540)	(66,082)	(110,358)	(111,717)
Other income	12	11,338	18,974	12,876	32,467
Operating profit		6,983	20,031	67,320	125,149
Finance income	13	6,374	499	7,473	2,058
Finance costs	13	(9,601)	(9,886)	(20,292)	(21,007)
Net operating profit		3,756	10,644	54,501	106,200
Foreign exchange gain	13	28,475	(30,727)	31,889	91,466
Share of results of a joint venture	20	-	-	-	-
Other (loss)/gain		(4,284)	10,853	(26,535)	11,621
Profit before taxation		27,947	(9,230)	59,855	209,287
Taxation					
Current taxation	14	(1,530)	(120)	(2,976)	(494)
Deferred taxation	14	21,021	10,369	895	(28,285)
		19,491	10,249	(2,081)	(28,779)
Profit for the financial period		47,438	1,019	57,774	180,508
Attributable to:					
Equity holders of the Company		47,438	1,019	57,774	180,508
Non-controlling Interests		-	-	-	-
		47,438	1,019	57,774	180,508
Profit per share (sen)					
Basic	27	1.1	0.0	1.4	4.4
Diluted	27	1.1	0.0	1.4	4.4

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Note	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	47,438	1,019	57,774	180,508
Other comprehensive income/(loss)				
Cash flow hedges	(38,713)	101,962	(118,745)	129,038
Foreign currency translation differences	(78)	10	50	(129)
Total comprehensive income/(loss) for the financial period	8,647	102,991	(60,921)	309,417
Total comprehensive income/(losses) attributable				
To equity holder of the company	8,647	102,991	(60,921)	309,417
Non-controlling interest	-	-	-	-
Total comprehensive income/(loss) for the financial period	8,647	102,991	(60,921)	309,417

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As At 30/06/2017 RM'000	Audited As At 31/12/2016 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,529,426	1,568,493
Deferred tax assets	14	493,749	492,854
Deposits on aircraft purchases	17	135,873	136,791
Other deposits and prepayments	18	1,118,177	1,107,800
Amount due from a joint venture		53,870	-
Investment in an associate	19	-	-
Investment in a joint venture	20	-	-
		3,331,095	3,305,938
CURRENT ASSETS			
Derivative financial instruments	24	-	-
Inventories		12,920	14,151
Receivables and prepayments	21	226,888	285,084
Amount due from related parties		51,545	51,561
Amount due from a joint venture		117,876	112,816
Amount due from an associate		43,670	69,590
Derivative financial instruments	24	-	134,735
Tax recoverable		581	1,613
Deposits, cash and bank balances	22	403,266	422,021
		856,746	1,091,571
Non-current assets held for sale		59,110	92,781
	23	915,856	1,184,352
CURRENT LIABILITIES			
Sales in advance		712,726	715,207
Derivative financial instruments	24	10,545	-
Trade and other payables	25	847,979	878,246
Amounts due to related parties		21,293	25,256
Borrowings	26	199,353	208,238
		1,791,896	1,826,947
Net Current Liabilities		(876,040)	(642,595)
Borrowings	26	811,784	952,088
Other payables and accruals	25	647,187	654,370
		1,458,971	1,606,458
		996,084	1,056,885
CAPITAL AND RESERVES			
Share capital		1,534,043	622,222
Share premium		-	911,821
Warrant reserve		62,222	62,222
Currency translation reserve		245	195
Accumulated losses		(590,941)	(648,715)
Other reserves		(9,485)	109,140
Shareholders' equity		996,084	1,056,885

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended 30/06/2017 RM'000	Period Ended 30/06/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	59,855	209,287
Adjustments:		
Property, plant and equipment		
- Depreciation	54,376	57,988
Finance cost	20,292	21,007
Interest income	(7,473)	(2,058)
(Write back)/Impairment of receivables	-	(124)
Fair value loss/(gain) on derivative financial instruments	26,535	(11,621)
Share option expense	120	242
Net unrealised foreign exchange gains	(66,838)	(72,615)
	86,868	202,106
Changes in working capital:		
Inventories	1,232	(7,839)
Receivables, prepayments and other deposits	25,008	(100,549)
Related parties balances	32,320	(69,469)
Trade and other payables	(7,886)	5,443
Sales in advance	(2,481)	81,307
Cash from operations	135,061	110,999
Interest paid	(20,969)	(23,598)
Interest received	2,369	2,058
Tax paid	(197)	(531)
Net cash generated from/(used in) operating activities	116,263	88,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(17,776)	(1,461)
- Proceeds from disposal	-	2,287
Deposits placed on aircraft purchases	-	508
Net cash (used in)/generated from investing activities	(17,776)	1,334
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(102,140)	(116,656)
Deposits pledged as securities	5,468	17,166
Net cash used in financing activities	(96,673)	(99,490)
NET DECREASE FOR THE FINANCIAL PERIOD	1,815	(9,228)
CURRENCY TRANSLATION DIFFERENCES	(15,102)	(2,239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	382,406	252,347
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	369,119	240,880

Note

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This unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Issued and fully paid ordinary shares of RM0.15 each</u>										
	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 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/(loss)	-	-	-	-	(118,745)	-	50	-	(118,695)	-	(118,695)
Total comprehensive income/(loss)	-	-	-	-	(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
At 1 January 2016	4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807
Net loss for the financial period	-	-	-	-	-	-	-	180,508	180,508	-	180,508
Other comprehensive income/(loss)	-	-	-	-	129,038	-	(129)	-	128,909	-	128,909
Total comprehensive income/(loss)	-	-	-	-	129,038	-	(129)	180,508	309,417	-	309,417
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	242	-	-	242	-	242
At 30 June 2016	4,148,148	622,222	911,821	62,222	21,408	2,316	(2)	(678,521)	941,466	-	941,466

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



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KEY OPERATING STATISTICS - 30 June 2017

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 30 June	Apr - Jun 2017	Apr - Jun 2016	Changes Y-O-Y
Seat capacity	1,722,513	1,371,526	26%
Passengers carried	1,387,257	1,032,250	34%
Load factor	80%	75%	5%
RPK (millions)	6,791	5,032	35%
ASK (millions)	8,449	6,682	26%
Average passenger fare (RM)	455	526	-14%
Ancillary revenue per passenger (RM)	140	134	5%
Revenue per ASK (sen)	12.28	13.24	-7%
Revenue per ASK (USc)	2.83	3.30	-14%
Cost per ASK (sen)	12.32	13.20	-7%
Cost per ASK (USc)	2.84	3.29	-14%
Cost per ASK (sen) - excluding fuel	8.13	9.67	-16%
Cost per ASK (USc) - excluding fuel	1.88	2.41	-22%
Aircraft (end of period)	30	31	-3%
Average sector length (km)	4,905	4,872	1%
Sectors flown	4,569	3,638	26%
Fuel consumed (Barrels)	1,250,640	1,000,317	25%
Average fuel price (USD/ Barrel)	65	59	11%

Exchange Rate : RM/USD - 4.3319 for 2Q17 and 4.0092 for 2Q16

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 carried



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NOTES TO THE UNAUDITED ACCOUNTS - 30 June 2017

1. Basis of preparation

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

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

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 2016.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2017 or later are provided in part B general information and summary of significant accounting policies in the audited financial statements of the Group for the financial year ended 31 December 2016. The adoption of the standards applicable to the Group that came into effect on 1 January 2017 did not have any significant impact on the Group upon initial application. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the audited consolidated financial statements of the Company for the financial year ended 31 December 2016.

4. Seasonality of operations

AirAsia X is primarily involved in the provision of air transportation services and is therefore subject to seasonal demand for air travel. As a significant portion of its passengers travel for leisure, the Company generally records higher revenue during holiday months, particularly from November to February. Accordingly, the revenues are generally higher from November to February, and generally lower from March to June due to decreased travel during these months.

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 effects on the current quarter and financial period results.

7. Capital and reserves

There was no issuance of shares during the quarter/financial period ended 30 June 2017. Total issued and paid up share capital as at 30 June 2017 is RM1,534,043,000.

8. Dividend paid

No dividends were declared or approved in the quarter ended 30 June 2017.



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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") effective 1 January 2017. 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 companies.

The segment information provided to the GCEO for the reportable segments are as follows:

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Quarter ended 30 June 2017					
<u>Segment results</u>					
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	(39,540)	(20,210)	(65,267)	589	(124,428)
Other income	11,338	5,266	198	-	16,802
Operating profit/(loss)	6,983	1,342	(17,702)	-	(9,377)
Finance income	6,374	179	37	-	6,590
Finance costs	(9,601)	(666)	-	-	(10,267)
Net operating profit/(loss)	3,756	855	(17,665)	-	(13,054)
Foreign exchange gain/(loss)	28,475	(588)	1,064	-	28,951
Other (loss)/gain	(4,284)	-	-	-	(4,284)
Profit/(Loss) before taxation	27,947	267	(16,601)	-	11,613



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9. Segment reporting (continued)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Period ended 30 June 2017					
<u>Segment results</u>					
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	(110,358)	(42,517)	(92,899)	214	(245,560)
Other income	12,876	9,977	867		23,720
Operating profit/(loss)	67,320	21,916	(50,209)	-	39,027
Finance income	7,473	253	75		7,801
Finance costs	(20,292)	(1,199)	-		(21,491)
Net operating profit/(loss)	54,501	20,970	(50,134)	-	25,337
Foreign exchange gain/(loss)	31,889	1,169	(1,311)		31,747
Other (loss)/gain	(26,535)	-	-		(26,535)
Profit/(Loss) before taxation	59,855	22,139	(51,445)	-	30,549

Following the change in operating segments during the financial period, comparatives have been re-presented to align with the current period's presentation.

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Quarter ended 30 June 2016					
<u>Segment results</u>					
Revenue	883,163	198,924	152,100	(107,185)	1,127,002
Operating expenses					
- Staff costs	(78,261)	(23,750)	(10,366)	-	(112,377)
- Depreciation of property, plant and equipment	(28,820)	(705)	(432)	-	(29,957)
- Aircraft fuel expenses	(235,633)	(48,855)	(59,346)	-	(343,834)
- Maintenance and overhaul	(169,868)	(44,222)	(20,764)	36,585	(198,269)
- User charges and other related expenses	(91,178)	(26,488)	(26,157)	-	(143,823)
- Aircraft operating lease expenses	(212,264)	(54,560)	(37,065)	70,577	(233,312)
- Other operating expenses	(66,082)	(18,371)	(36,461)	23	(120,891)
Other income	18,974	876	710	-	20,560
Operating profit/(loss)	20,031	(17,151)	(37,781)	-	(34,901)
Finance income	499	105	94	-	698
Finance costs	(9,886)	(322)	(96)	-	(10,304)
Net operating profit/(loss)	10,644	(17,368)	(37,783)	-	(44,507)
Foreign exchange gain/(loss)	(30,727)	5,718	(1,538)	-	(26,547)
Other gain/(loss)	10,853	-	-	-	10,853
Profit/(Loss) before taxation	(9,230)	(11,650)	(39,321)	-	(60,201)



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9. Segment reporting (continued)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Period ended 30 June 2016					
<u>Segment results</u>					
Revenue	1,853,837	445,058	305,121	(210,266)	2,393,750
Operating expenses					
- Staff costs	(153,066)	(45,719)	(22,130)		(220,915)
- Depreciation of property, plant and equipment	(57,988)	(1,473)	(840)		(60,301)
- Aircraft fuel expenses	(478,688)	(109,378)	(99,676)		(687,742)
- Maintenance and overhaul	(332,354)	(76,762)	(48,489)	78,842	(378,763)
- User charges and other related expenses	(208,620)	(59,953)	(44,044)		(312,617)
- Aircraft operating lease expenses	(418,722)	(104,938)	(75,983)	131,401	(468,242)
- Other operating expenses	(111,717)	(36,262)	(70,577)	23	(218,533)
Other income	32,467	2,846	730		36,043
Operating profit/(loss)	125,149	13,419	(55,888)	-	82,680
Finance income	2,058	188	154		2,400
Finance costs	(21,007)	(662)	(124)		(21,793)
Net operating profit/(loss)	106,200	12,945	(55,858)	-	63,287
Foreign exchange gain/(loss)	91,466	772	(3,012)		89,226
Other gain/(loss)	11,621	-	-		11,621
Profit/(Loss) before taxation	209,287	13,717	(58,870)	-	164,134

a) Reconciliation of segment revenue to reported revenue:

	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Segment revenue	1,358,005	1,127,002	2,832,319	2,393,750
Add: Inter-segment revenue	122,995	107,185	243,281	210,266
Less: Revenue from associated companies which were not consolidated	(444,653)	(351,024)	(858,526)	(750,179)
	<u>1,036,347</u>	<u>883,163</u>	<u>2,217,074</u>	<u>1,853,837</u>

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

	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Segment (loss)/profit before taxation	11,613	(60,201)	30,549	164,134
Add: Expenses from affiliates which were not consolidated	16,334	50,971	29,306	45,153
	<u>27,947</u>	<u>(9,230)</u>	<u>59,855</u>	<u>209,287</u>



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NOTES TO THE UNAUDITED ACCOUNTS - 30 June 2017

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Scheduled flights	631,312	542,338	1,393,495	1,139,925
Charter flights	48,880	65,881	104,894	147,474
Freight services	39,159	30,759	71,941	61,709
Ancillary revenue	193,515	136,895	402,389	292,821
Aircraft operating lease income	122,995	107,185	243,281	210,266
Management fees	486	105	1,074	1,642
	<u>1,036,347</u>	<u>883,163</u>	<u>2,217,074</u>	<u>1,853,837</u>

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

11. Staff cost

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Wages, salaries, bonuses and allowances	82,373	71,924	174,707	139,011
Defined contribution retirement plan	9,566	6,200	22,130	13,792
Share option expense	64	137	143	263
	<u>92,004</u>	<u>78,261</u>	<u>196,980</u>	<u>153,066</u>

12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Commission income from insurance	883	1,486	2,073	3,454
Others	10,455	17,488	10,803	29,013
	<u>11,338</u>	<u>18,974</u>	<u>12,876</u>	<u>32,467</u>



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13. Finance income/(costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Finance income:				
Interest income on deposits with licensed banks	1,299	499	2,398	2,058
Other interest income	5,075	-	5,075	-
	<u>6,374</u>	<u>499</u>	<u>7,473</u>	<u>2,058</u>
Finance costs:				
Interest expense on bank borrowings	(9,172)	(9,374)	(18,616)	(20,492)
Bank facilities and other charges	(429)	(512)	(1,676)	(515)
	<u>(9,601)</u>	<u>(9,886)</u>	<u>(20,292)</u>	<u>(21,007)</u>
Foreign exchange gain/(loss)				
Unrealised foreign exchange gain/(loss) on:				
- Borrowings	31,903	(31,256)	47,040	91,075
- Deposits and bank balances	(3,428)	529	(15,151)	391
Net foreign exchange gain	<u>28,475</u>	<u>(30,727)</u>	<u>31,889</u>	<u>91,466</u>

14. Taxation

The explanation of the relationship between taxation and profit before taxation is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
Profit before tax	27,947	(9,230)	59,855	209,287
Tax calculated at Malaysian statutory tax rate of 24% (2016: 24%)	6,707	(2,215)	14,365	50,229
Tax effects:				
- Under-accrual of income tax in prior year	-	-	1,182	-
- expenses not deductible for tax purposes	(11,401)	(8,051)	3,164	(916)
- income not subject to tax	(14,797)	17	(16,630)	(20,534)
Taxation	<u>(19,491)</u>	<u>(10,249)</u>	<u>2,081</u>	<u>28,779</u>



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15. Disclosure of realised and unrealised accumulated gains/(losses)

The cumulative losses of the Group and its subsidiaries comprise realised and unrealised gains/(losses) are as follows:

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Total accumulated gains/(losses) of AirAsia X Berhad and its subsidiaries		
- Realised	(776,157)	(720,745)
- Unrealised	259,122	145,936
	<u>(517,035)</u>	<u>(574,809)</u>
Total share of accumulated losses from associated company		
- Realised	(20,018)	(20,018)
Total share of accumulated losses from joint venture		
- Realised	(53,888)	(53,888)
Total accumulated losses	<u>(590,941)</u>	<u>(648,715)</u>

16. Property, plant and equipment

(a) Acquisition and disposal

During the quarter ended 30 June 2017, the Group acquired property, plant and equipment amounting to RM4.6 million (quarter ended 30 June 2016: RM571k).

During the quarter ended 30 June 2017, there is no disposal of property, plant and equipment (quarter ended 30 June 2016: RM2.4 million).

(b) Write-off

During the quarter ended 30 June 2017, there was no write-off of property, plant and equipment (quarter ended 30 June 2016: RM Nil).

17. Deposits on aircraft purchase

The deposits on aircraft purchase are denominated in US Dollars ("USD") and are in respect of pre-delivery payments on aircraft purchase, which will be delivered between 2018 to 2027. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price upon delivery.

18. Other deposits and prepayments

Other deposits and prepayments include prepayments for maintenance of aircraft and deposits paid to lessors for leased aircraft. These prepayments and deposits are denominated in USD.



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19. Investment in an associate

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Unquoted investments, at cost	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(20,018)
	-	-

The details of the associate is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		30/06/2017 %	31/12/2016 %	
Thai AAX Co., Ltd ("TAAX")	Thailand	49%	49%	Commercial air transport services

The Group has discontinued the recognition of its share of losses incurred by TAAX as the Group's interests had been reduced to zero. The Group's share of profit of TAAX for the current financial quarter, which have not been equity accounted for, amounted to RM131k (30 June 2016: loss of RM5.7 million). As at 30 June 2017, the unrecognised amount of the Group's share of loss of TAAX which have not been equity accounted for amounted to RM28.8 million (30 June 2016: RM39.5 million).

20. Investment in a joint venture

	As at 30/06/2017 RM'000	As at 31/12/2016 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:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		30/06/2017 %	31/12/2016 %	
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 RM8.1 million (30 June 2016: RM17.6 million). As at 30 June 2017, the unrecognised amount of the Group's share of loss of IAAX which have not been equity accounted for amounted to RM52.6 million (30 June 2016: RM42.9 million).



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21. Receivables and prepayments

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Trade receivables	79,005	124,786
Less : Allowance for impairment of receivables	(746)	(746)
	78,259	124,040
Other receivables	62,616	73,791
Less : Allowance for impairment of receivables	(13,789)	(13,789)
	48,827	60,002
Deposits	26,730	28,008
Prepayments	73,072	73,034
	226,888	285,084

22. Deposits, cash and bank balances

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

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Cash and bank balances	369,119	382,406
Deposits with licensed banks	34,147	39,615
	403,266	422,021
Deposit pledged as securities	(34,147)	(39,615)
Cash and cash equivalents	369,119	382,406

23. Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

24. Derivative Financial Instruments

The fair value of derivative financial instruments is determined in accordance with MFRS139 "Financial Instruments: Recognition and Measurement", and are measured by level 2 of the fair value measurement hierarchy. As at 30 June 2017, outstanding number of barrels of Brent and fuel derivative contracts was 2,134,341 barrels (2016: 4,918,209 barrels).



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25. Trade and other payables

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
<u>Non-current:</u>		
Aircraft maintenance provision	576,544	591,574
Other deposits	70,643	62,796
	647,187	654,370
<u>Current:</u>		
Trade payables	321,571	251,253
Other payables and accruals	526,408	626,993
	847,979	878,246

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

26. Borrowings

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
<u>Current</u>		
<u>Secured:</u>		
- Term loans	199,336	208,222
- Hire purchase	17	16
	199,353	208,238
<u>Non-current</u>		
<u>Secured:</u>		
- Term loans	811,776	952,072
- Hire purchase	8	16
	811,784	952,088
Total borrowings	1,011,137	1,160,326

The currency profile of borrowings is as follows:

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Ringgit Malaysia	25	32
US Dollar	1,011,112	1,160,294
	1,011,137	1,160,326

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

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Not later than 1 year	199,353	208,238
Later than 1 year and not later than 5 years	797,352	832,912
Later than 5 years	14,432	119,176
	1,011,137	1,160,326



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27. 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 ended 30/06/2017	Quarter Ended 30/06/2016	Period ended 30/06/2017	Period ended 30/06/2016
Net profit for the individual quarter/ financial period (RM'000)	47,438	1,019	57,774	180,508
Weighted average number of ordinary shares in issue ('000)	4,148,148	4,148,148	4,148,148	4,148,148.00
Profit per share (sen)	1.1	0.0	1.4	4.4

28. Post balance sheet events

There is no material subsequent event noted during the financial period ended 30 June 2017.

29. Contingent assets and contingent liabilities

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

30. 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 30/06/2017 RM'000	As at 31/12/2016 RM'000
Aircraft purchase	114,010,212	119,092,201

(b) Non-cancellable operating leases

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

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Future minimum lease payments	8,138,076	9,013,136
Future minimum sublease receipts	2,272,735	2,531,740



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31. 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
Philippines AirAsia Inc. (formerly known as "Zest Airway Inc.") ("AAZ")	Common Directors and shareholders
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Common Directors and shareholders
Tune Insurance Malaysia Berhad ("TIMB")	Common Directors and shareholders
Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd) ("Rokki")	Common Directors and shareholders
AirAsia Global Shared Services Sdn Bhd ("AGSS")	Common Directors and shareholders
Yummy Kitchen Sdn Bhd ("Yummy Kitchen")	Common Directors and shareholders

These following items have been included in the income statement:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2017 RM'000	Quarter Ended 30/06/2016 RM'000	Period ended 30/06/2017 RM'000	Period ended 30/06/2016 RM'000
TAAX				
- Aircraft operating lease income for leased aircraft	92,275	81,764	183,411	157,970
- Net operational services charged to TAAX	2,908	775	10,134	2,088
IAAX				
- Aircraft operating lease income for leased aircraft	30,720	25,421	59,870	52,296
- Net operational services charged to IAAX	871	3,450	2,083	5,814
AAB				
- Operational service charges	(3,707)	(4,158)	(7,659)	(7,882)
- Brand license fee	(3,120)	(3,919)	(8,530)	(8,720)
- Charter air travel services	-	25,926	-	35,041
CJG				
- Charter air travel services	-	(1,508)	(2,780)	(2,975)
TAA				
- Net operational services charged (from)/to TAA	419	312	728	649
IAA				
- Net operational services charged (from)/to IAA	(4,381)	314	(1,581)	1,061
AAZ				
- Net operational services charged (from)/to AAZ	1,857	757	3,447	2,386
AACOE				
- Training services	(1,154)	(3,307)	(1,648)	(5,099)
TIMB				
- Commission received/ receivable on travel insurance	870	1,040	1,347	2,733
- Premium collected on behalf of TIMB on travel insurance	(2,610)	(4,160)	(4,517)	(10,932)
Rokki				
- In-flight entertainment system and software expenses	(980)	(752)	(2,019)	(1,639)
AGSS				
- Provision of shared services	(916)	(1,981)	(1,979)	(2,969)
Yummy Kitchen				
- Provision of food catering services	(276)	-	(276)	-



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32. Review of performance

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

The Group recorded revenue of RM1,036.3 million for the quarter ended 30 June 2017 ("2Q17"), 17% higher than revenue of RM883.2 million for the quarter ended 30 June 2016 ("2Q16"). The higher revenue in 2Q17 is due to the increase in passengers carried by 34%, driven on the back of 26% increase in seat capacity. Load factors are 5 basis points higher from 75% in 2Q16 to 80% in 2Q17. Average Base Fare decreased by 14% from RM526 in 2Q16 to RM455 in 2Q17, whereas Ancillary Revenue per Passenger increased by 5 basis point from RM134 in 2Q16 to RM140 in 2Q17. Freight and Cargo Revenue also increased by 27% from RM30.8 million in 2Q16 to RM39.2 million in 2Q17, due to higher tonnage transported in the current period. Aircraft Operating Lease Income increased by 15% from RM107.2 million in 2Q16 to RM123 million in 2Q17, mainly due to depreciation of Ringgit against the US Dollar. However, revenue from Charter flights decreased by 26% from RM65.9 million in 2Q16 to RM48.9 million in 2Q17.

The profit before tax for the period was RM27.9 million compared to a loss before tax of RM9.2 million in the same quarter of 2016; while the net profit for the period was RM47.4 million compared to a net profit of RM1.0 million in the same quarter of 2016.

33. Operating profit and Profit Before Tax ("PBT") performance (quarter ended 30 June 2017 compared to quarter ended 31 March 2017)

The Group recorded an Operating Profit of RM7.0 million in 2Q17, whereas the Operating Profit was higher at RM60.3 million for the quarter ended 31 March 2017 ("1Q17"). This was mainly due to seasonality in operations, whereby travel demand is generally lower in the second quarter.

The Group recorded a PBT of RM27.9 million in 2Q17, a decrease from the PBT of RM31.9 million achieved in 1Q17.

34. Commentary on prospects

Based on the current forward booking trend, forward loads are trending better than the previous year.

However, the depreciation of the Malaysian Ringgit remains a key concern as a large portion of the Company's borrowings and operating costs are denominated in US Dollars.

Barring any unforeseen circumstances, including but not limited to terrorist attacks, natural disasters, epidemics, economic downturn, fuel price hike and fluctuation in foreign currencies against the Malaysian Ringgit, the Company expects its prospects to remain positive.

35. 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.

36. Corporate proposal

There is no corporate proposal which is announced but not completed as at 17 August 2017, being the latest practicable date of this report.

37. Material litigation

As at 17 August 2017, there was no material litigation taken or threatened against the Company and its subsidiaries.

38. Proposed dividend

The Directors did not recommend any dividend for the quarter ended 30 June 2017.