



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2014

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 first quarter ended 31 March 2014.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		31/03/2014	31/03/2013	31/03/2014	31/03/2013
		RM'000	RM'000	RM'000	RM'000
Revenue	10	749,479	535,277	749,479	535,277
Operating Expenses:					
- Staff costs	11	(71,837)	(45,627)	(71,837)	(45,627)
- Depreciation of property, plant and equipment		(44,587)	(26,788)	(44,587)	(26,788)
- Aircraft fuel expenses		(400,987)	(226,704)	(400,987)	(226,704)
- Maintenance, overhaul, user charges and other related expenses		(144,919)	(94,450)	(144,919)	(94,450)
- Aircraft operating lease expenses		(59,914)	(37,771)	(59,914)	(37,771)
- Other operating expenses		(63,495)	(47,430)	(63,495)	(47,430)
Total operating expenses		(785,739)	(478,770)	(785,739)	(478,770)
Other income	12	3,163	1,082	3,163	1,082
Share of results of an associate	19	(4,949)	-	(4,949)	-
Operating (loss)/ profit		(38,046)	57,589	(38,046)	57,589
Finance income	13	118	327	118	327
Finance cost	13	(20,299)	(13,529)	(20,299)	(13,529)
Foreign exchange gain/ (loss)	13	10,099	(9,622)	10,099	(9,622)
(Loss)/ profit before taxation		(48,128)	34,765	(48,128)	34,765
Taxation					
Current taxation	14	(2,116)	(82)	(2,116)	(82)
Deferred taxation	14	38,963	15,514	38,963	15,514
		36,847	15,432	36,847	15,432
(Loss)/ profit after taxation for the financial period		(11,281)	50,197	(11,281)	50,197
Attributable to:					
Equity holders of the Company		(11,281)	50,197	(11,281)	50,197
Non-controlling Interest		-	-	-	-
		(11,281)	50,197	(11,281)	50,197
Basic (loss)/ earnings per share attributable to ordinary equity holders of the Company (sen)	26	(0.5)	18.8	(0.5)	18.8
Diluted (loss)/ earnings per share attributable to ordinary equity holders of the Company (sen)	26	(0.5)	18.8	(0.5)	18.8

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2013 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
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
(Loss)/ profit for the period	(11,281)	50,197	(11,281)	50,197
Other comprehensive income				
Cash flow hedges	(9,663)	-	(9,663)	-
Foreign currency translation differences	66	30	(12)	30
Total comprehensive (loss)/ income for the period	(20,878)	50,227	(20,956)	50,227
Total comprehensive (loss)/ income attributable				
To equity holder of the company	(20,878)	50,227	(20,956)	50,227
Non-controlling interest	-	-	-	-
Total comprehensive (loss)/ income for the period	(20,878)	50,227	(20,956)	50,227

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2013 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	Audited As At
	Note	31/03/2014 RM'000	31/12/2013 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,591,966	2,275,213
Deferred tax assets	14	398,593	359,630
Deposits on aircraft purchases	17	622,090	638,283
Other deposits	18	204,070	196,201
Investment in associates	19	68,455	19,516
Derivative financial instruments	24	48,985	60,388
		3,934,159	3,549,231
CURRENT ASSETS			
Derivative financial instruments	24	-	5,541
Inventories		3,757	993
Receivables and prepayments	20	163,138	165,356
Amount due from related parties		28,176	16,387
Amount due from an associate		3,500	1,353
Deposits, cash and bank balances	21	131,955	262,976
Tax recoverable		-	523
		330,526	453,129
CURRENT LIABILITIES			
Trade and other payables	22	511,576	346,778
Amounts due to related parties		22,646	1,916
Sales in advance		392,960	421,258
Borrowings	23	456,061	445,880
Current tax liabilities		1,547	-
		1,384,790	1,215,832
Net Current Liabilities		(1,054,264)	(762,703)
NON-CURRENT LIABILITIES			
Borrowings	23	1,659,940	1,550,373
Derivative financial instruments	24	4,430	-
		1,215,525	1,236,155
CAPITAL AND RESERVES			
Share capital	25	355,556	355,556
Share premium		849,598	849,598
Hedge reserve		10,864	20,527
Capital reserve		770	522
Retained earnings		(1,251)	10,030
Currency translation reserve		(12)	(78)
Shareholders' equity		1,215,525	1,236,155

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 2013 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 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ profit before taxation	(48,128)	34,765
Adjustments:		
Property, plant and equipment		
- Depreciation	44,587	26,788
Interest expense	20,299	13,529
Interest income	(118)	(327)
Recovered receivables	-	(2)
Fair value gain on derivative financial instruments	5,010	-
Share option expense	248	-
Share of results of an associate	4,949	-
Net unrealised foreign exchange (gain)/ losses	(9,929)	7,627
	16,918	82,380
Changes in working capital		
Inventories	(2,763)	166
Receivable, prepayments and other deposits	(8,910)	(15,011)
Related parties	6,341	(11,817)
Trade and other payables	168,994	40,661
Sales in advance	(28,299)	(41,641)
Cash generated from operations	152,281	54,738
Interest paid	(20,530)	(13,834)
Interest received	47	290
Tax paid	(209)	(375)
Net cash generated from operating activities	131,589	40,819
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(361,339)	(21,829)
Deposits on aircraft purchase	16,030	(63,710)
Investment in an associate company	(53,888)	-
Net cash used in investing activities	(399,197)	(85,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	237,691	6,083
Repayment of borrowings	(100,899)	(48,693)
Placement of restricted cash	(5,989)	-
Net cash generated from/ (used in) financing activities	130,803	(42,610)
NET DECREASE FOR THE FINANCIAL PERIOD	(136,805)	(87,330)
CURRENCY TRANSLATION DIFFERENCES	(205)	(251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	212,089	173,951
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	75,079	86,370

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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 2013 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 RM1.00 each</u>		<u>Issued and fully paid ordinary shares of RM0.15 each</u>		<u>Issued and fully paid redeemable convertible preference shares ("RCPS") of RM1.00 each</u>		<u>Cash Flow Hedge Reserve RM'000</u>	<u>Capital Reserve RM'000</u>	<u>Currency Translation Reserve RM'000</u>	<u>Retained Earnings RM'000</u>	<u>Total Equity RM'000</u>	
	<u>Number of shares '000</u>	<u>Nominal Value RM'000</u>	<u>Number of shares '000</u>	<u>Nominal Value RM'000</u>	<u>Number of shares '000</u>	<u>Nominal Value RM'000</u>						<u>Share Premium RM'000</u>
At 1 January 2014	-	-	2,370,370	355,556	-	-	849,598	20,527	522	(78)	10,030	1,236,155
Net loss for the period	-	-	-	-	-	-	-	-	-	-	(11,281)	(11,281)
Amount transferred to income statement	-	-	-	-	-	-	(9,663)	-	-	-	-	(9,663)
Foreign currency translation differences	-	-	-	-	-	-	-	-	66	-	-	66
Total comprehensive income	-	-	-	-	-	-	(9,663)	-	66	-	(11,281)	(20,878)
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	-	-	248	-	-	-	248
At 31 March 2014	-	-	2,370,370	355,556	-	-	849,598	10,864	770	(12)	(1,251)	1,215,525
At 1 January 2013	224,000	224,000	-	-	42,667	42,667	215,832	-	-	(66)	98,297	580,730
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	50,197	50,197
Other comprehensive loss	-	-	-	-	-	-	-	-	30	-	-	30
At 31 March 2013	224,000	224,000	-	-	42,667	42,667	215,832	-	-	(36)	148,494	630,957

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 2013 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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KEY OPERATING STATISTICS - 31 March 2014

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 31 March	Jan - Mar 2014	Jan - Mar 2013	Changes Y-O-Y
Seat capacity	1,257,295	770,965	63.1%
Passengers carried	1,080,763	647,366	66.9%
Load Factor (%)	85.8%	84.2%	1.6%
RPK (millions)	5,339	3,270	63.3%
ASK (millions)	6,220	3,885	60.1%
Average passenger fare (RM)	467.11	623.53	-25.1%
Ancillary revenue per passenger (RM)	138.89	150.36	-7.6%
Revenue per ASK (sen)	12.09	13.80	-12.4%
Revenue per ASK (US¢)	3.67	4.48	-18.2%
Cost per ASK (sen)	12.62	12.37	2.0%
Cost per ASK (US¢)	3.83	4.01	-4.7%
Cost per ASK (sen) - excluding fuel	6.17	6.54	-5.5%
Cost per ASK (US¢) - excluding fuel	1.87	2.12	-11.8%
Aircraft (end of period)	22	11	100.0%
Average sector length (km)	4,947	5,039	-1.8%
Sectors flown	3,335	2,045	63.1%
Fuel consumed (Barrels)	930,616	539,676	72.4%
Average fuel price (USD/ Barrel)	130.61	136.31	-4.2%

Definitions and calculation methodology

RPK (Revenue Passenger Kilometres)

Represents revenue passenger kilometres, which is the number of paying passengers carried on scheduled flights multiplied by the number of kilometres those passengers were flown.

ASK (Available Seat Kilometres)

Represents available seat kilometres, which is the total number of seats available on scheduled flights multiplied by the number of kilometres those seats were flown.

Revenue per ASK

Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items that are contained in the line item "Other income" relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of the AirAsia Insure products and insurance claims, (ii) divided by ASK.

Cost per ASK

Calculated as (i) total operating expenses (including charter flights), as adjusted for airport taxes and to exclude unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.

Cost per ASK - excluding fuel

Calculated as (i) total operating expenses (including charter flights) excluding aircraft fuel expenses, as adjusted for airport taxes and to exclude unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.



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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 2013.

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 Company for the financial year ended 31 December 2013, except for the adoption of the following MFRS and amendments to MFRS during the financial period:

Amendment to MFRS 132	Financial Instruments: Presentation
Amendment to MFRS 10	Consolidated Financial Statements
Amendment to MFRS 12	Disclosures of Interests in Other entities
Amendment to MFRS 127	Separate Financial Statements

The adoption of the above MFRS and amendments to MFRS did not have any material financial impact to the Group.

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 2013.

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 years, particularly from November to February. Accordingly, the revenues and cash flows 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.



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7. Capital and reserves

The Company was listed on the Main Market of Bursa Malaysia on 10 July 2013 and has successfully issued 593 million new ordinary shares of RM 0.15 each at RM1.25 per share for capital expenditure, repayment of bank borrowings, general working capital and listing expenses purposes. Upon completion, the issued and fully paid ordinary shares of the Company amounted to 2,370 million ordinary shares of RM0.15 each and share premium of RM651.9 million has been included in the share premium account.

The new issuance of issued and fully paid up share capital is as disclosed in note 25.

8. Dividend paid

No dividends were declared or approved in the quarter ended 31 March 2014.

9. Segment reporting

The reportable operating segments of the Group have been identified as North Asia, Australia and others.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Revenue				
North Asia	357,939	259,947	357,939	259,947
Australia	289,446	234,234	289,446	234,234
Others	102,094	41,096	102,094	41,096
Total	749,479	535,277	749,479	535,277

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
EBITDAR/ (LBITDAR) ¹				
North Asia	64,367	52,760	64,367	52,760
Australia	(4,258)	53,139	(4,258)	53,139
Others	6,346	16,249	6,346	16,249
Total	66,455	122,148	66,455	122,148



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	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Profit Before Tax ("PBT")/ (Loss Before Tax) ("LBT")				
North Asia	14,908	12,169	14,908	12,169
Australia	(52,622)	20,419	(52,622)	20,419
Others	(10,414)	2,177	(10,414)	2,177
Total	(48,128)	34,765	(48,128)	34,765

Notes:

¹ EBITDAR/ (LBITDAR) represents earnings/ (loss) before finance cost, taxation, depreciation, amortisation and aircraft rental expenses.

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Scheduled flights	423,030	353,883	423,030	353,883
Refund	(886)	(211)	(886)	(211)
	422,144	353,672	422,144	353,672
Charter flights	62,875	15,577	62,875	15,577
Fuel surcharge	81,801	49,769	81,801	49,769
Freight and cargo	25,294	19,914	25,294	19,914
Ancillary revenue	148,440	96,255	148,440	96,255
Management fee	579	90	579	90
Aircraft Operating Lease Income	8,346	-	8,346	-
Other revenue	-	-	-	-
	749,479	535,277	749,479	535,277

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, inflight sales, and other items and services.

11. Staff cost

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Wages, salaries, bonus and allowances	66,374	40,938	66,374	40,938
Defined contribution retirement plan	5,215	4,689	5,215	4,689
ESOS	248	-	248	-
	71,837	45,627	71,837	45,627



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12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Commission income from insurance	1,664	1,082	1,664	1,082
Others	1,499	-	1,499	-
	<u>3,163</u>	<u>1,082</u>	<u>3,163</u>	<u>1,082</u>

Other income ('others') includes incentives received/receivable by the Group from certain airport authorities and sales and lease back of engines.

13. Finance income/(costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
Finance income:				
Interest income on deposits with licensed banks	118	327	118	327
Finance costs:				
Interest expense on bank borrowings	(20,277)	(13,463)	(20,277)	(13,463)
Bank facilities and other charges	(22)	(66)	(22)	(66)
	<u>(20,299)</u>	<u>(13,529)</u>	<u>(20,299)</u>	<u>(13,529)</u>
Foreign exchange gain/ (loss)				
Unrealised foreign exchange loss on borrowings	(23,884)	(9,262)	(23,884)	(9,262)
Fair value movement recycled from cash flow hedge reserve	34,229	-	34,229	-
Unrealised foreign exchange loss on deposits and bank balances	(272)	(281)	(272)	(281)
	<u>10,073</u>	<u>(9,543)</u>	<u>10,073</u>	<u>(9,543)</u>
Realised foreign exchange gain/ (loss) on upliftment of fixed deposits	26	(79)	26	(79)
Net foreign exchange gains/ (losses)	<u>10,099</u>	<u>(9,622)</u>	<u>10,099</u>	<u>(9,622)</u>



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14. Taxation

Current taxation

The current taxation charge comprises tax payable on interest income.

Deferred taxation

During the financial period ended 31 March 2014 the Company recognised a net tax allowance of RM36.8 million, as compared to RM15.4 million in the financial period ended 31 March 2013, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

The following table sets forth the reconciliation between the Malaysian statutory and actual tax credit earned by the Group for the financial periods indicated.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
(LBT)/PBT	(48,128)	34,765	(48,128)	34,765
Tax calculated at Malaysian statutory tax rate of 25%	(13,320)	8,691	(13,320)	8,691
Tax effects:				
- Over accrual in prior year	(2,174)	-	(2,174)	-
- tax incentives	(18,591)	(25,792)	(18,591)	(25,792)
- expenses not deductible for tax purposes	7,410	3,629	7,410	3,629
- income not subject to tax		(1,960)	-	(1,960)
- Changes in statutory tax rate	(10,172)	-	(10,172)	-
Taxation	(36,847)	(15,432)	(36,847)	(15,432)

15. Disclosure of Realised and Unrealised Profits

The cumulative retained profit of the Group and its subsidiaries comprise realised and unrealised profit are as follows:

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Total retained profit of AirAsia X Berhad and its subsidiaries		
- Realised	85,536	(108,897)
- Unrealised	(81,838)	119,429
	<u>3,698</u>	<u>10,532</u>
Total share of accumulated losses from associated companies		
- Realised	(4,949)	(502)
Total retained (losses)/ earnings	<u>(1,251)</u>	<u>10,030</u>

16. Property, plant and equipment

(a) Acquisition and disposal

During the period ended 31 March 2014, the Group acquired property, plant and equipment amounting to RM361.3 million (period ended 31 March 2013: RM21.8 million) primarily in relation to the acquisition of new aircraft.

(b) Revaluation

There was no revaluation of property, plant and equipment for the quarter ended 31 March 2014 (quarter ended 31 March 2013: RM Nil).

(c) Impairment

There was no impairment of property, plant and equipment for the quarter ended 31 March 2014 (quarter ended 31 March 2013: RM Nil).



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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 Oct 2013 to May 2025. Pre-delivery payments constitute an instalment in respect of the price of the aircraft and are deducted from the final price on delivery.

18. Other deposits

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

19. Investment in associates

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Unquoted investments, at cost	73,906	20,018
Group's share of post-acquisition losses	(5,451)	(502)
	68,455	19,516

The details of the associates are as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		31/03/2014 %	31/12/2013 %	
Thai AAX Co., Ltd ("TAAX")	Thailand	49%	49%	Commercial air transport services
PT. Indonesia Airasia Extra ("IAAX")	Indonesia	49%	-	Commercial air transport services

On 23 January 2014 AAX entered into a Joint Venture Agreement ("JVA") with PT Kirana Anugerah Perkasa ("PTKAP") for the purpose of establishing a joint venture co-operation to set up a long-haul low cost airline in Indonesia which will operate through an Indonesia incorporated entity, PT. Indonesia Airasia Extra ("IAAX").

TAAX and IAAX are private company for which there are no quoted market price available for its shares.

20. Receivables and prepayments

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Trade receivables	55,808	43,675
Other receivables	48,447	46,245
Prepayment	33,235	43,277
Deposits	25,648	33,600
	163,138	166,797
Less : Impairment of receivables	-	(1,441)
	163,138	165,356



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21. Deposits, cash and bank balances

For the purpose of the cash flow statements, cash and cash equivalents include the following:

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Cash and bank balances	75,079	212,089
Deposits with licensed bank	56,876	50,887
	<u>131,955</u>	<u>262,976</u>
Less: Restricted cash	(56,876)	(50,887)
Cash and cash equivalents	<u>75,079</u>	<u>212,089</u>

22. Trade and other payables

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Trade payables	328,967	203,297
Other payables and accruals	182,609	143,481
	<u>511,576</u>	<u>346,778</u>

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

23. Borrowings

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
<u>Current</u>		
- Revolving credit (unsecured)	249,179	261,185
- Term loans (secured)	206,861	184,674
- Hire purchase (unsecured)	21	21
	<u>456,061</u>	<u>445,880</u>
<u>Non-current</u>		
- Revolving credit (unsecured)	133,076	179,686
- Term loans (secured)	1,526,806	1,370,626
- Hire purchase (unsecured)	58	61
	<u>1,659,940</u>	<u>1,550,373</u>
Total borrowings	<u>2,116,001</u>	<u>1,996,253</u>

The currency profile of borrowings is as follows:

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Ringgit Malaysia	40,079	40,082
US Dollar	2,075,922	1,956,171
	<u>2,116,001</u>	<u>1,996,253</u>

The movement of the borrowings during the financial period as follows:-

	As at 31/03/2014 RM'000	As at 31/03/2013 RM'000
At beginning of financial period	1,996,253	1,392,256
Proceeds from borrowings	237,691	6,083
Repayment of borrowings	(100,899)	(48,693)
Unrealised foreign exchange (gain)/ loss on borrowings	(17,044)	9,262
At end of financial period	<u>2,116,001</u>	<u>1,358,908</u>



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24. Derivative Financial Instruments

The Group has entered into cross currency interest rate contracts ("CCIRS") and an interest rate swap ("SWAP") to hedge against fluctuation in the foreign exchange currency and interest rates on its aircrafts delivered during financial year ended 31 December 2013 and financial quarter under review. Gains and losses recognised in the cash flow hedge reserve in equity will be continuously released to the income statement within finance cost until the full repayment of the aircraft loans (Note 23).

Under the CCIRS and SWAP facilities, the Company converted the aircraft loans and interest whereby:

(i) The USD principal repayments throughout the tenor of 10 and 12 years will be paid in RM at an exchange rate of USD1 to RM3.0260, RM3.0895 and RM3.1875 respectively; and

(ii) The USD interests of 3 months London Interbank Offered Rate ("LIBOR") plus a margin ranging between 0.80% and 3.75% will be paid at a RM fixed rates between 2.36% and 7.03% per annum for the entire tenor of the loans.

The full fair value of a hedging derivative is classified as a non-current asset if the remaining maturity of the hedge item is more than 12 months and, as a current asset, if the maturity of the hedged item is less than 12 months.

The derivative financial instrument is classified as level 2 in the fair value hierarchy model.

The Group's level 2 hedging derivatives comprise the CCIRS contracts and SWAP contracts. These contracts have been fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

The following table presents the Company's assets and liabilities that are measured at level 2 of hedging derivatives fair value as at 31 March 2014 and 31 December 2013.

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
<u>Assets</u>		
Financial assets at fair value through profit or loss - Trading derivatives	-	5,541
Derivatives used for hedging	48,985	60,388
	<u>48,985</u>	<u>65,929</u>
<u>Liability</u>		
Derivative used for hedging	4,430	-



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25. Share capital

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
<u>Authorised:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial period/ year	-	270,000
Subdivision of shares	-	(270,000)
At the end of the financial period/ year	-	-
Ordinary shares of RM0.15 each:		
At beginning of financial period/ year	500,000	-
Subdivision of shares	-	270,000
Increase during the financial period/ year	-	230,000
At the end of the financial period/ year	500,000	500,000
RCPS of RM1.00 each:		
At beginning of financial period/ year	50,000	50,000
Cancellation of RCPS	-	-
At the end of the financial period/ year	50,000	50,000
Total authorised	550,000	550,000
<u>Issued and fully paid up:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial period/ year	-	224,000
Conversion of RCPS	-	42,667
Subdivision of shares	-	(266,667)
At the end of the financial period/ year	-	-
Ordinary shares of RM0.15 each:		
At beginning of financial period/ year	355,556	-
Subdivision of shares	-	266,667
Issuance of shares	-	88,889
At the end of the financial period/ year	355,556	355,556
RCPS of RM1.00 each:		
At beginning of financial period/ year	-	42,667
Conversion of RCPS	-	(42,667)
At the end of the financial period/ year	-	-
Total issued and fully paid up	355,556	355,556

The terms of the RCPS are as follows:

- (a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the capital of the Company in the proportion of one ordinary share for every one RCPS. Notwithstanding this, the RCPS holder shall convert all into ordinary shares of RM1.00 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.
- (b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.
- (c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.
- (d) On 10 May 2013, all the outstanding RCPS are converted into ordinary shares of RM1.00 each, and on 13 May 2013, all the authorised RCPS has been cancelled and ordinary shares for both issued and authorised of RM1.00 each are sub-divided into ordinary shares of RM0.15 each.



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26. (Loss)/ earnings per share

Basic (loss)/ earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014	Quarter Ended 31/03/2013	Period Ended 31/03/2014	Period Ended 31/03/2013
Net (loss)/ profit for the individual quarter/ financial period (RM'000)	(11,281)	50,197	(11,281)	50,197
Weighted average number of ordinary/preference shares in issue ('000)	2,370,370	266,667	2,370,370	266,667
(Loss)/ earnings per share (sen)	(0.5)	18.8	(0.5)	18.8

Diluted (loss)/ earnings per share

The diluted (loss)/ earnings per share of the Group is similar to the basic (loss)/ earnings per share as the Group does not have any potential dilutive ordinary shares in issue.

27. Post balance sheet events

There is no material subsequent event noted during the quarter ended 31 March 2014.

28. Contingent assets and contingent liabilities

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

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

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Approved and contracted for		
Aircraft purchase	38,435,074	21,243,950
Non-cancellable operating leases	2,485,051	2,464,111
	40,920,125	23,708,061



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30. 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 company</u>	<u>Relationship</u>
AirAsia Berhad ("AAB")	Related party (common Directors and shareholders)
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Related party (common Directors and shareholders)
Asian Contact Centres Sdn Bhd ("ACC")	Related party (common Directors and shareholders)
PT Indonesia AirAsia ("IAA")	Related party (common Directors and shareholders)
Thai AirAsia Co. Ltd ("TAA")	Related party (common Directors and shareholders)
Tune Box Sdn Bhd	Related party (common Directors and shareholders)
AirAsia Japan Co. Ltd ("JAA")	Related party (common Directors and shareholders)
Tune Insurance Malaysia Berhad ("TIMB")	Related party (common Directors and shareholders)
Caterhamjet Global Ltd ("CJG")	Related party (common Directors and shareholders)

These following items have been included in the income statement:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2014 RM'000	Quarter Ended 31/03/2013 RM'000	Period Ended 31/03/2014 RM'000	Period Ended 31/03/2013 RM'000
AAB				
- Operational service charges	2,016	1,783	2,016	1,783
- Brand license fee charged by AAB	3,719	2,668	3,719	2,668
AACOE				
- Net expense on training services	3,891	511	3,891	511
ACC				
- Telecommunication and operational expenses	4,311	2,192	4,311	2,192
IAA				
- Operational services charged to IAA	(579)	(91)	(579)	(91)
TAA				
- Net Operational services charged from/(to) TAA	150	(15)	150	(15)
Tune Box Sdn Bhd				
- In-flight entertainment system and software expenses	710	302	710	302
JAA				
- Operational services charged to JAA	-	(315)	-	(315)
TIMB				
- Commission received/ receivable on travel insurance	(558)	-	(558)	-
- premium collected on behalf of TIMB on travel insurance	7,333	-	7,333	-
CJG				
- Charter air travel services charged by CJG	2,472	-	2,472	-



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31. Review of performance

3 months Ended 31 March 2014 Compared to 3 months Ended 31 March 2013

Revenue

During the 3 months ended 31 March 2014, the Group's revenue has increased by 40.0% to RM749.5 million from RM535.3 million as compared to the 3 months ended 31 March 2013. As a result of significant capacity increase of 60.1% of ASK from 31 March 2013 and the need to stimulate demand to achieve load factor of 85.8% ending 31 March 2014, yield as measured by RASK has decreased 12.4% from 13.80 sen in the 3 months ended 31 March 2013 to 12.09 sen in the 3 months ended 31 March 2014.

Scheduled flights. Revenue from passenger seat sales on scheduled flights increased by RM69.1 million, or approximately 19.5%, to RM423.0 million for the 3 months ended 31 March 2014 as compared to RM353.9 million for the 3 months ended 31 March 2013. This increase was primarily due to an increase of both ASKs and RPKs from 3.9 billion and 3.3 billion in the 3 months ended 31 March 2013 to 6.2 billion and 5.3 billion respectively in the 3 months ended 31 March 2014. Our passenger load factor has increased to 85.8% in the 3 months ended 31 March 2014 as compared to 84.2% for the 3 months ended 31 March 2013. Average passenger fares decreased 25.1% to RM467.11 in the 3 months ended 31 March 2014 as compared to RM623.53 in the 3 months ended 31 March 2013 primarily due to the promotional fares on our newly launched routes during financial year ended 31 December 2013 which include Busan, Shanghai and Adelaide.

Charter flights. Revenue from charter flights increased from RM15.6 million for the 3 months ended 31 March 2013 to RM62.9 million for the 3 months ended 31 March 2014 due to more charter contracts secured in the 3 months ended 31 March 2014.

Fuel surcharge. Revenue from fuel surcharge increased to RM81.8 million in the 3 months ended 31 March 2014 as compared to RM49.8 million in the 3 months ended 31 March 2013. This increase in fuel surcharge revenue is primarily due to an increased number of passengers flown from 0.6 million in the quarter ended 31 March 2013 to 1.1 million in the 3 months ended 31 March 2014.

Freight and cargo. Revenue from freight and cargo has increased 27.0% to RM25.3 million for the 3 months ended 31 March 2014 as compared to RM19.9 million for the 3 months ended 31 March 2013, reflecting an increase of 34.3% available tonne per kilometre (ATK) and 12.3% freight tonne per kilometre (FTK) in the 3 months ended 31 March 2014.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM150.1 million, or by approximately 54.2%, for the 3 months ended 31 March 2014 as compared to RM97.3 million for the 3 months ended 31 March 2013. This increase was primarily due to a result of an increased number of passengers flown from 0.6 million in the 3 months ended 31 March 2013 to 1.1 million in the 3 months ended 31 March 2014.



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Operating Expenses

During the 3 months ended 31 March 2014, operating expenses increased by RM307.0 million or 64.1% to RM785.7 million. The increase was primarily due to:-

(i) *Staff costs.* During the 3 months ended 31 March 2014, there was an increase in number of headcount which has resulted staff costs increased by 56.9% to RM71.6 million in the 3 months ended 31 March 2014 from RM45.6 million during the 3 months ended 31 March 2013.

(ii) *Depreciation of property, plant and equipment.* Depreciation of property, plant and equipment increased by 66.4% to RM44.6 million during the 3 months ended 31 March 2014 as compared to RM26.8 million in the 3 months ended 31 March 2013, mainly due to the acquisition of A330-300 aircraft under finance lease after 3 months ended 31 March 2013.

(iii) *Aircraft fuel expenses.* Fuel costs increased 76.9% to RM401.0 million in the 3 months ended 31 March 2014 from RM226.7 million in the 3 months ended 31 March 2013 primarily due a 72.4% increased in fuel consumed in the 3 months ended 31 March 2014 as compared to the 3 months ended 31 March 2013. The increase in fuel consumption was primarily due to an increase in flight frequencies on our existing routes. Fuel burn has increased from 1,730 gallons/ hour in the 3 months ended 31 March 2013 to 1,850 gallons/ hour in the 3 months ended 31 March 2014.

(iv) *Maintenance, overhaul, user charges and other related expenses.* Maintenance, overhaul, user charges and other related expenses increased by 53.4% to RM144.9 million in the 3 months ended 31 March 2014 from RM94.4 million in the 3 months ended 31 March 2013. This mainly resulted from the increase of maintenance and service costs on additional aircraft taken by the Company as well as more charter flights rendered after 3 months ended 31 March 2013.

(v) *Aircraft operating lease expense.* After 3 months ended 31 March 2013, the Company has taken delivery of 6 Airbus A330-300 under operating lease and hence aircraft operating lease expense increased 58.6% to RM59.9 million in the 3 months ended 31 March 2014 from RM37.8 million in the quarter ended 31 March 2013.

Foreign Exchange Gain/ Loss

As a result of the strengthening of the RM against the USD in the 3 months ended 31 March 2014, the Company recognised unrealised foreign exchange gain on borrowings of RM10.1 million, as compared to unrealised foreign exchange loss of RM9.6 million on our USD-denominated borrowings in the 3 months ended 31 March 2013.

(LBT)/PBT

As a result of the factors set forth above, the Group has recorded a LBT of RM48.1 million in the 3 months ended 31 March 2014 as compared to a PBT of RM34.8 million in the 3 months ended 31 March 2013.

Taxation

In the 3 months ended 31 March 2014 the Company recognised a net tax allowance of RM36.8 million, as compared to a net tax allowance of RM15.4 million in the 3 months ended 31 March 2013, due primarily to income tax allowance recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.



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(LAT)/PAT

As a result of the factors set forth above, the Group recognised a LAT of RM11.3 million in the 3 months ended 31 March 2014 as compared to a PAT of RM50.2 million in the 3 months ended 31 March 2013.

32. LBT performance (Quarter Ended 31 March 2014 Compared to Quarter Ended 31 December 2013)

The Group's LBT has decreased by RM122.3 million from RM170.4 million in the quarter ended 31 December 2013 to RM48.1 million in the quarter ended 31 March 2014. The improvement was as a result of the strengthening of the RM against the USD in the quarter ended 31 March 2014, the Company recognised unrealised foreign exchange gain on borrowings of RM10.1 million, as compared to unrealised foreign exchange loss of RM112.4 million on our USD-denominated borrowings in the quarter ended 31 December 2013.

33. Other profit and loss items

In the current quarter and financial year, 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 exceptional items except for as disclosed either in the consolidated income statements and notes to the unaudited accounts.

34. Commentary on prospects

The Company's positioning within the Asia Pacific region, which is forecasted to be robust and potentially surpassing North America as the world's largest aviation market (Source: Strategic Airport Planning Ltd) allows AirAsia X to benefit from this growth and continue to be a large and attractive feeder market for its long-haul routes. 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.

As the Company has strategically embarked on a major capacity expansion phase with new aircraft deliveries added to our fleet, our ASK capacity will be growing above 30% year-on-year from Q3-2013 to Q3-2014. We expect short-term earnings pressure during this period from lower yields contributed by a higher portion of promotional fares used to stimulate new demand creation to fill up the new capacity. Our experience suggests that new capacity typically takes about 12 months to break-even. We believe the additional capacity will generate a stronger market share and route network, and deliver long-term benefits from scale advantages relative to our competition.

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.



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36. Corporate proposal

There have not been any further changes in the status of both PT. Indonesia Airasia Extra and Thai AirAsia X Co., Ltd joint ventures since the announcement made on 24 January 2014 and 4 February 2014 respectively. There is no corporate proposal which is announced but not completed as at 13 May 2014, being the latest practicable date of this report.

37. Material litigation

As at 13 May 2014, 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 31 March 2014.

39. Utilisation of proceeds

The status of the utilisation of listing proceeds of RM740.7 million raised from the Public Issue as at 13 May 2014 is as follows:-

	Proposed utilisation RM'mil	Actual utilisation as at 13 May 2014 RM'mil	Balance at 13 May 2014 RM'mil	Intended timeframe for utilisation from date of listing
Capital expenditure	280.0	(157.6)	122.4	Within 24 months
Repayment of bank borrowings	285.8	(285.8)	-	Within 3 months
General working capital	136.9	(136.9)	-	Within 12 months
Estimated listing expenses	38.0	(33.0)	5.0	Within 6 months
Total	740.7	(613.3)	127.4	