



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2013

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 2013.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Audited
		30/06/2013	30/06/2012	30/06/2013	30/06/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	10	491,136	405,203	1,026,413	941,912
Operating Expenses:					
- Staff costs	11	(57,321)	(43,139)	(102,948)	(87,788)
- Depreciation of property, plant and equipment		(31,544)	(26,209)	(58,332)	(52,779)
- Aircraft fuel expenses		(231,069)	(219,915)	(457,772)	(483,127)
- Maintenance, overhaul, user charges and other related expenses		(101,511)	(93,158)	(195,961)	(185,695)
- Aircraft operating lease expenses		(41,433)	(38,135)	(79,204)	(76,095)
- Other operating expenses		(44,625)	(29,693)	(92,056)	(69,417)
Total operating expenses		(507,503)	(450,249)	(986,273)	(954,901)
Other income	12	4,760	7,012	5,842	8,347
Operating (loss)/profit		(11,607)	(38,034)	45,982	(4,642)
Finance income	13	281	499	608	865
Finance cost	13	(16,891)	(14,662)	(30,420)	(26,505)
Foreign exchange loss on borrowings	13	(30,193)	(40,671)	(39,815)	(5,673)
Loss before taxation		(58,410)	(92,868)	(23,645)	(35,955)
Taxation					
Current taxation	14	(182)	185	(264)	(74)
Deferred taxation	14	26,289	15,047	41,803	6,925
		26,107	15,232	41,539	6,851
(Loss)/profit after taxation for the financial period		(32,303)	(77,636)	17,894	(29,104)
Attributable to:					
Equity holders of the Company		(32,303)	(77,636)	17,894	(29,104)
Non-controlling Interest		-	-	-	-
		(32,303)	(77,636)	17,894	(29,104)
Basic (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	25	(12.1)	(29.1)	6.7	(10.9)
Diluted (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	25	(12.1)	(29.1)	6.7	(10.9)

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 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	Audited
	30/06/2013	30/06/2012	30/06/2013	Period Ended
	RM'000	RM'000	RM'000	30/06/2012
				RM'000
(Loss)/profit for the period	(32,303)	(77,636)	17,894	(29,104)
Other comprehensive income				
Cash flow hedges	(8,153)	-	(8,153)	-
Foreign currency translation differences	(91)	5	(61)	6
Total comprehensive income for the period	(40,547)	(77,631)	9,680	(29,098)
Total comprehensive income attributable to				
Equity holder of the company	(40,547)	(77,631)	9,680	(29,098)
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	(40,547)	(77,631)	9,680	(29,098)

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 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	30/06/2013 RM'000	31/12/2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,922,414	1,325,822
Deferred tax assets	14	276,643	234,840
Deposits on aircraft purchases	17	415,264	418,395
Other deposits	18	141,790	126,058
Derivative financial instruments	22	7,231	-
		2,763,342	2,105,115
CURRENT ASSETS			
Inventories		1,019	806
Receivables and prepayments	19	148,110	130,786
Amounts due from related parties		33,549	15,738
Deposits, cash and bank balances	20	54,816	173,951
Tax recoverable		1,270	1,711
		238,764	322,992
CURRENT LIABILITIES			
Trade and other payables	21	367,780	254,004
Amounts due to related parties		6,415	5,929
Sales in advance		230,250	195,188
Borrowings	22	556,402	521,045
		1,160,847	976,166
Net Current Liabilities		(922,083)	(653,174)
NON-CURRENT LIABILITIES			
Borrowings	22	1,250,849	871,211
		590,410	580,730
CAPITAL AND RESERVES			
Share capital	24	266,667	266,667
Share premium		215,832	215,832
Hedge reserve		(8,153)	-
Retained earnings		116,191	98,297
Currency translation reserve		(127)	(66)
Shareholders' equity		590,410	580,730

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 2012 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

	Note	
	Period Ended 30/06/2013 RM'000	Audited Period Ended 30/06/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(23,645)	(35,955)
Adjustments:		
Property, plant and equipment		
- Depreciation	58,324	52,779
- Gain on disposal	-	(330)
Interest expense	30,421	26,505
Interest income	(609)	(508)
Fair value gain on derivative financial instruments	1,136	-
Interest income on deposits for leased aircraft	-	(357)
Net unrealised foreign exchange loss/ (gain)	36,243	(927)
	101,870	41,207
Changes in working capital		
Inventories	(213)	262
Receivable, prepayments and other deposits	(37,927)	(36,679)
Amounts due (to)/ from related parties	(11,262)	2,676
Trade and other payables	114,861	60,549
Sales in advance	35,062	(145,554)
Cash generated from/(used in) operations	202,391	(77,539)
Interest paid	(28,496)	(25,586)
Interest received	502	527
Tax paid	(1,042)	(771)
Net cash generated from/(used in) operating activities	173,355	(103,369)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(654,916)	(27,624)
- Proceeds from disposal	-	330
Deposits on aircraft purchase	3,747	(56,064)
Net cash used in investing activities	(651,169)	(83,358)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	549,418	151,756
Repayment of borrowings	(190,917)	(57,256)
Placement of restricted cash	(14,936)	-
Net cash generated from/(used in) financing activities	343,565	94,500
NET DECREASE FOR THE FINANCIAL PERIOD	(134,249)	(92,227)
CURRENCY TRANSLATION DIFFERENCES	178	3,026
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	173,951	113,980
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	20 39,880	24,779

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 2012 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</u> <u>ordinary shares</u> <u>of RM1.00 each</u>		<u>Issued and fully paid</u> <u>ordinary shares</u> <u>of RM0.15 each</u>		<u>Issued and fully paid</u> <u>redeemable convertible</u> <u>preference shares ("RCPS")</u> <u>of RM1.00 each</u>		Cash Flow Hedge Reserve RM'000	Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000	
	Number of shares '000	Nominal Value RM'000	Number of shares '000	Nominal Value RM'000	Number of shares '000	Nominal Value RM'000					Share Premium RM'000
At 1 January 2013	224,000	224,000	-	-	42,667	42,667	215,832	-	(66)	98,297	580,730
Net profit for the period	-	-	-	-	-	-	-	-	-	17,894	17,894
Fair value gains during the year	-	-	-	-	-	-	-	8,366	-	-	8,366
Amount transferred to income statement	-	-	-	-	-	-	-	(16,519)	-	-	(16,519)
Foreign currency translation differences	-	-	-	-	-	-	-	-	(61)	-	(61)
Total comprehensive income	-	-	-	-	-	-	-	(8,153)	(61)	-	(8,214)
Conversion of shares	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-
Subdivision of shares	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-
At 30 June 2013	-	-	1,777,778	266,667	-	-	215,832	(8,153)	(127)	116,191	590,410
At 1 January 2012	224,000	224,000	-	-	42,667	42,667	215,832	-	(65)	20,744	503,178
- as previously reported	-	-	-	-	-	-	-	-	-	43,703	43,703
- effects of restatements	224,000	224,000	-	-	42,667	42,667	215,832	-	(65)	64,447	546,881
- as restated	-	-	-	-	-	-	-	-	-	(29,104)	(29,104)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	6	-	6
At 30 June 2012	224,000	224,000	-	-	42,667	42,667	215,832	-	(59)	35,343	517,783

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 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.



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KEY OPERATING STATISTICS - 30 June 2013

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 30 June	Apr - Jun 2013	Apr - Jun 2012	Changes Y-O-Y
Seat capacity	851,643	707,316	20.4%
Passengers carried	697,112	581,840	19.8%
Load Factor (%)	81.8%	81.9%	-0.1%
RPK (millions)	3,498	3,083	13.5%
ASK (millions)	4,274	3,766	13.5%
Average passenger fare (RM)	508.84	496.48	2.5%
Ancillary revenue per passenger (RM)	141.95	129.16	9.9%
Revenue per ASK (sen)	11.60	10.55	9.9%
Revenue per ASK (USC)	3.78	3.39	11.4%
Cost per ASK (sen)	11.91	11.57	2.9%
Cost per ASK (USC)	3.88	3.72	4.3%
Cost per ASK (sen) - excluding fuel	6.50	5.73	13.4%
Cost per ASK (USC) - excluding fuel	2.12	1.84	15.0%
Aircraft (end of period)	12	9	33.3%
Average sector length (km)	5,019	5,328	-5.8%
Sectors flown	2,259	1,878	20.3%
Fuel consumed (Barrels)	591,468	529,354	11.7%
Average fuel price (USD/ Barrel)	127.19	133.41	-4.7%

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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NOTES TO THE UNAUDITED ACCOUNTS - 30 June 2013

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 2012.

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 2012, except for the adoption of the following MFRS and amendments to MFRS during the financial period:

MFRS 10	Consolidated Financial Statements
MFRS 13	Fair Value Measurement
Revised MFRS 127	Separate Financial Statements
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 7	Financial Instruments: Disclosures
Amendment to MFRS 132	Financial Instruments: Presentation

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 2012.

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 periods, 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-to-date.



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6. Changes in estimates

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

7. Capital and reserves

On 10 May 2013, all of our outstanding RCPS were converted into ordinary shares of RM1.00 each. Subsequently on 13 May 2013, all of our authorised RCPS were cancelled and our issued and fully paid share capital of RM1.00 each were sub-divided into ordinary shares of RM0.15 each.

The conversion, cancellation and subdivision of both authorised and issued and fully paid up share capital are as disclosed in note 23.

8. Dividend paid

No dividends were declared or approved in the quarter ended 30 June 2013.

9. Segment reporting

The reportable operating segments of the Group have been identified as North Asia, Australia, Middle East, West Asia, Europe, India and New Zealand. The Group has completely withdrawn from the Europe, India and New Zealand segments since the quarter ended 30 June 2012.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
North Asia	252,615	193,267	512,562	391,336
Australia	177,311	156,864	411,545	332,056
Middle East ¹	43,951	23,255	71,399	44,678
West Asia ²	17,259	-	30,907	-
Sub-total	491,136	373,386	1,026,413	768,070
Europe	-	14,447	-	93,227
India	-	760	-	32,554
New Zealand	-	16,610	-	48,061
Sub-total	-	31,817	-	173,842
Total	491,136	405,203	1,026,413	941,912

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
EBITDAR/(LBITDAR)³				
North Asia	24,985	20,253	77,745	63,865
Australia	17,453	5,642	70,592	75,518
Middle East ¹	13,674	6,591	26,515	12,980
West Asia ²	5,258	-	8,666	-
Sub-total	61,370	32,486	183,518	152,363
Europe	-	(4,550)	-	(28,119)
India	-	1,310	-	3,542
New Zealand	-	(2,936)	-	(3,554)
Sub-total	-	(6,176)	-	(28,131)
Total	61,370	26,310	183,518	124,232



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	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013	Quarter ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
	RM'000	RM'000	RM'000	RM'000
(Loss Before Tax) ("LBT") / Profit Before Tax ("PBT")				
North Asia	(33,373)	(25,365)	(21,204)	(803)
Australia	(24,858)	(33,655)	(4,439)	26,130
Middle East ¹	(2,000)	5,331	(1,104)	4,197
West Asia ²	1,821	-	3,102	-
Sub-total	(58,410)	(53,689)	(23,645)	29,524
Europe	-	(22,272)	-	(48,208)
India	-	(6,690)	-	(2,677)
New Zealand	-	(10,217)	-	(14,594)
Sub-total	-	(39,179)	-	(65,479)
Total	(58,410)	(92,868)	(23,645)	(35,955)

Notes:

- ¹ Includes the Tehran route which was subsequently terminated on 15 October 2012, of which the contribution to the revenue during the quarter ended 30 June 2012 is immaterial (i.e. less than 5%).
- ² Represents the Nepal route.
- ³ EBITDAR/ (LBITDAR) represents earnings/ (loss) before finance cost, taxation, depreciation, amortisation and aircraft rental expenses.

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013	Quarter ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	298,159	257,559	652,041	640,386
Refund	(232)	(1,362)	(443)	(1,368)
	297,927	256,197	651,598	639,018
Charter flights	17,468	8,875	33,045	11,629
Fuel surcharge	56,561	31,311	106,330	65,779
Freight and cargo	21,317	19,437	41,231	44,077
Ancillary revenue	97,776	74,275	194,031	165,488
Management fee	87	88	178	181
Other revenue	-	15,020	-	15,740
	491,136	405,203	1,026,413	941,912

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 30/06/2013	Quarter ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and allowances	52,823	39,763	93,761	80,276
Defined contribution retirement plan	4,498	3,376	9,187	7,512
	57,321	43,139	102,948	87,788



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12. Other Income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013	Quarter ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	8	15	8	330
Income from insurance	1,178	874	2,260	1,728
Others	3,574	6,123	3,574	6,289
	<u>4,760</u>	<u>7,012</u>	<u>5,842</u>	<u>8,347</u>

Other income ('others') includes incentives received/receivable by the Group from certain airport authorities.

13. Finance income/(costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013	Quarter ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income on deposits with licensed banks	281	142	608	508
Interest income on deposits for leased aircraft	-	357	-	357
	<u>281</u>	<u>499</u>	<u>608</u>	<u>865</u>

Finance costs:

Interest expense on bank borrowings	(16,416)	(13,466)	(29,879)	(25,236)
Bank facilities and other charges	(475)	(1,196)	(541)	(1,269)
	<u>(16,891)</u>	<u>(14,662)</u>	<u>(30,420)</u>	<u>(26,505)</u>

Foreign exchange gain/(loss)

Unrealised foreign exchange (loss)/gain on borrowings	(47,232)	(43,713)	(56,494)	(5,673)
Fair value movement recycled from cash flow hedge reserve	16,519	-	16,519	-
Unrealised foreign exchange gain on deposits and bank balances	520	3,042	239	-
	<u>(30,193)</u>	<u>(40,671)</u>	<u>(39,736)</u>	<u>(5,673)</u>
Realised foreign exchange loss on upliftment of fixed deposits	-	-	(79)	-
Net foreign exchange (losses)/gains	<u>(30,193)</u>	<u>(40,671)</u>	<u>(39,815)</u>	<u>(5,673)</u>



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14. Taxation

Current taxation

The current taxation charge comprises tax payable on interest income.

Deferred taxation

In the 6 months ended 30 June 2013 the Company recognised a net tax allowance of RM41.5 million, as compared to RM6.9 million in the 6 months ended 30 June 2012, 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 periods indicated.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013 RM'000	Quarter ended 30/06/2012 RM'000	Period Ended 30/06/2013 RM'000	Period Ended 30/06/2012 RM'000
LBT	(58,410)	(92,868)	(23,645)	(35,955)
Tax calculated at Malaysian statutory tax rate of 25%	(14,603)	(23,217)	(5,911)	(8,989)
Tax effects:				
- tax incentives	(17,079)	-	(42,871)	
- expenses not deductible for tax purposes	11,623	915	15,252	2,144
- income not subject to tax	(6,048)	7,070	(8,009)	(6)
Taxation	(26,107)	(15,232)	(41,539)	(6,851)

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 30/06/2013 RM'000	As at 31/12/2012 RM'000
	Total retained profit of AirAsia X Berhad and its subsidiaries	
Realised	44,919	59,811
Unrealised	71,272	38,486
	116,191	98,297

16. Property, plant and equipment

(a) Acquisition and disposal

During the quarter ended 30 June 2013, the Group acquired property, plant and equipment amounting to RM654.9 million (quarter ended 30 June 2012: RM27.6 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 30 June 2013 (quarter ended 30 June 2012: RM Nil).

(c) Impairment

There was no impairment of property, plant and equipment for the quarter ended 30 June 2013 (quarter ended 30 June 2012: 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 July 2013 to May 2025. Pre-delivery payments constitute an installment in respect of the price of the aircraft and are deducted from the final price on delivery.



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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. Receivables and prepayments

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Trade receivables	37,265	31,091
Other receivables	26,669	33,935
Prepayment	35,331	24,255
Deposits	48,845	42,394
	<u>148,110</u>	<u>131,675</u>
Less : Impairment of receivables	-	(889)
	<u>148,110</u>	<u>130,786</u>

20. Deposits, cash and bank balances

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

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Cash and bank balances	37,240	113,553
Deposits with licensed bank	17,576	60,398
	<u>54,816</u>	<u>173,951</u>
Less: Restricted cash	(14,936)	-
Cash and cash equivalents	<u>39,880</u>	<u>173,951</u>

21. Trade and other payables

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Trade payables	232,652	170,164
Other payables and accruals	135,128	83,840
	<u>367,780</u>	<u>254,004</u>

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

22. Borrowings

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
<u>Current</u>		
- Revolving credit (unsecured)	357,551	351,705
- Term loans (secured)	160,538	100,027
- Time loan (secured)	32,000	48,000
- Commodity Murabahah Term Financing (unsecured)	6,313	21,313
	<u>556,402</u>	<u>521,045</u>
<u>Non-current</u>		
- Revolving credit (unsecured)	80,710	131,875
- Term loans (secured)	1,170,139	739,336
	<u>1,250,849</u>	<u>871,211</u>
Total borrowings	<u>1,807,251</u>	<u>1,392,256</u>



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The currency profile of borrowings is as follows:

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Ringgit Malaysia ("RM")	278,309	309,309
USD	1,528,942	1,082,947
	<u>1,807,251</u>	<u>1,392,256</u>

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

	As at 30/06/2013 RM'000	As at 30-06-2012 RM'000
At beginning of financial period	1,392,256	1,278,547
Proceeds from borrowings	549,418	160,449
Repayment of borrowings	(190,917)	(65,948)
Unrealised forex loss on borrowings	56,494	8,692
At end of financial period	<u>1,807,251</u>	<u>1,381,740</u>

23. Derivative Financial Instruments

The Group has entered into 2 cross currency interest rate contracts ("CCIRS") to hedge against fluctuations in the foreign exchange currency and interest rates on its 2 newly delivered aircraft during the 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 22).

Under the CCIRS facilities, the Company converted the 2 aircraft loans 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 and RM3.0895 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 of 4.13% and 7.03% per annum for the entire tenor of the 2 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 instruments is classified as level 2 in the fair value hierarchy model.

The Group's level 2 hedging derivatives comprise the 2 abovementioned CCIRS 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 derivative financial assets carry a notional and fair value of RM479million (31.12.12: nil) and RM7.2million (31.12.12: nil) respectively.



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24. Share capital

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
<u>Authorised:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial period/ year	270,000	270,000
Subdivision of shares	(270,000)	-
At the end of the financial period/ year	<u>-</u>	<u>270,000</u>
Ordinary shares of RM0.15 each:		
At beginning of financial period/ year	-	-
Subdivision of shares	270,000	-
Increase during the financial period	230,000	-
At the end of the financial period/ year	<u>500,000</u>	<u>-</u>
RCPS of RM1.00 each:		
At beginning of financial period/ year	50,000	50,000
Cancellation of RCPS	(50,000)	-
At the end of the financial period/ year	<u>-</u>	<u>50,000</u>
Total authorised	<u><u>500,000</u></u>	<u><u>320,000</u></u>
<u>Issued and fully paid up:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial period/ year	224,000	224,000
Conversion of RCPS	42,667	-
Subdivision of shares	(266,667)	-
At the end of the financial period/ year	<u>-</u>	<u>224,000</u>
Ordinary shares of RM0.15 each:		
At beginning of financial period/ year	-	-
Subdivision of shares	266,667	-
At the end of the financial period/ year	<u>266,667</u>	<u>-</u>
RCPS of RM1.00 each:		
At beginning of financial period/ year	42,667	42,667
Conversion of RCPS	(42,667)	-
At the end of the financial period/ year	<u>-</u>	<u>42,667</u>
Total issued and fully paid up	<u><u>266,667</u></u>	<u><u>266,667</u></u>

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



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25. (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 30/06/2013	Quarter Ended 30/06/2012	Period Ended 30/06/2013	Period Ended 30/06/2012
Net (loss)/profit for the individual quarter/ financial period (RM'000)	(32,303)	(77,636)	17,894	(29,104)
Weighted average number of ordinary/preference shares in issue ('000)	266,667	266,667	266,667	266,667
(Loss)/Earnings per share (sen)	(12.1)	(29.1)	6.7	(10.9)

Diluted (loss)/earnings per share

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

26. Post balance sheet events

- (a) On 10 July 2013, the Company's shares were successfully listed on the Main Market of Bursa Securities.
- (b) On 9 July 2013, the Company obtained an ECA loan amounting to USD82.8 million (approximately RM263.9 million) to finance the acquisition of an Airbus A330-300. The repayment of this term loan is on a quarterly basis over 12 years, with equal principal instalments, at an interest rate of LIBOR + 0.8% per annum. In connection with the USD82.8 million financing, the Company had on 10 July 2013 entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of USD82.8 million of this loan ("Swap Facility").

Under the Swap Facility, the Company converted the loan whereby:

- (i) The USD principal repayment of USD82.8 million throughout the entire tenor of 12 years will be paid in RM at an exchange rate of USD1.00 : RM3.1875; and
- (ii) The USD interest of 3 months London Interbank Offered Rate (LIBOR) plus 0.8% will be paid at a RM fixed interest rate of 3.83% per annum for the entire tenor of the loan.
- (c) On 11 July 2013, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD1.4 million (approximately RM4.5 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 in July 2013. This SBLC is secured by a first fixed charged over credit balances of its account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

27. Contingent assets and contingent liabilities

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

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

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Approved and contracted for		
Aircraft purchase	19,996,802	21,243,950
Non-cancellable operating leases	2,468,579	2,464,111
	<u>22,465,381</u>	<u>23,708,061</u>



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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 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)

These following items have been included in the Income Statement:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 30/06/2013 RM'000	Quarter Ended 30/06/2012 RM'000	Quarter Ended 30/06/2013 RM'000	Quarter Ended 30/06/2012 RM'000
AAB				
- Operational service charges	1,368	1,610	3,151	2,775
- Brand license fee charged by AAB	2,463	2,048	5,131	4,727
AACOE				
- Net expense/(chargeback) on training services	1,668	(259)	2,179	(35)
ACC				
- Telecommunication and operational expenses	2,473	2,423	4,665	5,250
IAA				
- Operational services charged to IAA	(87)	(89)	(178)	(181)
TAA				
- Operational services charged to TAA	(164)	(132)	(179)	(132)
Tune Box Sdn Bhd				
- In-flight entertainment system and software expenses	430	-	732	-
JAA				
- Operational services charged to JAA	(275)	-	(590)	-



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30. Review of performance

6 Months Ended 30 June 2013 Compared to 6 Months Ended 30 June 2012

Revenue

During the 6 months ended 30 June 2013, the Group's revenue has increased by 9.0% to RM1,026.4 million from RM941.9 million as compared to the 6 months ended 30 June 2012. RASK has improved by 12.4% from 11.26 sen in the 30 June 2012 to 12.65 sen in 30 June 2013 as a result of the route network consolidation exercise undertaken.

Scheduled flights . Revenue from passenger seat sales on scheduled flights increased by RM11.7 million, or approximately 1.8%, to RM652.0 million for the 6 months ended 30 June 2013 as compared to RM640.4 million for the 6 months ended 30 June 2012. This increase was due primarily to a 7.9% increase in total seat capacity for the 6 months ended 30 June 2013 as compared to the 6 months ended 30 June 2012 as a result of the increase in the number of aircraft from 9 as at 30 June 2012 to 11 as at 30 June 2013. Primarily as a result of the reduction in the average length of the routes from the discontinuation of service to London, Paris and Christchurch, ASKs and RPKs decreased 1.7% and 3.4% respectively from 8.3 billion and 7.0 billion in the 6 months ended 30 June 2012 to 8.2 billion and 6.8 billion respectively in the 6 months ended 30 June 2013. Our passenger load factor decreased from 84.4% in the 6 months ended 30 June 2012 to 83.0% for the 6 months ended 30 June 2013 primarily due to increases in our daily flight frequencies on certain of our mature routes. Average passenger fares increased 1.7% to RM564.06 in the 6 months ended 30 June 2013 as compared to RM554.52 during the 6 months ended 30 June 2012 primarily due to the increased maturity of our route network, especially with respect to our China routes.

Fuel surcharge . Revenue from fuel surcharges increased to RM106.3 million in the 6 months ended 30 June 2013 as compared to RM65.8 million in the 6 months ended 30 June 2012. This increase in fuel surcharge revenue is primarily a result of an increased number of passengers flown from 1.27 million in the 6 months ended 30 June 2012 to 1.34 million in the 6 months ended 30 June 2013.

Ancillary revenue . Ancillary revenue including AirAsia Insure increased to RM196.3 million, or by approximately 17.4%, for the 6 months ended 30 June 2013 as compared to RM167.2 million for the 6 months ended 30 June 2012. This increase was due primarily to revisions to higher take-up rates, especially for Fly-Thru connecting transfer services and the introduction of new ancillary products during the period such as portable power rentals, and Red Carpet Service. Ancillary revenue including AirAsia Insure as a percent of total revenues including AirAsia Insure was approximately 19.1% in the 6 months ended 30 June 2013 as compared to 17.7% during the 6 months ended 30 June 2012. Hence, This has resulted in an 11.2% improvement in ancillary per passenger from RM131.31 to RM146.00 for the 6 months ended 30 June 2013 as compared to the 6 months ended 30 June 2012.

Freight and cargo . For the 6 months ended 30 June 2013, freight and cargo revenue represents 4.0% (6 months ended 30 June 2012: 4.7%) of the total revenue. It has decreased 6.5% to RM41.2 million for the 6 months ended 30 June 2013 as compared to RM44.1 million for the 6 months ended 30 June 2012, reflecting both a 22.8% decrease in available tonne per kilometre (ATK) and 18.0% decrease in freight tonne per kilometre (FTK) in the 6 months ended 30 June 2013. The decrease is offset to a certain extent by an increase in our cargo load factor to 60.1% in the 6 months ended 30 June 2013 as compared to 56.1% in the 6 months ended 30 June 2012.

Charter flights . Revenue from charter flights increased from RM11.6 million for the 6 months ended 30 June 2012 to RM33.0 million for the 6 months ended 30 June 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued London and Paris routes.

Others . Others consists of revenue recognised for scheduled flights on our discontinued routes to London, Paris, Mumbai and Delhi amounting to RM15.7 million during the 6 months ended 30 June 2012, for which such passengers were re-accommodated to flights provided by other airlines. The Company did not have any form of other revenue for the 6 months ended 30 June 2013.



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Operating Expenses

Aircraft fuel expenses . Fuel costs decreased 5.2% to RM457.8 million in the 6 months ended 30 June 2013 from RM483.1 million in the 6 months ended 30 June 2012 due primarily to a 6.4% decrease in fuel consumed in the 6 months ended 30 June 2013 as compared to the 6 months ended 30 June 2012. This decrease in fuel burn from 1,821 gallon/ hour to 1,726 gallon/ hour was due primarily to the reduction in the length of the routes in our route mix resulting from the discontinuation of services to London, Paris, Christchurch, Mumbai and Delhi in 2012. This decrease was partially offset by the approximate 1.6% increase in average fuel price per barrel in the 6 months ended 30 June 2013 as compared to the 6 months ended 30 June 2012.

Staff costs . Staff costs increased 17.3% to RM103.0 million in the 6 months ended 30 June 2013 from RM87.8 million during the 6 months ended 30 June 2012, due mainly to an increase in the number of our employees.

Depreciation of property, plant and equipment . Depreciation of property, plant and equipment increased by 10.5% to RM58.3 million during the 6 months ended 30 June 2013 as compared to RM52.8 million in the 6 months ended 30 June 2012, mainly due to the acquisition of 2 new A330-300 aircraft under finance lease in the 6 months ended 30 June 2013.

Maintenance, overhaul, user charges and other related expenses . Maintenance, overhaul, user charges and other related expenses increased by 5.5% to RM196.0 million in the 6 months ended 30 June 2013 from RM185.7 million in the 6 months ended 30 June 2012. The increase mainly resulted from the increase in maintenance and service costs for the new aircraft delivered and increase in charter flights rendered during the 6 months ended 30 June 2013.

Aircraft operating lease expense . Aircraft operating lease expense increased by 4.1% to RM79.2 million in the 6 months ended 30 June 2013 from RM76.1 million in the 6 months ended 30 June 2012 primarily due to an additional Airbus A330-300 aircraft under operating lease being delivered during the 6 months ended 30 June 2013.

Other operating expenses . Other operating expenses increased 32.6% to RM92.1 million in the 6 months ended 30 June 2013 from RM69.4 million in the 6 months ended 30 June 2012 due primarily to an increase in marketing and promotional expenditures during the 6 months ended 30 June 2013.

Finance Costs

Finance costs increased 14.7% from RM26.5 million in the 6 months ended 30 June 2012 to RM30.4 million in the 6 months ended 30 June 2013 primarily due to new banking facilities secured during the 6 months ended 30 June 2013.

Foreign Exchange Loss on Borrowings

Primarily as a result of the strengthening of the USD against the RM in the 6 months ended 30 June 2013, the Company recognised unrealised foreign exchange losses on borrowings of RM56.3 million, which was offset against favourable fair value movements from cash flow hedges of RM16.5 million, as compared to the unrealised foreign exchange losses of RM5.7 million on our USD-denominated borrowings in the 6 months ended 30 June 2012.

EBITDAR/ EBIT

As a result of growth in revenue and discontinuance from exited routes, the Group's EBITDAR and EBIT has improved by RM59.3 million from 13.2% to 17.9% and RM50.6 million from -0.5% to 4.5% respectively in 6 months ended 30 June 2013 as compared to 30 June 2012. Revenue improved for the 6 months ended 30 June 2013 mainly due to the increase in passengers carried, in line with the increase in total seat capacity from the new aircrafts delivered in 2013.



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LBT

As a result of the factors set forth above, the Group has recorded an improvement on LBT of RM23.6 million in the 6 months ended 30 June 2013 as compared to a LBT of RM36.0 million in the 6 months ended 30 June 2012. The LBT during the 6 months ended 30 June 2013 despite an increase in revenue by 9.0% as compared to 30 June 2012, was primarily due to a RM50.6 million increase in unrealised foreign exchange loss on borrowings between the periods due to unfavourable movements in USD:RM exchange rates.

Taxation

In the 6 months ended 30 June 2013 the Company recognised a net tax allowance of RM41.5 million, as compared to a net tax allowance of RM6.9 million in the 6 months ended 30 June 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

Profit after taxation ("PAT") / Loss after taxation ("LAT")

As a result of the factors set forth above, the Group achieved a PAT of RM17.9 million in the 6 months ended 30 June 2013 as compared to a LAT of RM29.1 million in the 6 months ended 30 June 2012.



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Quarter Ended 30 June 2013 Compared to Quarter Ended 30 June 2012

Revenue

During the quarter ended 30 June 2013, the Group's revenue has increased by 21.2% to RM491.1 million from RM405.2 million as compared to the quarter ended 30 June 2012. RASK has improved by 9.9% from 10.55 sen in the quarter ended 30 June 2012 to 11.60 sen in the quarter ended 30 June 2013 as a result of the route network consolidation exercise undertaken.

Scheduled flights . Revenue from passenger seat sales on scheduled flights increased by RM40.6 million, or approximately 15.8%, to RM298.2 million for the quarter ended 30 June 2013 as compared to RM257.6 million for the quarter ended 30 June 2012. This increase was due primarily to a 20.4% increase in total seat capacity for the quarter ended 30 June 2013 as compared to the quarter ended 30 June 2012 as a result of the increase in the number of aircraft from 9 as at 30 June 2012 to 11 as at 30 June 2013. As a result of increase in the capacity, both ASKs and RPKs increased 13.5% from 3.8 billion and 3.1 billion in the quarter ended 30 June 2012 to 4.3 billion and 3.5 billion respectively in the quarter ended 30 June 2013. Our passenger load factor remained relatively constant at 81.8% in the quarter ended 30 June 2013 as compared to 81.9% for the quarter ended 30 June 2012. Average passenger fares increased 2.5% to RM508.84 in the quarter ended 30 June 2013 as compared to RM496.48 during the quarter ended 30 June 2012 primarily due to the increased maturity of our route network, especially with respect to our China routes.

Fuel surcharge . Revenue from fuel surcharges increased to RM56.6 million in the quarter ended 30 June 2013 as compared to RM31.3 million in the quarter ended 30 June 2012. This increase in fuel surcharge revenue is primarily a result of an increased number of passengers flown from 581,840 in the quarter ended 30 June 2012 to 697,112 in the quarter ended 30 June 2013.

Ancillary revenue . Ancillary revenue including AirAsia Insure increased to RM99.0 million, or by approximately 31.7%, for the quarter ended 30 June 2013 as compared to RM75.1 million for the quarter ended 30 June 2012. This increase was due primarily to revisions higher take-up rates, especially for Fly-Thru connecting transfer services and the introduction of new ancillary products during the period such as portable power rentals, and Red Carpet Service. Ancillary revenue including AirAsia Insure as a percent of total revenue including AirAsia Insure was approximately 20.1% in the quarter ended 30 June 2013 as compared to 18.5% during the quarter ended 30 June 2012. This has resulted in a 9.3% improvement in ancillary per passenger from RM129.16 to RM141.95 for the quarter ended 30 June 2013 as compared to the quarter ended 30 June 2012.

Freight and cargo . During the quarter ended 30 June 2013, freight and cargo revenue represents 4.3% (quarter ended 30 June 2012: 4.8%) of the total revenue. It has increased 9.7% to RM21.3 million for the quarter ended 30 June 2013 as compared to RM19.4 million for the quarter ended 30 June 2012, reflecting an increase of 12.0% in freight tonne per kilometre (FTK) in the quarter ended 30 June 2013. Despite the decrease in available tonne per kilometre (ATK) by 3.4%, our cargo load factor increased to 60.9% in the quarter ended 30 June 2013 as compared to 52.5% in the quarter ended 30 June 2012.

Charter flights . Revenue from charter flights increased from RM8.9 million for the quarter ended 30 June 2012 to RM17.5 million for the quarter ended 30 June 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued London and Paris routes.

Others . Others consists of revenue recognised for scheduled flights on our discontinued route to London, Paris, Mumbai and Delhi amounting to RM15.0 million during the quarter ended 30 June 2012, for which such passengers were re-accommodated to flights provided by other airlines. The Company did not have any form of other revenue for the quarter ended 30 June 2013.



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Aircraft fuel expenses . Fuel costs increased 5.1% to RM231.1 million in the quarter ended 30 June 2013 from RM220.0 million in the quarter ended 30 June 2012 due primarily to an 11.7% increase in fuel consumed in the quarter ended 30 June 2013 as compared to the quarter ended 30 June 2012. This increase in fuel consumption was primarily due to an increase in our existing routes' flight frequencies. This was however partially offset by the approximate 4.7% decrease in average fuel price per barrel in the quarter ended 30 June 2013 as compared to the quarter ended 30 June 2012. However, fuel burn has decreased from 1,779 gallon/ hour in the quarter ended 30 June 2013 to 1,722 gallon/ hour as compared to 30 June 2012.

Staff costs . Staff costs increased 32.9% to RM57.3 million in the quarter ended 30 June 2013 from RM43.1 million during the quarter ended 30 June 2012, due mainly to an increase in the number of our employees.

Depreciation of property, plant and equipment . Depreciation of property, plant and equipment increased by 20.4% to RM31.5 million during the quarter ended 30 June 2013 as compared to RM26.2 million in the quarter ended 30 June 2012, mainly due to the acquisition of 2 new A330-300 aircraft under finance lease in the quarter ended 30 June 2013.

Maintenance, overhaul, user charges and other related expenses . Maintenance, overhaul, user charges and other related expenses increased by 9.0% to RM101.5 million in the quarter ended 30 June 2013 from RM93.2 million in the quarter ended 30 June 2012. The increase mainly resulted from the increase in maintenance and service costs for the new aircraft delivered and increase in charter flights rendered during the 6 months ended 30 June 2013.

Aircraft operating lease expense . Aircraft operating lease expense increased 8.6% to RM41.4 million in the quarter ended 30 June 2013 from RM38.1 million in the quarter ended 30 June 2012 primarily due to an additional Airbus A330-300 aircraft under operating lease being delivered during the quarter ended 30 June 2013.

Other operating expenses . Other operating expenses increased 50.3% to RM44.6 million in the quarter ended 30 June 2013 from RM29.7 million in the quarter ended 30 June 2012 due primarily to an increase in marketing and promotional expenditures during the quarter ended 30 June 2013.

Finance Costs

Finance costs decreased 15.0% from RM14.7 million in the quarter ended 30 June 2012 to RM16.9 million in the quarter ended 30 June 2013 primarily due to new banking facilities secured during the quarter ended 30 June 2013.

Foreign Exchange Loss on Borrowings

As a result of the strengthening of the USD against the RM in the quarter ended 30 June 2013, the Company recognised unrealised foreign exchange losses on borrowings of RM46.7 million, which was offset against favourable fair value movements from cash flow hedges of RM16.5 million, as compared to unrealised foreign exchange losses of RM40.7 million on our USD-denominated borrowings in the quarter ended 30 June 2012.

EBITDAR/ EBIT

As a result of growth in revenue and discontinuance from exited routes, the Group's EBITDAR and EBIT has improved by RM35.1 million from 6.5% to 12.5% and RM26.4 million from -9.4% to -2.4% respectively in the quarter ended 30 June 2013 as compared to the quarter ended 30 June 2012. Revenue improved for the quarter ended 30 June 2013 mainly due to the increase in passengers carried, in line with the increase in total seat capacity from the new aircrafts delivered in 2013.

LBT

As a result of the factors set forth above, the Group has recorded an improvement on LBT of RM58.4 million in the quarter ended 30 June 2013 as compared to a LBT of RM92.9 million in the quarter ended 30 June 2012. The reduced LBT in the quarter ended 30 June 2013 primarily resulted from the increase in revenue by 21.2% which at the same time was offset by the increase in operating cost of 13.4%.



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Taxation

In the quarter ended 30 June 2013 the Company recognised a net tax allowance of RM26.1 million, as compared to a net tax allowance of RM15.2 million in the quarter ended 30 June 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

PAT/ (LAT)

As a result of the factors set forth above, the Group recognised a LAT of RM32.3 million in the quarter ended 30 June 2013 as compared to a LAT of RM77.6 million in the quarter ended 30 June 2012.

31. (LBT)/ PBT performance (Quarter Ended 30 June 2013 Compared to Quarter Ended 31 March 2013)

There was a LBT in the quarter ended 30 June 2013 of RM58.4 million as compared to the PBT of RM34.8 million in the previous quarter ended 31 March 2013. This was primarily due to unrealised foreign exchange losses incurred on our USD-denominated borrowings of RM39.8 million during the quarter ended 30 June 2013 as compared to unrealised foreign exchange gains of RM9.6 million in the previous quarter ended 31 March 2013, paired with the seasonally lower demand for air travel in the 2nd quarter of the year following the peak season in the previous quarter.

32. Other profit and loss items

In the current quarter and financial period to date, there is no provision for and write off of inventories; gain or loss on disposal of quoted or unquoted investments or properties; and material exceptional items.



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33. 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 Ringgit, the Company expects its prospects to remain positive.

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

On 10 July 2013, the Company's shares were successfully listed on the Main Market of Bursa Securities. There is no corporate proposal which is announced but not completed as at 13 August 2013, being the latest practicable date of this report.

36. Material litigation

As at 30 June 2013, 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 2013.

38. Utilisation of proceeds

The status of the utilisation of listing proceeds of RM740.7 million raised from the Public Issue as at 13 August 2013 is as follows:-

	Proposed utilisation	Actual utilisation as at 13 August 2013	Balance at 13 August 2013	Intended timeframe for utilisation from date of listing
	RM'mil	RM'mil	RM'mil	
Capital expenditure	280.0	(41.1)	238.9	Within 24 months
Repayment of bank borrowings	285.8	(232.0)	53.8	Within 3 months
General Working Capital	136.9	(64.4)	72.5	Within 12 months
Estimated listing expenses	38.0	(13.9)	24.1	Within 6 months
Total	740.7	(351.4)	389.3	