



AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 December 2013

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

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 fourth quarter ended 31 December 2013.

		INDIVIDUAL QUARTER		CUMULATIVE		
		Quarter ended	Quarter ended	Year Ended	Year Ended	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	
Note		RM'000	RM'000	RM'000	RM'000	
	Revenue	679,586	538,961	2,307,490	1,967,427	
	Operating Expenses:					
	- Staff costs	(73,591)	(48,449)	(234,406)	(180,498)	
	- Depreciation of property, plant and equipment	(39,964)	(27,778)	(138,959)	(107,097)	
	- Aircraft fuel expenses	(349,066)	(228,941)	(1,097,919)	(925,294)	
	- Maintenance, overhaul, user charges and other related expenses	(120,787)	(91,045)	(432,141)	(381,545)	
	- Aircraft operating lease expenses	(68,142)	(37,788)	(186,663)	(152,408)	
	- Other operating expenses	(70,580)	(64,723)	(207,189)	(178,598)	
	Total operating expenses	(722,130)	(498,724)	(2,297,277)	(1,925,440)	
	Other gain	5,541	-	5,541	-	
	Other income	2,225	(87)	20,401	6,981	
	Share of results of an associate	(502)	-	(502)	-	
	Operating (loss)/ profit	(35,280)	40,150	35,653	48,968	
	Finance income	419	870	2,913	1,876	
	Finance cost	(23,153)	(17,314)	(75,372)	(56,438)	
	Foreign exchange (loss)/gain	(112,374)	1,223	(176,171)	43,599	
	(Loss)/ Profit before taxation	(170,388)	24,929	(212,977)	38,005	
	Taxation					
	Current taxation	151	1,243	(983)	900	
	Deferred taxation	38,905	(12,076)	126,964	(5,055)	
		39,056	(10,833)	125,981	(4,155)	
	(Loss)/ profit after taxation	(131,332)	14,096	(86,996)	33,850	
	Attributable to:					
	Equity holders of the Company	(131,332)	14,096	(86,996)	33,850	
	Non-controlling Interest	-	-	-	-	
		(131,332)	14,096	(86,996)	33,850	
	Basic (loss)/ earnings per share attributable to ordinary equity holders of the Company (sen)	29	(5.5)	5.3	(6.6)	12.7
	Diluted (loss)/ earnings per share attributable to ordinary equity holders of the Company (sen)	29	(5.5)	5.3	(6.6)	12.7

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.



AIRASIA X BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year Ended	Year Ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Note	RM'000	RM'000	RM'000	RM'000
(Loss)/ profit for the year	(131,332)	14,096	(86,996)	33,850
Other comprehensive income				
Cash flow hedges	28,679	-	20,526	-
Foreign currency translation differences	(30)	(18)	(13)	(1)
Total comprehensive (loss)/ income for the year	(102,683)	14,078	(66,483)	33,849
Total comprehensive (loss)/ income attributable to				
Equity holder of the company	(102,683)	14,078	(66,483)	33,849
Non-controlling interest	-	-	-	-
Total comprehensive (loss)/ income for the year	(102,683)	14,078	(66,483)	33,849

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	31/12/2013 RM'000	31/12/2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	2,256,812	1,325,822
Deferred tax assets	17	361,803	234,840
Deposits on aircraft purchases	20	638,283	418,395
Other deposits	21	150,888	126,058
Investment in associate	22	19,516	-
Derivative financial instruments	27	65,929	-
		3,493,231	2,105,115
CURRENT ASSETS			
Inventories		1,640	806
Receivables and prepayments	23	216,450	130,786
Amounts due from related parties		17,755	15,738
Deposits, cash and bank balances	24	264,697	173,951
Tax recoverable		559	1,711
		501,101	322,992
CURRENT LIABILITIES			
Trade and other payables	25	341,492	254,004
Amounts due to related parties		1,916	5,929
Sales in advance		417,247	195,188
Borrowings	26	485,880	521,045
		1,246,535	976,166
Net Current Liabilities		(745,434)	(653,174)
NON-CURRENT LIABILITIES			
Borrowings	26	1,510,373	871,211
		1,237,424	580,730
CAPITAL AND RESERVES			
Share capital	28	355,556	266,667
Share premium		849,598	215,832
Hedge reserve		20,526	-
Capital reserve		522	-
Retained earnings		11,301	98,297
Currency translation reserve		(79)	(66)
Shareholders' equity		1,237,424	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

	Year Ended 31/12/2013 RM'000	Year Ended 31/12/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(212,977)	38,005
Adjustments:		
Property, plant and equipment		
- Depreciation	138,960	107,097
- Gain on disposal	(53)	(1,148)
- Write off	-	23
Interest expense	75,372	56,438
Interest income	(2,913)	(1,064)
Impairment on receivables	551	1,545
Fair value gain on derivative financial instruments	(4,474)	-
Fair value on ESOS granted	522	-
Fair value on shareholders' benefits scheme	8,536	-
Interest income on deposits for leased aircraft	-	(812)
Share of results of an associate	502	-
Net unrealised foreign exchange loss/ (gain)	62,479	(38,812)
	66,505	161,272
Changes in working capital		
Inventories	(834)	85
Receivable, prepayments and other deposits	(96,044)	(15,520)
Related parties balances	(5,928)	1,532
Trade and other payables	75,109	93,579
Sales in advance	222,060	(221,899)
Cash generated from operations	260,868	19,049
Interest paid	(73,162)	(56,170)
Interest received	3,003	957
Tax recovered	1,716	-
Tax paid	(1,267)	(1,032)
Net cash generated from/(used in) operating activities	191,158	(37,196)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(1,069,949)	(37,289)
- Proceeds from disposal	53	26,996
Deposits on aircraft purchase	(218,542)	(49,700)
Investment in an associate company	(20,018)	-
Net cash used in investing activities	(1,308,456)	(59,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from allotment of shares	722,655	-
Proceeds from borrowings	1,097,310	355,313
Repayment of borrowings	(612,941)	(201,062)
Placement of restricted cash	(50,887)	-
Net cash generated from financing activities	1,156,137	154,251
NET INCREASE FOR THE FINANCIAL YEAR	38,839	57,062
CURRENCY TRANSLATION DIFFERENCES	1,020	2,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	173,951	113,980
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	213,810	173,951

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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 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 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>						
At 1 January 2013	224,000	224,000	-	-	42,667	42,667	215,832	-	(66)	98,297	580,730	
Net loss for the year	-	-	-	-	-	-	-	-	-	(86,996)	(86,996)	
Fair value loss during the year	-	-	-	-	-	-	(37,014)	-	-	-	(37,014)	
Amount transferred to income statement	-	-	-	-	-	-	57,540	-	-	-	57,540	
Foreign currency translation differences	-	-	-	-	-	-	-	-	(13)	-	(13)	
Total comprehensive income	-	-	-	-	-	-	20,526	-	(13)	-	20,513	
Conversion of shares	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-	
Subdivision of shares	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-	
Issuance of ordinary shares	-	-	592,592	88,889	-	-	651,851	-	-	-	740,740	
Share issuance expenses	-	-	-	-	-	-	(18,085)	-	-	-	(18,085)	
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	-	-	522	-	-	522	
At 31 December 2013	-	-	2,370,370	355,556	-	-	849,598	20,526	522	(79)	11,301	1,237,424
At 1 January 2012												
- as previously reported	224,000	224,000	-	-	42,667	42,667	215,832	-	(65)	20,744	503,178	
- effects of restatements	-	-	-	-	-	-	-	-	-	43,703	43,703	
- as restated	224,000	224,000	-	-	42,667	42,667	215,832	-	(65)	64,447	546,881	
Net profit for the financial year	-	-	-	-	-	-	-	-	-	33,850	33,850	
Other comprehensive loss	-	-	-	-	-	-	-	-	(1)	-	(1)	
At 31 December 2012	224,000	224,000	-	-	42,667	42,667	215,832	-	(66)	98,297	580,730	

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 - 31 December 2013

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 31 December	Oct - Dec 2013	Oct - Dec 2012	Changes Y-O-Y
Seat capacity	1,209,416	802,256	50.8%
Passengers carried	973,285	670,026	45.3%
Load Factor (%)	80.9%	83.0%	-2.6%
RPK (millions)	4,862	3,349	45.2%
ASK (millions)	6,012	4,034	49.0%
Average passenger fare (RM)	492.32	582.27	-15.4%
Ancillary revenue per passenger (RM)	143.28	166.41	-13.9%
Revenue per ASK (sen)	11.34	13.37	-15.2%
Revenue per ASK (USc)	3.53	4.37	-19.2%
Cost per ASK (sen)	12.06	12.29	-1.8%
Cost per ASK (USc)	3.76	4.02	-6.5%
Cost per ASK (sen) - excluding fuel	6.26	6.61	-5.4%
Cost per ASK (USc) - excluding fuel	1.95	2.16	-9.9%
Aircraft (end of period)	16	9	77.8%
Average sector length (km)	4,971	5,029	-1.1%
Sectors flown	3,208	2,128	50.8%
Fuel consumed (Barrels)	830,442	555,378	49.5%
Average fuel price (USD/ Barrel)	130.95	134.84	-2.9%

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 - 31 December 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 year:

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 year.

6. Changes in estimates

There were no changes in estimates that have had material effects on the current quarter and financial year results.



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NOTES TO THE UNAUDITED ACCOUNTS - 31 December 2013

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 28.

8. Dividend paid

No dividends were declared or approved in the quarter ended 31 December 2013.

9. Segment reporting

The reportable operating segments of the Group have been identified as North Asia, Australia, Europe, India, New Zealand and Others.

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	Year Ended	Year Ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
North Asia	321,558	254,633	1,147,272	877,858
Australia	278,458	243,790	903,473	756,399
Others ¹	79,570	44,195	256,745	153,146
Sub-total	679,586	542,618	2,307,490	1,787,403
Europe	-	530	-	103,322
India	-	(4,170)	-	28,576
New Zealand	-	(17)	-	48,126
Sub-total	-	(3,657)	-	180,024
Total	679,586	538,961	2,307,490	1,967,427

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year Ended	Year Ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
EBITDAR/(LBITDAR) ²				
North Asia	53,134	42,646	190,209	145,727
Australia	17,152	44,413	102,194	137,105
Others ¹	2,540	24,076	68,872	63,810
Sub-total	72,826	111,135	361,275	346,642
Europe	-	(1,441)	-	(34,661)
India	-	(4,170)	-	165
New Zealand	-	192	-	(3,673)
Sub-total	-	(5,419)	-	(38,169)
Total	72,826	105,716	361,275	308,473



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	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
(Loss Before Tax) ("LBT") / Profit Before Tax ("PBT")				
North Asia	(58,301)	7,037	(80,238)	32,888
Australia	(82,123)	13,431	(117,047)	46,238
Others ¹	(29,964)	18,787	(15,692)	41,839
Sub-total	(170,388)	39,255	(212,977)	120,965
Europe	-	(9,763)	-	(65,882)
India	-	(4,373)	-	(4,363)
New Zealand	-	(190)	-	(12,715)
Sub-total	-	(14,326)	-	(82,960)
Total	(170,388)	24,929	(212,977)	38,005

Notes:

¹ Includes the Tehran route which was subsequently terminated on 15 October 2012, of which the contribution to the revenue is immaterial (i.e. less than 5%).

² EBITDAR/ (LBITDAR) represents earnings/ (loss) before finance cost, taxation, depreciation, amortisation and aircraft rental expenses.

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	401,005	344,410	1,406,447	1,283,577
Refund	(836)	(156)	(1,796)	(1,799)
	400,169	344,254	1,404,651	1,281,778
Charter flights	38,134	21,778	107,001	67,848
Fuel surcharge	78,161	45,729	253,839	148,226
Freight and cargo	25,811	16,003	90,018	79,267
Ancillary revenue	137,226	110,523	451,634	363,934
Management fee	85	90	347	364
Other revenue	-	584	-	26,010
	679,586	538,961	2,307,490	1,967,427

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 31/12/2013	Quarter ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and allowances	68,521	44,777	215,589	165,928
Defined contribution retirement plan	4,757	3,672	18,295	14,570
ESOS	313	-	522	-
	73,591	48,449	234,406	180,498



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NOTES TO THE UNAUDITED ACCOUNTS - 31 December 2013

12. Other operating expenses

Other operating expenses mainly consist of advertising expenses, unrealised foreign exchange gains on operation, fees and other costs that attributable to the course of business. Included also in other operating expenses are an upfront recognition of a non-recurring, non-cash expense of RM8.5 million for shareholders' inaugural benefit as well as RM17.8 million of IPO related expenses in the current financial year ended 31 December 2013.

13. Other gain

Other gain in the current quarter and financial year represents fuel contracts held for trading.

14. Other income

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on disposal of property, plant and equipment	-	(1,274)	53	1,148
Income from insurance	2,225	974	5,841	3,492
Others	-	213	14,507	2,341
	<u>2,225</u>	<u>(87)</u>	<u>20,401</u>	<u>6,981</u>

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

15. Finance income/(costs)

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income on deposits with licensed banks	419	416	2,913	1,064
Interest income on deposits for leased aircraft	-	454	-	812
	<u>419</u>	<u>870</u>	<u>2,913</u>	<u>1,876</u>
Finance costs:				
Interest expense on bank borrowings	(20,655)	(16,930)	(72,331)	(54,614)
Bank facilities and other charges	(2,498)	(384)	(3,041)	(1,824)
	<u>(23,153)</u>	<u>(17,314)</u>	<u>(75,372)</u>	<u>(56,438)</u>

16. Foreign exchange (loss)/gain

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter ended 31/12/2012	22-12-1907 31/12/2013	22-12-1907 31/12/2012
	RM'000	RM'000	RM'000	RM'000
Unrealised foreign exchange (loss)/gain on borrowings	(19,895)	1,141	(119,629)	40,542
Fair value movement recycled from cash flow hedge reserve	6,175	-	40,929	-
Unrealised foreign exchange (loss)/gain on deposits and bank balances	(909)	82	1,034	2,909
	<u>(14,629)</u>	<u>1,223</u>	<u>(77,666)</u>	<u>43,451</u>
Realised foreign exchange (loss)/gain	(97,745)	-	(98,505)	148
Net foreign exchange (losses)/gains	<u>(112,374)</u>	<u>1,223</u>	<u>(176,171)</u>	<u>43,599</u>



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17. Taxation

Current taxation

The current taxation charge comprises tax payable on interest income.

Deferred taxation

During the financial year ended 31 December 2013 the Company recognised a net tax allowance of RM126.0 million, as compared to RM4.2 million in the financial year ended 31 December 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 financial years indicated.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013 RM'000	Quarter ended 31/12/2012 RM'000	Year Ended 31/12/2013 RM'000	Year Ended 31/12/2012 RM'000
(LBT)/PBT	(170,388)	24,929	(212,977)	38,005
Tax calculated at Malaysian statutory tax rate of 25%	(42,597)	6,232	(53,244)	9,501
Tax effects:				
- Over accrual in prior year	-	(1,219)	-	(1,219)
- tax incentives	(27,936)	-	(111,744)	-
- expenses not deductible for tax purposes	8,337	1,998	28,405	5,492
- income not subject to tax	12,525	3,822	(13)	(9,619)
- change in tax rate	10,615	-	10,615	-
Taxation	(39,056)	10,833	(125,981)	4,155

18. 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 31/12/2013 RM'000	As at 31/12/2012 RM'000
Total retained (loss)/ profit of AirAsia X Berhad and its subsidiaries		
Realised	(28,624)	59,811
Unrealised	39,925	38,486
	11,301	98,297

19. Property, plant and equipment

(a) Acquisition and disposal

During the year ended 31 December 2013, the Group acquired property, plant and equipment amounting to RM1,069.9 million (year ended 31 December 2012: RM37.3 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 December 2013 (quarter ended 31 December 2012: RM Nil).

(c) Impairment

There was no impairment of property, plant and equipment for the quarter ended 31 December 2013 (quarter ended 31 December 2012: RM Nil).



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20. 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 Jan 2014 and 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.

21. 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.

22. Investment in associate

The investment in associate represents the unquoted investment, at cost.

The details of the associate is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		31/12/2013 %	31/12/2012 %	
Thai Airasia X Co., Ltd ("TAAX")	Thailand	49%	-	Commercial air transport services

On 18 September 2013, the Company entered into a shareholders' agreement with Mr. Tassapon Bijleveld and Mr. Julpas Kruesopon for the purpose of establishing a joint venture co-operation to set up a long-haul low cost airline in Thailand which will operate through a Thailand incorporated entity, Thai AAX Co., Ltd.

The Group's share of results of an associate which has been equity accounted for amounted to RM0.5 million.

The Group's share of assets and liabilities of the associate is as follows:-

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Non-current assets	755	-
Current assets	19,391	-
Current liabilities	(630)	-
Share of net assets of an associate	<u>19,516</u>	<u>-</u>

23. Receivables and prepayments

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Trade receivables	43,038	31,091
Other receivables	51,615	33,935
Prepayment	44,326	24,255
Deposits	78,913	42,394
	<u>217,892</u>	<u>131,675</u>
Less : Impairment of receivables	(1,442)	(889)
	<u>216,450</u>	<u>130,786</u>



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24. Deposits, cash and bank balances

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

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Cash and bank balances	213,810	113,553
Deposits with licensed bank	50,887	60,398
	<u>264,697</u>	<u>173,951</u>
Less: Restricted cash	(50,887)	-
Cash and cash equivalents	<u>213,810</u>	<u>173,951</u>

25. Trade and other payables

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Trade payables	158,205	170,164
Other payables and accruals	183,287	83,840
	<u>341,492</u>	<u>254,004</u>

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

26. Borrowings

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
<u>Current</u>		
- Revolving credit (unsecured)	261,184	351,705
- Term loans (secured)	224,675	100,027
- Time loan (secured)	-	48,000
- Commodity Murabahah Term Financing (unsecured)	-	21,313
- Hire purchase (unsecured)	21	-
	<u>485,880</u>	<u>521,045</u>
<u>Non-current</u>		
- Revolving credit (unsecured)	139,686	131,875
- Term loans (secured)	1,370,626	739,336
- Hire purchase (unsecured)	61	-
	<u>1,510,373</u>	<u>871,211</u>
Total borrowings	<u>1,996,253</u>	<u>1,392,256</u>

The currency profile of borrowings is as follows:

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Ringgit Malaysia	40,082	309,309
US Dollar	1,956,171	1,082,947
	<u>1,996,253</u>	<u>1,392,256</u>

The movement of the borrowings during the financial year are as follows:-

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
At beginning of financial year	1,392,255	1,278,546
Proceeds from borrowings	1,097,310	355,313
Repayment of borrowings	(612,941)	(201,062)
Unrealised forex loss/ (gain) on borrowings	119,629	(40,542)
At end of financial year	<u>1,996,253</u>	<u>1,392,255</u>



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27. Derivative Financial Instruments

The Group has entered into 3 cross currency interest rate contracts ("CCIRS") to hedge against fluctuation in the foreign exchange currency and interest rates on its 3 newly delivered aircrafts during the financial year 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 26).

Under the CCIRS facilities, the Company converted the 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, 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 3.83% and 7.03% per annum for the entire tenor of the 3 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 3 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 RM700.2million (31.12.12: nil) and RM60.4million (31.12.12: nil) respectively.



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28. Share capital

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
<u>Authorised:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial year	270,000	270,000
Subdivision of shares	(270,000)	-
At the end of the financial year	-	270,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Subdivision of shares	270,000	-
Increase during the financial year	230,000	-
At the end of the financial year	500,000	-
RCPS of RM1.00 each:		
At beginning of financial year	50,000	50,000
Cancellation of RCPS	(50,000)	-
At the end of the financial year	-	50,000
Total authorised	500,000	320,000
<u>Issued and fully paid up:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial year	224,000	224,000
Conversion of RCPS	42,667	-
Subdivision of shares	(266,667)	-
At the end of the financial year	-	224,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Subdivision of shares	266,667	-
Issuance of shares	88,889	-
At the end of the financial year	355,556	-
RCPS of RM1.00 each:		
At beginning of financial year	42,667	42,667
Conversion of RCPS	(42,667)	-
At the end of the financial year	-	42,667
Total issued and fully paid up	355,556	266,667

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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29. (Loss)/ Earnings per share

Basic (loss)/ earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013	Quarter Ended 31/12/2012	Year Ended 31/12/2013	Year Ended 31/12/2012
Net (loss)/ profit for the individual quarter/ financial year (RM'000)	(131,332)	14,096	(86,996)	33,850
Weighted average number of ordinary/preference shares in issue ('000)	2,370,370	266,667	1,318,519	266,667
(Losses)/ Earnings per share (sen)	(5.5)	5.3	(6.6)	12.7

Diluted earnings per share

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

30. Post balance sheet events

(a) On 7 January 2014, the Company obtained a term loan amounting to USD72.5 million (approximately RM237.7 million) to finance the acquisition of an Airbus A330-300 which was delivered on 9 January 2014. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at an interest rate of LIBOR + 0.2421%. In connection with the USD72.5 million financing, the Company had on 2 January 2014 entered into an interest rate swap with a financial institution in respect of the interest repayment of this loan ("SWAP Facility").

Under the Swap Facility, the Company converted the USD interest of 3 months London Interbank Offered Rate (LIBOR) plus 0.2421% will be paid at a RM fixed interest rate of 2.36% per annum for the entire tenor of the loan.

(b) On 6 January 2014, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD4.0 million (approximately RM13.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 in January 2014. 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.

(c) 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").

IAAX was incorporated on 22 May 2013 as a limited liability company under the laws of Republic of Indonesia with authorised capital of Rp680,484,141,540 divided into 69,686,036 shares of Rp9,765 each and issued and paid-up capital of Rp292,950,000,000 divided into 30,000,000 shares of Rp9,765 each, with PTKAP holding fifty one per centum (51%) and AAX holding forty nine per centum (49%).

(d) As announced on 4 February 2014, Thai AirAsia X Co., Ltd joint venture ("TAAX") has officially received the approval from the Department of Civil Aviation of Thailand for the Air Operator's Certificate ("AOC") on 3 February 2014. With this AOC, TAAX will now commence application for operating permits and slots to its intended international routes. TAAX will also lease two Airbus 330-300 from a subsidiary of the Company in its first year of operations.

31. Contingent assets and contingent liabilities

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



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

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Approved and contracted for		
Aircraft purchase	39,519,038	21,243,950
Non-cancellable operating leases	2,583,661	2,464,111
	42,102,699	23,708,061

33. 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)
Thai AirAsia X Co., Ltd ("TAAX")	Associate
Airasia X Services Pty Ltd	Subsidiary

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013 RM'000	Quarter Ended 31/12/2012 RM'000	Year Ended 31/12/2013 RM'000	Year Ended 31/12/2012 RM'000
AAB				
- Operational service charges	2,282	1,361	7,056	5,461
- Brand license fee charged by AAB	432	609	8,530	7,749
- Provision of carried passenger services	(5,293)	(5,293)	(8,827)	(8,827)
AACOE				
- Net expense on training services	2,654	1,759	6,680	2,778
ACC				
- Telecommunication and operational expenses	2,525	2,270	9,167	11,189
IAA				
- Operational services charged to IAA	(85)	(90)	(347)	(364)
TAA				
- Operational services charged to TAA	(45)	-	(290)	(132)
Tune Box Sdn Bhd				
- In-flight entertainment system and software expenses	553	556	1,653	2,336
JAA				
- Operational services charged to JAA	(215)	(172)	(1,022)	(316)
TIMB				
- Receipt of commission income of 25% on all insurance premiums received by TIMB	(599)	(623)	(1,833)	(623)
- Payment of insurance premiums collected on TIMB's behalf	2,398	2,491	7,333	2,491
CJG				
- Annual payment in respect of chartered air travel services for members of the Board and key management	-	-	4,790	-



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	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/12/2013 RM'000	Quarter Ended 31/12/2012 RM'000	00-01-1900 31/12/2013 RM'000	00-01-1900 31/12/2012 RM'000
TAAX				
- Payment on behalf of TAAX set up costs	1,353	-	1,353	-
Airasia X Services Pty Ltd				
- Management fee paid/ payable	1,641	1,321	3,198	2,213

34. Review of performance

12 Months Ended 31 December 2013 Compared to 12 Months Ended 31 December 2012

Revenue

During the 12 months ended 31 December 2013, the Group's revenue has increased by 17.3% to RM2,307.5 million from RM1,967.4 million as compared to the 12 months ended 31 December 2012. RASK has improved by 0.5% from 12.00 sen in the 31 December 2012 to 12.05 sen in 31 December 2013 as a result of the route network consolidation exercise undertaken.

Scheduled flights. Revenue from passenger seat sales on scheduled flights increased by RM122.9 million, or approximately 9.6%, to RM1,406.5 million for the 12 months ended 31 December 2013 as compared to RM1,283.6 million for the 12 months ended 31 December 2012. This increase was due primarily to an improvement on ASKs and RPKs by 19.0% and 16.6% respectively from 16.2 billion and 13.6 billion in the 12 months ended 31 December 2012 to 19.3 billion and 15.9 billion respectively in the 12 months ended 31 December 2013. Our passenger load factor decreased from 83.8% in the 12 months ended 31 December 2012 to 82.1% for the 12 months ended 31 December 2013 primarily due to increases in our daily flight frequencies on certain of our mature routes. Average passenger fares decreased 5.3% to RM525.16 in the 12 months ended 31 December 2013 as compared to RM554.76 during the 12 months ended 31 December 2012 primarily due to the discontinuance of our longer stage length routes in UK and Paris which had higher average base fare as compared to other routes and promotional fares on our newly launched routes which include Busan, Shanghai, Adelaide during the 12 months ended 31 December 2013.

Charter flights. Charter flights revenue increased from RM67.8 million for the 12 months ended 31 December 2012 to RM107.0 million for the 12 months ended 31 December 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued Europe routes and new contracts that were secured during the financial year ended 31 December 2013.

Fuel surcharge. Revenue from fuel surcharges increased to RM253.8 million in the 12 months ended 31 December 2013 as compared to RM148.2 million in the 12 months ended 31 December 2012. This increase in fuel surcharge revenue is primarily a result of an increased number of passengers flown from 2.6 million in the 12 months ended 31 December 2012 to 3.2 million in the 12 months ended 31 December 2013.

Freight and cargo. Revenue from freight and cargo has increased 13.6% to RM90.0 million for the 12 months ended 31 December 2013 as compared to RM79.3 million for the 12 months ended 31 December 2012. Despite the decrease in both available tonne per kilometre (ATK) and freight tonne per kilometre (FTK) by 4.6% and 9.1% respectively in the 12 months ended 31 December 2013, revenue per FTK has increased to 0.62 sen in the 12 months ended 31 December 2013 as compared to 0.50 sen in the 12 months ended 31 December 2012.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM457.5 million, or by approximately 24.5%, for the 12 months ended 31 December 2013 as compared to RM367.4 million for the 12 months ended 31 December 2012. This increase was due primarily to price revisions and higher take-up rates, especially for Fly-Thru connecting transfer services and the introduction of new ancillary products during the year such as portable power rentals, Red Carpet Service and Blanket Rental. This has resulted in an 1.65% improvement in ancillary revenue per passenger from RM142.36 to RM144.70 for the 12 months ended 31 December 2013 as compared to the 12 months ended 31 December 2012.

Others. Others consists of revenue recognised for scheduled flights on our discontinued routes to London, Paris, Mumbai and Delhi amounting to RM26.0 million during the 12 months ended 31 December 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 12 months ended 31 December 2013.



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Operating Expenses

Operating expenses increased 19.3% from RM1,925.4 million in the 12 months ended 31 December 2012 to RM2,297.3 million in the 12 months ended 31 December 2013 mainly due to increase of:-

(i) *Staff costs*. During the current financial year, there was an increase in number of headcount which has resulted in increasing of staff costs by 29.9% to RM234.4 million in the 12 months ended 31 December 2013 from RM180.5 million during the 12 months ended 31 December 2012.

(ii) *Depreciation of property, plant and equipment*. Depreciation of property, plant and equipment increased by 29.8% to RM139.0 million during the 12 months ended 31 December 2013 as compared to RM107.1 million in the 12 months ended 31 December 2012, mainly due to the acquisition of 3 new A330-300 aircraft under finance lease in the 12 months ended 31 December 2013.

(iii) *Aircraft fuel expenses*. Fuel costs increased 18.7% to RM1,097.9million in the 12 months ended 31 December 2013 from RM925.3 million in the 12 months ended 31 December 2012 due primarily to increase in fuel consumed from the increase in sectors flown and higher average fuel price in the current financial year as compared to last financial year.

(iv) *Maintenance, overhaul, user charges and other related expenses*. Maintenance, overhaul, user charges and other related expenses increased by 13.3% to RM432.1 million in the 12 months ended 31 December 2013 from RM381.5 million in the 12 months ended 31 December 2012. The increase mainly resulted from the additional maintenance and service costs for the new aircraft delivered and charter flights rendered during the current financial year.

(v) *Aircraft operating lease expense*. During the financial year ended 31 December 2013, the Group has accepted delivery of 5 aircraft under operating lease and hence aircraft lease expense has increased by 22.5% to RM186.7 million in the 12 months ended 31 December 2013 from RM152.4 million in the 12 months ended 31 December 2012.

(vi) *Other operating expenses*. Other operating expenses increased 16.0% to RM207.2 million in the 12 months ended 31 December 2013 from RM178.6 million in the 12 months ended 31 December 2012 due primarily to an upfront recognition of a non-recurring shareholders' inaugural benefit program expenses of RM8.5 million and IPO related expenses of RM17.8 million as well we an increase in marketing and promotional expenditures during the 12 months ended 31 December 2013.

Foreign Exchange (Loss)/ Gain

Primarily as a result of the strengthening of the USD against the RM in the 12 months ended 31 December 2013, the Company recognised foreign exchange losses of RM176.2 million, which consists primarily of unfavourable fair value movements from cash flow hedges of RM40.9 million, as compared to the unrealised foreign exchange gain of RM43.6 million on our USD-denominated borrowings in the 12 months ended 31 December 2012.

(LBT)/PBT

As a result of the factors set forth above, the Group has recorded a LBT of RM213.0 million in the 12 months ended 31 December 2013 as compared to a PBT of RM38.0 million in the 12 months ended 31 December 2012.

Taxation

In the 12 months ended 31 December 2013 the Group recognised a net tax allowance of RM126.0 million, as compared to a net tax expense of RM4.2 million in the 12 months ended 31 December 2012, due primarily to income tax allowance recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.



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

As a result of the factors set forth above, the Group recognised a LAT of RM87.0 million in the 12 months ended 31 December 2013 as compared to a PAT of RM33.9 million in the 12 months ended 31 December 2012.

Quarter Ended 31 December 2013 Compared to Quarter Ended 31 December 2012

Revenue

During the quarter ended 31 December 2013, the Group's revenue has increased by 26.1% to RM679.6 million from RM539.0 million as compared to the quarter ended 31 December 2012. As a result of promotional fares for both matured and newly launched routes, RASK decreased 15.2% from 13.37 sen in the quarter ended 31 December 2012 to 11.34 sen in the quarter ended 31 December 2013.

Scheduled flights. Revenue from passenger seat sales on scheduled flights increased by RM56.6 million, or approximately 16.4%, to RM401.0 million for the quarter ended 31 December 2013 as compared to RM344.4 million for the quarter ended 31 December 2012. This increase was due primarily to an improvement of both ASKs and RPKs from 4.0 billion and 3.3 billion in the quarter ended 31 December 2012 to 6.0 billion and 4.9 billion respectively in the quarter ended 31 December 2013. Our passenger load factor has decreased to 80.9% in the quarter ended 31 December 2013 as compared to 83.0% for the quarter ended 31 December 2012. Average passenger fares decreased 15.4% to RM492.32 in the quarter ended 31 December 2013 as compared to RM582.27 during the quarter ended 31 December 2012 primarily due to promotional fares on our newly launched routes which include Busan, Shanghai and Adelaide during the quarter ended 31 December 2013.

Charter flights. Revenue from charter flights increased from RM21.8 million for the quarter ended 31 December 2012 to RM38.1 million for the quarter ended 31 December 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued Europe routes and new contracts that were secured during the quarter ended 31 December 2013.

Fuel surcharge. Revenue from fuel surcharges increased to RM78.2 million in the quarter ended 31 December 2013 as compared to RM45.7 million in the quarter ended 31 December 2012. This increase in fuel surcharge revenue is primarily a result of an increased number of passengers flown from 0.7 million in the quarter ended 31 December 2012 to 1.0 million in the quarter ended 31 December 2013.

Freight and cargo. Revenue from freight and cargo has increased 61.3% to RM25.8 million for the quarter ended 31 December 2013 as compared to RM16.0 million for the quarter ended 31 December 2012, reflecting an increase of 19.2% available tonne per kilometre (ATK) and a slight decrease of 0.5% freight tonne per kilometre (FTK) in the quarter ended 31 December 2013. Despite the decrease in cargo load factor to 49.7% in the quarter ended 31 December 2013 as compared to 59.5% in the quarter ended 31 December 2012, revenue per FTK has increased to 0.68 sen in the quarter ended 31 December 2013 as compared to 0.42 sen in the quarter ended 31 December 2012.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM139.5 million, or by approximately 25.1%, for the quarter ended 31 December 2013 as compared to RM111.5 million for the quarter ended 31 December 2012. This increase was due primarily to price revisions and higher take-up rates, especially for Fly-Thru connecting transfer services and the introduction of new ancillary products during the financial year of 2013 such as portable power rentals, Red Carpet Service, and Blanket Rental Service.



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Operating Expenses

During the quarter ended 31 December 2013, operating expenses increased by RM223.3 million or 44.8% to RM722.1 million. The increase was primarily due to:-

(i) *Staff costs*. During the current quarter, there was an increase in number of headcount which has resulted in increasing of staff costs by 51.9% to RM73.6 million in the quarter ended 31 December 2013 from RM48.4 million during the quarter ended 31 December 2012.

(ii) *Depreciation of property, plant and equipment*. Depreciation of property, plant and equipment increased by 43.9% to RM40.0 million during the quarter ended 31 December 2013 as compared to RM27.8 million in the quarter ended 31 December 2012, mainly due to the acquisition of 3 new A330-300 aircraft under finance lease during the current financial year.

(iii) *Aircraft fuel expenses*. Fuel costs increased 52.5% to RM349.1 million in the quarter ended 31 December 2013 from RM228.9 million in the quarter ended 31 December 2012 due primarily to a 49.5% increase in fuel consumed in the quarter ended 31 December 2013 as compared to the quarter ended 31 December 2012. This increase in fuel consumption was primarily due to an increase in our existing routes' flight frequencies. Fuel burn has decreased from 1,720 gallons/ hour in the quarter ended 31 December 2012 to 1,712 gallons/ hour in the quarter ended 31 December 2013 which was offset partially by the increased average fuel price.

(iv) *Maintenance, overhaul, user charges and other related expenses*. Maintenance, overhaul, user charges and other related expenses increased by 32.7% to RM120.8 million in the quarter ended 31 December 2013 from RM91.0 million in the quarter ended 31 December 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 quarter ended 31 December 2013.

(v) *Aircraft operating lease expense*. During the financial year ended 31 December 2013, the Group has accepted delivery of 5 aircraft under operating lease and hence aircraft operating lease expense increased 80.3% to RM68.1 million in the quarter ended 31 December 2013 from RM37.8 million in the quarter ended 31 December 2012.

Foreign Exchange (Loss)/ Gain

As a result of the strengthening of the USD against the RM in the quarter ended 31 December 2013, the Company recognised foreign exchange losses of RM112.4 million, which consists primarily of unfavourable fair value movements from cash flow hedges of RM6.2 million, as compared to a foreign exchange gain of RM1.2 million on our USD-denominated borrowings in the quarter ended 31 December

(LBT)/PBT

As a result of the factors set forth above, the Group has recorded a LBT of RM170.4 million in the quarter ended 31 December 2013 as compared to a PBT of RM24.9 million in the quarter ended 31 December 2012.

Taxation

In the quarter ended 31 December 2013 the Company recognised a net tax allowance of RM39.1 million, as compared to a net tax expense of RM10.8 million in the quarter ended 31 December 2012, 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 RM131.3 million in the quarter ended 31 December 2013 as compared to a PAT of RM14.1 million in the quarter ended 31 December 2012.

35. LBT performance (Quarter Ended 31 December 2013 Compared to Quarter Ended 30 September 2013)

The Group's LBT has increased by RM151.4 million from RM18.9 million in the quarter ended 30 September 2013 to RM170.4 million in the quarter ended 31 December 2013. Despite there was a revenue improvement by RM78.1 million or 13.0% in quarter ended 31 December 2013 comparing to quarter ended 30 September 2013, due to the increase in number of sectors flown and strengthening of USD against MYR, the Group's operating costs and foreign exchange losses has increased by RM133.3 million and RM88.4 million respectively.

36. 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.

37. 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.

38. 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.

39. Corporate proposal

- (i) As announced on 4 February 2014, Thai AirAsia X Co., Ltd joint venture ("TAAX") has officially received the approval from the Department of Civil Aviation of Thailand for the Air Operator's Certificate ("AOC") on 3 February 2014. With this AOC, TAAX will now commence application for operating permits and slots to its intended international routes. TAAX will also lease two Airbus 330-300 from a subsidiary of the Company in its first year of operations.
- (ii) 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"). IAAX was incorporated on 22 May 2013 as a limited liability company under the laws of Republic of Indonesia with authorised capital of Rp680,484,141,540 divided into 69,686,036 shares of Rp9,765 each and issued and paid-up capital of Rp292,950,000,000 divided into 30,000,000 shares of Rp9,765 each, with PTKAP holding fifty one per centum (51%) and AAX holding forty nine per centum (49%).

Except for those disclosed as per above, there is no corporate proposal which is announced but not completed as at 18 February 2014, being the latest practicable date of this report.



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40. Material litigation

As at 18 February 2014, there was no material litigation taken or threatened against the Company and its subsidiaries.

41. Proposed dividend

The Directors did not recommend any dividend for the quarter ended 31 December 2013.

42. Utilisation of proceeds

The status of the utilisation of listing proceeds of RM740.7 million raised from the Public Issue as at 18 February 2014 is as follows:-

	Proposed utilisation RM'mil	Actual utilisation as at 18 February 2014 RM'mil	Balance at 18 February 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	

* Included in capital expenditure utilisation in the Q3 2013 announcement was capital expenditure which debt financing has been subsequently secured in Q4 2013.