



AIRASIA X BERHAD

(Company No. 734161-K)

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

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

ANNOUNCEMENT

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended	Quarter ended	Period Ended	Period Ended
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		RM'000	RM'000	RM'000	RM'000
Revenue	10	1,077,422	1,124,465	3,396,375	3,341,539
Operating Expenses					
- Staff costs	11	(90,670)	(111,554)	(308,138)	(308,534)
- Depreciation of property, plant and equipment		(48,634)	(27,586)	(103,125)	(81,962)
- Aircraft fuel expenses		(476,422)	(351,762)	(1,387,865)	(1,083,154)
- Maintenance and overhaul		(114,295)	(233,998)	(426,512)	(577,644)
- User charges		(118,927)	(129,999)	(397,237)	(375,441)
- Aircraft operating lease expenses		(223,366)	(234,586)	(655,575)	(715,022)
- Other operating expenses		(215,339)	(99,975)	(380,242)	(239,888)
Other income	12	7,745	9,511	24,463	22,387
Operating profit/(loss)		(202,486)	(55,484)	(237,856)	(17,719)
Finance income	13	4,593	2,990	14,336	10,463
Finance costs	13	(7,338)	(7,663)	(22,651)	(27,955)
Net operating profit/(loss)		(205,231)	(60,157)	(246,171)	(35,211)
Foreign exchange gains/(losses)	13	(20,154)	35,201	3,297	96,644
Share of results of an associate	17	(14,119)	-	10,113	-
Other losses		(8,334)	16,329	(24,522)	(10,206)
Profit/(loss) before taxation		(247,838)	(8,627)	(257,283)	51,227
Taxation					
Current taxation	14	(298)	(717)	(2,580)	(3,693)
Deferred taxation	14	50,667	(33,958)	46,433	(33,063)
		50,369	(34,675)	43,853	(36,756)
Profit/(loss) for the financial period		(197,469)	(43,302)	(213,430)	14,471
Attributable to:					
Equity holders of the Company		(197,469)	(43,302)	(213,430)	14,471
Non-controlling Interests		-	-	-	-
		(197,469)	(43,302)	(213,430)	14,471
Profit per share (sen)					
Basic	24	(4.8)	(1.0)	(5.1)	0.3
Diluted	24	(4.8)	(1.0)	(5.1)	0.3

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period Ended	Period Ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the financial period	(197,469)	(43,302)	(213,430)	14,471
Other comprehensive income/(loss)				
Cash flow hedges	13,048	40,039	13,843	(78,706)
Foreign currency translation differences	12	5	(74)	55
Total comprehensive income/(loss) for the financial period	(184,409)	(3,258)	(199,661)	(64,180)
Total comprehensive income/(loss) attributable				
To equity holder of the company	(184,409)	(3,258)	(199,661)	(64,180)
Non-controlling interest	-	-	-	-
Total comprehensive income/(loss) for the financial period	(184,409)	(3,258)	(199,661)	(64,180)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As At	Restated As At
		30/09/2018	31/12/2017
	Note	RM'000	RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,647,879	1,595,903
Deferred tax assets		475,118	428,381
Other deposits and prepayments	16	1,686,346	1,513,349
Amount due from an associate		71,249	81,305
Amount due from a joint venture		-	44,010
Investment in an associate	17	10,113	-
Investment in a joint venture	18	-	-
		3,890,705	3,662,948
CURRENT ASSETS			
Inventories		11,446	8,518
Receivables and prepayments	19	188,865	535,978
Amount due from an associate		23,891	28,969
Amount due from related parties		74,779	75,305
Derivative financial instruments	21	12,415	23,094
Deposits, cash and bank balances	20	265,586	432,675
		576,982	1,104,539
CURRENT LIABILITIES			
Sales in advance		666,067	732,832
Trade and other payables	22	1,146,377	1,164,130
Provision for taxation		992	782
Amount due to a joint venture		-	122,827
Amounts due to related parties		48,332	28,963
Borrowings	23	192,245	188,528
		2,054,013	2,238,062
Net Current Liabilities		(1,477,031)	(1,133,523)
NON-CURRENT LIABILITIES			
Borrowings	23	542,591	673,442
Other payables and accruals	22	1,097,077	882,316
		1,639,668	1,555,758
		774,006	973,667
CAPITAL AND RESERVES			
Share capital		1,534,043	1,534,043
Warrant reserve		62,222	62,222
Currency translation reserve		104	178
Other reserves		13,048	(795)
Accumulated losses		(835,411)	(621,981)
Shareholders' equity		774,006	973,667

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Note	
	Period Ended 30/09/2018 RM'000	Period Ended 30/09/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(257,283)	51,227
Adjustments:		
Property, plant and equipment		
- Depreciation	103,125	81,962
- Write-off	7,801	224
Allowance for impairment of receivables	132,194	-
Finance cost	22,651	27,955
Interest income	(14,336)	(10,463)
Fair value loss on derivative financial instruments	24,522	10,206
Share option expense	-	181
Share of results of an associate	(10,113)	-
Net unrealised foreign exchange losses/(gains)	6,461	(73,312)
	15,022	87,980
Changes in working capital:		
Inventories	(2,928)	(878)
Receivables, prepayments and other deposits	48,614	32,457
Related parties balances	(45,426)	(30,163)
Trade and other payables	202,643	120,671
Sales in advance	(64,290)	47,537
Cash from operations	153,635	257,604
Interest paid	(23,259)	(28,864)
Interest received	14,176	2,903
Tax paid	(2,674)	(1,597)
Net cash generated from operating activities	141,878	230,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(162,902)	(24,375)
Net cash used in investing activities	(162,902)	(24,375)



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (CONT'D.)

	Period Ended 30/09/2018 RM'000	Period Ended 30/09/2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(138,962)	(151,651)
Deposits pledged as securities	(3,427)	(1,762)
Net cash used in financing activities	(142,389)	(153,413)
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD	(163,413)	52,258
CURRENCY TRANSLATION DIFFERENCES	(7,103)	(15,434)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	391,447	382,406
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	220,931	419,230

Note

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Issued and fully paid
ordinary shares
of RM0.15 each

	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Warrant Reserve RM'000	Cash Flow Hedge Reserve RM'000	Other Reserve	Currency Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
At 1 January 2018 (as previously stated)	4,148,148	1,534,043	-	62,222	(795)	-	178	(607,042)	988,606	-	988,606
Opening balance adjustment from adoption of MFRS 9	-	-	-	-	-	-	-	(1,072)	(1,072)	-	(1,072)
Opening balance adjustment from adoption of MFRS 15	-	-	-	-	-	-	-	(13,867)	(13,867)	-	(13,867)
At 1 January 2018 (restated)	4,148,148	1,534,043	-	62,222	(795)	-	178	(621,981)	973,667	-	973,667
Net profit/(loss) for the financial period	-	-	-	-	-	-	-	(213,430)	(213,430)	-	(213,430)
Other comprehensive loss	-	-	-	-	13,843	-	(74)	-	13,769	-	13,769
Total comprehensive (loss)/income	-	-	-	-	13,843	-	(74)	(213,430)	(199,661)	-	(199,661)
At 30 September 2018	4,148,148	1,534,043	-	62,222	13,048	-	104	(835,411)	774,006	-	774,006
At 1 January 2017	4,148,148	622,222	911,821	62,222	106,582	2,558	195	(648,715)	1,056,885	-	1,056,885
Transfer to no-par value regime	-	911,821	(911,821)	-	-	-	-	-	-	-	-
Net profit for the financial period	-	-	-	-	-	-	-	14,471	14,471	-	14,471
Other comprehensive income	-	-	-	-	(78,706)	-	55	-	(78,651)	-	(78,651)
Total comprehensive income	-	-	-	-	(78,706)	-	55	14,471	(64,180)	-	(64,180)
Employee Share Option Scheme ('ESOS')	-	-	-	-	-	181	-	-	181	-	181
At 30 Sept 2017	4,148,148	1,534,043	-	62,222	27,876	2,739	250	(634,244)	992,886	-	992,886

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KEY OPERATING STATISTICS - 30 SEPT 2018

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 30 September	Jul - Sep 2018	Jul - Sep 2017	Changes Y-O-Y
Seat capacity	1,892,163	1,885,754	0%
Passengers carried	1,511,625	1,499,013	1%
Load factor	80%	79%	1%
RPK (millions)	7,005	7,241	-3%
ASK (millions)	8,806	9,135	-4%
Average passenger fare (RM)	473	496	-5%
Ancillary revenue per passenger (RM)	163	171	-5%
Revenue per ASK (sen)	12.25	12.32	-1%
Revenue per ASK (US¢)	2.99	2.89	4%
Cost per ASK (sen)	14.62	13.02	12%
Cost per ASK (US¢)	3.57	3.05	17%
Cost per ASK (sen) - excluding fuel	9.21	9.17	0%
Cost per ASK (US¢) - excluding fuel	2.25	2.15	5%
Aircraft (end of period)	32	30	7%
Average sector length (km)	3,207	4,844	-34%
Sectors flown	5,019	5,002	0%
Fuel consumed (Barrels)	1,275,324	1,271,585	0%
Average fuel price (USD/ Barrel)	91	65	41%

Exchange Rate : RM/USD - 4.0908 for 3Q18 and 4.2634 for 3Q17

Definitions and calculation methodology

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



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NOTES TO THE UNAUDITED ACCOUNTS - 30 SEPT 2018

1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2018 or later are provided in the notes to the financial statements in the audited financial statements of the Group for the financial year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. The Group has adopted MFRS 15 "Revenue from Contracts with Customers" and MFRS 9 "Financial Instruments" from 1 January 2018. Other new standards with effective date from 1 January 2018 do not have material effect on the Group's financial statements. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards. The changes arising from the adoption of new standards are as described below:



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NOTES TO THE UNAUDITED ACCOUNTS - 30 SEPT 2018

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

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

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

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

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

(b) Adoption of MFRS 9 "Financial Instruments"

MFRS 9 "Financial Instruments" replaces the guidance in MFRS 139 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory. The new requirements introduced for all three aspects of the accounting for financial instruments are as follows:-

i) classification and measurement;

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.



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Impact as a result of MFRS 9 adoption

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

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments are not required.

ii) impairment; and

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group does not have other financial assets other than trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in. The impact upon application of the new impairment model was not material in relation to the opening balance of the Group as at 1 January 2018.

Impact as a result of MFRS 9 adoption

Effects arising from the initial application of MFRS 9 with the new impairment model are as follows:-

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

iii) Hedge accounting

The Group has decided to continue applying hedge accounting as set out in MFRS 139 to all hedges until the project on accounting for macro hedging is completed by International Accounting Standards Board (IASB).



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NOTES TO THE UNAUDITED ACCOUNTS - 30 SEPT 2018

3. Auditors' report on preceding annual financial statements

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

4. Seasonality of operations

AirAsia X is primarily involved in the provision of air transportation services and thus, is subject to seasonal demand for air travel. The load factor is 80% in the quarter under review, which has increase 1% with the same period last year. Compared against the immediate preceding quarter (second quarter Apr - June 2018), the load factor has been fairly consistent. This seasonal pattern is in line with the expectation of the Group.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period.

6. Changes in estimates

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

7. Capital and reserves

There was no issuance of shares during the quarter/financial period ended 30 September 2018. Total issued and paid up share capital as at 30 September 2018 is 1,534,043,217 (30 Sept 2017: RM1,534,043,045).

8. Dividend paid

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



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9. Segment reporting

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

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

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

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

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Quarter ended 30 Sept 2018					
<u>Segment results</u>					
Revenue	1,077,422	344,593	84,867	(112,588)	1,394,294
Operating expenses					
- Staff costs	(90,670)	(38,907)	(7,330)	-	(136,907)
- Depreciation of property, plant and equipment	(48,634)	(1,385)	(526)	-	(50,545)
- Aircraft fuel expenses	(476,422)	(143,439)	(43,762)	-	(663,623)
- Maintenance and overhaul	(114,295)	(46,815)	(15,958)	41,440	(135,628)
- User charges and other related expenses	(118,927)	(48,697)	(14,520)	-	(182,144)
- Aircraft operating lease expenses	(223,366)	(65,991)	(19,221)	71,838	(236,740)
- Other operating expenses	(215,339)	(23,469)	(8,347)	(690)	(247,845)
Other income	7,745	5,176	1,832	-	14,753
Operating profit/(loss)	(202,486)	(18,934)	(22,965)	-	(244,385)
Finance income	4,593	451	18	-	5,062
Finance costs	(7,338)	(155)	-	-	(7,493)
Net operating profit/(loss)	(205,231)	(18,638)	(22,947)	-	(246,816)
Foreign exchange gains/(losses)	(20,154)	(5,455)	10,978	-	(14,631)
Share of results of an associate	(14,119)	-	-	14,119	-
Other losses	(8,334)	-	-	-	(8,334)
Profit/(loss) before taxation	(247,838)	(24,093)	(11,969)	14,119	(269,781)



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	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Period ended 30 Sept 2018					
<u>Segment results</u>					
Revenue	3,396,375	1,094,356	327,985	(338,635)	4,480,081
Operating expenses					
- Staff costs	(308,138)	(111,532)	(23,822)	-	(443,492)
- Depreciation of property, plant and equipment	(103,125)	(3,923)	(1,497)	-	(108,545)
- Aircraft fuel expenses	(1,387,865)	(377,090)	(164,411)	-	(1,929,366)
- Maintenance and overhaul	(426,512)	(126,842)	(57,043)	125,000	(485,397)
- User charges and other related expenses	(397,237)	(131,401)	(69,188)	-	(597,826)
- Aircraft operating lease expenses	(655,575)	(192,709)	(72,685)	227,193	(693,776)
- Other operating expenses	(380,242)	(75,930)	(14,787)	(13,558)	(484,517)
Other income	24,463	15,925	2,644	-	43,032
Operating profit/(loss)	(237,856)	90,854	(72,804)	-	(219,806)
Finance income	14,336	1,114	72	-	15,522
Finance costs	(22,651)	(1,205)	(167)	-	(24,023)
Net operating profit/(loss)	(246,171)	90,763	(72,899)	-	(228,307)
Foreign exchange gains/(losses)	3,297	2,166	31,514	-	36,977
Share of results of an associate	10,113	-	-	(10,113)	-
Other losses	(24,522)	-	-	-	(24,522)
Profit/(loss) before taxation	(257,283)	92,929	(41,385)	(10,113)	(215,852)



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NOTES TO THE UNAUDITED ACCOUNTS - 30 SEPT 2018

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Quarter ended 30 Sept 2017					
<u>Segment results</u>					
Revenue	1,124,465	247,395	249,849	(116,643)	1,505,066
Operating expenses					
- Staff costs	(111,554)	(29,588)	(8,908)	-	(150,050)
- Depreciation of property, plant and equipment	(27,586)	(1,178)	(530)	-	(29,294)
- Aircraft fuel expenses	(351,762)	(69,068)	(82,589)	-	(503,419)
- Maintenance and overhaul	(233,998)	(43,025)	(24,936)	41,470	(260,489)
- User charges and other related expenses	(129,999)	(35,673)	(23,897)	-	(189,569)
- Aircraft operating lease expenses	(234,586)	(64,709)	(34,939)	81,742	(252,492)
- Other operating expenses	(99,975)	(22,288)	(69,738)	(6,569)	(198,570)
Other income	9,511	4,945	1,102	-	15,558
Operating profit/(loss)	(55,484)	(13,189)	5,414	-	(63,259)
Finance income	2,990	81	35	-	3,106
Finance costs	(7,663)	(1,681)	(45)	-	(9,389)
Net operating profit/(loss)	(60,157)	(14,789)	5,404	-	(69,542)
Foreign exchange gains/(losses)	35,201	(1,945)	3,754	-	37,010
Other losses	16,329	-	-	-	16,329
Profit/(loss) before taxation	(8,627)	(16,734)	9,158	-	(16,203)



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	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
Period ended 30 Sept 2017					
<u>Segment results</u>					
Revenue	3,341,539	820,198	535,572	(359,924)	4,337,385
Operating expenses					
- Staff costs	(308,534)	(91,011)	(25,184)	-	(424,729)
- Depreciation of property, plant and equipment	(81,962)	(3,499)	(1,602)	-	(87,063)
- Aircraft fuel expenses	(1,083,154)	(233,853)	(168,891)	-	(1,485,898)
- Maintenance and overhaul	(577,644)	(120,093)	(70,693)	129,139	(639,291)
- User charges and other related expenses	(375,441)	(115,468)	(46,444)	-	(537,353)
- Aircraft operating lease expenses	(715,022)	(197,664)	(106,885)	237,140	(782,431)
- Other operating expenses	(239,888)	(64,805)	(162,637)	(6,355)	(473,685)
Other income	22,387	14,922	1,969	-	39,278
Operating profit/(loss)	(17,719)	8,727	(44,795)	-	(53,787)
Finance income	10,463	334	110	-	10,907
Finance costs	(27,955)	(2,880)	(45)	-	(30,880)
Net operating profit/(loss)	(35,211)	6,181	(44,730)	-	(73,760)
Foreign exchange gains/(losses)	96,644	(776)	2,443	-	98,311
Other losses	(10,206)	-	-	-	(10,206)
Profit/(loss) before taxation	51,227	5,405	(42,287)	-	14,345



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a) Reconciliation of segment revenue to reported revenue:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Segment revenue	1,394,294	1,505,066	4,480,081	4,337,385
Add: Inter-segment revenue	112,588	116,643	338,635	359,924
Less: Revenue from affiliates which were not consolidated	(429,460)	(497,244)	(1,422,341)	(1,355,770)
	<u>1,077,422</u>	<u>1,124,465</u>	<u>3,396,375</u>	<u>3,341,539</u>

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Segment (loss)/profit before taxation	(269,781)	(16,203)	(215,852)	14,345
Add: (Revenue)/Expenses from affiliates which were not consolidated	21,943	7,576	(41,431)	36,882
	<u>(247,838)</u>	<u>(8,627)</u>	<u>(257,283)</u>	<u>51,227</u>

10. Revenue

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Scheduled flights *	714,967	743,032	2,207,540	2,136,527
Charter flights	4,248	9,021	97,169	113,915
Freight services	47,654	46,049	134,783	117,990
Ancillary revenue **	197,284	209,274	619,661	611,663
Aircraft operating lease income	112,588	116,643	334,765	359,924
Management fees	681	446	2,457	1,520
	<u>1,077,422</u>	<u>1,124,465</u>	<u>3,396,375</u>	<u>3,341,539</u>

* Scheduled flights for the current quarter has netted-off the commission of RM1.1 million for the quarter under review (period ended 30 Sept 2018: RM3.4m) on loyalty program in compliance with MFRS 15.

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



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11. Staff cost

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	85,205	99,207	283,552	273,914
Defined contribution retirement plan	5,465	12,264	24,586	34,394
Share option expense	-	83	-	226
	<u>90,670</u>	<u>111,554</u>	<u>308,138</u>	<u>308,534</u>

12. Other income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Commission income from insurance	845	722	3,034	2,795
Others	6,900	8,789	21,429	19,592
	<u>7,745</u>	<u>9,511</u>	<u>24,463</u>	<u>22,387</u>

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income on deposits with licensed banks	1,395	535	4,648	2,933
Other interest income	3,198	2,455	9,688	7,530
	<u>4,593</u>	<u>2,990</u>	<u>14,336</u>	<u>10,463</u>
Finance costs:				
Interest expense on bank borrowings	(6,826)	(7,435)	(21,111)	(26,051)
Bank facilities and other charges	(512)	(228)	(1,540)	(1,904)
	<u>(7,338)</u>	<u>(7,663)</u>	<u>(22,651)</u>	<u>(27,955)</u>
Foreign exchange gains/(losses)				
Realized	15,955	2,690	9,664	23,332
Unrealized	(36,109)	32,511	(6,367)	73,312
	<u>(20,154)</u>	<u>35,201</u>	<u>3,297</u>	<u>96,644</u>



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14. Taxation

Current taxation

The current taxation charge comprises tax payable on interest income.

Deferred taxation

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Profit/ (Loss) before tax	(247,838)	(8,627)	(257,283)	51,227
Tax calculated at Malaysian statutory tax rate of 24% (2017: 24%)	(59,481)	(2,070)	(61,748)	12,295
Tax effects:				
- deferred tax movement	(967)	-	4,234	-
- underprovision of prior year tax	4,849	-	4,849	1,182
- expenses not deductible for tax purposes	5,287	20,115	8,812	23,279
- income not subject to tax	(57)	16,630	-	-
Taxation	<u>(50,369)</u>	<u>34,675</u>	<u>(43,853)</u>	<u>36,756</u>

15. Property, plant and equipment

(a) Acquisition and disposal

During the quarter ended 30 Sept 2018, the Group acquired property, plant and equipment amounting to RM162.9 million (quarter ended 30 Sept 2017: RM24.3 million).

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

(b) Revaluation

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

(c) Write-off

During the quarter ended 30 Sept 2018, the Group wrote off property, plant and equipment amounting to RM7.8m (quarter ended 30 Sept 2017: RM224k).



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16. Other deposits and prepayments

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

17. Investment in an associate

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Unquoted investments, at cost	20,018	20,018
Group's share of post-acquisition profit	(9,905)	(20,018)
	10,113	-

The details of the associate is as follows:-

Name	Country of Incorporation	Group effective equity interest		Principal activity
		30/09/2018 %	31/12/2017 %	
Thai AirAsia X Co. Ltd ("TAAX")	Thailand	49%	49%	Commercial air transport services

TAAX recorded a net loss of THB194 million (equivalent to RM24 million) in the current quarter (quarter ended 30 Sept 2017: loss of THB123 million (equivalent to RM16 million), out of which RM10.0 million (quarter ended 30 Sept 2017: RM Nil) is equity accounted in the AAX's income statement. In accordance to MFRS 128, any profits will only be recognised when its shares of the profits equals the share of losses previously not recognised.



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18. Investment in a joint venture

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Unquoted investments, at cost	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(53,888)
	<u>-</u>	<u>-</u>

The details of the joint venture is as follows:-

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

The Group has discontinued the recognition of its share of losses incurred by IAAX as the Group's interests had been reduced to zero. The Group's share of loss of IAAX for the current financial quarter, which have not been equity accounted for, amounted to loss of RM6.2 million (30 Sept 2017: Profit of RM9.1 million). As at 30 Sept 2018, the unrecognised amount of the Group's share of loss of IAAX which have not been equity accounted for amounted to RM67.9 million (30 Sept 2017: RM48.1 million).

19. Receivables and prepayments

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Trade receivables	95,216	159,130
Less : Allowance for impairment of receivables	(59,087)	(58,318)
	<u>36,129</u>	<u>100,812</u>
Other receivables	197,629	331,338
Less : Allowance for impairment of receivables *	(149,101)	(17,676)
	<u>48,528</u>	<u>313,662</u>
Deposits	25,898	26,804
Prepayments	78,310	94,700
	<u>188,865</u>	<u>535,978</u>

*Included in the total impairment of receivables is RM138.2 million (30 Sept 2017: Nil) relating to lease rental and maintenance reserve due from a joint venture through a third party leasing intermediary.



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20. Deposits, cash and bank balances

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

	As at 30/09/2018	As at 31/12/2017
	RM'000	RM'000
Cash and bank balances	197,692	287,875
Deposits with licensed banks	67,894	144,800
	<u>265,586</u>	<u>432,675</u>
Bank balances and deposits pledged as securities	(44,655)	(41,228)
Cash and cash equivalents	<u>220,931</u>	<u>391,447</u>

21. Derivative Financial Instruments

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

Fuel hedging

As at 30 Sept 2018, outstanding number of barrels of Brent and fuel derivative contracts was 251,232 barrels (2017: 1,265,510 barrels).

22. Trade and other payables

	As at 30/09/2018	As at 31/12/2017
	RM'000	RM'000
Non-current:		
Aircraft maintenance provision	847,234	789,043
Other deposits	249,843	93,273
	<u>1,097,077</u>	<u>882,316</u>
Current:		
Trade payables	457,948	222,506
Other payables and accruals	688,429	941,624
	<u>1,146,377</u>	<u>1,164,130</u>

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



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23. Borrowings

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Current		
Secured:		
- Term loans	192,234	188,501
- Hire purchase	11	27
	<u>192,245</u>	<u>188,528</u>
Non-current		
Secured:		
- Term loans	542,551	673,392
- Hire purchase	40	50
	<u>542,591</u>	<u>673,442</u>
Total borrowings	<u><u>734,836</u></u>	<u><u>861,970</u></u>

The currency profile of borrowings is as follows:

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Ringgit Malaysia	51	77
US Dollar	734,785	861,893
	<u><u>734,836</u></u>	<u><u>861,970</u></u>

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

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Not later than 1 year	192,246	188,528
Later than 1 year and not later than 5 years	435,726	526,744
Later than 5 years	106,864	146,698
	<u><u>734,836</u></u>	<u><u>861,970</u></u>



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24. Profit per share

Basic profit per share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2018	Quarter ended 30/09/2017	Period ended 30/09/2018	Period ended 30/09/2017
Net profit/(loss) (RM'000)	(197,469)	(43,302)	(213,430)	14,471
Weighted average number of ordinary shares in issue ('000)	4,148,148	4,148,148	4,148,148	4,148,148
Profit per share (sen)	(4.8)	(1.0)	(5.1)	0.3

25. Post balance sheet events

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

26. Contingent assets

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

27. Contingent liabilities

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



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

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

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Aircraft purchase	108,678,823	107,873,854

(b) Non-cancellable operating leases

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

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Future minimum lease payments	6,940,601	7,591,532
Future minimum sublease receipts	1,805,666	2,006,436

29. Significant related parties transactions

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

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



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These following items have been included in the income statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
TAA				
- Aircraft operating lease income for leased aircraft	85,607	88,150	252,828	271,561
- Net operational services charged to TAA	6,481	-	30,676	-
IAA				
- Aircraft operating lease income for leased aircraft	26,982	28,493	81,938	88,363
- Net operational services charged (from)/to IAA	658	-	2,086	-
AAB				
- Brand license fee	-	-	(8,530)	(8,530)
- Lounge services	433	1,072	1,289	1,072
- Net operational services charged from AAB	(1,259)	(4,005)	(24,373)	(11,664)
- Charter air travel services	-	(279)	-	(279)
CJG				
- Charter air travel services	-	-	-	(2,780)
TAA				
- Net operational services charged to TAA	78	(331)	252	397
IAA				
- Net operational services charged to IAA	(579)	1,599	(252)	18
AAJ				
- Net operational services charged from AAJ	(840)	96	(2,200)	96
AAZ				
- Net operational services charged to AAZ	1,294	(2,573)	10,027	874
AGSS				
- Provision of shared services	(878)	(599)	(2,194)	(2,578)
- Net operational services charged from AGSS	(263)	-	(1,216)	-
Rokki				
- In-flight entertainment system and software expenses	(959)	(921)	(2,780)	(2,940)



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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
TIMB				
- Commission received/receivable on travel insurance insurance	560	307	2,595	1,654
- Premium collected on behalf of TIMB on travel insurance	(2,240)	(2,099)	(10,379)	(6,616)
- Net operational services charged from TIMB	-	-	(8)	-
Yummy Kitchen				
- Provision of food catering services	(342)	(682)	(1,104)	(958)
GTR				
- Ground handling services	(8,565)	-	(19,679)	-
- Net operational services charged (to)/from GTR	222	-	(530)	-
AAI				
- Net operational services charged from AAI	(299)	-	(725)	-
RCL				
- Purchase of cargo transportation capacity	41,846	-	41,846	-
- Net operational services charged to RCL	(4,417)	-	(4,417)	-

30. Review of Group's performance

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

The Group recorded revenue of RM1,077.4 million for the quarter ended 30 Sept 2018 ("3Q18"), 4% lower than revenue of RM1,124.4 million for the quarter ended 30 Sept 2017 ("3Q17"). The increase of load factor from 79% in 3Q17 to 80% in 3Q18, is mitigated by the reduction of average passenger fare.

The net operating loss for the group in 3Q18 is RM205 million (3Q17: Net loss RM60 million). This was mainly contributed by increase in average fuel price from USD65 per barrel in 3Q17 to USD91 per barrel in 3Q18. In addition, the Group has provided an impairment on amount due from joint venture amounting to RM138.2 million (3Q17: Nil)

During the quarter, CASK increased 12% to 14.62 sen mainly due to increase in average fuel price. During the quarter, CASK ex-fuel has increased by 0.5% from 9.17 sen to 9.21 sen as compared to 3Q17.

31. Variance of results against preceding quarter

The Group recorded a net loss of RM197.4 million in 3Q18, compared to the net loss of RM57.4 million in 2Q18. The recorded losses are mainly due to impairment as described in Note 19 and seasonal pattern in line with the business trend of the Group.



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32. Other profit and loss items

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

33. Commentary on prospects

The Company recognises the challenges posed by the recent rise in fuel prices, and efforts are being made to mitigate this by boosting ancillary revenue and capacity. A new fares structure has been implemented and the company is actively driving up ancillary revenue, which will ultimately improve yields, while Management also remains focused on monitoring operating expenses to achieve better cost efficiencies to offset uncertainty in fuel price. The Company expects operational cost ex-fuel to be lower in the coming quarters as it starts to see the fruits from its cost saving initiatives mainly driven by lower aircraft lease rates, cheaper ground handling at foreign stations and from unlocking operational network synergies with short-haul affiliates.

In order to better serve the growing demand in the Asia Pacific region, AirAsia X Malaysia plans to increase fleet size by two aircrafts through operating leases in 2018. One of the two leased aircraft has been delivered in October 2018. AirAsia X Thailand is expecting two additional aircraft by end of 2018.

However, average base fare may be under pressure due to the expected increase in capacity on core established routes, in addition to new routes. The Board is also aware of the deceleration of growth in tourism sector, especially coming from the China market segment which currently contributes to 25% of total revenue. Efforts have been made to mitigate this risk by shifting some of future capacity into other core markets such as Japan, South Korea and India.

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

The Company foresees the operational environment to remain challenging in Indonesia and will cease schedule service flights in January 2019. AirAsia X Indonesia will then operate non-schedule service flights moving forward.

Based on the current forward booking trend, forward loads are ahead of the previous year. Bookings in the coming months are expected to be stronger year-on-year. However, headwinds continue to persist in the form of cost pressures arising from significantly elevated fuel prices compared to a year ago, as well as keen competition in key operating markets. Notwithstanding concerns over global trade tensions, demand in the short term is expected to remain healthy.



AIRASIA X BERHAD

(Company No. 734161-K)

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

THIRD QUARTER REPORT ENDED 30 SEPTEMBER 2018

NOTES TO THE UNAUDITED ACCOUNTS - 30 SEPT 2018

34. Profit forecast

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

35. Corporate proposal

There was no corporate proposal which is announced but not completed as at 14 Nov 2018, being the latest practicable date of this report.

36. Material litigation

As at 14 Nov 2018, there was no material litigation taken or threatened against the Company and its subsidiaries.

37. Proposed dividend

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

38. Reclassification of comparative figures

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

By Order of the Board

JASMINDAR KAUR a/p SARBAN SINGH
(MAICSA 7002687)
COMPANY SECRETARY
21 NOVEMBER 2018