



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2012

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 June 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | Quarter ended | Quarter ended | Period ended | Period ended |
| | | 30/06/2012 RM'000 | 30/06/2011 RM'000 | 30/06/2012 RM'000 | 30/06/2011 RM'000 |
| Revenue | 10 | 1,181,561 | 1,081,773 | 2,349,959 | 2,135,056 |
| Operating expenses: | | | | | |
| - Staff costs | | (123,861) | (109,835) | (274,839) | (227,830) |
| - Depreciation of property, plant and equipment | | (137,932) | (142,532) | (268,673) | (283,668) |
| - Aircraft fuel expenses | | (481,549) | (441,671) | (923,833) | (818,218) |
| - Maintenance and overhaul | | (22,205) | (16,846) | (49,827) | (42,765) |
| - User charges and other related expenses | | (113,446) | (68,196) | (222,166) | (194,318) |
| - Aircraft operating lease expenses | | (38,297) | (15,507) | (78,682) | (31,302) |
| - Travel and tour operating expenses | | - | (18,622) | - | (36,555) |
| - Other operating expenses | | (47,379) | (43,239) | (90,484) | (76,074) |
| Other (losses)/gains - net | 11 | (23,580) | (24,846) | (33,964) | (10,983) |
| Other income | 12 | 12,509 | 14,324 | 38,405 | 43,179 |
| Operating Profit | | 205,821 | 214,803 | 445,896 | 456,522 |
| Finance Income | 27 | 19,555 | 12,464 | 37,973 | 27,135 |
| Finance Costs | 27 | (94,434) | (92,096) | (184,959) | (186,584) |
| Net operating profit | | 130,942 | 135,171 | 298,910 | 297,073 |
| Foreign Exchange gain/(loss) on borrowings | 27 | (97,402) | 9,862 | (13,819) | 50,836 |
| Foreign Exchange gain/(loss) on amounts due from associates and jointly-controlled entities | | 31,455 | - | 3,263 | - |
| Gain on disposal and fair value of interest in Thai AirAsia | 17 | 1,160,370 | - | 1,160,370 | - |
| Share of results of a jointly controlled entities | 23 | (6,674) | - | (12,010) | - |
| Share of results of associates | 23 | (1,685) | - | (7,304) | - |
| Profit before tax | | 1,217,006 | 145,033 | 1,429,410 | 347,909 |
| Current Taxation | 28 | (7,575) | (8,025) | (11,376) | (11,682) |
| Deferred taxation | 28 | (14,568) | (32,751) | (50,737) | (60,039) |
| Profit after tax | | 1,194,863 | 104,257 | 1,367,297 | 276,188 |
| Attributable to: | | | | | |
| -Equity holders of the company | | 1,194,863 | 104,257 | 1,367,297 | 276,188 |
| -Minority interests | | - | - | - | - |
| | | 1,194,863 | 104,257 | 1,367,297 | 276,188 |
| Basic earnings per share (sen) | | 43.0 | 3.8 | 49.2 | 10.0 |
| Diluted earnings per share (sen) | | 42.9 | 3.7 | 49.1 | 9.9 |

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Quarter ended | Quarter ended | Period ended | Period ended |
| | 30/06/2012 RM'000 | 30/06/2011 RM'000 | 30/06/2012 RM'000 | 30/06/2011 RM'000 |
| Profit/(Loss) for the period | 1,194,863 | 104,258 | 1,367,297 | 276,188 |
| Other comprehensive income / (loss) | | | | |
| Available-for-sale financial assets | - | - | - | - |
| Cash flow hedges | 13 (146,067) | 56,037 | (27,339) | 57,442 |
| Foreign currency translation differences | - | - | - | - |
| Total comprehensive income/(loss) for the period | 1,048,796 | 160,295 | 1,339,958 | 333,630 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the company | 1,048,796 | 160,295 | 1,339,958 | 333,630 |
| Minority Interest | - | - | - | - |



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | PERIOD ENDED | PERIOD ENDED |
|---|----------------------|----------------------|
| | 30/06/2012 RM'000 | 31/12/2011 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before taxation | 1,429,410 | 777,017 |
| Adjustments: | | |
| Property, plant and equipment | | |
| - Depreciation | 268,673 | 570,909 |
| - Write off | - | 1,089 |
| - Impairment | - | 16,983 |
| - Gain on disposal | (10,107) | (198,923) |
| - Gain on disposal and fair value of interest in Thai AirAsia | (1,160,370) | - |
| Impairment loss on goodwill | - | 1,404 |
| Amortisation of other investments | - | 25 |
| Unwinding of discount on intercompany receivables | - | (22,656) |
| Fair value (gains)/losses on derivative financial instruments | 27,109 | (41,515) |
| Share of results of jointly-controlled entities | 12,010 | (11,980) |
| Share of results of associates | 7,304 | 5,652 |
| Net unrealised foreign exchange (gain)/loss | (3,199) | 150,234 |
| Interest expense | 188,102 | 368,007 |
| Interest income | (37,973) | (43,422) |
| | 720,959 | 1,572,824 |
| Changes in working capital | | |
| Inventories | 2,673 | (2,177) |
| Receivables and prepayments | (211,212) | (261,860) |
| Trade and other payables | 71,735 | 272,573 |
| Intercompany balances | 25,902 | 169,205 |
| Cash generated from / (used in) operations | 610,057 | 1,750,565 |
| Interest paid | (188,102) | (367,707) |
| Interest received | 37,973 | 43,422 |
| Tax paid | (6,135) | (22,381) |
| Net cash from / (used in) operating activities | 453,793 | 1,403,899 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment | | |
| - Additions | (592,897) | (612,393) |
| - Proceeds from disposal | 139,754 | 387,960 |
| Investment in a jointly controlled entity | - | (111,674) |
| Investment in an associate | (28,318) | (44,702) |
| Purchase of available-for-sale financial asset | (16,756) | - |
| Deposit on aircraft purchase | (17,426) | (106,662) |
| Net cash from / (used in) investing activities | (515,643) | (487,471) |
| CASH FLOWS FROM FINANCING FACILITIES | | |
| Proceeds from allotment of shares | 1,224 | 5,021 |
| Hire purchase instalments paid | - | (15) |
| Proceeds from borrowings | 419,820 | 508,148 |
| Dividend paid | - | (76,965) |
| Repayment of borrowings | (299,716) | (752,224) |
| Deposits pledged as securities | (90) | 16,395 |
| Net cash from / (used in) financing activities | 121,238 | (299,640) |
| NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD | 59,388 | 616,788 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD | 2,092,616 | 1,475,828 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD* | 2,152,004 | 2,092,616 |

* The balance at end of financial period excludes fixed deposits of RM12.484 million (31/12/11: RM12.394 million) pledged with licensed banks as securities for banking facilities granted to the Company

This Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2011



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | AS AT | AS AT | AS AT |
|--|------|----------------------|----------------------|------------------------------|
| | Note | 30/06/2012 RM'000 | 31/12/2011 RM'000 | 01/01/2011 RM'000 MFRS |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | 15 | 8,781,028 | 8,586,451 | 9,318,041 |
| Investment in associates | 23 | 1,207,653 | 39,079 | 29 |
| Investment in a jointly controlled entity | 23 | 111,644 | 123,654 | - |
| AFS Financial Assets | | 182,508 | 152,942 | 152,942 |
| Other investment | | - | - | 25 |
| Goodwill | | 7,334 | 7,334 | 8,738 |
| Deferred tax assets | | 465,363 | 516,100 | 719,260 |
| Receivables and prepayments | | 12,658 | 15,548 | 23,593 |
| Deposit on aircraft purchase | | 112,557 | 112,228 | - |
| Amounts due from an associate | | 466,253 | 513,614 | 117,964 |
| Derivative Financial Instruments | 33 | 73,937 | 44,811 | 25,544 |
| | | 11,420,935 | 10,111,761 | 10,366,136 |
| CURRENT ASSETS | | | | |
| Inventories | | 17,057 | 19,730 | 17,553 |
| Receivables and prepayments | | 1,326,244 | 1,109,775 | 841,122 |
| Deposit on aircraft purchase | | 273,768 | 255,540 | 248,684 |
| Amounts due from a jointly controlled entity | | 3,986 | 4,526 | 99,802 |
| Amount due from associates | | 289,778 | 289,492 | 162,386 |
| Deposits, bank and cash balances | | 2,164,488 | 2,105,010 | 1,504,617 |
| Derivative Financial Instruments | 33 | 1,004 | 7,659 | - |
| Current tax recoverable | | - | 2,216 | - |
| | | 4,076,325 | 3,793,948 | 2,874,164 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 1,293,290 | 1,137,232 | 912,943 |
| Sales in advance | | 433,613 | 389,833 | 328,549 |
| Derivative Financial Instruments | 33 | 54,277 | 38,011 | - |
| Amount due to associate | | 4,444 | 4,444 | 5,223 |
| Amount due to a related party | | 6,065 | 10,560 | 41,262 |
| Amount due to a JV entity | | - | 19,761 | - |
| Hire-purchase payables | | - | - | 15 |
| Borrowings | 32 | 1,022,457 | 594,231 | 553,967 |
| Current tax liabilities | | 3,026 | - | 1,632 |
| | | 2,817,172 | 2,194,072 | 1,843,591 |
| NET CURRENT ASSETS | | | | |
| | | 1,259,153 | 1,599,876 | 1,030,573 |
| NON CURRENT LIABILITIES | | | | |
| Borrowings | 32 | 6,892,492 | 7,186,919 | 7,302,884 |
| Derivative Financial Instruments | 33 | 548,974 | 488,321 | 452,865 |
| | | 7,441,466 | 7,675,240 | 7,755,749 |
| CAPITAL AND RESERVES | | | | |
| Share capital | 7 | 277,922 | 277,809 | 277,344 |
| Share Premium | | 1,227,261 | 1,226,150 | 1,221,594 |
| Foreign exchange reserve | | 596 | 596 | 485 |
| Retained earnings | | 3,809,270 | 2,580,930 | 2,102,571 |
| Other Reserves | | (76,427) | (49,088) | 38,966 |
| Shareholders' funds | | 5,238,622 | 4,036,397 | 3,640,960 |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | 1.88 | 1.45 | 1.31 |

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Company | | | | | | | | Minority Interest RM'000 | TOTAL EQUITY RM'000 |
|---|--|-------------------------|-------------------------|-------------------------------------|------------------------------------|------------------------|-----------------------------|-----------------|-----------------------------|------------------------|
| | Issued and fully paid ordinary shares of RM0.10 each | | Share Premium RM'000 | Foreign Exchange Reserves RM'000 | Cash Flow Hedge Reserves RM'000 | AFS Reserves RM'000 | Retained Earnings RM'000 | Total RM'000 | | |
| | Number of shares 1194863 | Nominal Value RM'000 | | | | | | | | |
| At 1 January 2012 | 2,778,087 | 277,809 | 1,226,150 | 596 | (159,363) | 110,275 | 2,580,930 | 4,036,397 | - | 4,036,397 |
| Net Profit for the period | - | - | - | - | - | - | 1,367,297 | 1,367,297 | - | 1,367,297 |
| Dividends approved | - | - | - | - | - | - | (138,957) | (138,957) | - | (138,957) |
| Other comprehensive income | - | - | - | - | (27,339) | - | - | (27,339) | - | (27,339) |
| Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS') | 1,134 | 113 | 1,111 | - | - | - | - | 1,225 | - | 1,225 |
| At 30 June 2012 | 2,779,221 | 277,922 | 1,227,261 | 596 | (186,702) | 110,275 | 3,809,270 | 5,238,622 | - | 5,238,622 |
| At 1 January 2011 | 2,773,437 | 277,344 | 1,221,594 | 485 | (71,309) | 110,275 | 2,102,571 | 3,640,960 | - | 3,640,960 |
| Net Profit for the period | - | - | - | - | - | - | 276,188 | 276,188 | - | 276,188 |
| Dividends paid | - | - | - | - | - | - | (76,964) | (76,964) | - | (76,964) |
| Other comprehensive income | - | - | - | - | 57,442 | - | - | 57,442 | - | 57,442 |
| Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS') | 2,623 | 262 | 2,570 | - | - | - | - | 2,832 | - | 2,832 |
| At 30 June 2011 | 2,776,060 | 277,606 | 1,224,164 | 485 | (13,867) | 110,275 | 2,301,795 | 3,900,458 | - | 3,900,458 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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KEY OPERATING STATISTICS – 30 June 2012

Performance indicator for Malaysian operations for current quarter against the same quarter last year

| Quarter Ended: 30 June | Apr-Jun 2012 | Apr-Jun 2011 | Change y-o-y |
|------------------------------------|--------------|--------------|--------------|
| Passengers Carried | 4,902,689 | 4,472,498 | 10% |
| Capacity | 6,163,020 | 5,511,780 | 12% |
| Seat Load Factor | 80% | 81% | -1 ppt |
| RPK (million) | 5,621 | 5,250 | 7% |
| ASK (million) | 7,038 | 6,436 | 9% |
| Average Fare (RM) | 177 | 164 | 8% |
| Ancillary Income Per Pax (RM)* | 37 | 45 | -19% |
| Unit Passenger Revenue (RM) | 214 | 209 | 2% |
| Revenue / ASK (sen) | 16.79 | 16.81 | 0% |
| Revenue / ASK (US cents) | 5.37 | 5.38 | 0% |
| Cost / ASK (sen) | 13.86 | 13.47 | 3% |
| Cost / ASK (US cents) | 4.43 | 4.31 | 3% |
| Cost / ASK-ex Fuel (sen) | 7.02 | 6.61 | 6% |
| Cost / ASK-ex Fuel (US cents) | 2.25 | 2.11 | 6% |
| Aircraft (end of period) | 58 | 53 | 9% |
| Average Stage Length (km) | 1,144 | 1,170 | -2% |
| Number of Flights | 34,239 | 30,620 | 12% |
| Fuel Consumed (Barrels) | 1,155,269 | 1,053,606 | 10% |
| Average Fuel Price (US\$ / Barrel) | 133 | 134 | -1% |

Exchange Rate: RM:USD – 3.1266, prior year US cents figures are restated at current exchange rate.

*Adjusted from previously published figure to be comparable with current period.

Definition and calculation methodology

| | |
|------------------------------------|---|
| ASK (Available Seat Kilometres) | Total available seats multiplied by the distance flown. |
| RPK (Revenue Passenger Kilometres) | Number of passengers carried multiplied by distance flown |
| Revenue/ASK | Total revenue divided by ASK |
| Cost/ASK | Total expenses before interest and tax divided by ASK |
| Cost/ASK – ex fuel | Costs, as defined above, less fuel expenses, divided by ASK |



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NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2012

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.

In accordance with MFRS1 an opening MFRS statement of financial position has been presented at the date of transition to MFRS’s. There are no differences between the opening MFRS statement of financial and the statement of financial position presented under FRS’s at 31 December 2010.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

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 financial statements for the financial year ended 31 December 2011

In current financial year, the Group is adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”). In adopting the new framework, the Group is applying MFRS 1 “First-time adoption of MFRS”. MFRS 1 provides for certain optional exemption and certain mandatory exception for first-time MFRS adopters.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2012 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 31 December 2011.

3. Auditors’ report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group’s statutory financial statements for the financial year ended 31 December 2011 in their report dated 27 April 2012.



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4. Seasonality of operations

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The seat load factor was 1 percentage point lower in the quarter under review against the same period last year. Compared against the immediate preceding quarter (first quarter January – March 2012), the seat load factor was the same. This seasonal pattern is in line with the expectation of the Group.

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

Apart from the fair value gains highlighted in note 17, 'Changes in the composition of the Group' there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date.

6. Changes in estimates

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

7. Capital and reserves

During quarter ended 30 June 2012, the total issued and paid-up share capital of the Company increased from RM277,837,858 to RM277,921,958 from the issuance of 841,000 ordinary shares of RM0.10 each pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 June 2012.

8. Dividend paid

During the quarter under review the Company declared a dividend of 5.00 sen per ordinary share of 10 sen each amounting to RM138,957,079. The dividend was paid on 20 July 2012.

9. Segment reporting

The Group operates a single reportable segment, that of Airline Operations.



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NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2012

10. Revenue

| | Quarter ended 30/6/2012 RM million | Quarter ended 30/6/2011 RM million |
|---------------------------------|---|---|
| Passenger seat sales | 783.2 | 714.7 |
| Baggage fees | 88.0 | 90.8 |
| Aircraft operating lease income | 132.0 | 120.7 |
| Surcharges and fees | 86.4 | 22.5 |
| Travel and tour operations | - | 23.8 |
| Other revenue | 92.0 | 109.3 |
| | <u>1,181.6</u> | <u>1,081.8</u> |

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

11. Other gains/(losses) - net

Other gains/(losses) – net comprise fair value changes due to movement in mark-to-market (MTM) position on non-designated hedging contracts at 30 June 2012 as compared to 31 March 2012, and are detailed below:

| | Quarter ended 30/6/2012 RM million | Quarter ended 30/6/2011 RM million |
|--|---|---|
| (i) Loss from fuel contracts | (46.6) | (3.8) |
| (ii) Gain from foreign currency contracts | 19.1 | 1.0 |
| (v) Gain / (loss) from interest rate contracts | 3.9 | (22.0) |
| | <u>(23.6)</u> | <u>(24.8)</u> |

The above gains and losses arise from the movement in exchange rates (principally RM:US\$), interest rates and crude oil prices relative to the contracted rate during the quarter. The fair value of derivative financial instruments is determined by discounting future cash flows to present value.



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12. Other Income

| | Quarter ended 30/6/2012 RM million | Quarter ended 30/6/2011 RM million |
|---|---|---|
| Gain on disposal of property, plant and equipment | - | 9.2 |
| Others | <u>12.5</u> | <u>5.1</u> |
| | <u>12.5</u> | <u>14.3</u> |

Other income ('others') includes brand licence fees, commission income and advertising income.

13. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in MTM position on effective hedging contracts at 30 June 2012 as compared to 31 March 2012 as follows:

| | Quarter ended 30/6/2012 RM million | Quarter ended 30/6/2011 RM million |
|--|---|---|
| (i) Fair value (loss)/gain in the period | (35.1) | 50.0 |
| (i) Amount transferred to income statement | <u>(111.0)</u> | <u>6.0</u> |
| | <u>(146.1)</u> | <u>56.0</u> |

Fair value changes in effective hedging contracts are recognized directly in equity and are transferred to the income statement in the same period as the underlying hedged item affects profit or loss.



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14. Disclosure of Realised and Unrealised Profits

The cumulative retained profit of the Group and its subsidiaries comprises realized and unrealized profit as disclosed in the table below.

| | As at 30/6/2012 RM'000 | As at 31/12/2011 RM'000 |
|---|------------------------------|-------------------------------|
| Total retained profit of AirAsia Berhad and its subsidiaries | | |
| (i) Realised | 1,946,684 | 1,781,491 |
| (i) Unrealised | <u>1,891,738</u> | <u>809,277</u> |
| | <u>3,838,422</u> | <u>2,590,768</u> |
| Total share of accumulated losses from associates | | |
| (i) Realised | (31,307) | (9,764) |
| (i) Unrealised | <u>-</u> | <u>-</u> |
| | <u>(31,307)</u> | <u>(9,764)</u> |
| Total share of accumulated profit/(losses) from jointly controlled entities | | |
| (i) Realised | 2,155 | (74) |
| (i) Unrealised | <u>-</u> | <u>-</u> |
| | <u>2,155</u> | <u>(74)</u> |
| Total group retained profit as per consolidated accounts | <u>3,809,270</u> | <u>2,580,930</u> |

15. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 30 June 2012, the Group acquired property, plant and equipment with a cost of RM358.1 million (quarter ended 30 June 2011: RM10.2 million).

During the quarter ended 30 June 2012, the Group disposed of property, plant and equipment with a net book value of RM Nil million (quarter ended 30 June 2011: RM9.1 million).

(b) revaluation

There was no revaluation of property, plant and equipment for the quarter ended 30 June 2012 (quarter ended 30 June 2011: RM Nil).



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(c) *impairment*

There was no impairment of property, plant and equipment for the quarter ended 30 June 2012 (quarter ended 30 June 2011: RM Nil).

16. **Post balance sheet events**

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 30 June 2012 as at the date of this report.

17. **Changes in composition of the Group**

Subsequent to the initial public offering of Asia Aviation Pcl, the major shareholder of Thai AirAsia, AirAsia Berhad's effective interest in Thai AirAsia was reduced from 49% to 45%. As a consequence of the reduction in shareholding Thai AirAsia has ceased to be a jointly controlled entity of the Group and has become an associate company. In accordance with the provisions of MFRS131, Interests in Joint Ventures, this has resulted in a RM120.1 million gain on the disposal of the 4% equity interest and a fair value gain on the remaining 45% equity interest in Thai AirAsia of RM1,040.3 million. The total gain is presented in the income statement as a 'Gain on disposal and fair value of interest in Thai AirAsia'. There were no other changes in the composition of the group during the quarter under review.

18. **Contingent assets**

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

19. **Changes in contingent liabilities since the last annual balance sheet date**

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2011.

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

Capital commitments for property, plant and equipment:

| | <u>Group and Company</u> | |
|---------------------------------|--------------------------|------------------|
| | <u>30/6/2012</u> | <u>30/6/2011</u> |
| | RM'000 | RM'000 |
| Approved and contracted for | 39,865,216 | 38,071,822 |
| Approved but not contracted for | 14,330,502 | 2,352,621 |
| | ----- | ----- |
| | 54,195,718 | 40,424,443 |
| | ===== | ===== |



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21. Material related party transactions

Details of the relationship and transactions between AirAsia and its related parties are as described below. The related party transactions described were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

| Name of company | Relationship |
|---|---|
| Thai AirAsia | An associate of the Company |
| PT Indonesia AirAsia | An associate of the Company |
| AirAsia X Sdn. Bhd. | An investment with common shareholders and directors of the Company |
| AirAsia Inc (Philippines) | An associate of the Company |
| Asian Aviation Centre of Excellence Sdn Bhd | A jointly controlled entity of the Company |

These following items have been included in the Income Statement.

| | Quarter ended 30/6/2012 RM'000 | Group Quarter ended 30/6/2011 RM'000 |
|--|---|---|
| Thai AirAsia | | |
| - Lease rental income on aircraft | 78,650 | 64,479 |
| Indonesia AirAsia | | |
| - Lease rental income on aircraft | 46,512 | 56,208 |
| - Maintenance and overhaul charges | - | 1,977 |
| Philippines AirAsia | | |
| - Lease rental income on aircraft | 6,847 | - |
| AirAsia X Sdn. Bhd. | | |
| - Services charged to AirAsia X Sdn Bhd | 1,444 | 9,731 |
| Asian Aviation Centre of Excellence Sdn Bhd | | |
| - Training costs charged to AirAsia Berhad | (2,756) | - |



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22. Review of performance

(A) Performance of current quarter against the same quarter last year for Malaysia

| Quarter Ended: 30 June RM'000 | Apr-Jun 2012 | Apr-Jun 2011 |
|--|------------------|------------------|
| Revenue | 1,181,561 | 1,081,773 |
| Operating expenses: | | |
| - Staff costs | (123,861) | (109,835) |
| - Depreciation of property, plant and equipment | (137,932) | (142,532) |
| - Aircraft fuel expenses | (481,549) | (441,671) |
| - Maintenance and overhaul | (22,205) | (16,846) |
| - User charges and other related expenses | (113,446) | (68,196) |
| - Aircraft operating lease expenses | (38,297) | (15,507) |
| - Travel and tour operating expenses | - | (18,622) |
| - Other operating expenses | (47,379) | (43,239) |
| Other (losses)/gains - net | (23,580) | (24,846) |
| Other income | 12,509 | 14,324 |
| Operating Profit | 205,821 | 214,803 |
| Finance Income | 19,555 | 12,464 |
| Finance Costs | (94,434) | (92,096) |
| Net operating profit | 130,942 | 135,171 |
| Foreign Exchange gain/(loss) on borrowings | (97,402) | 9,862 |
| Foreign Exchange gain/(loss) on amounts due from associates and jointly-controlled entities | 31,455 | - |
| Gain on disposal and fair value of interest in Thai AirAsia | 1,160,370 | - |
| Share of results of a jointly controlled entities | (6,674) | - |
| Share of results of associates | (1,685) | - |
| Profit before tax | 1,217,006 | 145,033 |
| Current Taxation | (7,575) | (8,025) |
| Deferred taxation | (14,568) | (32,751) |
| Profit after tax | 1,194,863 | 104,257 |
| EBITDAR | 382,050 | 372,842 |
| EBITDAR Margin | 32% | 34% |



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The Group recorded revenue of RM1,181.6 million for the quarter ended 30 June 2012 (“2Q12”), 9% higher than the revenue of RM1,081.8 million recorded in the quarter ended 30 June 2011 (“2Q11”). The revenue growth was supported by 10% growth in passenger volume while the average fare was 8% higher at RM177 as compared to RM164 achieved in 2Q11. Ancillary income per passenger year-on-year reduced by 18% to RM37 from RM45. The seat load factor was 1 percentage point lower at 80% compared to 81% in the same period last year.

The profit after tax for the period was RM1,194.9 million compared to RM104.3 million in the same quarter of 2011.

(B) Cashflow commentary for current quarter against immediately preceding quarter

| Net Cash Flow (RM'000) | Apr - June 2012 | Jan – Mar 2012 |
|--------------------------------|-----------------|-----------------|
| Cash from Operations | 353,290 | 100,503 |
| Cash from Investing Activities | (420,595) | (95,048) |
| Cash from Financing Activities | 174,614 | (53,376) |
| Net Cash Flow | 107,309 | (47,921) |

The Group’s cash from operations was RM353.3 million, compared to RM100.5 million in the immediate preceding quarter ended March 2012. Net cash flow in the quarter amounted to RM107.3 million inflow, as cash flows from operating and financing activities exceeded investing cash flows.

(C) Balance sheet commentary for current quarter

| Balance Sheet RM million | June 2012 | Mar 2012 |
|-----------------------------|--------------|--------------|
| Total Debt | 7,915 | 7,497 |
| Cash | 2,164 | 2,057 |
| Net Debt | 5,751 | 5,440 |
| Net Gearing | 1.10 | 1.26 |

The Group’s total debt as of end of 30 June 2012 was RM7.9 million. The Group’s net debt after offsetting the cash balances amounted to RM5.8 million. This translates to a net gearing ratio of 1.10 times, 13% lower than the immediately preceding quarter.



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23. Jointly Controlled Entities and Associate Companies

i) Associate Company - Thai AirAsia

Subsequent to the initial public offering of Asia Aviation Pcl, on 31 May 2012, the major shareholder of Thai AirAsia, AirAsia Berhad's effective interest in Thai AirAsia was reduced from 49% to 45%. As a result of the dilution in interest and changes to the shareholders agreements Thai AirAsia ceased to be a joint venture company of AirAsia Berhad and became an associate company. As such the AirAsia Berhad investment in Thai AirAsia is now accounted for in accordance with MFRS128 Investments in Associates, which requires that the equity method be used. The gain on disposal and fair value of interest in Thai AirAsia is separately explained in note 17.

Thai AirAsia recorded revenue of THB4,432.8 million in 2Q12, 16% higher compared to the THB3,809.8 million achieved in 2Q11. The positive growth in revenue is attributed to higher passenger volume in combination with consistent unit passenger revenue. Thai AirAsia achieved passenger growth of 20% as compared to 2Q11 while the seat load factor was higher by 1 percentage point at 79%. Average base fare was higher by 2% at THB1,962 as compared to THB1,924 achieved in 2Q11.

Thai AirAsia achieved a net profit of THB245.8 million in 2Q12, compared to a net profit of THB328.1 million in 2Q11. Net profitability was impacted by higher fuel and maintenance costs.

AirAsia Berhad has recognized RM11.9 million as equity share in the Thai AirAsia net profit for 2Q12. In combination with the profit on disposal of shares the AirAsia Berhad interest in the net assets of Thai AirAsia totalled RM134.4m at 30 June 2012.



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(A) Performance indicator for Thailand operations for current quarter against the same quarter last year

| Quarter Ended: 30 June | Apr-Jun 2012 | Apr-Jun 2011 | Change y-o-y |
|------------------------------------|--------------|--------------|--------------|
| Passengers Carried | 1,935,072 | 1,614,853 | 20% |
| Capacity | 2,452,320 | 2,063,160 | 19% |
| Seat Load Factor | 79% | 78% | 1 ppt |
| RPK (million) | 2,044 | 1,774 | 15% |
| ASK (million) | 2,593 | 2,235 | 16% |
| Average Fare (THB) | 1,962 | 1,924 | 2% |
| Ancillary Income Per Pax (THB) | 311 | 405 | -23% |
| Unit Passenger Revenue (THB) | 2,273 | 2,328 | -2% |
| Revenue / ASK (THB) | 1.71 | 1.70 | 0% |
| Revenue / ASK (US cents) | 5.44 | 5.42 | 0% |
| Cost / ASK (THB) | 1.62 | 1.58 | 2% |
| Cost / ASK (US cents) | 5.15 | 5.03 | 2% |
| Cost / ASK-ex Fuel (THB) | 0.86 | 0.85 | 1% |
| Cost / ASK-ex Fuel (US cents) | 2.74 | 2.71 | 1% |
| Aircraft (end of period) | 24 | 20 | 20% |
| Average Stage Length (km) | 1,057 | 1,083 | -2% |
| Number of Flights | 13,624 | 11,462 | 19% |
| Fuel Consumed (Barrels) | 459,795 | 385,243 | 19% |
| Average Fuel Price (US\$ / Barrel) | 136 | 134 | 1% |

Exchange Rate: USD:THB – 31.44, prior year US cents figures are restated at current exchange rate.



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(B) Performance of current quarter against the same quarter last year for Thailand

| Quarter Ended: 30 June THB'000 | Apr-Jun 2012 | Apr-Jun 2011 |
|---|------------------|------------------|
| Revenue | 4,432,775 | 3,809,810 |
| Operating expenses: | | |
| - Staff costs | (406,574) | (373,336) |
| - Depreciation of property, plant and equipment | (19,400) | (20,641) |
| - Aircraft fuel expenses | (1,967,740) | (1,626,532) |
| - Maintenance & overhaul | (356,535) | (271,243) |
| - User charges and other related expenses | (631,140) | (533,325) |
| - Aircraft operating lease expenses | (795,492) | (654,622) |
| - Travel and tour operating expenses | - | - |
| - Other operating expenses | (117,595) | (115,744) |
| Other (losses)/gains - net | - | - |
| Other income | 92,842 | 60,982 |
| Operating Profit | 231,141 | 275,349 |
| Finance Income | 68,216 | 409,273 |
| Finance Costs | (3,777) | (354,814) |
| Profit before tax | 295,580 | 329,808 |
| Taxation | (49,792) | (1,711) |
| Profit after tax | 245,788 | 328,097 |
| EBITDAR | 1,046,033 | 950,612 |
| EBITDAR Margin | 24% | 25% |
| EBIT Margin | 5% | 7% |



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(C) Balance Sheet

| Quarter Ended: 30 June THB'000 | Jun 2012 | Dec 2011 |
|-----------------------------------|------------------|------------------|
| Property, Plant & Equipment | 369,216 | 309,719 |
| Work In Progress | 15,109 | 7,476 |
| Deferred Expenditure | | |
| Inventory | 50,075 | 51,233 |
| Other Debtors & Prepayments | 1,291,262 | 1,982,138 |
| Cash & Short Term Deposits | 5,124,237 | 1,439,281 |
| Total Assets | 6,849,899 | 3,789,846 |
| Sales In Advance | 2,978,694 | 2,716,364 |
| Other Creditors & Accruals | 651,582 | 662,427 |
| Amounts Owing to Related Party | 235,053 | 361,092 |
| Long Term Liabilities | - | 595,938 |
| Total Liabilities | 3,865,329 | 4,335,822 |
| Share Capital | 435,556 | 400,000 |
| Share Premium | 2,628,786 | 1,228 |
| Retained Earnings | (79,772) | (947,203) |
| Total Equity | 2,984,570 | (545,975) |

ii) Associate Company - Indonesia AirAsia

Indonesia AirAsia is an associate company owned 49% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board FRS128, Investments in Associates. The Group's interest in Indonesia AirAsia has been reduced to zero and the Group will only recognize its share of profits after its share of profits equals the share of losses not previously recognized.

Indonesia AirAsia recorded revenue of IDR986.5 billion in 2Q12, 9% higher as compared to the IDR901.8 billion achieved in 2Q11. The positive growth in revenue can be attributed to higher passenger volumes which increased by 15% year-on-year, though offset by a small decline in unit passenger revenue. Passengers carried by Indonesia AirAsia increased by 3 percentage points ahead of capacity which rose 12% year-on-year while the seat load factor rose to 78% from 76% a year earlier.

Indonesia AirAsia's achieved an operating profit of IDR77.6 billion in 2Q12, compared to an operating profit of IDR45.2 billion in 2Q11. After finance costs Indonesia AirAsia reported a net profit of IDR30.0 billion in the period compared to a net profit of IDR41.7 billion in the prior year.



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The AirAsia Berhad share of the net profit in the quarter amounted to RM4.9 million. However, as the Group's interest in Indonesia AirAsia has been reduced to zero any profits will only be recognized when a total of RM187.2 million of unrecognized losses have been reversed.

(A) Performance indicator for Indonesia operations for current quarter against the same quarter last year

| Quarter Ended: 30 June | Apr-Jun 2012 | Apr-Jun 2011 | Change y-o-y |
|------------------------------------|--------------|--------------|--------------|
| Passengers Carried | 1,447,492 | 1,259,737 | 15% |
| Capacity | 1,847,160 | 1,647,904 | 12% |
| Seat Load Factor | 78% | 76% | 2 ppt |
| RPK (million) | 1,748 | 1,664 | 5% |
| ASK (million) | 2,247 | 2,205 | 2% |
| Average Fare (IDR) | 559,207 | 570,987 | -2% |
| Ancillary Income Per Pax (IDR) | 117,517 | 139,680 | -16% |
| Unit Passenger Revenue (IDR) | 676,723 | 710,667 | -5% |
| Revenue / ASK (IDR) | 439.08 | 408.96 | 7% |
| Revenue / ASK (US cents) | 4.71 | 4.38 | 7% |
| Cost / ASK (IDR) | 404.52 | 388.43 | 4% |
| Cost / ASK (US cents) | 4.33 | 4.16 | 4% |
| Cost / ASK-ex Fuel (IDR) | 203.86 | 199.83 | 2% |
| Cost / ASK-ex Fuel (US cents) | 2.18 | 2.14 | 2% |
| Aircraft (end of period) | 18 | 20 | -10% |
| Average Stage Length (km) | 1,231 | 1,345 | -8% |
| Number of Flights | 10,262 | 9,408 | 9% |
| Fuel Consumed (Barrels) | 350,650 | 342,443 | 2% |
| Average Fuel Price (US\$ / Barrel) | 138 | 130 | 6% |

Exchange Rate: USD:IDR – 9,332, prior year US cents figures are restated at current exchange rate.



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(B) Performance of current quarter against the same quarter last year for Indonesia

| Quarter Ended: 30 June IDR million | Apr-Jun 2012 | Apr-Jun 2011 |
|---|----------------|----------------|
| Revenue | 986,516 | 901,815 |
| Operating expenses: | | |
| - Staff costs | (97,646) | (96,692) |
| - Depreciation | (23,588) | (5,077) |
| - Aircraft fuel expenses | (450,832) | (415,901) |
| - Aircraft operating lease expense | (117,210) | (161,238) |
| - Maintenance & overhaul | (87,885) | (80,271) |
| - User charges and other related expenses | (109,980) | (82,756) |
| - Travel and tour operating expenses | - | - |
| - Provision for early return of aircraft | (7,086) | - |
| - Other operating expenses | (32,969) | (23,599) |
| Other (losses)/gains - net | - | - |
| Other income | 18,329 | 8,973 |
| Operating Profit | 77,649 | 45,254 |
| Finance Income | 397 | 9,789 |
| Finance Costs | (48,088) | (13,353) |
| Profit before tax | 29,958 | 41,690 |
| Taxation | - | - |
| Profit after tax | 29,958 | 41,690 |
| EBITDAR | 218,447 | 211,569 |
| EBITDAR Margin | 22% | 23% |
| EBIT Margin | 8% | 5% |



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(C) Balance Sheet

| Quarter Ended: 30 June IDR million | Jun 2012 | Dec 2011 |
|---------------------------------------|--------------------|--------------------|
| Property, Plant & Equipment | 1,687,183 | 1,711,148 |
| Work In Progress | 228 | 228 |
| Deferred Expenditure | 0 | 314 |
| Inventory | 1,231 | 1,618 |
| Other Debtors & Prepayments | 494,237 | 157,432 |
| Cash & Short Term Deposits | 102,362 | 32,191 |
| Total Assets | 2,285,241 | 1,902,931 |
| Sales In Advance | 704,413 | 498,231 |
| Other Creditors & Accruals | 277,418 | 285,994 |
| Amounts Owing to Related Party | 2,425,777 | 2,234,377 |
| Borrowings | 138,974 | 138,974 |
| Total Liabilities | 3,546,582 | 3,157,576 |
| Share Capital | 180,000 | 180,000 |
| Share Premium | - | - |
| Retained Earnings | (1,441,341) | (1,434,645) |
| Total Equity | (1,261,341) | (1,254,645) |

iii) Jointly Controlled Entity – Asian Aviation Centre of Excellence Sdn Bhd ('AACOE')

AACOE is a joint venture company which is incorporated in Malaysia and is owned in equal shares by AirAsia Berhad and CAE Inc, a Canadian incorporated aviation training organization. AACOE recorded a net profit of RM4.3 million in the quarter of which RM2.2 million is equity accounted in the AirAsia Berhad income statement.

iv) Jointly Controlled Entity – AAE Travel Pte Ltd ('AAE Travel')

AAE Travel is a joint venture company which is incorporated in Singapore and is owned in equal shares by AirAsia Berhad and Expedia Inc, a USA incorporated on-line travel agent. AAE Travel recorded a net loss of RM17.7 million in the quarter of which RM8.8 million is equity accounted in the AirAsia Berhad income statement.



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v) Jointly Controlled Entity – Think Big Digital Sdn Bhd ('BIG')

BIG is a joint venture company which is incorporated in Malaysia and is owned in equal shares by AirAsia Berhad and Tune Money Sdn Bhd. In the quarter under review BIG recorded a net loss of RM3.8m. The share of losses is not recognized in the AirAsia Berhad income statement as AirAsia Berhad currently has only RM1 equity invested in BIG.

vi) Associate Company – AirAsia Inc ('AirAsia Philippines')

AirAsia Philippines is an associate company which is incorporated in the Republic of the Philippines and is 40% owned by AirAsia Berhad. AirAsia Philippines recorded a net loss of RM24.8 million in the quarter of which RM2.4 million is equity accounted in the AirAsia Berhad income statement. The AirAsia Berhad equity interest in AirAsia Philippines has now been reduced to zero so, in accordance with MFRS128 no further losses will be recognized.

vii) Associate Company – AirAsia Japan Co., Ltd ('AirAsia Japan')

AirAsia Japan is an associate company which is incorporated in Japan and is 49% owned by AirAsia Berhad. AirAsia Japan recorded a net loss of RM22.8m in the quarter of which RM11.2m is equity accounted in the AirAsia Berhad income statement.

24. Variation of results against preceding quarter

The Group achieved a profit after taxation of RM1,194.9 million for the quarter under review. This is RM1,022.5 million higher compared to the RM172.4 million profit after taxation achieved in the immediately preceding quarter ended 31 March 2012.

25. Commentary on prospects

Based on the current forward booking trend, underlying passenger demand in the third quarter for the Malaysian, Thai and Indonesian operations remains positive, while the recently started operations in the Philippines and Japan continue to build scale. Load factors achieved in the month of July were in line with the prior year in Malaysia, slightly higher in Thailand and slightly lower in Indonesia.

In Malaysia, forward loads for the remaining months of the third quarter are higher than in the prior year with base fares also higher, in accordance with the Company's strategy to maintain high load factors with improving yields. Passenger numbers are expected to be particularly strong in August during the Raya holiday period and remain strong for the rest of the quarter and in line with seasonal patterns. Both forward loads and average fares in Thailand and Indonesia for the remaining months of the third quarter are in line with or



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better than in the prior year, while in the Philippines and Japan loads and fares are in line with expectations for the initial stage of operations.

In Thailand, the third quarter is the weakest in terms of seasonality. However, Thai AirAsia still expects to achieve a strong load factor in the quarter. TAA will add one additional aircraft to the fleet in September, which will be used to add frequency to existing international and domestic destinations. Political stability in Thailand also has a beneficial effect on tourism.

Indonesia AirAsia plans to launch a new international route from Surabaya to Johor Baru, and add frequency on the Surabaya to Kuala Lumpur sector. In the domestic market there will be frequency additions between Surabaya and Bandung. Through the planned expansion of Surabaya, Indonesia AirAsia will continue to optimize capacity at each hub and create a stronger network.

Philippines AirAsia will increase utilization of its fleet during the third quarter. PAA commenced its first international flight to Kuala Lumpur on June 9 and started services to Hong Kong and Macau on July 19. A comprehensive marketing and promotional campaign will be implemented to support the new routes

Japan AirAsia commenced operations on 1 August 2012 and currently serves Sapporo, Fukuoka and Okinawa. During the third quarter JAA will concentrate on building yields and loads during the initial stages of operation.

The Group will take delivery of four A320 aircraft in the third quarter of the year, which will be deployed in Malaysia, Indonesia, Japan and Thailand. The aircraft will be used to operate new routes from Kuala Lumpur to Lombok in Indonesia, from Tokyo, in Japan, and to increase frequency on existing routes across the network.

The outlook for the third quarter of the year should be seen in the context of the current prices of oil and aviation fuel which remain high. However, barring any unforeseen circumstances, the Directors remain positive for the prospects of the Group for the third quarter and remainder of 2012.

26. Profit forecast

As AirAsia Berhad does not provide profit forecasts the disclosure requirements are not applicable.



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27. Finance Income/(Costs)

| All figures in RM'000 | Group and Company | | | |
|---|-----------------------|-----------------------|----------------------|----------------------|
| | Quarter Ended 30/6/12 | Quarter Ended 30/6/11 | Year to Date 30/6/12 | Year to Date 30/6/11 |
| Finance income | | | | |
| Interest on amounts due from associates and JV entities | 12,744 | 7,707 | 25,357 | 17,878 |
| Interest on deposits | 3,852 | 963 | 5,555 | 1,918 |
| Other interest income | 2,959 | 3,794 | 7,061 | 7,339 |
| | 19,555 | 12,464 | 37,973 | 27,135 |
| Finance costs | | | | |
| Bank borrowings | (92,071) | (89,795) | (180,181) | (181,882) |
| Amortisation of premiums for interest rate caps | (1,993) | (1,948) | (3,944) | (3,913) |
| Hire purchase payables | - | (1) | - | (3) |
| Bank facilities and other charges | (370) | (352) | (834) | (786) |
| | (94,434) | (92,096) | (184,959) | (186,584) |
| Net Income/(Cost) | (74,879) | (79,632) | (146,986) | (159,449) |
| Foreign exchange gains/(losses) | | | | |
| Borrowings | | | | |
| - realized | (14,988) | (4,810) | (20,611) | (15,233) |
| - unrealized | (193,367) | 20,717 | (64) | 132,914 |
| - fair value movement recycled from cash flow hedge reserve | 110,953 | (6,045) | 6,856 | (66,126) |
| | (97,402) | 9,862 | (13,819) | 50,836 |



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28. Income tax expense

Current taxation

The current taxation charge of RM7.6 million comprises tax payable on interest income.

Deferred taxation

An additional RM14.6 million deferred tax charge arose in the current financial period as a result of the increase in deferred tax liabilities arising from the increase in the difference between the net book value and tax written down value of property, plant and equipment. The reduction in the deferred tax assets is a result of the utilization of capital allowances granted.

29. Unquoted investments and properties

The Group's effective interest in Thai AirAsia, a joint venture company of the Group, was reduced from 49% to 45% subsequent to the initial public offering of Asia Aviation Pcl, the major shareholder of Thai AirAsia in the current financial period. As a consequence of the reduced interest Thai AirAsia has been reclassified as an associate company of the Group.

There was no sale of unquoted investments or properties for the quarter under review and financial period to date.

30. Quoted investments and properties

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

31. Status of corporate proposals announced

Japan Joint Venture

Following the announcement on 23 May 2012 on the above matter, AirAsia wishes to announce that the Japan Joint Venture commenced commercial air services on 1 August 2012.

Indonesian Expansion Plans

Following the announcement on 26 July 2012 on the above matter, AirAsia wishes to update that there has been no change in the status of the above expansion plans in Indonesia.



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32. Borrowings and debt securities

| | At 30/6/2012 RM'000 | At 31/3/2012 RM'000 |
|--------------------|------------------------|------------------------|
| Current | 1,022,457 | 605,313 |
| Non-current | 6,892,492 | 6,891,608 |
| Total Debt | 7,914,949 | 7,496,921 |

The borrowings are mainly in the form of term loans which are for the purchase of new Airbus A320-200 aircraft.

The maturity period of non-current borrowing is 14 years and below. Borrowings are denominated in US Dollar (predominantly), RM and Euro. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 33 (i).

The Company's aircraft financing facilities are principally secured by the following types of security:

- (a) Assignment of rights under contract with Airbus over each aircraft
- (b) Assignment of insurance and reinsurances of each aircraft
- (c) Assignment of airframe and engine warranties of each aircraft
- (d) Mortgage of the aircraft
- (e) Deregistration Power of Attorney



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33. Derivative Financial Instruments:

The fair value of derivative financial instruments is determined in accordance with FRS139 “Financial Instruments: Recognition and Measurement”

(i) Forward Foreign Exchange Contracts

As at 30 June 2012, the Group has hedged approximately 40% of its dollar liabilities of its aircraft and engine loans into Malaysian Ringgit (“MYR”) by using long dated foreign exchange forward contracts. The calculation includes loans for aircraft deployed to Thai AirAsia and Indonesia AirAsia where AirAsia receives lease payments in USD. However, if the calculation is based on loans of aircraft deployed to Malaysia, approximately 66% of the loans are hedged from USD into MYR. The latest weighted average of USDMYR forward exchange rate is 3.2252.

(ii) Interest Rate Hedging

The Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing and future aircraft financing for aircraft delivering from 2005 to 2013. As at 30 June 2012, there are 15 forward start US\$ varying from 1.99% to 2.40%, with 12 years tenure for future aircraft loans for aircraft purchases delivering between the remaining of 2012 and 2013.

(iii) Fuel Hedging

As at 30 June 2012, the Group has a portfolio of Brent fixed swaps of up to 31% of the budgeted fuel consumption for second half 2012 with a weighted average price of US\$116 per barrel.

The Group has also entered up to 31% of the budgeted fuel consumption in 3rd quarter of 2012 via Singapore Jet Kerosene fixed swaps at a weighted average of US\$117 per barrel.



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Derivative financial instruments

| Type of derivatives | Notional Value as at 30/06/2012 | Fair Value as at 30/06/2012 Assets/(Liabilities) |
|----------------------------------|------------------------------------|--|
| (i) Fuel contract | Barrels (million) | RM (million) |
| - less than 1 year | 0.9 | (53.3) |
| - 1 year to 3 years | - | - |
| Total | 0.9 | (53.3) |
| | RM (million) | RM (million) |
| (ii) Interest rate contracts | | |
| - less than 1 year | - | - |
| - 1 year to 3 years | - | - |
| - more than 3 years | 4,727.2 | (529.6) |
| Total | 4,727.2 | (529.6) |
| (iii) Foreign currency contracts | RM (million) | RM (million) |
| - less than 1 year | - | - |
| - 1 year to 3 years | 71.6 | (2.2) |
| - more than 3 years | 3,987.0 | 56.8 |
| Total | 4,058.6 | 54.6 |

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

34. Material litigation

As at 28 August 2012, there was no material litigation against the Group.

35. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 30 June 2012.



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36. Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|-------------------------------|--------------------------------------|------------------------------|--------------------------------|
| | Current Quarter Ended 30/6/12 | Preceding Year Quarter Ended 30/6/11 | Current Year to Date 30/6/12 | Preceding Year to Date 30/6/11 |
| Net profit for the financial period (RM'000) | 1,194,863 | 104,258 | 1,367,297 | 276,188 |
| Weighted average number of ordinary shares in issue for basic EPS ('000) | 2,778,804 | 2,775,498 | 2,778,804 | 2,775,498 |
| Adjusted for share options granted ('000) | 3,387 | 5,072 | 3,387 | 5,072 |
| Adjusted weighted average number of ordinary shares ('000) | 2,782,191 | 2,780,570 | 2,782,191 | 2,780,570 |
| Basic earnings per share (sen) | 43.0 | 3.8 | 49.2 | 10.0 |
| Diluted earnings per share (sen) | 42.9 | 3.7 | 49.1 | 9.9 |

(b) Diluted earnings per share

Diluted earnings per share of the Group are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period, adjusted for share options granted.

37. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
28 August 2012