



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
THIRD QUARTER REPORT ENDED 31 MARCH 2005

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or the Company) is pleased to announce the following unaudited consolidated results for the third quarter ended 31 March 2005. This is the third quarterly announcement made by AirAsia to the Bursa Malaysia Securities Berhad since its listing on 22 November 2004.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR PERIOD	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	RM'000	RM'000	RM'000	RM'000
Revenue	163,911	N/A	466,742	N/A
Cost of Sales	(111,018)	N/A	(317,486)	N/A
Gross profit from operations	52,893	N/A	149,256	N/A
Other operating expenses	(13,103)	N/A	(38,812)	N/A
Other operating income	12,214	N/A	16,849	N/A
Profit from operations	52,004	N/A	127,293	N/A
Finance costs	(267)	N/A	(3,726)	N/A
Depreciation and amortisation	(7,684)	N/A	(19,148)	N/A
Share of results of associated companies	(1,106)	N/A	(5,125)	N/A
Profit before taxation	42,947	N/A	99,294	N/A
Taxation	(2,336)	N/A	(4,154)	N/A
Profit after taxation	40,611	N/A	95,140	N/A
Add: minority interests	77	N/A	387	N/A
Profit after taxation and minority interests attributable to shareholders	40,688	N/A	95,527	N/A
Basic earnings per share (sen)	1.74	N/A	6.50	N/A
Diluted earnings per share (sen)	1.72	N/A	6.38	N/A

This Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

	UNAUDITED AS AT END OF CURRENT QUARTER 31/03/2005 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2004 RM'000
NON CURRENT ASSETS		
Property, plant & equipment	203,326	158,456
Investment in an associated company	6,390	86
Other investments	94	108
Goodwill	7,334	-
Deferred expenditure	14,782	4,369
	231,926	163,019
CURRENT ASSETS		
Deferred share issue expenses	-	2,741
Inventories (at cost)	4,640	3,947
Trade and other receivables	347,218	113,947
Amount owing by an associated company	60,196	202
Deposits, bank and cash balances	436,166	66,147
	848,220	186,984
CURRENT LIABILITIES		
Trade and other payables	135,938	102,146
Amount owing to an associated company	384	202
Hire purchase payables	110	128
Borrowings (secured)	-	47,728
Current tax liabilities	1,421	439
	137,853	150,643
NET CURRENT ASSETS	710,367	36,341
NON CURRENT LIABILITIES		
Deferred tax liabilities	4,113	1,113
Hire purchase payables	98	239
Borrowings (secured)	-	47,728
	4,211	49,080
	938,082	150,280
CAPITAL AND RESERVES		
Share capital	233,503	175,127
Share premium	699,770	65,959
Retained Earnings / Accumulated losses	4,721	(90,806)
Shareholders' funds	937,994	150,280
Minority interest	88	-
	938,082	150,280
*NET TANGIBLE ASSETS PER SHARE (RM)	0.40	0.86

*Net tangible assets per share calculation for the quarter under review included the effect of share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each on 6 Oct 2004

This Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	9 MONTHS PERIOD TO 31/03/2005	PRECEDING FINANCIAL PERIOD 31/03/2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operations before taxation	99,294	N/A
Adjustments:		
Interest expense	3,726	N/A
Depreciation of property, plant and equipment	19,148	N/A
Interest income	(6,802)	N/A
	115,366	-
Changes in operating assets and liabilities		
Increase in inventories	(693)	N/A
Increase in trade and other receivables	(231,693)	N/A
Increase in trade and other payables	32,993	N/A
	(84,027)	N/A
Cash generated from operations		
Interest paid	(3,726)	N/A
Interest received	6,802	N/A
Tax paid	(172)	N/A
Net cash from operating activities	(81,123)	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(74,431)	N/A
Acquisition of subsidiary company	(19,988)	N/A
Repayment of loans	(95,456)	N/A
Cash & cash equivalent of subsidiary acquired	1,044	N/A
Net cash used in investing activities	(188,831)	N/A
CASH FLOWS FROM FINANCING FACILITIES		
Hire purchase instalments paid	(159)	N/A
Issuance of shares	695,378	N/A
Amount due from associated companies	(55,246)	N/A
Net cash from financing activities	639,973	N/A
NET INCREASE FOR THE FINANCIAL PERIOD	370,019	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	58,589	N/A
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	428,608	N/A

This Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
 CHANGES IN EQUITY**

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
	Number of shares '000	Nominal value RM'000	RCPS* RM'000	Share premium RM'000	Share application monies RM'000	Accumulated losses RM'000	TOTAL RM'000
<u>12 months ended 30/06/04</u>							
At 1 July 2003	52,070	52,070	109,216	-	27,617	(139,873)	49,030
*Conversion of RCPS	109,216	109,216	(109,216)	-	-	-	-
Issuance of shares	13,841	13,841	-	65,959	(27,617)	-	52,183
Net Profit	-	-	-	-	-	49,067	49,067
At 30 June 2004	175,127	175,127	-	65,959	-	(90,806)	150,280
<u>9 months ended 31/03/05</u>							
At 1 July 2004	175,127	175,127	-	65,959	-	(90,806)	150,280
**Share split	1,576,143	-	-	-	-	-	-
Issuance of shares	583,760	58,376	-	633,811	-	-	692,187
Net Profit	-	-	-	-	-	95,527	95,527
At 31 March 2005	2,335,030	233,503	-	699,770	-	4,721	937,994

* Redeemable Cumulative Preference Shares of RM1.00 each

** Share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each on 6 Oct 2004

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004



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KEY OPERATING STATISTICS – 31 MARCH 2005

In RM'000	Previous Quarter 31/12/2004	Current Quarter 31/03/2005
Operating Statistics - Malaysia		
RPK (million)	1,230	1,187
ASK (million)	1,645	1,650
Rev per RPK (sen)	14.53	13.81
Cost per ASK (sen)	8.10	8.06
Sectors flown	10,362	10,402
Passenger Load Factor	73%	72%
Average number of aircraft	16.71	17.07
Number of aircraft at end of period	19.00	20.00
Passengers carried	1,126,393	1,099,596
Average fare (RM)	153	143



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UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2005

1. *(A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change)*

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) No. 134 – Interim Financial Reporting and Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad (BMSB). There is no comparative with corresponding quarter in the preceding year as the Group is still within its first year of listing on Bursa Malaysia. The financial statements should be read in conjunction with the Group's most recent audited financial statements for the year ended 30 June 2004.

The accounting policies and methods of computation used in the Group's annual financial statements for the financial year ended 30 June 2004 have been used in the preparation of the interim financial statements.

2. *(Where the audit report of the enterprise's preceding annual financial statements was qualified, disclosure of the qualification and the current status of the matter(s) giving rise to the qualification)*

The audit report of the Group's annual financial statements for the financial year ended 30 June 2004 was not subject to any qualification.

3. *(Explanatory comments about the seasonality or cyclicity of interim operations)*

AirAsia is principally involved in provision of air transportation services and thus, is subject to the seasonal demand for air travel. Historically, the results of our third quarter, coming off after the peak holiday season, is weaker as compared to the immediately preceding quarter. This pattern is in line with forecasts and expectations of the Group.

4. *(The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidence)*

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter or the financial year-to-date.



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5. *(The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period)*

There have been no changes in the basis of estimates provided in respect of the financial period under review.

6. *(Issuance, cancellations, repurchases, resale and repayments of debt and equity securities)*

The Group's borrowings which comprised secured revolving credit and term loan amounting to RM95.4 million, have been fully repaid on 4 Jan and 31 Jan 2005 respectively. Other than the above, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares in the period under review.

7. *(Dividends paid (aggregate or per share) separately for ordinary shares and other shares)*

There were no dividends paid during the quarter under review.

8. *(Segment revenue and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting [disclosure of segment data is required in an enterprise's interim financial report only if MASB 22, Segment Reporting, requires that enterprise to disclose segment data in its annual financial statements])*

Segmental information is not presented as there are no significant business segments other than the provision of air transportation services. The financial results for the quarter under review include our share of results from our operations in Thailand and Indonesia, via our associated companies Thai AirAsia Co. Ltd. and PT Awair International respectively. However, the financial results from our operations in Thailand and Indonesia are insignificant as compared to the operations of the Group. The Group's operations are conducted predominantly in Malaysia.



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9. *(Where valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements, a statement to that effect should be given)*

There was no revaluation of aircraft, property and equipment for the quarter under review or financial year-to-date.

10. *(Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period)*

There were no material events subsequent to the end of the quarter that have not been reflected in the financial statements for the quarter.

11. *(The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations)*

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the quarter.

12. *(Changes in contingent liabilities or contingent assets since the last annual balance sheet date)*

The Company has made an application to the Government for the waiver of withholding tax payable on certain lease payments for aircraft made prior to 30 June 2001. The Directors are of the opinion that the Company's application will receive due consideration from the Government and that a favorable response will be granted.

In the event that the application is not successful however, the potential shortfall of the provision for withholding tax payable as at 30 June 2004 is approximately RM2.3 million, which has not been provided for in the financial year-to-date. This was disclosed in the Company's IPO prospectus dated 20 October 2004.

There have been no changes in contingent liabilities since the last audited balance sheet date as at 30 June 2004.



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13. *(A review of the performance of the company and its principal subsidiaries, setting out material factors affecting the earnings and/or revenue of the company and the group for the current quarter and financial year-to-date)*

The Group recorded revenue of RM163.9 million and a profit before tax of RM42.9 million respectively for the quarter. For the financial year-to-date under review, the Group recorded revenue of RM466.7 million and profit before tax of RM99.3 million respectively.

The results for the quarter under review were affected by fewer than expected number of aircraft in operation, higher fuel costs and the dampening of air travel sentiments following the Tsunami disaster, multiple earth quakes off Sumatra and unrest in southern Thailand. Maintenance and overhaul costs are lower mainly due to fewer aircraft in operation. Effective sales and promotion efforts and lower general & administration expenses offset the increase in fuel costs. All other cost elements were lower than forecasts.

Kindly refer to Key Operating Statistics on page 5.

14. *(An explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter)*

The Group achieved a profit before tax of RM42.9 million for the quarter under review. This is a decrease of RM2.8 million compared to that of the immediately preceding quarter ended 31 December 2004. The decrease in profit was mainly due to lower revenue of 8.2%, a drop in the number of passengers carried by 2.4%, average passenger load factor by 1% and also a RM10 drop in the average fare compared to the immediate preceding quarter. These reductions were expected as the immediately preceding quarter is historically the Group's strongest quarter. Nonetheless, the results for the current quarter under review are satisfactory in view of the dampening of air travel sentiments stemming from natural catastrophes in the region and unrests in southern Thailand.



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15. *(A commentary on the prospects, including the factors that are likely to influence the company's prospects for the remaining period to the end of the financial year or the next financial year if the reporting period is the last quarter)*

The performance of the Group has been impacted by delays in aircraft deployment compared to what was originally forecast due to tightening of the used B737-300 lease market. The Group is unwilling to sacrifice the Group's low cost structure by accepting the higher lease rates quoted.

The cost of jet fuel remains a real concern in view of the fact that fuel prices have been on a steady upward trend. The Board does not anticipate fuel prices falling significantly and is of the view that they will remain at high levels in the short term.

Thai AirAsia successfully achieved a turnaround and posted a profit despite undergoing many adversities such as the Tsunami disaster, competitive pressures and unrest in southern Thailand.

PT Awair is a new entrant in a highly competitive market. Its losses during the quarter under review were made up essentially of start-up costs, which have an impact on its profitability until economies of scale are attained.

In the light of the above factors, the Directors expect the results for the full financial year ended 30 June 2005 to be lower than the IPO forecast included in the group's prospectus dated 20 October 2004. Despite this, the Directors remain positive about the future growth prospects for the Group.



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16. *(A breakdown of the tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date)*

	Current Quarter 31 March 2005 RM '000	Cumulative Period 31 March 2005 RM '000
<u>Group</u>		
Current tax	336	1,154
Deferred tax	2,000	3,000
	2,336	4,154

The effective tax rate of the Group for the financial year-to-date was lower than the statutory tax rate mainly due to the assumptions made by the Directors that the Company's application to obtain tax exemptions under Section 127(3) of the Income Tax Act 1967 will receive due consideration from the Malaysian Government and that a favorable response will be granted for a period commencing 1 July 2004. This was disclosed in the Company's IPO prospectus dated 20 October 2004.

In the event that the application is not successful however, the potential shortfall in the provision for taxation for the financial year ending 30 June 2005 estimated to be approximately RM10.0 million.

The current taxation charge is in respect of interest income, which is assessed separately.

17. *(The amount of profits/(losses) on any sale of unquoted investments and/or properties respectively for the current quarter and financial year-to-date)*

There was no sale of unquoted investments or properties for the quarter and financial year-to-date.



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18. *(The following particulars of any purchase or disposal of quoted securities other than securities in existing subsidiaries and associated companies by all companies except closed-end funds, a company whose activities are regulated by any written law relating to banking, finance companies or insurance and are subject to supervision by Bank Negara Malaysia, Member Companies and such other companies as may be exempted by the Exchange:*
- (a) Total purchase consideration and sale proceeds of quoted securities for the current quarter and financial year-to-date and profit/loss arising therefrom;*
 - (b) Investments in quoted securities as at the reporting period:-*
 - (i) at cost;*
 - (ii) at carrying value/book value; and*
 - (iii) at market value).*

There were no purchases or disposals of quoted securities for the quarter and financial year-to-date.

19. *(a) The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.*
- (b) Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal)*

There were no corporate proposals announced but not completed as at 20 May 2005 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

The Initial Public Offering “IPO” proceeds were received on 23 November 2004. The amount of RM717.4 million was derived from the issuance of 443,655,900 new shares at RM1.25 each to institutional investors and 140,101,900 new shares at retail price of RM1.1625 each to the Malaysian public, eligible Directors and employees of the Company and its subsidiary and persons who have contributed to the success of the Group. As at the date of this report, the following are the details of utilization of IPO proceeds:-



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	Amount Raised	Amount Utilised	Balance
	RM'000	RM'000	RM'000
Repayment of bank borrowings	94,240	94,240	0
Capital expenditure	100,000	61,263	38,737
Estimated listing expenses	35,500	25,252	10,248
Working capital	487,699	136,800	350,899
	717,439	317,555	399,884

20. *(The group borrowings and debt securities as at the end of the reporting period:-*
- (a) Whether secured or unsecured, and a breakdown between secured and unsecured, if applicable;*
 - (b) Breakdown between short term and long term borrowings; and*
 - (b) Whether denominated in foreign currency, and a breakdown of the debt/borrowings in each currency, if applicable)*

The Group has no outstanding borrowings or debt securities as at the end of the financial period under review.

21. *(A summary of off balance sheet financial instruments by type and maturity profile at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report, including the following information:-*
- (a) the face or contract amount (or notional principal amount if there is no face or contract amount); and*
 - (b) the nature and terms, including at a minimum, a discussion of:*
 - (i) the credit and market risk of those instruments;*
 - (ii) the cash requirement of those instruments; and*
 - (iii) the related accounting policies)*

The Company has forward contracts with fair value of RM65.0million and RM76million for the purchase of jet fuel which matures on 30 June 2005 and 31 December 2005 respectively. These contracts are to be settled in US Dollars.



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The recognition of the unrealised gain or loss on forward contract (if any) is deferred until the purchase of fuel is transacted.

22. *(Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report)*

There was no pending material litigation as at 20 May 2005 (a date not earlier than 7 days from the date of issue of this quarterly report) since the last annual balance sheet date.

23. *(Dividend: To be completed if a decision regarding dividend has been made. (State whether dividend amount is before tax, net of tax or tax exempt and if before tax or net of tax, state the tax rate):*

- (a) (i) *an interim/final ordinary dividend has/has not been declared/recommended;*
(ii) *the amount per share ... sen;*
(iii) *the previous corresponding period ... sen;*
(iv) *the date payable ...; and*
(v) *in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at ... dd/mm/yyyy; and*

- (b) *the total dividend for the current financial year ... sen*

The Board of Directors is not recommending any interim dividend for the quarter and financial year-to-date.

24. *(To disclose the following in respect of earnings per share:-*

- (a) *the amount used as the numerator in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the reporting period; and*

- (b) *the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other)*



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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.

	Current Quarter 31 March 2005	Cumulative period 31 March 2005
Net profit for the financial period (RM'000)	40,688	95,527
Weighted average number of ordinary shares in issue ('000)	2,335,028	1,470,258
Basic earnings per share (sen)	1.74	6.50

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in respect of options over shares granted to employees.

In respect of options over shares granted to employees, a calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding options over shares. The number of ordinary shares calculated is compared with the number of shares that would have been issued assuming the exercise of the options over shares. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the period for the options over shares calculation.



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	Current Quarter 31 March 2005	Cumulative period 31 March 2005
Net profit for the financial period (RM'000)	40,688	95,527
Weighted average number of ordinary shares in issue for diluted EPS ('000)	2,335,028	1,470,258
Adjusted for share options granted ('000)	34,005	26,311
Adjusted weighted average number of ordinary shares ('000)	<u>2,369,033</u>	<u>1,496,569</u>
Diluted earnings per share (sen)	1.72	6.38

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
24 May 2005