



**AIRASIA BERHAD**

(Company No. 284669-W)

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

FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2007

**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 first quarter ended 30 September 2007.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER ENDED AS RESTATED	CURRENT YEAR ENDED	PRECEDING YEAR CORRESPONDING YEAR ENDED AS RESTATED
	30/09/2007 RM'000	30/09/2006 RM'000	30/09/2007 RM'000	30/09/2006 RM'000
Revenue	461,585	332,093	461,585	332,093
Cost of Sales	(294,715)	(267,772)	(294,715)	(267,772)
Gross profit from operations	166,870	64,321	166,870	64,321
Other operating expenses	(23,525)	(13,842)	(23,525)	(13,842)
Other operating income	2,387	2,345	2,387	2,345
Profit from operations	145,732	52,824	145,732	52,824
Net Finance (costs) / Income	22 (7,265)	(12,608)	(7,265)	(12,608)
Depreciation and amortisation	(63,776)	(34,876)	(63,776)	(34,876)
Share of results of jointly controlled entity	18 -	-	-	-
Share of results of associates	18 -	-	-	-
<b>Profit before taxation</b>	74,691	5,340	74,691	5,340
Current taxation	23 (923)	(846)	(923)	(846)
Deferred taxation	23 106,209	65,508	106,209	65,508
<b>Profit after taxation</b>	179,977	70,002	179,977	70,002
Attributable to:				
-Equity holders of the company	179,977	69,990	179,977	69,990
-Minority interests	-	12	-	12
	179,977	70,002	179,977	70,002
Basic earnings per share (sen)	7.7	3.0	7.7	3.0
Diluted earnings per share (sen)	7.5	3.0	7.5	3.0

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the quarter ended 30 September 2007 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007**

	UNAUDITED AS AT END OF CURRENT QUARTER 30/09/2007	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2007
Note	RM'000	RM'000
<b>NON CURRENT ASSETS</b>		
Property, plant & equipment	3,672,757	2,959,817
Investment in associates	29	29
Other investments	64	67
Goodwill	8,738	8,738
Deferred expenditure	479	480
Deferred tax asset	435,425	329,216
Long term prepayments	58,027	46,004
	<b>4,175,519</b>	<b>3,344,351</b>
<b>CURRENT ASSETS</b>		
Inventories (at cost)	9,272	9,512
Other investments	33,871	34,136
Trade and other receivables	379,238	308,950
Deposit on aircraft purchase	312,826	317,296
Amount due from a jointly controlled entity	99,010	92,182
Amount due from associates	86,180	77,432
Deposits, bank and cash balances	547,481	595,243
	<b>1,467,878</b>	<b>1,434,751</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	615,018	557,796
Borrowings (secured)	290,175	251,097
Hire-purchase payables	64	77
Current tax liabilities	5,048	4,575
	<b>910,305</b>	<b>813,545</b>
<b>NET CURRENT ASSETS</b>		
	<b>557,573</b>	<b>621,206</b>
<b>NON CURRENT LIABILITIES</b>		
Borrowings (secured)	2,886,091	2,303,488
Hire-purchase payables	181	188
	<b>2,886,272</b>	<b>2,303,676</b>
	<b>1,846,820</b>	<b>1,661,881</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	236,536	236,077
Reserves	1,610,246	1,425,765
Shareholders' funds	1,846,782	1,661,842
Minority interests	39	39
	<b>1,846,820</b>	<b>1,661,881</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<b>0.78</b>	<b>0.70</b>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the quarter ended 30 September 2007 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	CURRENT PERIOD ENDED 30/09/2007	PRECEDING PERIOD ENDED 30/09/2006
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	74,691	11,517
Adjustments:		
Share of results of associates	-	(394)
Property, plant and equipment - Depreciation	63,776	34,876
Amortisation of long term prepayments	2,317	604
Interest expense	40,496	17,493
Interest income	(6,963)	(4,886)
	174,317	59,210
<b>Changes in working capital</b>		
Inventories	240	(170)
Receivables and prepayments	(70,288)	37,146
Trade and other payables	57,222	88,217
Intercompany balances	(15,576)	(17,578)
	145,915	166,825
<b>Cash generated from operations</b>		
Interest paid	(40,496)	(17,493)
Interest received	6,963	4,886
Tax paid	(450)	(246)
<b>Net cash from operating activities</b>	111,932	153,972
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment - Additions	(776,717)	(567,502)
Deposit on aircraft purchase	4,470	(25,542)
Long term prepayments	(14,340)	-
Additional unquoted investments	265	-
Additional investment in/acquisition of associates	-	(11,535)
<b>Net cash used in investing activities</b>	(786,322)	(604,579)
<b>CASH FLOWS FROM FINANCING FACILITIES</b>		
Proceeds from allotment of shares	4,965	1,099
Hire purchase instalments paid	(20)	(38)
Proceeds from borrowings	655,867	601,186
Repayment of borrowings	(34,186)	(73,910)
Deposits pledged as securities	(2,232)	(52)
<b>Net cash from financing activities</b>	624,394	528,285
<b>NET INCREASE FOR THE FINANCIAL YEAR</b>	(49,996)	77,678
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	574,347	412,907
<b>*CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	524,351	490,585

\* The balance at end of financial year excludes fixed deposits of RM23.129 million (30/06/07: RM20.896 million) pledged with licensed bank as securities for banking facilities granted to the Company

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the quarter ended 30 September 2007 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	Retained Earnings RM'000	Total RM'000		
	Number of shares '000	Nominal Value RM'000						
At 1 July 2007	2,360,766	236,077	722,177	592	702,995	1,661,841	39	1,661,880
	2,360,766	236,077	722,177	592	702,995	1,661,841	39	1,661,880
Net Profit for the financial year	-	-	-	-	179,977	179,977	-	179,977
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	4,598	460	4,504	-	-	4,964	-	4,964
At 30 September 2007	2,365,364	236,536	726,681	592	882,972	1,846,781	39	1,846,820
At 1 July 2006								
-as previously reported	2,346,487	234,649	708,185	592	109,165	1,052,591	27	1,052,618
-change in accounting policies	-	-	-	-	(31,253)	(31,253)	-	(31,253)
-as restated	2,346,487	234,649	708,185	592	77,912	1,021,338	27	1,021,365
Net Profit for the financial year	-	-	-	-	5,650	5,650	12	5,662
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	1,019	102	997	-	-	1,099	-	1,099
At 30 September 2006	2,347,506	234,751	709,182	592	83,562	1,028,087	39	1,028,126

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the quarter ended 30 September 2007 and the accompanying explanatory notes attached to the interim financial statements.



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**KEY OPERATING STATISTICS – 30 SEPTEMBER 2007**

<b>PERFORMANCE INDICATORS</b>	<b>ACTUAL Q1 FY2008</b>	<b>ACTUAL Q4 FY2007</b>
Passengers carried	2,439,600	2,359,553
RPK (million)	2,707	2,745
ASK (million)	3,645	3,402
Average fares (RM)*	174	170
Seat load factor (%)	79%	81%
Revenue per ASK (sen)	12.66	12.70
Cost per ASK (sen)	10.39	11.12
Cost per ASK (sen) non fuel	5.13	5.73
Sectors flown	18,012	17,659
Average number of operating aircraft	29.52	28.62

\* Average Fare includes Fuel Surcharge, Admin Fees and Insurance Surcharge



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2007

### 1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 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 financial statements of the Group for the financial year ended 30 June 2007. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 30 June 2007, except for the accounting policy changes arising from the adoption of the following new/revised FRS that are effective for the Company’s financial period beginning 1 July 2007. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134: “Interim Financial Reporting”, requires management and the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The interim consolidated financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 30 June 2007 that is included in the interim consolidated financial report as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements, other than those that have been restated as a result of the changes in accounting policies. The statutory financial statements for the year ended 30 June 2007 are available from the Company’s registered office.



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## NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2007

### 2. Summary of significant accounting policies

#### Changes in accounting policies

The new accounting standards, amendments to published standards and IC interpretations to existing standards effective for the Group's financial years beginning on 1 July 2007 are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. FRS 117 is not relevant to the Group as the Group does not have any leasehold land.
- FRS 124 Related Party Disclosures This standard affects the identification of related parties and other similar related party disclosures. This standard requires the disclosure of related party transactions and outstanding balances with other entities in a group. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group. The adoption of this FRS has no financial impact on the Group's consolidated financial statements.

The MASB also issued the following revised Standards, amendment to Standards and IC Interpretations which are only effective for annual periods on or after 1 July 2007:

FRS 111	Construction contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC 2	Members' Shares in Co-operative Entities and Similar Instruments
IC 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies



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Scope of FRS 2

Aside from the revision of FRS 112, the above standards, amendments to published standards and IC interpretations to existing standards are not anticipated to have significant impact to the financial statements of the Group.

### **3. Auditors' report on preceding annual financial statements**

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the year ended 30 June 2007 in their report dated 4 October 2007.

### **4. Seasonality of operations**

AirAsia is basically involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The seat load factor has decreased from 81% in the previous quarter to 79% in the current quarter under review. This 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-to-date, except for the changes in accounting policies as disclosed in Note 2.

### **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 the three months period ended 30 September 2007, the issued and paid-up capital of the Company increased from 2,360,766,080 to 2,365,363,580 ordinary shares by the issuance of 4,597,500 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 issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 September 2007.

### **8. Dividend paid**

There were no dividends paid in the quarter ended 30 September 2007.





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## NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2007

### **9. Segment reporting**

Segmental information is not presented as there are no significant business segments other than the provision of air transportation services.

### **10. Property, plant and equipment**

#### *(a) acquisition and disposals*

During the first quarter ended 30 September 2007, the Group acquired plant and equipment with a cost of RM776.7 million (first quarter ended 30 September 2006: RM567.5 million).

There was no disposal of property, plant and equipment for the period ended 30 September 2007.

#### *(b) valuation*

There was no revaluation of property, plant and equipment for the period ended 30 September 2007.

### **11. Post balance sheet events**

There were no material events after the period end that has not been reflected in the financial statements for the financial period ended 30 September 2007.

### **12. Changes in composition of the Group**

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.

### **13. Contingent assets**

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



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**NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2007**

**14. 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 period ended 30 September 2007.

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

Capital commitments for property, plant and equipment:

	<u>Group and Company</u>	
	<u>30.09.07</u>	<u>30.06.07</u>
	RM'000	RM'000
Contracted for	17,633,912	18,405,482
Authorised but not contracted for	91,918	98,664
	-----	-----
	<u>17,725,830</u>	<u>18,504,146</u>

**16. 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.

<b>Name of company</b>	<b>Relationship</b>
Thai AirAsia	A jointly controlled entity of the Company
PT Indonesia AirAsia	An associate of the Company

	<u>Group</u>	
	<u>Three months ended</u>	<u>Three months ended</u>
	<u>30 September 2007</u>	<u>30 September 2006</u>
	RM'000	RM'000
Thai AirAsia		
- Sublease rental income on aircrafts	10,408	7,264
- Lease rental income on aircrafts	4,218	4,843
- Maintenance and overhaul charges	16,486	6,764
PT Indonesia AirAsia		
- Sublease rental income on aircrafts	5,505	3,632
- Lease rental income on aircrafts	3,163	3,632
- Maintenance and overhaul charges	8,755	3,981



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**NOTES TO THE UNAUDITED ACCOUNTS – 30 SEPTEMBER 2007**

**17. Review of performance**

**Performance of current quarter against same quarter last year**

<b>Quarter Ended: 30 September</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Q1 2008</b>
<b>RM'000</b>		<b>(restated)</b>	<b>vs. Q1 2007</b>
<b>Revenue</b>	<b>461,585</b>	<b>332,093</b>	<b>39%</b>
EBITDAR	148,655	69,250	115%
Pretax profit	74,692	5,340	1299%
Net Income	179,977	70,002	157%
EBITDAR Margin	32.2%	20.9%	9.6 ppt
Pretax profit Margin	16.2%	1.6%	12.8 ppt
Net Income Margin	39.0%	21.1%	16.2 ppt
Passengers Carried	2,439,600	1,944,621	25.5%
Average Fare (RM)	174	158	9.8%
Load Factor	79.3%	79.3%	0 ppt

The Group recorded revenue of RM461 million for the quarter ended 30 September 2007 (“1Q08”), 39% higher than the revenue of RM332 million recorded in the quarter ended 30 September 2007 (“1Q07”). The Group’s net income improved by 157% to RM180 million as compared to the net profit of RM70 million achieved in 1Q07.

The positive growth in results was attributed to higher passenger volume achieved and higher contribution from ancillary income. Passenger volume grew by 25% in 1Q08 as compared to 1Q07. Load factor was constant at 79% and average fare was higher by 10% at RM174 as compared to RM158 achieved in 1Q07. The higher average fare achieved reflects the robust demand for our services and maturity of certain routes in the network.

**18. Jointly Controlled Entity and Associate Company**

FRS 128 states that interest in an associate is defined as “the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor’s net investment in the associate”. On this basis, the share of losses of the investment in associate was equity accounted for by the Group and limited to the Group’s investment in the ordinary share capital of the associate.

	Unrecognised share of loss For the Quarter ended 30 Sep 2007	Unrecognised share of loss As at 30 September 2007
	RM'Million	RM'Million
Thai AirAsia	17.1	48.0
Indonesia AirAsia	5.2	65.6



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### **19. Variation of results against preceding quarter**

The Group achieved a net income of RM180 million for the quarter under review. This is lower by RM5.0 million compared to that of the immediately preceding fourth quarter ended 30 June 2007. The revenue recorded in the quarter under review has helped reduce the impact of higher depreciation, amortization charge and finance costs attributed to the new Airbus A320 aircraft in our current fleet. Up to 30 September 2007, the AirAsia Group has already taken delivery of 27 new Airbus A320 aircraft in total.

### **20. Commentary on prospects**

The Group's financial performance is largely driven by the demand for air travel and our ability to add capacity. The demand for air travel is expected to be driven by people's desire for leisure travel, corporate activities and the affordability of air tickets compared to the alternative mode of transportation. The impact of the continued positive economic growth across the region are expected to spill over to the air travel industry as this is a stimulus for corporate travel and the rising economic wealth makes air travel more affordable.

The Group will continue to add more capacity in the current quarter, the capacity addition will be used to introduce several new destinations and increase frequency on existing routes.

Based on the forward booking trend in the second quarter, the underlying demand remains strong and yields are expected to be ahead than the same period last year. With the current volatile fuel price, it is difficult to predict our fuel bill for the second quarter. Assuming fuel price remains at the current level until 31 December 2007; the fuel bill will be higher than our initial budgets and will negatively impact on our ability to maintain profit margins that was achieved in the same period last year. Barring any unforeseen circumstances, the Directors remain positive with the Group's prospects.

### **21. Profit forecast**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest are not applicable for the current quarter and financial year-to-date.



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**22. Finance (Cost)/Income (Net)**

**Group**  
**For the period ended 30.9.07**  
**RM'000**

**Finance Costs**

Interest costs	
- Bank borrowings	(40,493)
- Hire-purchase payables	(3)
Bank facilities and other charges	(345)
	<b>(40,842)</b>

**Finance Income**

Interest on deposits	6,963
Total foreign exchange gain	26,614
	<b>33,577</b>

**23. Income tax expense**

	INDIVIDUAL QUARTER		FULL FINANCIAL YEAR	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Financial Year Ended	Financial Year Ended
	30/09/07 RM'000	30/09/06 RM'000	30/09/07 RM'000	30/09/06 RM'000
<u>Group</u>				
Current tax	923	846	923	846
Deferred tax	(106,209)	(65,508)	(106,209)	(65,508)
	<b>(105,286)</b>	<b>(64,662)</b>	<b>(105,286)</b>	<b>(64,662)</b>

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

**24. Unquoted investments and properties**

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



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### 25. Quoted investments

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

### 26. Status of corporate proposals announced

#### (a) *Services Agreement with AirAsia X Sdn. Bhd.*

The Company on 31<sup>st</sup> October 2007 entered into a Services Agreement with AirAsia X Sdn Bhd (“AAX”). Under the terms of the Agreement, the Company has agreed to provide AAX certain services (“Services”) to be rendered by a number of departments within the Company for a Fee:

The scope of Services may be varied from time to time with the parties mutual consent. Certain services are made subject to pre-agreed service levels.

It is estimated that the monthly fee payable by AAX to the Company will be approximately RM1,300,000 per month which is inclusive of a 10% mark-up. Additionally, AAX has also agreed to pay a one-off fee of approximately RM800,000 for the setting up of the Services which are specific to the needs of AAX’s long haul operations.

The payment of the Fee shall be on a monthly basis.

The parties agree that the fees specified shall not be applicable:

1. Upon the expiry of a period of one (1) year from the date of the Agreement (or a further period of one (1) year which AAX at its discretion may extend) ;  
or
2. When AAX operates more than three (3) A330 aircraft in its fleet, whichever shall occur first. It was also agreed that either party may terminate the Agreement by serving a six month prior written notice for whatever reason.

#### (b) *Subscription of Shares in AirAsia X Sdn. Bhd*

The Company received a letter of approval from the Foreign Investment Committee (FIC) on 8th October 2007 vide its letter dated 4th October 2007 that it has no objection to the Company’s proposal to subscribe to AirAsia X Sdn. Bhd’s Redeemable Convertible Preference Share Series 1 (“RCPS”). Payment amounting to RM26.7 million was made on 24<sup>th</sup> October 2007 to acquire 20% of the enlarged capital of AirAsia X Sdn. Bhd and the 26,666,667 RCPS shares were allotted to the Company on 29<sup>th</sup> October 2007.



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(c) *Letter of Intent Between Vietnam Shipbuilding Industry Group (“Vinashin”) and AirAsia*

The Company on 30<sup>th</sup> August 2007 has signed a Letter of Intent (“LOI”) with Vinashin as a preliminary step towards exploring, assisting and creating a business cooperation between both parties regarding the establishing of a low cost airline based on the AirAsia business model in Vietnam. Discussions are currently ongoing.

### 27. Borrowings and debt securities

	At 30 September 2007 RM'000	At 30 June 2007 RM'000
<b>Current</b>		
Secured	290,175	251,097
<b>Non-current</b>		
Secured	2,886,091	2,303,488

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

The maturity period of non-current borrowing is 14 years and below. The entire borrowings are denominated in US Dollar & Euro.

As at the balance sheet date, the weighted average effective interest rate of the borrowings is at 5.6% per annum (2007: 5.05% per annum).

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

- Assignment of rights under contract with Airbus over each aircraft
- Assignment of insurance and reinsurances of each aircraft
- Assignment of airframe and engine warranties of each aircraft
- Mortgage of the aircraft
- Deregistration Power of Attorney



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### 28. Off balance sheet financial instruments

The fair value of derivative financial instruments is the present value of their future cash flows and is derived from the valuations, calculated by the Group's bankers.

#### (i) Forward foreign exchange contracts

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

The Group has entered into several long dated par forward foreign exchange contracts for settlement at fixed Ringgit rates over a period of 12 years in respect of a number of its aircraft loans, engine and simulator. As at 30 September 2007, the Company has hedged 21 aircraft loans, 2 Engine loans and 1 simulator loan from USD into Ringgit.

#### (ii) Interest Rate Swaps

The Group entered into capped, interest rate swaps to hedge against fluctuations in the US-LIBOR on an expected total of USD2.2 billion in term loans on its existing and future aircraft financing for deliveries between 5 December 2005 to 1 April 2009. The effect of this transaction obliges it to pay fixed interest rate of between 4.78% and 4.90% instead of being subjected to the floating US-LIBOR for the entire loan amount over the entire tenor.

As of the end of the financial year 30 September 2007, the Group has a total of 48 interest rate swaps.

#### (iii) Fuel Hedging

The Company bought caps to fully hedge its upside risk until 30 June 2007. It is currently about 35% hedged in a Sing Jet Kerosene, call spread until December 2007 and sold WTI puts at USD 52.50 / barrel for the same period.

From January until June 2008, the Company bought WTI put spreads from USD 70 until USD 55 (quarterly extendibles) and sold puts at USD 48.

In financial years 2009 and 2010, the Company bought WTI put spreads from USD 69 until USD 55 (quarterly extendibles) and sold puts at USD 40, 42 and 35 / barrel respectively.

The Company also sold calls (quarterly extendibles) at the average price of USD 82.60/ barrel from January 2008 – June 2010 with in Knock-in at USD 90 / barrel.





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### 29. Material litigation

As at 14 November 2007, there was no material litigation against the Group.

### 30. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 30 September 2007.

### 31. 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 30/09/07	Preceding Year Corresponding Quarter Ended as Restated 30/09/06	Current Year Ended 30/09/07	Preceding Year Corresponding Year Ended as Restated 30/09/06
Net profit for the financial period (RM'000)	179,977	70,002	179,977	70,002
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,352,748	2,347,275	2,352,748	2,347,275
Adjusted for share options granted ('000)	34,847	27,400	34,847	27,400
Adjusted weighted average number of ordinary shares ('000)	2,387,595	2,374,675	2,387,595	2,374,675
Basic earnings per share (sen)	7.7	3.0	7.7	3.0
Diluted earnings per share (sen)	7.5	3.0	7.5	3.0

#### (b) 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.



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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.

### **32. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 22 November 2007.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)  
COMPANY SECRETARY  
23 November 2007