



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 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 third quarter ended 31 March 2007.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Individual quarter		Cumulative quarter	
	Current quarter ended	Preceding year corresponding quarter ended	Current quarter ended	Preceding year corresponding quarter ended
	31/03/07 RM'000	31/03/06 RM'000 (restated)	31/03/07 RM'000	31/03/06 RM'000 (restated)
<b>Revenue</b>	396,179	258,605	1,171,107	744,382
Cost of sales	(286,301)	(190,713)	(842,441)	(544,050)
<b>Gross profit from operations</b>	98,556	67,892	328,666	200,332
Other operating expenses	(25,631)	(18,670)	(70,353)	(55,828)
Other operating income	34,957	921	87,627	3,293
<b>Profit from operations</b>	<b>119,204</b>	<b>50,143</b>	<b>345,940</b>	<b>147,797</b>
Finance costs	(23,497)	(6,895)	(54,625)	(8,896)
Depreciation and amortisation	(46,369)	(21,756)	(139,722)	(56,524)
Share of results of jointly controlled entity	3,002	1,938	5,011	6,976
Share of results of associates	(9,268)	(8,736)	(8,497)	(13,876)
<b>Profit before taxation</b>	43,072	14,694	148,107	75,477
Taxation	(1,324)	(631)	(3,702)	(1,348)
Deferred taxation	45,125	-	169,026	-
<b>Profit for the period</b>	86,873	14,063	313,431	74,129
<b>Attributable to:</b>				
Shareholders of the Company	86,873	14,063	313,419	73,970
Minority interests	-	-	12	159
<b>Profit for the period</b>	86,873	14,063	313,431	74,129
<b>Earning per share</b>				
Basic earning per share (sen)	3.7	0.7	13.3	3.5
Diluted earning per share (sen)	3.7	0.7	13.2	3.4

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

Note:

Financial Year 2006 comparison has been restated to reflect the effect of losses in Associates in corresponding quarter of the preceding year of RM 8.7 mil (Q3) and RM 13.9 mil (YTD).



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 March 2007**

	Unaudited as at end of current quarter	Unaudited as at preceding financial year end
	31/03/07	30/06/06
	RM'000	RM'000 (restated)
<b>Non current assets</b>		
Property, plant and equipment	2,641,798	1,261,993
Interest in jointly controlled entity	18,308	13,299
Investment in associates	21,812	14,919
Other investments	69	78
Goodwill	8,738	8,738
Deferred expenditure	1,979	1,278
Deferred Tax Asset	284,086	115,060
Long term prepayments	34,506	35,110
	3,011,296	1,450,475
<b>Current assets</b>		
Inventories (at cost)	11,245	10,578
Other investments	30,696	30,696
Trade and other receivables	346,756	276,838
Deposit on aircraft purchase	317,952	268,634
Amount due from a jointly controlled entity	17,604	26,750
Amount due from associates	(965)	6,795
Deposits, bank and cash balances	660,127	425,641
	1,383,415	1,045,932
<b>Current liabilities</b>		
Trade and other payables	689,689	267,081
Borrowings (secured)	295,844	265,360
Hire-purchase payables	172	153
Current tax liabilities	3,879	1,295
	989,584	533,889
<b>Net current assets</b>	393,831	512,043
<b>Non current liabilities</b>		
Borrowings (secured)	1,905,422	787,276
Hire-purchase payables	153	288
Deferred tax liabilities	-	-
	1,905,575	787,564
	1,499,552	1,174,954
<b>Equity</b>		
Share capital	235,683	234,649
Reserves	1,263,830	940,278
<b>Total equity attributable to shareholders of the Company</b>	1,499,513	1,174,927
<b>Minority interests</b>	39	27
<b>Total equity</b>	1,499,552	1,174,954
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.64	0.50

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**  
(Company No. 284669-W)

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

**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current period ended	Preceding year corresponding quarter ended
	31/03/07	31/03/06
	RM'000	RM'000 (restated)
<b>Cash flows from operating activities</b>		
Profit before taxation	148,107	60,783
Adjustments:		
Share of results of a jointly controlled entity	(5,011)	(5,038)
Share of results of associates	8,497	2,094
Interest expense	(74,083)	2,001
Property, plant and equipment		
- Depreciation	139,722	34,768
Amortisation of deferred expenditure	(701)	919
Interest income	(19,459)	(4,905)
	197,072	90,622
<b>Changes in working capital</b>		
Inventories	(665)	(2,102)
Trade and other receivables	(69,919)	(77,395)
Trade and other payables	422,617	60,016
Intercompany balances	9,146	12,676
<b>Cash (used in)/generated from operations</b>	558,251	83,817
Interest paid	74,083	(2,001)
Interest received	19,459	4,905
Tax paid	(1,118)	(1,104)
<b>Net cash (used in)/from operating activities</b>	650,675	85,617
<b>Cash flows from investing activities</b>		
Property, plant and equipment		
- Additions	(1,519,526)	(372,663)
Deposit on aircraft purchase	(49,318)	(87,481)
Long term prepayments	604	-
Purchase of investments	-	(19,340)
Net cash flow on acquisition of subsidiary	-	(1,404)
Advance to associates	(7,630)	(38,216)
<b>Net cash used in investing activities</b>	(1,575,870)	(519,104)
<b>Cash flows from financing activities</b>		
Proceeds from allotment of shares	11,167	8,280
Hire purchase instalments paid	(116)	(103)
Borrowings received	1,417,274	446,451
Repayment of borrowings	(268,644)	-
Fixed deposits pledged as securities	(6,135)	2,579
<b>Net cash from financing activities</b>	1,153,546	457,207
<b>Net increase for the financial year</b>	228,351	23,720
<b>Cash and cash equivalents at beginning of the financial year</b>	412,907	312,548
<b>*Cash and cash equivalents at end of the financial year</b>	641,258	336,268

\* The balance at end of financial period excludes fixed deposits of RM18.9million (2006: RM14.2 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 year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**  
 (Company No. 284669-W)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

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

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable		Distributable	Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Retained profits RM'000			
At 1 July 2006, as previously stated	2,346,488	234,649	708,185	592	109,165	1,052,591	27	1,052,618
Prior year adjustment								
-effect of adopting FRS 128	-	-	-	-	(31,253)	(31,253)	-	(31,253)
-recognition of Deferred Tax Asset	-	-	-	-	153,589	153,589	-	153,589
At 1 July 2006, as restated	2,346,488	234,649	708,185	592	231,501	1,174,927	27	1,174,954
Shares pursuant to the Employees' Share Option Scheme ("ESOS")	10,341	1,034	10,133	-	-	11,167	-	11,167
Profit for the period	-	-	-	-	313,419	313,419	12	313,431
At 31 March 2007	2,356,829	235,683	718,318	592	544,920	1,499,513	39	1,499,552
At 1 July 2005, as previously stated	2,335,031	233,503	698,602	-	20,751	952,856	15	952,871
Prior year adjustment								
-effect of adopting FRS 128	-	-	-	-	(8,496)	(8,496)	-	(8,496)
At 1 July 2005, as restated	2,335,031	233,503	698,602	-	12,255	944,360	15	944,375
Shares pursuant to the Employees' Share Option Scheme ("ESOS")	7,667	766	7,514	-	-	8,280	-	8,280
Profit for the period (restated)	-	-	-	-	59,907	59,907	159	60,066
At 31 March 2006	2,342,698	234,269	706,116	-	72,162	1,012,547	174	1,012,721

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.



**AIRASIA BERHAD**  
(Company No. 284669-W)

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

**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**KEY OPERATING STATISTICS – 31 March 2007**

PERFORMANCE INDICATORS	ACTUAL Q3 FY2007	ACTUAL Q2 FY2007
Passengers carried	2,160,360	2,273,405
RPK (million)	2,461	2,505
ASK (million)	3,215	3,060
Average fares (RM)*	171	183
Passenger load factor (%)	77%	82%
Revenue per ASK (sen)	12.32	14.47
Cost per ASK (sen)	10.18	10.26
Cost per ASK (sen) non fuel	5.95	5.61
Sectors flown	17,490	17,488
Number of aircraft at period/ year end	33.00	32.00
Average number of aircraft	27.84	26.98

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



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 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 2006. 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 2006, 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 2006. 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 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 2006 annual financial statements. The interim consolidated financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSSs.

The financial information relating to the financial year ended 30 June 2006 that is included in the interim consolidated financial report as being previously reported information does not constitute the Company’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 change in accounting policies. Statutory financial statements for the year ended 30 June 2006 are available from the Company’s registered office.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**2. Changes in accounting policies**

The Malaysian Accounting Standards Board (“MASB”) had issued a total of 21 new/revised FRSs, of which 18 are applicable to financial statements for annual periods beginning on or after 1 January 2006.

In the current period, the Group adopted the following new/revised FRSs below, which are relevant to its operations. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

FRS 1	First Time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new/revised FRSs did not result in substantial changes to the Group’s accounting policies other than the effects of the following FRSs:



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**2(a) FRS 101: Presentation of Financial Statements and FRS 127 : Consolidated and Separate Financial Statements – Minority interests**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity. The presentation of the comparative financial statements of the Group has been restated to conform with the current period's presentation.

Share of results in associates is now disclosed net of tax and minority interests in the consolidated income statement.

**2(b) FRS 116: Property, Plant and Equipment**

In accordance with FRS 116, the assets' residual values, useful lives and depreciation method will be assessed at least at each financial year end.

Residual value of an item of property, plant and equipment is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If the residual value of an asset increases to an amount equal or greater than the asset's carrying value amount, the assets' depreciation charge will be zero unless and until its residual value subsequently decreases to an amount below the asset carrying amount.

In addition, FRS 116 also requires the Group to determine the depreciation charge separately for each significant part of an item of property, plant and equipment.

The Group has reassessed its estimation of the useful lives and residual values of property, plant and equipment. This change in accounting estimates is applied prospectively and resulted in an increase in depreciation charge of RM28.8 million for the 9 months ended 31<sup>st</sup> March 2007.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

The revisions are as follows:

**Changes in useful life**

<b>Description</b>	<b>Previous Estimate Years</b>	<b>Revised Estimate Years</b>
Aircraft and Engines – component of overhaul	7 - 25	2.3 - 13

**Changes in residual value**

	<b>Previous Estimate %*</b>	<b>Revised Estimate %*</b>
Aircraft and Engines	-	10

\* - % of original cost

**2(c) FRS 128: Investments in Associates**

Previously, the share of losses of investment in associates was equity accounted for by the Group and was limited to the Group's investment in the ordinary share capital of associates.

In accordance with FRS 128, interest in an associate is now 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".

The Group now equity account for additional share of losses in the associates if there are other long term interests in the associates. This change in accounting policy has been applied retrospectively with effect from 1<sup>st</sup> July, 2006 and the comparatives have been restated.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**2(d) FRS 112 : Income Taxes**

Details of the change in basis of calculating deferred tax is explained in Note 20. This change has been applied retrospectively and the comparatives have been restated in (i) and (ii) below:

**(i) Effect on opening balance of total equity at 1 July 2006 (as adjusted)**

The following table sets out the adjustments that have been made to the opening balances at 1 July 2006. This is the effect of retrospective adjustments to the net assets as at 30 June 2006 in respect of Note 2c and 2d above.

**Effect of changes in accounting policies (increase/(decrease))**

RM ('000)	Note	Retained profits	Capital and other reserves	Total	Minority interests	Total equity
At 1 July 2006						
As previously stated	2(c)	109,165	943,426	1,052,591	27	1,052,618
Prior period adjustments						
- effect of adopting FRS 128:						
Investments in Associates		(31,253)	-	(31,253)	-	(31,253)
-effect of change in basis of calculation						
Deferred Tax		153,589	-	153,589	-	153,589
As restated		231,501	943,426	1,174,927	27	1,174,954

**(ii) Effect on profit after taxation for the nine (9) months ended 31 March 2007 and 31 March 2006 (as adjusted)**

In respect of the nine months period ended 31 March 2007, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

In respect of the nine months period ended 31 March 2006, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective FRSs.

Effect of changes in accounting policies (increase/(decrease)) RM ('000)	Note	Nine months ended 31 March 2007			Nine months ended 31 March 2006		
		Shareholders of the Company	Minority interests	Total	Shareholders of the Company	Minority interests	Total
FRS 128							
Investments in Associates	2(c)	(8,497)	-	(8,497)	(13,876)	-	(13,876)
Total effect for the period		(8,497)	-	(8,497)	(13,876)	-	(13,876)
Effect on earnings per share:							
- Basic earnings per share (sen)		-	-	-	1.0	-	1.0
- Diluted earnings per share (sen)		-	-	-	1.0	-	1.0

**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 2006 in their report dated 30 October 2006.

**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 passenger load factor has dropped from 82% in the previous quarter to 77% in the current quarter under review. This pattern is in line with the expectation of the Group.



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**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**

Other than described in Note 2(b), 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 nine month period ended 31 March 2007, the issued and paid-up capital of the Company increased from 2,346,488,080 to 2,356,828,580 ordinary shares by the issuance of 10,340,500 ordinary shares pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no issuance, cancellation, resale or repayment of debt and equity securities for the period ended 31 March 2007.

**8. Dividend paid**

There were no dividends paid in the quarter ended 31 March 2007.

**9. Segment reporting**

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 jointly controlled entity and associated company, Thai AirAsia Co. Ltd (“Thai AirAsia”) and PT Indonesia AirAsia (“Indonesia AirAsia”) respectively. The financial results from the operations in Thailand and Indonesia are not significant compared to the Malaysian operations.

**10. Property, plant and equipment**

*(a) acquisition and disposals*

During the third quarter ended 31 March 2007, the Group acquired plant and equipment with a cost of RM225.3 million (third quarter ended 31 March 2006: RM436.7 million). There was no substantial disposal of plant and equipment during the quarter under review (2006: Nil)



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

*(b) valuation*

There was no revaluation of property, plant and equipment for the period ended 31 March 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 31 March 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.

**14. Contingent liabilities**

The Company is currently disputing certain expenses charged by a service provider as at 31 March 2007 amounting to approximately RM9.6 million. The Directors are confident that resolution of the dispute above would be favorable to the Company.

Thai AirAsia Co. Ltd (“TAA”), a jointly controlled entity of the Group, has stood as guarantors to several banks which have extended loans to the company’s trainee pilots to undergo their professional pilot courses. The guarantee will expire either upon the trainee pilot earning a Commercial Pilot Licence and is assigned as a co-pilot, or when the trainee pilot settles his/her outstanding loan with the bank. In the event that TAA’s guarantee is called upon by the bank, TAA will have recourse against the trainee pilot’s personal guarantors to recover the amount paid to the bank.



**AIRASIA BERHAD**  
 (Company No. 284669-W)  
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 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>31.03.07</u>	<u>30.06.06</u>
	RM'000	RM'000
Contracted for	19,028,613	6,805,533
Authorised but not contracted for	62,884	99,928
	-----	-----
	<u>19,091,497</u>	<u>6,905,461</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>	<u>Group</u>	
		Nine Months ended <u>31 March 2007</u>	Nine Months ended <u>31 March 2006</u>
		RM'000	RM'000
Thai AirAsia	A jointly controlled entity of the Company		
PT Indonesia AirAsia	An associate of the Company		
Fly Asian Xpress Sdn Bhd ("FAX")	Common shareholders and directors		
Thai AirAsia			
- Sublease rental income on aircrafts		24,265	6,890
- Lease rental income on aircrafts		13,829	9,868
- Maintenance and overhaul charges		21,776	8,671
PT Indonesia AirAsia			
- Sublease rental income on aircrafts		10,845	4,466
- Lease rental income on aircrafts		10,201	4,050
- Maintenance and overhaul charges		12,114	4,636
FAX (on full reimbursement basis)			
- Sublease rental income on aircrafts		-	-
- Maintenance and other charges		1,273	-



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**17. Review of performance**

The Group recorded revenue of RM396.2 million (2006:RM258.6 million) and profit before tax of RM43.0 million (2006: RM14.7 million-restated) respectively for the quarter under review. The corresponding quarter's profit before tax in the preceding quarter was restated due to the adoption of FRS 128 as explained in Note 2 (c) above.

The average fare for the quarter was lower by 7% at RM171 as compared to RM183 in the previous quarter. The Group introduced new frequencies (inclusive of international flights) from Kota Kinabalu and Kuching hubs. The third quarter is also seasonally a weaker quarter. These factors necessitate lower average fare in order to maintain strong passenger growth momentum and to maintain high load factor.

The domestic rationalization commenced on 1 August 2006 with no complications. This process has helped the Company to capture significant market growth and expanded its market share. As at March 2007, AirAsia garnered more than 50% share of the domestic market and is the market leader in domestic Malaysian operations.

**18. Variation of results against preceding quarter**

The Group achieved a profit before tax of RM43.0 million for the quarter under review. This is lower by RM50.3 million compared to that of the immediately preceding 2<sup>nd</sup> quarter ended 31 December 2006. 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. The strengthening of Malaysian Ringgit has also contributed positively to the results. As of 31 March 2007, the AirAsia Group has already taken delivery of 18 new Airbus A320 aircraft in total.

**19. Current year prospects**

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. The domestic rationalization has presented the Company with opportunities to introduce more routes in Malaysia that was previously not undertaken by any airlines. In addition, the domestic rationalization facilitates a fair and rational competitive environment. Based on current forward booking trend, the underlying demand remains strong.

The induction of more Airbus A320 aircraft into our fleet has continued to contribute significant operating cost savings and higher reliability.

The Directors are positive in respect of the long term business outlook for the Group and expect profit growth for the full financial year ending 30 June 2007.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**20. Income tax expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year Period Ended	Preceding Year Corresponding Period Ended
	31/03/07 RM'000	31/03/06 RM'000	31/03/07 RM'000	31/03/06 RM'000
<u>Group</u>				
Current tax	1,324	555	3,702	717
Deferred tax	(45,125)	-	(169,026)	-
	43,801	555	(165,324)	717

In the preparation of the financial statements in the previous periods, the Group and Company had considered the investment allowance as forming part of the tax base of the qualifying assets acquired. Deferred tax assets amounting to RM153.6 million in respect of unutilised investment allowances as at 30 June 2006 had not been recognised in the financial statements in accordance with the current accounting policy and approved accounting standards in Malaysia.

We have been advised that the investment allowance received by the Company does not form part of the tax base of the qualifying assets acquired and falls under the ambit of tax credit. Following the advice above, the Group and Company has now recognised deferred tax arising from the investment allowance.

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

**21. Unquoted investments and properties**

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

**22. Quoted investments**

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



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**23. Status of corporate proposals announced**

The company entered into a Memorandum Of Understanding (“MOU”) with Fly Asian Xpress Sdn Bhd (“FAX”) on 05 January 2007 in respect of the licencing of the AIRASIA Brand for use in FAX budget long haul low cost air services as well as equity participation in FAX.

AirAsia and FAX are working together to finalize the terms of the License as AirAsia continues to closely monitor the latest developments in FAX’s proposed budget long haul services. Discussions are progressing well and the Parties envisage that the relevant terms and agreements will be ready for approval soon.

**24. Borrowings and debt securities**

	At 31 March 2007 RM’000	At 30 June 2006 RM’000
<b>Current</b>		
Secured	295,844	265,360
<b>Non-current</b>		
Secured	1,905,422	787,276

The term loans are for the purchase of new aircraft A320-200.

The maturity period of non-current borrowing is 12 years and below. The entire borrowings are denominated in US Dollar.

As at the balance sheet date, the weighted average effective interest rate of the borrowings is at 5.01% per annum (2006: 5.01% per annum).

These term loans are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft
- (b) Assignment of insurance of each aircraft
- (c) Assignment of airframe and engine warranties of each aircraft



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**25. 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 Company's bankers.

(i) Forward Foreign Exchange swaps

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.

As at 23 May 2007, the Company 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 purchase loans.

(ii) Interest Rate Swaps

The Company entered into a capped, interest rate swap to hedge against fluctuations in the US-LIBOR on its USD2.2 billion term loans on its existing and future aircraft financing for deliveries between 05 Dec 2005 to 01 Feb 2009. The effect of this transaction obliges it to pay fixed interest rate of between 4.71% and 4.85% instead of being subjected to the floating US-LIBOR for the entire loan amount.

(iii) Fuel Hedging

As at 23 May 2007, the Group hedged its upside risk with a cap at USD75.0 (WTI benchmark). The Group has hedged up to 90% for the remaining months in the current financial year ending 30 June 2007.

**26. Material litigation**

As at 23 May 2007, there was no material litigation against the Group.

**27. Dividend**

The Directors do not recommend any dividend for the quarter ended 31 March 2007.



**AIRASIA BERHAD**  
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

**28. 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	Preceding Year Corresponding Quarter Ended	Current Year Ended	Preceding Year Corresponding Year Ended
	31/03/07	31/03/06	31/03/07	31/03/06
Net profit/(loss) for the financial period (RM'000)	86,873	14,063	313,431	74,129
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,352,236	2,122,745	2,352,236	2,122,745
Adjusted for share options granted ('000)	22,421	34,352	22,421	34,352
Adjusted weighted average number of ordinary shares ('000)	2,374,657	2,157,097	2,374,657	2,157,097
Basic earnings per share (sen)	3.7	0.7	13.3	3.5
Diluted earnings per share (sen)	3.7	0.7	13.2	3.4

*(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.

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



**AIRASIA BERHAD**  
(Company No. 284669-W)  
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
**THIRD QUARTER REPORT ENDED 31 MARCH 2007**

**UNAUDITED NOTES TO THE ACCOUNTS – 31 MARCH 2007**

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.

**30. 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 23 May 2007.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)  
COMPANY SECRETARY  
23 May 2007