



AIRASIA BERHAD

(Company No. 284669-W)

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

FIRST QUARTER REPORT ENDED 31 MARCH 2008

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 31 March 2008.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER (RESTATED)	CURRENT QUARTER ENDED	PRECEDING YEAR CORRESPONDING PERIOD ENDED (RESTATED)
	31/03/2008 RM'000	31/03/2007 RM'000	31/03/2008 RM'000	31/03/2007 RM'000
	Note			
Revenue				
Cost of Sales				
Gross profit from operations				
Other operating expenses				
Other operating income				
Profit from operations				
Finance (costs) / Income (Net)	22			
Depreciation and amortisation				
Share of results of jointly controlled entity	18			
Share of results of associate	18			
Profit before taxation				
Current taxation	23			
Deferred taxation	23			
Profit after taxation				
Attributable to:				
-Equity holders of the company				
-Minority interests				
Basic earnings per share (sen)				
Diluted earnings per share (sen)				

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the six months period ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

	UNAUDITED AS AT END OF CURRENT QUARTER	AUDITED AS AT PRECEDING FINANCIAL YEAR END (RESTATED)
	31/03/2008	31/12/2007
	RM'000	RM'000
NON CURRENT ASSETS		
Property, plant & equipment	5,010,421	4,352,770
Investment in associates	29	29
Other investments	26,724	26,728
Goodwill	8,738	8,738
Deferred expenditure	479	479
Deferred tax asset	531,250	479,705
Long term prepayments	68,910	64,926
	5,646,551	4,933,375
CURRENT ASSETS		
Inventories (at cost)	14,963	17,567
Other investments	30,892	30,892
Trade receivables	12,910	15,883
Prepayment, deposits and other receivables	319,952	297,153
Deposit on aircraft purchase	305,841	318,251
Amount due from a jointly controlled entity	62,354	74,285
Amount due from associates	104,312	84,407
Deposits, bank and cash balances	595,298	651,360
	1,446,522	1,489,798
CURRENT LIABILITIES		
Trade and other payables	590,262	620,881
Borrowings (secured)	276,765	278,550
Hire-purchase payables	77	77
Current tax liabilities	3,982	5,178
	871,086	904,686
NET CURRENT ASSETS	575,436	585,112
NON CURRENT LIABILITIES		
Borrowings (secured)	3,959,000	3,419,121
Hire-purchase payables	130	149
	3,959,130	3,419,270
	2,262,857	2,099,217
CAPITAL AND RESERVES		
Share capital	237,373	237,154
Reserves	2,025,484	1,862,063
Shareholders' funds	2,262,857	2,099,217
Minority interests	0	-
	2,262,857	2,099,217
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.95	0.89

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT PERIOD ENDED 31/03/2008	PRECEDING PERIOD ENDED 31/03/2007 (RESTATED)
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	110,174	43,072
Adjustments:		
Share of results of a jointly controlled entity	-	(3,002)
Share of results of associates	-	9,268
Property, plant and equipment		
- Depreciation	71,038	46,369
- Loss on disposal	-	-
Amortisation of long term prepayments	1,553	(701)
Amortisation of other investments	3	-
Unrealised foreign exchange gain	(72,807)	(23,626)
Interest expense	48,799	30,595
Interest income	(4,990)	(7,290)
	153,770	94,685
Changes in working capital		
Inventories	2,605	(119)
Receivables and prepayments	(19,825)	(9,654)
Trade and other payables	(30,619)	230,243
Intercompany balances	(7,973)	1,027
	97,958	316,182
Cash generated from operations		
Interest paid	(48,799)	(30,595)
Interest received	4,990	7,290
Tax paid	(1,639)	(505)
Net cash from operating activities	52,510	292,372
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(728,888)	(428,725)
- Proceeds from disposal	-	-
Deposit on aircraft purchase	12,410	7,365
Long term prepayments	(5,339)	-
Additional unquoted investments	-	-
Additional investment in/acquisition of subsidiaries	-	-
Additional investment in/acquisition of associates	-	(12,785)
Advance to associate	-	(7,630)
Net cash used in investing activities	(721,817)	(441,775)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from allotment of shares	2,363	3,378
Hire purchase instalments paid	(19)	(36)
Proceeds from borrowings	663,840	373,126
Repayment of borrowings	(52,940)	(170,558)
Net cash from financing activities	613,244	205,910
NET (DECREASE)/INCREASE FOR THE FINANCIAL YEAR	(56,063)	56,507
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	651,360	691,782
*CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	595,298	748,289

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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 January 2008	2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217
	2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217
Net Profit for the period	-	-	-	-	161,277	161,277	-	161,277
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	2,189	219	2,144	-	-	2,363	-	2,363
At 31 March 2008	2,373,730	237,373	734,881	592	1,290,011	2,262,857	-	2,262,857
At 1 January 2007	2,353,701	235,370	715,253	592	458,047	1,409,262	39	1,409,301
	2,353,701	235,370	715,253	592	458,047	1,409,262	39	1,409,301
Net Profit for the period	-	-	-	-	86,873	86,873	-	86,873
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	3,128	313	3,065	-	-	3,378	-	3,378
At 31 March 2007	2,356,829	235,683	718,318	592	544,920	1,499,513	39	1,499,553

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KEY OPERATING STATISTICS – 31 MARCH 2008

PERFORMANCE INDICATORS Malaysian Operations	Current Quarter (Jan-Mar 2008)	Corresponding Quarter (Jan-Mar 2007)
Passengers carried	2,611,556	2,160,360
RPK (million)	2,970	2,461
ASK (million)	4,364	3,215
Average fares (RM)*	189	171
Passenger load factor (%)	72%	77%
Revenue per ASK (sen)	12.27	12.64
Cost per ASK (sen)	10.58	10.06
Cost per ASK (sen) non fuel	4.38	5.01
Sectors flown	20,685	17,490
Average number of operating aircraft	36.04	27.84

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



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NOTES TO THE UNAUDITED ACCOUNTS – 31 MARCH 2008

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 six months ended 31 December 2007. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the six months ended 31 December 2007.

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 31 December 2007 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 six months ended 31 December 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 six months ended 31 December 2007 are available from the Company’s registered office.

2. Summary of significant accounting policies

There was no change to accounting policies in the period.

3. Auditors’ report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group’s statutory financial statements for the six months ended 31 December 2007 in their report dated 30 April 2008.



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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 77% in the corresponding quarter to 72% in the current quarter under review. This seasonal pattern is in line with the expectation of the Group.

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

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

6. Changes in estimates

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

7. Capital and reserves

During quarter ended 31 March 2008, the issued and paid-up capital of the Company increased from 2,371,540,580 to 2,373,729,580 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 31 March 2008.

8. Dividend paid

There were no dividends paid in the quarter ended 31 March 2008.

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 31 March 2008, the Group acquired plant and equipment with a cost of RM728.9 million (first quarter ended 31 March 2007: RM428.7 million).

There was no material disposal of property, plant and equipment for the period ended 31 March 2008.



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(b) valuation

There was no revaluation of property, plant and equipment for the quarter ended 31 March 2008.

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 2008.

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. 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 six months period ended 31 December 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>31.03.08</u>	<u>31.12.07</u>
	RM'000	RM'000
Contracted for	19,065,443	19,786,549
Authorised but not contracted for	8,132,027	8,139,809
	-----	-----
	27,197,470	27,926,358
	=====	=====



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The Group recorded revenue of RM535 million for the quarter ended 31 March 2008 (“1Q08”), 32% higher than the revenue of RM406 million recorded in the quarter ended 31 March 2007 (“1Q07”). The Group’s profit before tax improved by 156% to RM110 million as compared to the profit before tax of RM43 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 21% in 1Q08 as compared to 1Q07. Average fare was higher by 10% at RM189 as compared to RM171 achieved in 1Q07. The higher average fare achieved reflects the robust demand for our services and maturity of certain routes in the network. Load factor was 4.4 percentage points lower to 72% as a consequence of significant capacity addition, initial underperformance of new routes and some routes experienced decline in load factors due to specific local issues such as snowstorms in China.

The Thailand operation has made considerable improvements since receiving five new Airbus A320 aircraft. The passenger flow has increased, load factors have edged higher with better yields. The Thai operations produced an EBITDAR margin of 7% in the current quarter. The management is confident that Thai AirAsia is in the right path to capture passenger growth, enhance efficiency with the Airbus A320 aircraft and produce consistent profits.

The Indonesian route network reorganization has produced positive outcomes; the passenger flow has increased with substantially higher yields. However, the fuel cost rise impacted the Indonesian operations severely because it is operating with Boeing 737-300 aircraft. The Indonesian operation is due to receive the Airbus A320 aircraft in the later part of the year, the economic benefits of the Airbus A320 aircraft will soon be enjoyed by the Indonesian

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 31 Mar 2008 RM’Million	Unrecognised share of loss as at 31 Mar 2008 RM’Million
Thai AirAsia	6.3	41.8
Indonesia AirAsia	11.0	75.2



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19 Variation of results against preceding quarter

The Group achieved a profit before tax of RM110 million for the quarter under review. This is lower by RM91.9 million compared to that of the immediately preceding quarter ended 31 December 2007. Up to 31 March 2008, the AirAsia Group has already taken delivery of 39 new Airbus A320 aircraft in total.

20. Commentary on prospects

The airline industry is presently facing one of the toughest challenges, with record jet fuel prices, tightening of the credit market and a slower world economic growth. A consumer slowdown is not necessarily a bad thing because low cost carriers traditionally benefit from a consumer slowdown. Passengers who would normally take a full service carrier are likely to trade down and fly with a low cost carrier.

We are driving this consolidation process as we continue to offer irresistible fares, stimulate new markets, encourage price sensitive customers and expand to new destinations. No one is certain how long this situation will persist, but it is inevitable that weaker competitors will have to reduce capacity and disappear eventually. In this period of uncertainty, there is only one assurance – and that is low cost airline will prosper. In the end, AirAsia will emerge even stronger reflecting our brand, our sound business model, our unmatched cost advantage, efficient fleet, strength of our route network and our hardworking people.

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

	Group and Company	
	Quarter ended 31/3/08 RM'000	Quarter ended 31/3/07 RM'000
Finance Costs		
Interest costs		
- Bank borrowings	(48,076)	(30,055)
- Hire-purchase payables	(3)	(6)
Bank facilities and other charges	(1,476)	(726)
	(49,555)	(30,787)
Finance Income		
Interest on deposits	4,990	7,290
Total foreign exchange gain	86,166	26,326
	91,156	33,616
Net Income	41,601	2,829

23. Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year Ended	Preceding Year Ended
	31/03/08 RM'000	31/03/07 RM'000	31/03/08 RM'000	31/03/07 RM'000
<u>Group</u>				
Current tax	443	1,324	443	1,324
Deferred tax	(51,546)	(45,125)	(51,546)	(45,125)
	(51,103)	(43,801)	(51,103)	(43,801)

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.

25. Quoted investments

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



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26. Status of corporate proposals announced

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

The Company on 30th 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 and the Group will update in a timely manner whenever any material event arises.

27. Borrowings and debt securities

	At 31 March 2008	At 31 December 2007
	RM’000	RM’000
Current		
Secured	<u>276,765</u>	<u>278,550</u>
Non-current		
Secured	<u>3,959,000</u>	<u>3,419,121</u>
Total Debt	<u>4,235,765</u>	<u>3,697,671</u>

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 and Euro. The Company has substantially hedged its foreign exchange exposure through formal foreign exchange contracts as explained in Note 28 (i).

As at the balance sheet date, the weighted average effective interest rate of the borrowings is at 5.42% per annum (31 December 2007: 5.40% per annum).

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

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



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- (e) Deregistration Power of Attorney

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

The Group has hedged 90% of its dollar liabilities pertaining to its aircraft, engine and simulator loans into Ringgit by using long dated foreign exchange.

- (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 USD2.3 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 3.25% 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 31 March 2008, the Group has a total of 50 interest rate swaps.

- (iii) Fuel Hedging

The Company has hedged a portion of our fuel requirements for the second quarter. The fuel hedge will provide cost savings of approximately USD10 million in the second quarter. Thereafter, we remain unhedged and will purchase fuel on the spot market rates.

The Company has also covered the previous call option structure (sold call option at USD82.60/barrel with a knock-in at USD90/barrel). The structure has been squared off completely except for the last three months of 2009.

29. Material litigation

As at 29 May 2008, there was no material litigation against the Group.

30. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 31 March 2008.



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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 31/03/08	Preceding Year Corresponding Quarter Ended 31/03/07	Current Period Ended 31/03/08	Preceding Year Corresponding Year Ended 31/03/07
Net profit for the financial period (RM'000)	161,277	86,873	161,277	86,873
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,356,542	2,356,829	2,356,542	2,356,829
Adjusted for share options granted ('000)	23,217	23,217	23,217	23,217
Adjusted weighted average number of ordinary shares ('000)	2,379,759	2,380,046	2,379,759	2,380,046
Basic earnings per share (sen)	6.8	3.7	6.8	3.7
Diluted earnings per share (sen)	6.8	3.7	6.8	3.7

(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 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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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 28 May 2008.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
29 May 2008