



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 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 fourth quarter ended 31 December 2008.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		CURRENT QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR ENDED	PRECEDING YEAR CORRESPONDING YEAR ENDED
		31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Revenue		838,246	632,792	2,640,260	1,932,756
Cost of Sales		(574,632)	(429,429)	(1,956,208)	(1,338,698)
Gross profit from operations		263,614	203,363	684,052	594,058
Other operating expenses		(26,180)	(29,888)	(107,786)	(83,653)
Other operating income		61,115	9,006	97,629	96,598
Profit from operations		298,549	182,481	673,895	607,003
Finance (costs) / Income (Net)	22	(34,373)	75,799	(416,115)	51,460
Depreciation and amortisation		(59,809)	(56,256)	(279,189)	(202,045)
Exceptional item	23	(425,668)	-	(640,948)	-
Share of results of jointly controlled entity	18	-	-	-	3,002
Share of results of associate	18	-	-	-	(9,268)
(Loss)/profit before taxation		(221,301)	202,024	(662,357)	450,152
Current taxation	24	(134)	(581)	(2,179)	(4,244)
Deferred taxation	24	44,530	44,280	192,797	251,715
(Loss)/profit after taxation		(176,905)	245,723	(471,739)	697,623
Attributable to:					
-Equity holders of the company		(176,905)	245,723	(471,739)	697,623
-Minority interests		-	-	-	-
		(176,905)	245,723	(471,739)	697,623
Basic earnings per share (sen)		(7.5)	10.4	(20.0)	29.6
Diluted earnings per share (sen)		(7.5)	10.4	(19.9)	29.4

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.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2008	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2007
	RM'000	RM'000
NON CURRENT ASSETS		
Property, plant & equipment	6,594,299	4,352,770
Investment in associates	29	29
Other investments	26,715	26,728
Goodwill	8,739	8,738
Deferred expenditure	479	479
Deferred tax asset	672,501	479,705
Long term prepayments	103,341	64,926
	7,406,103	4,933,375
CURRENT ASSETS		
Inventories (at cost)	20,685	17,567
Other investments	0	30,892
Trade receivables	18,008	15,883
Prepayment, deposits and other receivables	364,445	297,153
Deposit on aircraft purchase	334,628	318,251
Amount due from a jointly controlled entity	313,289	74,285
Amount due from associates	332,478	84,407
Deposits, bank and cash balances	593,871	651,360
	1,977,404	1,489,798
CURRENT LIABILITIES		
Trade and other payables	1,058,089	620,881
Borrowings (secured)	543,985	278,550
Hire-purchase payables	77	77
Current tax liabilities	4,216	5,178
	1,606,367	904,686
NET CURRENT ASSETS	371,037	585,112
NON CURRENT LIABILITIES		
Borrowings (secured)	6,146,708	3,419,121
Hire-purchase payables	72	149
	6,146,780	3,419,270
	1,630,360	2,099,217
CAPITAL AND RESERVES		
Share capital	237,421	237,154
Reserves	1,392,939	1,862,063
Shareholders' funds	1,630,360	2,099,217
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.69	0.89

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.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	YEAR ENDED	PERIOD ENDED
	31/12/2008	31/12/2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(662,357)	450,152
Adjustments:		
- Depreciation	345,134	211,774
- (Gain)/Loss on disposal	(65,010)	304
Amortisation of long term prepayments	9,815	7,744
Amortisation of other investments	12	17
Provision for doubtful debts	737	-
Unrealised foreign exchange (gain)/loss	201,635	(151,762)
Interest expense	241,384	149,801
Interest income	(20,962)	(28,663)
	50,388	639,367
Changes in working capital		
Inventories	(3,117)	(6,443)
Receivables and prepayments	(70,153)	(39,389)
Trade and other payables	437,208	134,433
Intercompany balances	(487,074)	(16,119)
Cash generated from / (used in) operations	(72,748)	711,849
Interest paid	(241,384)	(119,006)
Interest received	20,962	28,663
Tax paid	(3,141)	(2,126)
Net cash from / (used in) operating activities	(296,311)	619,380
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(2,621,367)	(2,284,272)
- Proceeds from disposal	99,516	5,022
Deposit on aircraft purchase	(16,377)	7,066
Long term prepayments	(48,032)	(37,364)
Additional unquoted investments	30,892	(26,863)
Additional investment in/acquisition of subsidiaries	(1)	-
Additional investment in/acquisition of associates	-	(12,785)
Advance to associate	-	(3,910)
Net cash used in investing activities	(2,555,369)	(2,353,106)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from allotment of shares	2,882	19,267
Hire purchase instalments paid	(77)	(135)
Proceeds from borrowings	3,145,076	2,023,623
Repayment of borrowings	(353,691)	(269,669)
Deposits pledged as securities	-	(14,082)
Net cash from financing activities	2,794,190	1,759,003
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR	(57,490)	25,277
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	651,360	626,083
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	593,871	651,360

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.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

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	-	-	-	-	(471,739)	(471,739)	-	(471,739)
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	2,669	267	2,615	-	-	2,882	-	2,882
At 31 December 2008	2,374,210	237,421	735,352	592	656,995	1,630,360	-	1,630,360
At 1 January 2007	2,353,701	235,370	715,253	592	458,047	1,409,262	-	1,409,262
	2,353,701	235,370	715,253	592	458,047	1,409,262	-	1,409,262
Net Profit for the period	-	-	-	-	670,687	670,687	-	670,687
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	17,840	1,784	17,484	-	-	19,268	-	19,268
At 31 December 2007	2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217

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.



AIRASIA BERHAD

(Company No. 284669-W)

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

FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

KEY OPERATING STATISTICS – 31 DECEMBER 2008

PERFORMANCE INDICATORS MALAYSIAN OPERATIONS	Current Quarter (Oct-Dec 2008)	Preceding Quarter (Jul-Sep 2008)	Change Δ %
Passengers carried	3,342,436	3,018,395	10.7%
RPK (million)	3,800	3,429	10.8%
ASK (million)	5,006	4,833	3.6%
Average fare (RM)	229	195	17.3%
Seat load factor (%)	78%	75%	3 ppt
Revenue per ASK (sen)	16.75	13.63	22.9%
Cost per ASK (sen)	10.95	13.54	-19.2%
Cost per ASK (sen) non fuel	4.43	4.43	-0.1%
Sectors flown	24,630	22,475	9.6%
Average number of operating aircraft	41.53	38.19	8.7%

PERFORMANCE INDICATORS MALAYSIAN OPERATIONS	Current Year (Jan-Dec 2008)	Preceding Year (Jan-Dec 2007)	Change Δ %
Passengers carried	11,808,058	9,717,480	21.5%
RPK (million)	13,485	11,136	21.1%
ASK (million)	18,717	14,536	28.8%
Average fare (RM)	204	184	10.8%
Seat load factor (%)	75%	79%	-4 ppt
Revenue per ASK (sen)	14.11	13.23	6.7%
Cost per ASK (sen)	11.66	10.97	6.4%
Cost per ASK (sen) non fuel	4.24	5.53	-23.4%
Sectors flown	89,118	73,656	21.0%
Average number of operating aircraft	36.56	29.92	22.2%



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 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 financial year 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.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

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 increased from 75% in the immediate preceding quarter to 78% 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

The Company has unwound its fuel and interest rate swap derivative structures, detailed explanation is provided in Note 23. There were no further 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 Dec 2008, the issued and paid-up capital of the Company increased from 2,374,052,580 to 2,374,210,580 ordinary shares by the issuance of 158,000 ordinary shares of RM0.10 each pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 Dec 2008.

8. Dividend paid

There were no dividends paid in the quarter ended 31 December 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 fourth quarter ended 31 December 2008, the Group acquired plant and equipment with a cost of RM536.4 million (fourth quarter ended 31 December 2007: RM758.0 million).



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

There was disposal of RM10.7 million (fourth quarter ended 31 December 2007: nil) of property, plant and equipment for the quarter ended 31 December 2008.

(b) valuation

There was no revaluation of property, plant and equipment for the quarter ended 31 December 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 December 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>31.12.08</u>	<u>31.12.07</u>
	RM'000	RM'000
Contracted for	17,109,409	19,786,549
Authorised but not contracted for	7,757,491	8,139,809
	-----	-----
	24,866,900	27,926,358
	=====	=====



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

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.

Name of company	Relationship	<u>Group</u>	
		<u>Quarter ended</u> <u>31 December 2008</u> RM'000	<u>Quarter ended</u> <u>31 December 2007</u> RM'000
Thai AirAsia	A jointly controlled entity of the Company		
PT Indonesia AirAsia	An associate of the Company		
Thai AirAsia			
- Lease rental income on aircraft		36,830	14,626
- Maintenance and overhaul charges received		6,901	16,486
- Apportionment of derivative unwinding cost		221,724	0
PT Indonesia AirAsia			
- Lease rental income on aircraft		22,317	8,668
- Maintenance and overhaul charges received		9,378	5,920
- Apportionment of derivative unwinding cost		206,707	0



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

17. Review of performance

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

Quarter Ended: 31 December	Oct-Dec 2008	Oct-Dec 2007	Δ (%)
RM'000			
Revenue	838,324	632,792	32%
Exceptional item gain / (loss)	(425,668)	0	n/a
EBITDAR	356,798	256,829	39%
Core Operating Profit	193,610	94,208	106%
Profit/(Loss) After Tax	(176,905)	245,723	-172%
EBITDAR Margin	42.6%	40.6%	2.0 ppt
Core Operating Profit Margin	23.1%	14.9%	11.1 ppt
Profit After Tax Margin	-21.1%	38.8%	n/a
Passengers Carried	3,342,436	2,757,967	21%
Average Fare (RM)	229	214	7%
Load Factor	78.4%	77.8%	0.6 ppt

The Group recorded revenue of RM838 million for the quarter ended 31 December 2008 (“4Q08”), 32% higher than the revenue of RM633 million recorded in the quarter ended 31 December 2007 (“4Q07”). The Group’s core operating profit was RM194 million, more than double against RM94 million achieved in 4Q07. The Malaysian Ringgit has recovered in value against the US Dollar and this has resulted in a translation gain of RM11 million during the quarter. The exceptional item amounting to RM426 million relates to the unwinding of our derivative structures. Due to these charges, AirAsia posted a loss after taxation of RM177 million after accounting for deferred taxation.

The positive growth in revenue was attributed to higher passenger volume achieved and higher contribution from ancillary income. Passenger volume grew by 21% in 4Q08 as compared to 4Q07. Average fare was higher by 7% at RM229 as compared to RM214 achieved in 4Q07. Load factor was 0.6 percentage points higher to 78.4% as appose to 77.8% achieved in the prior year.

Thai AirAsia have produced a good set of results with a profit after taxation but before the share of unwinding losses of THB83 million (RM8.8 million). This was achieved against a very challenging environment marked by increased domestic political disturbance which has a negative impact on the sentiment to travel. Nonetheless, Thai operation has outperformed the industry significantly and has extended its domestic market share to 40% - up from 34% in the beginning of 2008. Thailand has received eight brand new Airbus



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

A320 aircraft to date and this has helped to enhance dispatch reliability, reduce cost and enhance our customer service delivery.

The Indonesian operations also delivered a profit after taxation but before the share of unwinding losses of IDR7.5 billion (RM2.4 million). Average fares and yields have improved substantially as the industry has evolved to be more commercial friendly. The competitive landscape has also favoured AirAsia as many passengers opt for low cost, high value services. Indonesia has received four Airbus A320 aircraft to date and this has helped to reduce unit cost, enhance efficiency and elevate our service delivery.

(B) Performance of full year 2008 against full year 2007

Full Year Ended: 31 December RM'000	Jan-Dec 2008	Jan-Dec 2007	Δ (%)
Revenue	2,640,472	1,922,712	37%
Exceptional item gain / (loss)	(640,948)	73,988	n/a
EBITDAR	708,233	671,018	6%
Core Operating Profit	171,066	211,147	-19%
Profit/(Loss) after Tax	(471,738)	699,246	-167%
EBITDAR Margin	26.8%	34.9%	-8.1 ppt
Core Operating Profit Margin	6.5%	11.0%	n/a
Profit After Tax Margin	-17.9%	36.4%	n/a
Passengers Carried	11,808,058	9,717,480	22%
Average Fare (RM)	204	184	11%
Load Factor	75.4%	78.6%	-3.2 ppt

The Group recorded revenue of RM2,640 million for the full year ended 31 December 2008 (“2008”), 37% higher than the revenue of RM1,923 million recorded in the previous year ended 31 December 2007 (“2007”). The Group’s core operating profit was RM171 million, 19% lower than 2007 largely due to a 47% rise in the average jet fuel price.

The positive growth in revenue was attributed to higher passenger volume achieved and higher contribution from ancillary income. Passenger volume grew by 22% in 2008 as compared to 2007. Average fare was higher by 11% at RM204 as compared to RM184 achieved in 2007. Load factor was 3.2 percentage points lower to 75.4% as appose to 78.6% achieved in 2007.

The exceptional item amounting to RM641 million relates to the provisions for unwinding our fuel and interest rate swap derivative structures. The management is of the view that



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

this restructuring of derivative structure will safeguard the Company from onerous mark to market swings, frees up equity and provide a stable cashflow.

The Malaysian Ringgit has weakened against the US Dollar and this has resulted in a translation loss of RM192 million. Due to the combination of unwinding cost and forex translation losses, AirAsia posted a loss after taxation of RM472 million after accounting for deferred taxation.

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 operating loss for the Quarter ended 31 December 2008 RM’Million	Unrecognised share of operating loss as at 31 December 2008 RM’Million
Thai AirAsia	213.0	288.8
Indonesia AirAsia	204.3	293.8

The above amounts include the relevant apportionment of the cost of unwinding the Group’s fuel and interest rate swaps derivative structures.

19 Variation of results against preceding quarter

The Group achieved a loss after taxation of RM177 million for the quarter under review. This is substantially better than the RM466 million loss after taxation achieved to that of the immediately preceding quarter ended 30 September 2008. Up to 31 December 2008, the AirAsia Group has already taken delivery of 56 new Airbus A320 aircraft in total.

20. Commentary on prospects

The current global economic uncertainty is exerting negative pressure to the industry. Many competing airlines have reported passenger traffic declines. The Group, thus far, has managed to maintain its strong passenger traffic growth momentum as more passengers switch from full service carriers and use AirAsia as the primary air travel option. AirAsia expects to carry 15%-20% more passengers in 2009 supported by the launch of new international services to destinations in India, China and Singapore.

The Company will launch aggressive promotional campaigns and enhance customer service delivery to counter the impact of the weak global economy. This strategy is aimed to stimulate price sensitive customers, maintain high load factor, support ancillary income and



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

expand market share. The yield environment in 2009 is expected to remain flat, assuming successful execution of this strategy.

The price of jet fuel is now trading at significant discount than 2008's average cost of US\$128 per barrel. The impact of lower fuel prices, assuming the trend continues, will contribute positively in 2009. The impact of the strengthening US Dollar against the Malaysian Ringgit, assuming this trend continues, will however have a negative impact on the Company.

All the affiliates (Thai AirAsia, Indonesia AirAsia, AirAsia X) are performing well with improved operating environment as compared to 2008. The associates are expected to contribute positively to the Group in 2009.

Barring any unforeseen circumstances, the Directors are confident with the prospects of the Group and expect positive development in 2009.

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.

22. Finance (Cost)/Income

All figures in RM'000	Group and Company			
	Quarter Ended 31/12/08	Quarter Ended 31/12/07	Current Year Ended 31/12/08	Preceding Year Ended 31/12/07
Finance Costs				
Interest costs				
- Bank borrowings	(45,918)	(36,845)	(238,910)	(140,285)
- Hire-purchase payables	(3)	(3)	(12)	(15)
Bank facilities and other charges	(1,516)	(2,026)	(5,684)	(3,545)
	(47,437)	(38,874)	(244,606)	(143,845)
Finance Income				
Interest on deposits	2,307	6,857	20,963	28,665
Total foreign exchange gain / (loss)	10,757	107,816	(192,472)	166,640
	13,064	114,673	(171,509)	195,305
Net Finance Cost	(34,373)	75,799	(416,115)	51,460



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

23. Exceptional item

The exceptional amount of RM426 million in the quarter relates to the cost of the unwinding our fuel derivative contracts and interest rate swaps. For the full year accounted, the Company has incurred a total of RM1,069 million which includes our collateral held by the now defunct Lehman Brothers. The allocation of the cost borne by the respective business unit is as follows; AirAsia Berhad is RM641 million, Thai AirAsia is RM222 million and Indonesia AirAsia is RM207 million.

24. Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year Ended	Preceding Year Ended
	31/12/08 RM'000	31/12/07 RM'000	31/12/08 RM'000	31/12/07 RM'000
<u>Group</u>				
Current tax	134	581	2179	4,244
Deferred tax	(44,530)	(44,280)	(192,797)	(251,715)
	(44,396)	(43,699)	(190,618)	(247,471)

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

25. Unquoted investments and properties

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

26. Quoted investments

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

27. 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. The Company will provide updates in a timely manner whenever any material change in status arises.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

28. Borrowings and debt securities

	At 31 December 2008 RM'000	At 31 December 2007 RM'000
Current		
Secured	<u>543,985</u>	<u>278,550</u>
Non-current		
Secured	<u>6,146,708</u>	<u>3,419,121</u>
Total Debt	<u>6,690,693</u>	<u>3,697,671</u>

The borrowings are mainly 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 foreign exchange contracts as explained in Note 29 (i).

As at the balance sheet date, the weighted average effective interest rate of the borrowings is at 5.00% 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
- (e) Deregistration Power of Attorney

29. 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 65% of its dollar liabilities pertaining to its aircraft, engine and simulator loans into Ringgit by using long dated foreign exchange.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

(ii) Interest Rate Swaps

The Group entered into interest rate swaps (some of which are capped) to hedge against fluctuations in the US-LIBOR on its existing and future aircraft financing for deliveries between Year 2005 and 2009. The effect of this transaction enables the Group to pay fixed interest rate of between 3.25% to 5.20% over a period of 12 to 14 years.

(iii) Fuel Hedging

As at 31 December 2008, following the unprecedented, near collapse of the US financial system and the collapse of WTI prices from \$147 to \$31 per barrel during the year, had subsequently liquidated its positions to take opportunity of the lower spot prices.

30. Material litigation

As at 27 February 2009, there was no material litigation against the Group.

31. Proposed dividend

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



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

32. 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 31/12/08	Preceding Period Corresponding Quarter Ended 31/12/07	Current Year Ended 31/12/08	Preceding Period Corresponding Year Ended 31/12/07
Net (loss)/profit for the financial period (RM'000)	(201,505)	245,723	(496,339)	425,700
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,374,052	2,354,641	2,374,052	2,354,641
Adjusted for share options granted ('000)	158,000	34,284	158,000	34,284
Adjusted weighted average number of ordinary shares ('000)	2,374,210	2,388,925	2,374,210	2,388,925
Basic earnings per share (sen)	(7.5)	10.4	(20.0)	18.1
Diluted earnings per share (sen)	(7.5)	10.3	(19.9)	17.8

(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



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 2008

NOTES TO THE UNAUDITED ACCOUNTS – 31 DECEMBER 2008

computing the dilution. No adjustment is made to net profit for the period for the options over shares calculation.

33. Authorisation for issue

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

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
27 February 2009