



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2005

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or the Company) is pleased to announce the following unaudited consolidated results for the first quarter ended 30 September 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR PERIOD	PRECEDING YEAR CORRESPONDING PERIOD
	30/09/05 RM'000	30/09/04 RM'000	30/09/05 RM'000	30/09/04 RM'000
Revenue	186,277	124,198	186,277	124,198
Cost of Sales	(150,701)	(92,046)	(150,701)	(92,046)
Gross profit from operations	35,576	32,152	35,576	32,152
Other operating expenses	(15,093)	(12,991)	(15,093)	(12,991)
Other operating income	4,274	1,281	4,274	1,281
Profit from operations	24,757	20,442	24,757	20,442
Finance costs	(120)	(1,583)	(120)	(1,583)
Depreciation and amortisation	(12,775)	(4,934)	(12,775)	(4,934)
Share of results of jointly controlled entity	88	(3,300)	88	(3,300)
Profit before taxation	11,950	10,625	11,950	10,625
Taxation	(162)	(147)	(162)	(147)
Profit after taxation	11,788	10,478	11,788	10,478
Add: Minority interests	(117)	-	(117)	-
Profit after taxation and minority interests attributable to shareholders	11,671	10,478	11,671	10,478
Basic earnings per share (sen)	0.6	0.5	0.6	0.5
Diluted earnings per share (sen)	0.5	0.5	0.5	0.5

This Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2005



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2005

	UNAUDITED AS AT END OF CURRENT QUARTER 30/09/05 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/05 RM'000
NON CURRENT ASSETS		
Property, plant & equipment	258,008	231,486
Investment in a jointly controlled entity	6,807	6,719
Other investments	87	90
Goodwill	8,734	7,334
Deferred expenditure	2,302	3,221
	275,938	248,850
CURRENT ASSETS		
Inventories (at cost)	6,628	4,680
Other investments	30,418	7,717
Trade and other receivables	278,251	278,849
Deposit on aircraft purchase	243,219	182,414
Amount due from a jointly controlled entity	23,619	30,511
Amounts due from associates	58,914	40,634
Deposits, bank and cash balances	234,432	329,289
	875,481	874,094
CURRENT LIABILITIES		
Trade and other payables	171,708	155,010
Amount due to an associate	202	202
Hire-purchase payables	147	167
Current tax liabilities	289	798
	172,346	156,177
NET CURRENT ASSETS	703,135	717,917
NON CURRENT LIABILITIES		
Deferred tax liabilities	13,613	13,613
Hire-purchase payables	233	283
	13,846	13,896
	965,227	952,871
CAPITAL AND RESERVES		
Share capital	233,556	233,503
Share premium	699,117	698,602
Retained Earnings	32,422	20,751
Shareholders' funds	965,095	952,856
Minority interests	132	15
	965,227	952,871
*NET TANGIBLE ASSETS PER SHARE (RM)	0.41	0.41

This Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2005



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT PERIOD ENDED 30/09/2005	PRECEDING YEAR ENDED 30/09/2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,950	10,625
Adjustments:		
Share of results of a jointly controlled entity	(88)	-
Interest expense	120	971
Property, plant and equipment - Depreciation	12,775	4,934
Amortisation of deferred expenditure	919	-
Interest income	(1,978)	(525)
	23,698	16,005
Changes in working capital		
Inventories	(1,948)	32
Trade and other receivables	599	34,289
Trade and other payables	16,701	6,434
Intercompany balances	6,892	(10,217)
	45,942	46,543
Cash (used in)/generated from operations		
Interest paid	(120)	(971)
Interest received	1,978	525
Tax paid	(671)	(65)
Net cash (used in)/from operating activities	47,129	46,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment - Additions	(39,298)	(13,644)
Deposit on aircraft purchase	(60,805)	-
Purchase on investments	(22,701)	-
Advance to associates	(18,280)	-
Acquisition of an associated company	-	(19,988)
Acquisition of subsidiaries	(1,400)	-
Net cash used in investing activities	(142,484)	(33,632)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from allotment of shares	568	-
Share issue costs	-	-
Hire purchase instalments paid	(70)	(106)
Repayment of borrowings	-	-
Fixed deposits pledged as securities	47	-
Net cash from financing activities	545	(106)
NET INCREASE FOR THE FINANCIAL YEAR	(94,810)	12,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	312,548	58,589
*CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	217,738	70,883

* The balance at end of financial period excludes fixed deposits of RM16.7 million (2005: nil) pledged with licensed bank as securities for banking facilities granted to the Company

This Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2005



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

	Issued and fully paid ordinary shares of RM0.10 each		Distributable		
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	TOTAL RM'000
3 months ended 30/09/04					
At 1 July 2004	*175,127	175,127	65,959	(90,806)	150,280
Net Profit	-	-	-	10,478	10,478
At 30 September 2004	175,127	175,127	65,959	(80,328)	160,758
3 months ended 30/09/05					
At 1 July 2005	2,159,903	233,503	698,602	20,751	952,856
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	526	53	515	-	568
Net Profit	-	-	-	11,671	11,671
At 30 September 2005	2,160,429	233,556	699,117	32,422	965,095

* Ordinary shares at par value of RM1.00 per share before the share split on 6 Oct 2004

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2005



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KEY OPERATING STATISTICS – 30 SEPTEMBER 2005

PERFORMANCE INDICATORS	ACTUAL Q1 FY2006	ACTUAL Q4 FY2005
Passengers carried	1,192,692	1,203,459
RPK (million)	1,358	1,447
ASK (million)	1,953	1,903
Average fares (RM)	144	150
Passenger load factor (%)	70%	76%
Revenue per RPK (sen)	13.72	13.79
Cost per ASK (sen)	9.16	9.13
Cost per ASK (sen) excl fuel	4.70	4.78
Sectors flown	11,436	11,317
Number of aircraft at period/ year end	21.00	19.00
Average number of aircraft	18.76	17.56



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UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2005

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

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) No. 134 – Interim Financial Reporting and Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Malaysia). The financial statements should be read in conjunction with the Group's most recent audited financial statements for the year ended 30 June 2005.

The accounting policies and methods of computation used in the Group's annual financial statements for the financial year ended 30 June 2005 have been used in the preparation of the interim financial statements.

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

The audit report of the Group's annual financial statements for the financial year ended 30 June 2005 was not subject to any qualification.

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

AirAsia is principally involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The passenger load factor of our first quarter was 70%, which was 6% lower than the immediately preceding quarter due to higher demand for air travel during the months from April to June. This pattern is in line with the expectation of the Group.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter.



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

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

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

During the financial period under review ended 30 September 2005, the issued and paid-up capital of the Company was increased from 2,335,031,080 to 2,335,557,080 ordinary shares by the issuance of 526,000 ordinary shares pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares in the period under review.

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

There were no dividends paid during the quarter under review.

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

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



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

There was no revaluation property, plant and equipment during the quarter under review.

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

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

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

The Company had on 22 September 2005 entered into an agreement to acquire an additional 499,999 ordinary shares of RM1.00 each representing 49.999% of the total issued and paid-up share capital in Crunchtime Culinary Services Sdn Bhd ('Crunchtime'), a subsidiary of the Company from Skyhigh Culinary Services Sdn. Bhd. thereby increasing the Company's equity interest in Crunchtime from 50.001% to 100% thus making Crunchtime a wholly-owned subsidiary of AirAsia. The acquisition was completed on 17 October 2005.

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

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

There have been no material changes in contingent liabilities since the last audited balance sheet date as at 30 June 2005.



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13. *Commitments*

(a) Capital commitments for property, plant and equipment:

	<u>Group and Company</u>	
	<u>30.09.05</u>	<u>30.06.05</u>
	RM'000	RM'000
Approved and contracted for	8,047,267	8,108,067
Approved and not contracted for	94,000	94,000
	<u><u>8,141,267</u></u>	<u><u>8,202,067</u></u>

(b) Non-cancelable operating leases

The future minimum lease payments under non-cancelable operating leases are:

	<u>Group and Company</u>	
	<u>30.09.05</u>	<u>30.06.05</u>
	RM'000	RM'000
Not later than 1 year	83,824	90,995
Later than 1 year and not later than 5 years	313,715	258,926
Later than 5 years	74,137	44,631
	<u><u>471,676</u></u>	<u><u>394,552</u></u>

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

The Group recorded revenue of RM186.3 million and profit before tax of RM12.0 million respectively for the quarter. The results for the quarter under review were affected by higher fuel price. AirAsia has implemented a fuel surcharge to mitigate against the increase in fuel costs.

Kindly also refer to Key Operating Statistics on page 5.



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

The Group achieved a profit before tax of RM12.0 million for the quarter under review. This was a decrease of RM14.2 million compared to that of the immediately preceding quarter ended 30 June 2005. The decrease in profit was mainly due to fuel costs being 5.2% higher as compared to the immediate preceding quarter. Revenue for the quarter under review was also lower by 6.6%. In addition, staff costs were higher by 40.1% as compared to the immediate preceding quarter. The higher staff costs were due to the technical crew hired in anticipation of the arrival of new aircraft commencing in December 2005.

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

The cost of jet fuel remains a real concern in view of the fact that fuel prices have continuously increased on a steady upward trend. The Board does not anticipate fuel prices falling significantly and is of the view that they will remain at high levels in the short term. The Company has hedged 100% of its fuel volume requirement for the financial year ending 30 June 2006. Of the total volume, 75% of the requirement was hedged based on WTI crude oil within the pricing band of USD40 to USD52 per barrel. The pricing band for the remaining 25% is between USD48 to USD60 per barrel.

The Directors expect the results for the current financial year ending 30 June 2006 to exceed the results for the previous financial year ended 30 June 2005 barring any unforeseen event and subject to timely delivery of aircraft and no further unusual increase in fuel price.



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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Quarter	Current Year Period	Preceding Year Corresponding Period
	30/09/05 RM'000	30/09/04 RM'000	30/09/05 RM'000	30/09/04 RM'000
<u>Group</u>				
Current tax	162	147	162	147
Deferred tax	0	0	0	0
	162	147	162	147

The Company has received approval from Ministry of Finance under Section 127 of Income Tax Act, 1967 ('the Act') for income tax exemption in the form of an Investment Allowance ('IA') of 60% on qualifying expenditure incurred within the period of 5 years commencing 01 July 2004 to 30 June 2009, to be set off against 70% of statutory income for each year of assessment.

The investment allowance incentive will contribute positively to AirAsia's future earnings.

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

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

There was no sale of unquoted investments or properties for the quarter.



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

There were no purchases or disposals of quoted securities for the quarter.

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

There were no corporate proposals announced but not completed as at 21 November 2005 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

The IPO proceeds were received on 23 November 2004. The amount of RM717.4 million was derived from the issuance of 443,655,900 new shares at RM1.25 each to institutional investors and 140,101,900 new shares at the retail price of RM1.1625 each to the Malaysian public, eligible Directors and employees of the Company and its subsidiary and persons who have contributed to the success of the Group. As at 21 November 2005, the following are the details of the utilization of the IPO proceeds:-



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	Proposed Utilization of IPO proceeds	Utilised to date	Balance
	RM'000	RM'000	RM'000
Repayment of bank borrowings	94,240	94,240	0
Capital expenditure	100,000	100,000	0
Estimated listing expenses	35,500	26,420	9,080
Working capital	487,699	258,420	229,279
	717,439	479,080	238,359

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

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

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



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Fair value of derivative financial instruments is the present value of their future cash flow and is derived at based on valuation carried out by the Company's bankers.

Fair value of derivative financial instruments for the Group and Company as at balance sheet date is as follows:

	<u>Maturity period</u>	<u>Contract or notional principal amount</u> Barrels	<u>Favourable net fair value</u> RM'000	<u>Unfavourable net fair value</u> RM'000
<u>30-09-05</u>				
Fuel forward contracts	1.7.2005 - 30.6.2006	2,637,000	184,083	0
Fuel purchase options contracts	1.7.2005 - 30.6.2006	1,806,000	14,055	0
Fuel written options contracts	1.7.2005 - 30.6.2009	8,397,000	0	(140,569)
Fuel swap contracts	1.1.2006 - 29.6.2007	3,700,000	0	(1,763)
		<u>16,540,000</u>	<u>198,138</u>	<u>(142,332)</u>

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

There has been no material change in the contingent liabilities since the last audited balance sheet as at 30 June 2005.

There was no pending material litigation as at 21 November 2005 (a date not earlier than 7 days from the date of issue of this quarterly report) since the last annual balance sheet date.



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24. *(Dividend: To be completed if a decision regarding dividend has been made. (State whether dividend amount is before tax, net of tax or tax exempt and if before tax or net of tax, state the tax rate):*
- (a) *(i) an interim/final ordinary dividend has/has not been declared/recommended;*
(ii) the amount per share ... sen;
(iii) the previous corresponding period ... sen;
(iv) the date payable ...; and
(v) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at ... dd/mm/yyyy; and
 - (b) *the total dividend for the current financial year ... sen*

The Board of Directors does not recommend any dividend for the quarter.

25. *(To disclose the following in respect of earnings per share:-*
- (a) *the amount used as the numerator in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the reporting period; and*
 - (b) *the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other)*

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.



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	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
	30/09/05	30/09/04	30/09/05	30/09/04
Net profit for the financial period (RM'000)	11,671	10,478	11,671	10,478
Weighted average number of ordinary shares in issue ('000)	2,115,796	2,115,407	2,115,796	763,000
Basic earnings per share (sen)	0.6	0.5	0.6	0.5

Diluted earnings per share

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

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



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	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Period	Preceding Year Corresponding Period
	30/09/05	30/09/04	30/09/05	30/09/04
Net profit for the financial period (RM'000)	11,671	10,478	11,671	10,478
Weighted average number of ordinary shares in issue for diluted EPS ('000)	2,115,796	2,115,407	2,115,796	2,115,407
Adjusted for share options granted ('000)	26,392	26,739	26,392	26,739
Adjusted weighted average number of ordinary shares ('000)	2,142,188	2,142,146	2,142,188	2,142,146
Basic earnings per share (sen)	0.5	0.5	0.5	0.5

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
25 November 2005