



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

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)  
FOURTH QUARTER REPORT ENDED 31 December 2010

**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 2010.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

		INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
Note		31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
		1,186,467	894,059	3,992,722	3,178,854
		(569,696)	(473,791)	(2,142,236)	(1,757,584)
		616,771	420,268	1,850,486	1,421,270
		(44,821)	(45,793)	(180,852)	(160,234)
		-	(13,888)	-	63,392
		571,950	360,587	1,669,634	1,324,428
	10	69,554	-	(25,610)	-
	25	(103,072)	(26,121)	(23,808)	(276,954)
		(148,211)	(139,411)	(520,917)	(447,643)
	26	-	28,695	-	22,457
	21	-	-	-	-
	21	-	-	-	-
		<b>390,221</b>	<b>223,750</b>	<b>1,099,299</b>	<b>622,288</b>
	27	8,383	(10,562)	(2,607)	(11,186)
	27	(82,053)	(179,317)	(29,815)	(104,835)
		<b>316,551</b>	<b>33,871</b>	<b>1,066,877</b>	<b>506,267</b>
Attributable to:					
-Equity holders of the company		316,551	33,871	1,066,877	506,267
		<b>316,551</b>	<b>33,871</b>	<b>1,066,877</b>	<b>506,267</b>
		11.5	1.4	38.6	20.6
		11.4	1.4	38.5	20.6

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended (restated)	Year ended	Year ended (restated)
		31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
<b>Profit/(Loss) for the period</b>		316,551	33,871	1,066,877	506,267
Other comprehensive income / (loss) Cash flow hedges	11	(21,825)	-	(6,464)	-
<b>Total comprehensive income/(loss) for the period</b>		<u>294,726</u>	<u>33,871</u>	<u>1,060,413</u>	<u>506,267</u>
Total comprehensive income/(loss) attributable to:					
Equity holders of the company		294,726	33,871	1,060,413	506,267
Minority Interest		-	-	-	-



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		AS AT	AS AT
		31/12/2010	31/12/2009
		RM'000	RM'000
	<b>Note</b>		
<b>NON CURRENT ASSETS</b>			
Property, plant & equipment	12	9,318,041	7,942,188
Investment in associates		29	29
Derivative Financial Instruments	32	25,544	-
AFS Financial Assets		135,879	26,704
Goodwill		8,738	8,738
Deferred tax asset		721,460	751,274
Long term prepayments		22,928	23,593
Amount due from a jointly controlled entity		0	171,885
Amount due from associates		117,964	253,037
		<b>10,350,583</b>	<b>9,177,448</b>
<b>CURRENT ASSETS</b>			
Inventories (at cost)		17,553	20,864
Derivative Financial Instruments	32	-	-
Trade receivables		60,173	68,526
Prepayment, deposits and other receivables		499,250	652,556
Deposit on aircraft purchase		248,684	330,978
Amount due from a jointly controlled entity		99,802	194,503
Amount due from associates		157,989	203,851
Deposits, bank and cash balances		1,500,956	746,312
		<b>2,584,407</b>	<b>2,217,590</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		687,424	872,990
Sales in advance		307,987	283,224
Borrowings	30	553,967	540,212
Hire-purchase payables		15	56
Current tax liabilities		955	9,824
		<b>1,550,348</b>	<b>1,706,306</b>
<b>NET CURRENT ASSETS</b>			
		<b>1,034,059</b>	<b>511,284</b>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	30	7,302,884	7,067,696
Hire-purchase payables		0	16
Derivative Financial Instruments	32	456,330	-
		<b>7,759,214</b>	<b>7,067,712</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	7	277,344	275,774
Reserves		3,348,084	2,345,246
Shareholders' funds		<b>3,625,428</b>	<b>2,621,020</b>
		<b>3,625,428</b>	<b>2,621,020</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>1.31</b>	<b>0.95</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	YEAR ENDED	YEAR ENDED
	31/12/2010	31/12/2009
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	1,099,299	622,286
Adjustments:		
Property, plant and equipment		
- Depreciation	520,917	424,585
- Gain on disposal	-	(30,696)
FRS 139 Adjustment	25,610	-
Amortisation of long term prepayments	4,710	3,897
Amortisation of other investments	12	12
Unrealised foreign exchange (gain)/loss	(296,607)	(91,682)
Interest expense	374,374	371,153
Interest income	(70,620)	(6,300)
	1,657,695	1,293,255
<b>Changes in working capital</b>		
Inventories	3,311	(181)
Receivables and prepayments	357,700	109,164
Trade and other payables	(568,898)	(258,696)
Intercompany balances	437,047	(91,700)
<b>Cash generated from / (used in) operations</b>	1,886,855	1,051,842
Interest paid	(314,522)	(316,255)
Interest received	65,385	6,300
Tax paid	(14,294)	(5,577)
<b>Net cash from / (used in) operating activities</b>	<b>1,623,424</b>	<b>736,310</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(1,903,520)	(1,923,836)
- Proceeds from disposal	-	182,538
Deposit on aircraft purchase	50,807	3,650
Long term prepayments	(4,045)	75,851
Additional unquoted investments	(19,190)	-
<b>Net cash used in investing activities</b>	<b>(1,875,948)</b>	<b>(1,661,797)</b>
<b>CASH FLOWS FROM FINANCING FACILITIES</b>		
Proceeds from allotment of shares	16,948	509,217
Hire purchase instalments paid	(57)	(77)
Proceeds from borrowings	1,562,856	1,607,322
Repayment of borrowings	(572,580)	(598,425)
Deposits pledged as securities	(942)	5,112
<b>Net cash from financing activities</b>	<b>1,006,225</b>	<b>1,523,148</b>
<b>NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR</b>	753,702	597,662
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	718,465	120,803
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR*</b>	<b>1,472,167</b>	<b>718,465</b>

\* The balance at end of financial period excludes fixed deposits of RM28.789 million (30/12/09: RM27.847 million) 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 31 December 2009



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

	Attributable to Equity Holders of the Company									
	Issued and fully paid ordinary shares of RM0.10 each	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	Cash Flow Hedge Reserves RM'000	AFS Reserves RM'000	Retained Earnings RM'000	Total RM'000	Minority Interest RM'000
At 1 January 2010	2,757,745	275,774	1,206,216	592	-	-	1,138,438	2,621,020	-	2,621,020
Effect of adopting FRS 139	-	-	-	-	(65,670)	105,996	(97,278)	(56,952)	-	(56,952)
At 1 January 2010 (As restated)	2,757,745	275,774	1,206,216	592	(65,670)	105,996	1,041,160	2,564,068	-	2,564,068
Net Profit for the period	-	-	-	-	-	1,066,877	1,066,877	1,066,877	-	1,066,877
Other comprehensive income	-	-	-	-	(6,464)	(16,000)	-	(22,464)	-	(22,464)
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	7,651	1,570	15,378	-	-	-	-	16,948	-	16,948
At 31 Dec 2010	2,765,396	277,344	1,221,594	592	(72,134)	89,996	2,108,037	3,625,428	-	3,625,428
At 1 January 2009	2,374,210	237,421	735,352	592	-	-	632,171	1,605,536	-	1,605,536
Net Profit for the period	-	-	-	-	-	-	506,267	506,267	-	506,267
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	2,793	279	3,464	-	-	-	-	-	-	-
- Pursuant to the Private Placement	380,742	38,074	467,400	-	-	-	-	3,743	-	3,743
At 31 Dec 2009	2,757,745	275,774	1,206,216	592	-	-	1,138,438	2,621,020	-	2,621,020

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**KEY OPERATING STATISTICS – 31 December 2010**

Performance indicator for Malaysian operations for current quarter against the same quarter last year

Quarter Ended: 31 December	Oct-Dec 2010	Oct-Dec 2009	Change y-o-y
Passengers Carried	4,440,327	3,995,405	11%
Capacity	5,383,080	5,031,720	7%
Seat Load Factor	82%	79%	3 ppt
ASK (million)	6,434	5,863	10%
RPK (million)	5,319	4,409	21%
Average Fare (RM)	188	176	7%
Ancillary Income per pax (RM)	49	25	99%
Unit Passenger Revenue (RM)	237	201	18%
Rev / ASK (sen)	18.44	15.25	21%
Rev / ASK (US cents)	5.92	4.48	32%
Cost / ASK (sen)	11.85	11.12	7%
Cost / ASK (US cents)	3.81	3.27	16%
Cost / ASK-ex fuel (sen)	7.31	6.39	14%
Cost / ASK-ex fuel (US cents)	2.35	1.88	25%
Aircraft (average)	50	45	10%
Aircraft (end of period)	53	48	10%
Average Stage Length (km)	1,193	1,162	3%
Number of Flights	29,966	27,939	7%
Fuel Consumed (barrels)	1,066,571	1,017,346	5%
Average Fuel Price (US\$/barrel)	88.0	69.6	27%

Exchange Rates: RM:USD – 2010: 3.11, 2009: 3.40



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**Performance indicator for Malaysian operations for current financial year against the previous financial year**

Year Ended: 31 December	Jan-Dec 2010	Jan-Dec 2009	Change y-o-y
Passengers Carried	16,054,738	14,253,244	13%
Capacity	20,616,120	19,016,280	8%
Seat Load Factor	78%	75%	ppt
ASK (million)	24,362	21,977	11%
RPK (million)	18,499	15,432	20%
Average Fare (RM)	177	168	5%
Ancillary Income per pax (RM)	41	29	39%
Unit Passenger Revenue (RM)	218	197	10%
Rev / ASK (sen)	16.39	14.46	13%
Rev / ASK (US cents)	5.09	4.10	24%
Cost / ASK (sen)	11.76	10.41	13%
Cost / ASK (US cents)	3.65	2.95	24%
Cost / ASK-ex fuel (sen)	6.78	6.15	10%
Cost / ASK-ex fuel (US cents)	2.10	1.74	21%
Aircraft (average)	48	43	10%
Aircraft (end of period)	53	52	2%
Average Stage Length (km)	1,184	1,166	2%
Number of Flights	114,534	105,646	8%
Fuel Consumed (barrels)	4,106,673	3,779,698	9%
Average Fuel Price (US\$/barrel)	91.8	67.7	36%

Exchange Rates: RM:USD – 2010: 3.22, 2009: 3.52

**Definition and calculation methodology**

ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown.
RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
Revenue/ASK	Total revenue divided by ASK
Cost/ASK	Total expenses before interest and tax divided by ASK
Cost/ASK – ex fuel	Costs, as defined above, less fuel expenses, divided by ASK



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## NOTES TO THE UNAUDITED ACCOUNTS – 31 December 2010

### 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 31 December 2009. 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 financial year ended 31 December 2009, except for those accounting policies detailed in section 2 below.

### 2. Summary of significant accounting policies

With effect from 1 January 2010 the Group has adopted the following accounting standards: FRS 139: Financial Instruments, Recognition and Measurement, FRS 8 Operating Segments, FRS 101 (Revised) : Presentation of Financial Statements and FRS 7: Financial Instruments: Disclosures with effect from 1 January 2010.

#### **i) Effects of Adoption of FRS 139: Financial Instruments, Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of financial instruments and the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through profit or loss.

#### **Financial Assets**

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling





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in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

### **b) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

### **c) Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets were previously classified within Other Investments.

## **Financial Liabilities**

### **a) Borrowings**

Borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised or through the amortisation process.

### **b) Derivative Financial Instruments**

Derivative financial instruments are required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently at fair value at each balance sheet date. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the income statement.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged as follows:

#### **Cash flow hedge**

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged



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transaction affects profit or loss, such as when the hedged financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or

non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

In accordance with the provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by making the following FRS139 adjustments to opening balances in the balance sheet as at 1 January 2010.

	<b>As at 01/01/2010</b>
	<b>RM'000</b>
Available-for-Sale Financial Assets	105,996
Derivative Financial Assets	158,115
Derivative Financial Liabilities	(288,760)
Amounts due from a jointly controlled entity	(15,462)
Amounts due from an associate	<u>(16,841)</u>
	<u>(56,952)</u>

In addition, these changes in accounting policies have the effect of increasing the profit for the current period by RM60.4 million, and decreasing the profit by RM284.0 million in the year to date.

### **ii) Effects of Adoption of FRS 8: Operating Segments**

FRS 8 requires an entity to report financial and descriptive information about its reportable segments. AirAsia Berhad operates a single reportable segment, that of Airline Operations, for decision making purposes so no further segment information is disclosed.

### **iii) Effects of Adoption of FRS 101 (Revised): Presentation of Financial Statements**

FRS 101 (Revised) requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line labelled as total comprehensive income. The revised standard also requires the presentation of the statement of comprehensive income: its presents all items of income and expense recognised in profit



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or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

This is a disclosure standard with no impact on the financial position or financial performance of the Group.

### iv) Effects of Adoption of FRS 7: Financial Instruments: Disclosures

FRS 7 requires comprehensive disclosure on qualitative and quantitative information about exposure to risks from financial instruments. Such disclosures will be made on the audited annual financial statements of the Group.

### v) Changes in Accounting Policies and Effects of Adoption of New and Revised FRSs

At the date of authorisation of this quarterly condensed financial report, the MASB had issued the following FRS and Interpretations but which were not yet effective and have not been adopted by the Group:

	<b>Effects for financial periods beginning on or after</b>
FRS 1 (Revised): First time adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised): Business Combination	1 July 2010
FRS 127 (Revised): Consolidated and Separate Financial Instruments (amended)	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 13: Customer Loyalty Programmes	1 July 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of Net Investments in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
The amendments to the FRS:	
FRS 2: Share-based Payment	1 July 2010
FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138: Intangible Assets	1 July 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010

The new FRS above is expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures.

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

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the financial year ended 31 December 2009 in their report dated 30 April 2010.



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

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The seat load factor was 3 percentage points higher in the quarter under review against the same period last year. Compared against the immediate preceding quarter (third quarter July – September 2010), the seat load factor was 4 percentage points higher. 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 December 2010, the total issued and paid-up share capital of the Company increased from RM276,539,508 to RM277,343,608 from the issuance of 8,041,000 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 cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 31 December 2010.

### **8. Dividend paid**

There were no dividends paid in the quarter ended 31 December 2010.

### **9. Segment reporting**

The Group operates a single reportable segment, that of Airline Operations.



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### 10. FRS 139 Adjustments

FRS139 Adjustments comprise fair value changes due to movement in mark-to-market (MTM) position on non-designated hedging contracts at 31 December 2010 as compared to 30 September 2010, and are detailed below:

	Quarter ended 31/12/2010 RM million	Quarter ended 31/12/2009 RM million
(i) Gain / (loss) from fuel contracts	(2.6)	-
(ii) Gain / (loss) from foreign currency contracts	20.1	-
(v) Gain / (loss) from interest rate contracts	52.1	-
	<u>69.6</u>	<u>-</u>

The above gains and losses arise from the movement in exchange rates (principally RM:US\$), interest rates and jet fuel prices relative to the contracted rate during the quarter.

The fair value of derivative financial instruments is determined by discounting future cash flows to present value.

### 11. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in MTM position on effective hedging contracts at 31 December 2010 as compared to 30 September 2010 as follows:

	Quarter ended 31/12/2010 RM million	Quarter ended 31/12/2009 RM million
(i) Fair value loss in the period	(24.8)	-
(i) Amount transferred to income statement	3.0	-
	<u>(21.8)</u>	<u>-</u>

Fair value changes in effective hedging contracts are recognized directly in equity and are transferred to the income statement in the same period as the underlying hedged item affects profit or loss.



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**12. Disclosure of Realised and Unrealised Profits**

The cumulative retained profit of the Group and its subsidiaries comprises realized and unrealized profit as disclosed in the table below.

	As at 31/12/2010 RM million	As at 31/12/2009 RM million
Total retained profit of AirAsia Berhad and its subsidiaries		
(i) Realised	1,003,047	338,648
(i) Unrealised	<u>1,121,156</u>	<u>815,956</u>
	<u>2,124,203</u>	<u>1,154,604</u>
Total share of accumulated losses from associates		
(i) Realised	(4,112)	(4,112)
(i) Unrealised	<u>-</u>	<u>-</u>
	<u>(4,112)</u>	<u>(4,112)</u>
Total share of accumulated losses from jointly controlled entities		
(i) Realised	(12,054)	(12,054)
(i) Unrealised	<u>-</u>	<u>-</u>
	<u>(12,054)</u>	<u>(12,054)</u>
Total group retained profit as per consolidated accounts	<u><b>2,108,037</b></u>	<u><b>1,138,438</b></u>

**13. Property, plant and equipment**

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

During the quarter ended 31 December 2010, the Group acquired property, plant and equipment with a cost of RM482.0 million (quarter ended 31 December 2009: RM784.8 million).

During the quarter ended 31 December 2010, there was no disposal of property, plant and equipment (quarter ended 31 December 2009: RM24.1 million).

***(b) valuation***

There was no revaluation of property, plant and equipment for the quarter ended 31 December 2010.



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**14. Post balance sheet events**

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 December 2010 as at the date of this report.

**15. Changes in composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**16. Contingent assets**

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

**17. 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 financial year ended 31 December 2009.

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

Capital commitments for property, plant and equipment:

	<u>Group and Company</u>	
	<u>31/12/2010</u>	<u>31/12/2009</u>
	RM'000	RM'000
Contracted for	12,829,657	16,234,759
Authorised but not contracted for	7,931,251	8,431,514
	-----	-----
	<u>20,760,908</u>	<u>24,666,273</u>



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**19. Material related party transactions**

Details of the relationship and transactions between AirAsia and its related parties are as described below. The related party transactions described were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

<b>Name of company</b>	<b>Relationship</b>
Thai AirAsia	A jointly controlled entity of the Company
PT Indonesia AirAsia	An associate of the Company
AirAsia X Sdn. Bhd.	An investment with common shareholders and directors of the Company

These following items have been included in the Income Statement.

	<b>Quarter ended</b> <b>31/12/2010</b> <b>RM'000</b>	<b>Group</b>	<b>Quarter ended</b> <b>31/12/2009</b> <b>RM'000</b>
<b>Thai AirAsia</b>			
- Lease rental income on aircraft	63,537		47,340
- Maintenance and overhaul charges	4,003		6,839
<b>PT Indonesia AirAsia</b>			
- Lease rental income on aircraft	47,554		40,826
- Maintenance and overhaul charges	2,277		3,850
<b>AirAsia X Sdn. Bhd.</b>			
- Services charged to AirAsia X Sdn Bhd	10,444		5,497





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**20. Review of performance**

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

<b>Quarter Ended: 31 December</b>	<b>Oct-Dec 2010</b>	<b>Oct-Dec 2009</b>	<b>Change y-o-y</b>
<b>RM'000</b>			
Ticket Sales	835,700	703,598	19%
Ancillary Income	218,538	98,777	121%
Other Operating Income	129,692	91,684	41%
<b>Revenue</b>	<b>1,186,467</b>	<b>894,059</b>	<b>33%</b>
Staff Cost	(92,802)	(76,175)	-22%
Fuel and Oil	(292,444)	(240,840)	-21%
User & Station Charges	(66,838)	(64,722)	-3%
Maintenance & Overhaul	(44,182)	(23,780)	-86%
Sales and Marketing	(32,027)	(28,598)	-12%
Others	(73,742)	(72,861)	-1%
<b>EBITDAR</b>	<b>584,433</b>	<b>387,083</b>	<b>51%</b>
Lease of Aircraft	(12,481)	(17,792)	30%
<b>EBITDA</b>	<b>571,951</b>	<b>369,292</b>	<b>55%</b>
Depreciation & Amortisation	(148,211)	(139,411)	-6%
<b>EBIT</b>	<b>423,740</b>	<b>229,881</b>	<b>84%</b>
FRS139 Adjustments	69,554	0	-
Exceptional Item	0	28,695	-
Net Finance Cost	(85,489)	(93,447)	9%
Unrealised forex gain / (loss)	(12,211)	67,326	-118%
Other Income / (Expenses)	(5,373)	(8,706)	38%
<b>Profit before tax</b>	<b>390,222</b>	<b>223,750</b>	<b>74%</b>
Taxation	(73,670)	(189,879)	61%
<b>Profit after tax</b>	<b>316,551</b>	<b>33,871</b>	<b>835%</b>
EBITDAR Margin	49.3%	43.3%	6 ppt
EBIT Margin	35.7%	25.7%	10 ppt

The Group recorded revenue of RM1,186.5 million for the quarter ended 31 December 2010 (“4Q10”), 33% higher than the revenue of RM894.1 million recorded in the quarter ended 31 December 2009 (“4Q09”). The revenue growth was supported by 11% growth in passenger volumes and average fare that was 7% higher at RM188 as compared to RM176 achieved in 4Q09. Seat load factor was 3 percentage points higher at 82% compared to 79% in the same period last year.

The profit after tax for the period was RM316.5 million, an increase of 835% over the RM33.9m profit after tax in 4Q09.



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**(B) Performance of current financial year against the previous financial year for Malaysia**

<b>Year Ended: 31 December RM'000</b>	<b>Jan-Dec 2010</b>	<b>Jan-Dec 2009</b>	<b>Change y-o-y</b>
Ticket Sales	2,844,500	2,397,340	19%
Ancillary Income	650,770	415,168	57%
Other Operating Income	440,380	366,345	20%
<b>Revenue</b>	<b>3,992,722</b>	<b>3,178,854</b>	<b>26%</b>
Staff Cost	(333,859)	(268,247)	-24%
Fuel and Oil	(1,214,099)	(901,737)	-35%
User & Station Charges	(238,635)	(197,942)	-21%
Maintenance & Overhaul	(100,473)	(118,732)	15%
Sales and Marketing	(120,495)	(105,366)	-14%
Others	(249,836)	(222,599)	-12%
<b>EBITDAR</b>	<b>1,735,325</b>	<b>1,364,232</b>	<b>27%</b>
Lease of Aircraft	(65,692)	(107,251)	39%
<b>EBITDA</b>	<b>1,669,633</b>	<b>1,257,162</b>	<b>33%</b>
Depreciation & Amortisation	(520,917)	(447,642)	-16%
<b>EBIT</b>	<b>1,148,717</b>	<b>809,520</b>	<b>42%</b>
FRS139 Adjustments	(25,610)	0	-
Exceptional Item	0	22,457	-
Net Finance Cost	(322,493)	(365,762)	12%
Unrealised forex gain / (loss)	296,607	91,057	226%
Other Income / (Expenses)	2,078	65,017	97%
<b>Profit before tax</b>	<b>1,099,298</b>	<b>622,288</b>	<b>77%</b>
Taxation	(32,421)	(116,020)	72%
<b>Profit after tax</b>	<b>1,066,877</b>	<b>506,268</b>	<b>111%</b>
EBITDAR Margin	43.5%	42.9%	0.5 ppt
EBIT Margin	28.8%	25.5%	3.3 ppt
Profit after Tax Margin	26.7%	15.9%	10.8 ppt

The Group recorded revenue of RM3,922.7 million for the year ended 31 December 2010, 26% higher than the revenue of RM3,178.8 million recorded in the year ended 31 December 2009. The revenue growth was supported by 13% growth in passenger volumes and average fare that was 5% higher at RM177 as compared to RM168 achieved in 2009. Seat load factor was 3 percentage points higher at 78% compared to 75% in 2009.

The profit after tax for the year was RM1,066.9 million, an increase of 111% over the RM506.3m profit after tax in 2009.



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**(C) Reconciliation of PBT to Core Operating Profit**

<b>Quarter Ended: 31 December RM'000</b>	<b>Oct-Dec 2010</b>	<b>Oct-Dec 2009</b>	<b>Change y-o-y</b>
Profit before taxation	390,222	223,750	74%
<b>Adjustments:</b>			
Unwinding of derivatives (gain) / loss	0	(28,695)	-
Forex (gain) / loss	12,211	(67,326)	-118%
Disposal of assets (gain) / loss	0	6,991	-
FRS 139 adjustments (gain) / loss	(69,554)	0	-
<b>Core Operating Profit / (Loss)</b>	<b>332,879</b>	<b>134,720</b>	<b>147%</b>
Core Operating Profit Margin	28.1%	15.1%	13 ppt

The Group's core operating profit for the period was RM332.8 million, a 147% increase over the core operating profit achieved in 4Q09. The core operating profit margin for the period was at 28.1%, 13 percentage points higher than the 15.1% core operating profit margin achieved in 4Q09. There were RM12.2 million of unrealized translation losses in the quarter, the Malaysian Ringgit having remained steady against the US Dollar during the period.

**(D) Cashflow commentary for current quarter against immediately preceding quarter**

<b>Net Cash Flow (RM'000)</b>	<b>Oct-Dec 2010</b>	<b>Jul-Sep 2010</b>	<b>Change q-o-q</b>
Cash from Operations	1,140,096	323,418	253%
Cash from Investing Activities	(1,164,243)	(673,869)	73%
Cash from Financing Activities	666,999	427,480	56%
<b>Net Cash Flow</b>	<b>642,853</b>	<b>77,029</b>	<b>-735%</b>

The Group's cash from operations was RM1,140.1 million, an increase of RM816.7 million against the immediate preceding quarter ended September 2010. Net cash flow in the quarter amounted to RM642.8 million, an improvement of RM565.8 million over the immediately preceding quarter, primarily due to the much stronger operating cash flow.



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**(E) Balance sheet commentary for current quarter**

<b>Balance Sheet RM million</b>	<b>Oct-Dec 2010</b>	<b>Jul-Sep 2010</b>	<b>Change q-o-q</b>
Total Debt	7,857	7,640	3%
Cash	1,501	935	61%
<b>Net Debt</b>	<b>6,356</b>	<b>6,705</b>	<b>-5%</b>
Net Gearing	1.75	2.02	-8%

The Group's total debt as of end of 31 December 2010 was RM7,857 million. The Group's net debt after offsetting the cash balances amounted to RM6,365 million. This translates to a net gearing ratio of 1.75 times, 8% lower than the immediately preceding quarter.

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

**i) Jointly Controlled Entity - AirAsia Thailand**

AirAsia Thailand is a joint venture company owned 49% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board FRS131, Interests in Joint Ventures. As the Group's interest in AirAsia Thailand has been reduced to zero no additional losses are provided for, and the Group will only resume recognizing its share of profits only after its share of profits equals the share of losses not recognized.

AirAsia Thailand recorded revenue of THB3,744 million in 4Q10, 29% higher compared to the THB2,907 million achieved in 4Q09. The positive growth in revenue is attributed to higher passenger volume, a higher contribution from ancillary income and improving yields. AirAsia Thailand has achieved passenger growth of 13% as compared to 4Q09 while the seat load factor was lower by 1 percentage point at 80%. Average base fare was higher by 6% at THB1,889 as compared to THB1,789 achieved in 4Q09.

AirAsia Thailand's achieved a net profit of THB1,644 million in 4Q10, compared to a loss of THB623 million in 4Q09.

For the full year AirAsia Thailand recorded revenue of THB12,391 million, 33% higher compared to the THB9,326 million achieved in FY2009. Passengers carried rose 14% year on year, outstripping capacity growth by 2%, and ancillary income increased by 85% from THB957 million to THB1,771 million. Average base fares rose by 9% in the year and the seat load factor rose by 2 percentage points despite the introduction of higher capacity aircraft.



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AirAsia Thailand's achieved a net profit of THB2,845 million in 2010, compared to a loss of THB808 million in 2009, representing a net profit margin of 23% as compared to a negative margin of 8.7% in 2009.

**(A) Performance indicator for Thailand operations for current quarter against the same quarter last year**

Quarter Ended: 31 December	Oct-Dec 2010	Oct-Dec 2009	Change y-o-y
Passengers Carried	1,621,771	1,432,798	13%
Capacity	2,035,260	1,777,376	15%
Seat Load Factor	80%	81%	-1 ppt
ASK (million)	2,043	1,852	10%
RPK (million)	1,638	1,493	10%
Average Fare (THB)	1,889	1,789	6%
Ancillary Income per pax (THB)	369	176	109%
Unit Passenger Revenue (THB)	2,258	1,965	15%
Rev / ASK (THB)	1.79	1.52	18%
Rev / ASK (US cents)	5.98	4.57	31%
Cost / ASK (THB)	0.99	1.99	50%
Cost / ASK (US cents)	3.30	5.97	-45%
Cost / ASK-ex fuel (THB)	0.48	1.42	-66%
Cost / ASK-ex fuel (US cents)	1.60	4.27	-62%
Aircraft (average)	18	18	0%
Aircraft (end of period)	19	20	-5%
Average Stage Length (km)	1,004	1,026	-2%
Number of Flights	11,307	10,616	7%
Fuel Consumed (barrels)	374,561	301,422	24%
Average Fuel Price (US\$/barrel)	92.7	104.4	-11%

Exchange Rates: THB:USD – 2010: 30.0, 2009: 33.3



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**(B) Performance of current quarter against the same quarter last year for Thailand**

<b>Quarter Ended: 31 December THB'000</b>	<b>Oct-Dec 2010</b>	<b>Oct-Dec 2009</b>	<b>Change y-o-y</b>
Ticket Sales	3,063,818	2,563,773	20%
Ancillary Income	598,249	252,607	137%
Other Operating Income	82,293	90,967	-10%
<b>Revenue</b>	<b>3,744,361</b>	<b>2,907,347</b>	<b>29%</b>
Staff Cost	(312,398)	(191,180)	-63%
Fuel and Oil	(1,040,677)	(1,048,285)	1%
User & Station Charges	(335,652)	(318,549)	-5%
Maintenance & Overhaul	(203,219)	(1,373,898)	85%
Sales and Marketing	(237,871)	(113,921)	-109%
Others	(28,320)	(142,770)	80%
<b>EBITDAR</b>	<b>1,586,223</b>	<b>(281,256)</b>	<b>664%</b>
Lease of Aircraft	(605,090)	(465,253)	-30%
<b>EBITDA</b>	<b>981,133</b>	<b>(746,508)</b>	<b>231%</b>
Depreciation & Amortisation	(22,598)	(30,826)	27%
<b>EBIT</b>	<b>958,535</b>	<b>(777,334)</b>	<b>223%</b>
FRS139 Adjustments	0	0	-
Net Finance Cost	(45,779)	2,396	-2011%
Unrealised forex gain / (loss)	(131,893)	0	-
Other Income / (Expenses)	863,247	151,767	469%
<b>Profit before tax</b>	<b>1,644,110</b>	<b>(623,171)</b>	<b>364%</b>
Taxation	0	0	-
<b>Profit after tax</b>	<b>1,644,110</b>	<b>(623,171)</b>	<b>364%</b>
EBITDAR Margin	42.4%	-9.7%	52 ppt
EBIT Margin	25.6%	-26.7%	52.3 ppt
Profit after Tax Margin	43.9%	-21.4%	65.3 ppt



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(C) Performance indicator for Thailand operations for current financial year against the previous financial year

Year Ended: 31 December	Jan-Dec 2010	Jan-Dec 2009	Change y-o-y
Passengers Carried	5,704,832	4,988,315	14%
Capacity	7,317,097	6,558,768	12%
Seat Load Factor	78%	76%	2 ppt
ASK (million)	7,605	6,423	18%
RPK (million)	5,923	4,855	22%
Average Fare (THB)	1,804	1,656	9%
Ancillary Income per pax (THB)	310	192	62%
Unit Passenger Revenue (THB)	2,115	1,848	14%
Rev / ASK (THB)	1.60	1.43	12%
Rev / ASK (US cents)	5.03	4.10	23%
Cost / ASK (THB)	1.28	1.60	20%
Cost / ASK (US cents)	4.02	4.60	-13%
Cost / ASK-ex fuel (THB)	0.75	1.08	-30%
Cost / ASK-ex fuel (US cents)	2.37	3.10	-24%
Aircraft (average)	18	15	20%
Aircraft (end of period)	19	20	-5%
Average Stage Length (km)	1,032	966	7%
Number of Flights	41,823	39,388	6%
Fuel Consumed (barrels)	1,346,476	1,176,457	14%
Average Fuel Price (US\$/barrel)	93.0	82.0	13%

Exchange Rates: THB:USD – 2010: 31.7, 2009: 34.8



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**(D) Performance of current financial year against the previous financial year for Thailand.**

<b>Year Ended: 31 December</b>	<b>Jan-Dec 2010</b>	<b>Jan-Dec 2009</b>	<b>Change y-o-y</b>
<b>THB'000</b>			
Ticket Sales	10,775,605	8,393,109	28%
Ancillary Income	1,771,191	956,990	85%
Other Operating Income	243,480	139,956	74%
<b>Revenue</b>	<b>12,390,632</b>	<b>9,325,988</b>	<b>33%</b>
Staff Cost	(1,030,697)	(812,930)	-27%
Fuel and Oil	(3,973,966)	(3,361,690)	-18%
User & Station Charges	(1,295,692)	(1,148,611)	-13%
Maintenance & Overhaul	(860,505)	(2,311,025)	63%
Sales and Marketing	(562,733)	(372,774)	-51%
Others	(415,402)	(469,649)	12%
<b>EBITDAR</b>	<b>4,251,637</b>	<b>849,309</b>	<b>401%</b>
Lease of Aircraft	(2,200,591)	(1,712,364)	-29%
<b>EBITDA</b>	<b>2,051,046</b>	<b>(863,055)</b>	<b>338%</b>
Depreciation & Amortisation	(123,180)	(119,435)	-3%
<b>EBIT</b>	<b>1,927,866</b>	<b>(982,491)</b>	<b>296%</b>
FRS139 Adjustments	0	0	-
Net Finance Cost	(203,637)	12,183	-1772%
Unrealised forex gain / (loss)	200,357	0	-
Other Income / (Expenses)	921,029	161,318	471%
<b>Profit before tax</b>	<b>2,845,614</b>	<b>(808,990)</b>	<b>452%</b>
Taxation	0	0	-
<b>Profit after tax</b>	<b>2,845,614</b>	<b>(808,990)</b>	<b>452%</b>
EBITDAR Margin	34.3%	9.1%	25.2 ppt
EBIT Margin	15.6%	-10.5%	26.1 ppt
Profit after Tax Margin	23.0%	-8.7%	31.6 ppt





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**(E) Balance Sheet**

Quarter Ended: 31 December THB 000's	Dec 2010	Dec 2009	Change y-o-y
Property, Plant & Equipment	287,660	287,967	0%
Work In Progress	8,106	10,884	-26%
Deferred Expenditure	1	6	-81%
Inventory	6,390	4,726	35%
Other Debtors & Prepayments	1,100,273	1,100,615	0%
Cash & Short Term Deposits	566,958	662,943	-14%
<b>Total Assets</b>	<b>1,969,388</b>	<b>2,067,141</b>	<b>-5%</b>
Sales In Advance	2,211,635	1,474,378	50%
Other Creditors & Accruals	620,102	888,304	-30%
Amounts Owing to Related Party	1,568,439	4,980,861	-69%
<b>Total Liabilities</b>	<b>4,400,176</b>	<b>7,343,543</b>	<b>-40%</b>
Share Capital	400,000	400,000	-
Share Premium	1,228	1,228	-
Retained Earnings	(2,832,015)	(5,677,629)	-50%
<b>Total Equity</b>	<b>(2,430,787)</b>	<b>(5,276,401)</b>	<b>-54%</b>

**ii) Associate Company - AirAsia Indonesia**

AirAsia Indonesia is an associate company owned 49% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board FRS128, Investments in Associates. As the Group's interest in AirAsia Indonesia has been reduced to zero no additional losses are provided for, and the Group will only resume recognizing its share of profits only after its share of profits equals the share of losses not recognized.

Indonesia AirAsia recorded revenue of IDR795 billion in 4Q10, 38% higher as compared to the IDR577 billion achieved in 4Q09. The positive growth in revenue can be attributed to higher passenger volumes, improved contribution from ancillary income per passenger which increased by 122% and higher base fares which rose by 16% over the same quarter in 2009. Passengers carried by AirAsia Indonesia increased by 7% year on year and the seat load factor rose to 78% from 73% a year before as passenger growth outstripped capacity growth.

The Indonesian operations produced a profit after tax of IDR166.9 billion in 4Q10, a 214% improvement over the IDR146 billion loss recorded in the same quarter of 2009. The core operating profit in the period was IDR10 billion with IDR156 billion of unrealized forex gains recognized in the period under review.

For the full year AirAsia Indonesia recorded revenue of IDR2,764 billion, 37% higher compared to the IDR2,016 billion achieved in FY2009. Passengers carried rose 13% year on year, outstripping



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capacity growth by 9%, and ancillary income increased by 81% from IDR267 billion to IDR484 billion. Average base fares rose by 15% in the year and the seat load factor rose by 3 percentage points despite the introduction of higher capacity aircraft.

AirAsia Indonesia achieved a net profit of IDR474 billion million in 2010, compared to a loss of IDR189 billion in 2009, representing a net profit margin of 17.2% as compared to a negative margin of 9.4% in 2009.

**(A) Performance indicator for Indonesia operations for current quarter against the same quarter last year**

Quarter Ended: 31 December	Oct-Dec 2010	Oct-Dec 2009	Change y-o-y
Passengers Carried	1,000,864	939,703	7%
Capacity	1,286,648	1,264,500	2%
Seat Load Factor	78%	74%	4 ppt
ASK (million)	1,788	1,604	11%
RPK (million)	1,392	1,188	17%
Average Fare (IDR)	634,864	545,410	16%
Ancillary Income per pax (IDR)	155,089	74,495	108%
Unit Passenger Revenue (IDR)	789,954	619,905	27%
Rev / ASK (IDR)	442.27	363.14	22%
Rev / ASK (US cents)	4.93	3.84	29%
Cost / ASK (IDR)	435.89	459.22	-5%
Cost / ASK (US cents)	4.86	4.85	0%
Cost / ASK-ex fuel (IDR)	264.89	295.53	-10%
Cost / ASK-ex fuel (US cents)	2.95	3.12	-5%
Aircraft (average)	15	14	7%
Aircraft (end of period)	18	17	6%
Average Stage Length (km)	1,381	1,260	10%
Number of Flights	7,382	7,449	-1%
Fuel Consumed (barrels)	300,209	278,710	8%
Average Fuel Price (US\$/barrel)	97.5	99.5	-2%

*Exchange Rates: USD:IDR – 2010: 8,966, 2009: 9,467*



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**(B) Performance of current quarter against the same quarter last year for Indonesia**

<b>Quarter Ended: 31 December</b> <b>IDR m</b>	<b>Oct-Dec 2010</b>	<b>Oct-Dec 2009</b>	<b>Change</b> <b>y-o-y</b>
Ticket Sales	635,413	512,523	24%
Ancillary Income	155,223	70,003	122%
Other Operating Income	5,114	(5,309)	196%
<b>Revenue</b>	<b>795,750</b>	<b>577,217</b>	<b>38%</b>
Staff Cost	(79,581)	(53,817)	-48%
Fuel and Oil	(305,692)	(262,588)	-16%
User & Station Charges	(46,260)	(98,529)	53%
Maintenance & Overhaul	(136,488)	(160,639)	15%
Sales and Marketing	(32,116)	(19,934)	-61%
Others	(30,472)	(23,983)	-27%
<b>EBITDAR</b>	<b>165,142</b>	<b>(42,272)</b>	<b>491%</b>
Lease of Aircraft	(143,591)	(113,876)	-26%
<b>EBITDA</b>	<b>21,551</b>	<b>(156,148)</b>	<b>114%</b>
Depreciation & Amortisation	(5,030)	(3,295)	-53%
<b>EBIT</b>	<b>16,521</b>	<b>(159,443)</b>	<b>110%</b>
FRS139 Adjustments	0	0	
Net Finance Cost	(14,258)	(32)	45054%
Unrealised forex gain / (loss)	156,481	0	
Other Income / (Expenses)	8,190	12,946	-37%
<b>Profit before tax</b>	<b>166,934</b>	<b>(146,528)</b>	<b>214%</b>
Taxation	0	0	
<b>Profit after tax</b>	<b>166,934</b>	<b>(146,528)</b>	<b>214%</b>
EBITDAR Margin	20.8%	-7.3%	28.1 ppt
EBIT Margin	2.1%	-27.6%	29.7 ppt
Profit after Tax Margin	21.0%	-25.4%	46.4 ppt



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(C) Performance indicator for Indonesia operations for current financial year against the previous financial year.

Year Ended: 31 December	Jan-Dec 2010	Jan-Dec 2009	Change y-o-y
Passengers Carried	3,921,039	3,461,881	13%
Capacity	5,124,980	4,701,608	9%
Seat Load Factor	77%	74%	3 ppt
ASK (million)	6,737	5,609	20%
RPK (million)	5,190	4,133	26%
Average Fare (IDR)	579,623	504,298	15%
Ancillary Income per pax (IDR)	123,308	77,146	60%
Unit Passenger Revenue (IDR)	702,931	581,444	21%
Rev / ASK (IDR)	409.09	358.88	14%
Rev / ASK (US cents)	4.50	3.49	29%
Cost / ASK (IDR)	364.65	398.80	-9%
Cost / ASK (US cents)	4.01	3.88	3%
Cost / ASK-ex fuel (IDR)	212.82	233.87	-9%
Cost / ASK-ex fuel (US cents)	2.34	2.28	3%
Aircraft (average)	14	14	2%
Aircraft (end of period)	18	17	6%
Average Stage Length (km)	1,315	1,183	11%
Number of Flights	29,668	28,260	5%
Fuel Consumed (barrels)	1,146,005	1,016,685	13%
Average Fuel Price (US\$/barrel)	98.2	88.6	11%

Exchange Rates: USD:IDR – 2010: 9,086, 2009:10,269



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**(D) Performance of current financial year against the previous financial year for Indonesia.**

<b>Year Ended: 31 December</b>	<b>Jan-Dec 2010</b>	<b>Jan-Dec 2009</b>	<b>Change y-o-y</b>
<b>IDR m</b>			
Ticket Sales	2,272,724	1,745,821	30%
Ancillary Income	483,495	267,069	81%
Other Operating Income	7,830	3,735	110%
<b>Revenue</b>	<b>2,764,049</b>	<b>2,016,626</b>	<b>37%</b>
Staff Cost	(256,158)	(177,707)	-44%
Fuel and Oil	(1,022,966)	(925,020)	-11%
User & Station Charges	(193,582)	(188,255)	-3%
Maintenance & Overhaul	(270,372)	(343,437)	21%
Sales and Marketing	(97,805)	(71,804)	-36%
Others	(110,578)	(92,800)	-19%
<b>EBITDAR</b>	<b>812,588</b>	<b>217,604</b>	<b>-273%</b>
Lease of Aircraft	(490,046)	(425,671)	-15%
<b>EBITDA</b>	<b>322,542</b>	<b>(208,067)</b>	<b>255%</b>
Depreciation & Amortisation	(15,311)	(12,065)	-27%
<b>EBIT</b>	<b>307,231</b>	<b>(220,132)</b>	<b>240%</b>
FRS139 Adjustments	0	0	
Net Finance Cost	(66,754)	(8,760)	662%
Unrealised forex gain / (loss)	228,549	0	
Other Income / (Expenses)	5,383	39,641	-86%
<b>Profit before tax</b>	<b>474,409</b>	<b>(189,250)</b>	<b>351%</b>
Taxation	0	0	
<b>Profit after tax</b>	<b>474,409</b>	<b>(189,250)</b>	<b>351%</b>
EBITDAR Margin	29.4%	10.8%	18.6 ppt
EBIT Margin	11.1%	-10.9%	22 ppt
Profit after Tax Margin	17.2%	-9.4%	26.5 ppt



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**(E) Balance Sheet**

Quarter Ended: 31 December IDR m	Dec 2010	Dec 2009	Change y-o-y
Property, Plant & Equipment	102,976	97,049	6%
Work In Progress	775	333	132%
Deferred Expenditure	1,609	11,051	-85%
Inventory	3,834	2,256	70%
Other Debtors & Prepayments	36,042	103,746	-65%
Cash & Short Term Deposits	40,403	27,093	49%
<b>Total Assets</b>	<b>185,639</b>	<b>241,529</b>	<b>-23%</b>
Sales In Advance	440,251	292,150	51%
Other Creditors & Accruals	250,691	175,874	43%
Amounts Owing to Related Party	672,890	1,358,776	-50%
Borrowings	138,974	206,305	-33%
<b>Total Liabilities</b>	<b>1,502,806</b>	<b>2,033,105</b>	<b>-26%</b>
Share Capital	180,000	180,000	-
Share Premium	-	-	-
Retained Earnings	(1,497,167)	(1,971,576)	-24%
<b>Total Equity</b>	<b>(1,317,167)</b>	<b>(1,791,576)</b>	<b>-26%</b>

**iii) Unrecognised share of profits/(losses) in 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 net profit / (loss) for the Quarter ended 31/12/2010 RM’Million	Unrecognised share of net profit / (loss) as of 31/12/2010 RM’Million
Thai AirAsia	81.8	(100.2)
Indonesia AirAsia	82.3	(151.7)



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

The Group achieved a profit after taxation of RM316.6 million for the quarter under review. This is lower by RM10.7 million compared to the RM327.3 million profit after taxation achieved in the immediately preceding quarter ended 30 September 2010.

### **23. Commentary on prospects**

Based on the current forward booking trend, the underlying passenger demand in the first and second quarters for the Malaysian, Thai and Indonesian operations remains positive. Load factors achieved in the month of January were ahead of the prior year for all three carriers, and there are continued improvements in yield, compared to the prior year.

In Thailand, the first quarter is expected to be strong, being the peak season for tourist arrivals when demand for travel is high. Thailand is expected to deliver a strong first quarter with high load factors. A new hub in Chiang Mai commenced in January and is operating new routes which are performing well. The second quarter in Thailand is expected to be significantly better than the prior year, a result of political stability and improved demand.

In Indonesia, the next two quarters will remain strong with more international destinations planned from the Medan Hub in the first quarter of the year. The abolition of the travel tax for Indonesians flying abroad, which took effect on 1 January 2011, has boosted international sectors and additional frequency is planned for the second quarter to cope with demand.

The Group will take delivery of 3 A320 aircraft in the first quarter of the year, one of which will be operated in Thailand and two in Indonesia. The new aircraft will be used to replace the B737's and will provide additional capacity across the network. Six new routes are planned across the network in the first quarter, in conjunction with additional frequency on existing routes.

The aforementioned outlook must be seen in the context of the recent sharp rises in the price of oil and aviation fuel which have resulted from events in the Middle East. AirAsia will continue to monitor oil price movements, and the introduction of a fuel surcharge cannot be discounted if the current price is sustained or rises further.

However, barring any unforeseen circumstances, the Directors remain positive with the prospects of the Group for the first quarter of 2011.



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**24. 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.

**25. Finance (Cost)/Income**

All figures in RM'000	Group and Company			
	Quarter Ended 31/12/10	Quarter Ended 31/12/09	Year Ended 31/12/10	Year Ended 31/12/09
<b>Finance Costs</b>				
Interest costs				
- Bank borrowings	(97,296)	(96,325)	(374,364)	(371,141)
- Hire-purchase payables	(2)	(3)	(10)	(12)
Bank facilities and other charges	(338)	(757)	(2,922)	(3,157)
	<b>(97,636)</b>	<b>(97,085)</b>	<b>(377,295)</b>	<b>(374,310)</b>
<b>Finance Income</b>				
Interest on inter-co balances (TAA and IAA)	9,455		52,611	
Interest on deposits	4,444	3,638	12,773	6,300
	<b>(83,737)</b>	<b>(93,447)</b>	<b>(311,911)</b>	<b>(368,010)</b>
<b>Net Forex Exchange gain / (loss)</b>	(16,339)	67,326	556,170	91,057
<b>FRS 139 Adjustment</b>	(2,997)		(268,067)	
<b>Net Finance (Cost) / Income</b>	<b>(103,072)</b>	<b>(26,121)</b>	<b>(23,808)</b>	<b>(276,954)</b>

**26. Exceptional item**

There were no exceptional items in the quarter under review.





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### 27. Income tax expense

#### *Current taxation*

The current taxation credit of RM8.4 million is the net of tax payable on interest income and the reversal of an overprovision for tax in the prior year.

#### *Deferred taxation*

The RM82.0 million deferred tax charge arises from the net of RM141.6 million deferred tax liabilities and RM59.6 million of deferred tax assets recognized during the period. The deferred tax liabilities arose as the difference between the net book value and tax written down value of property plant and equipment increased in the period a result of capital allowances granted offset by depreciation. The deferred tax assets arose from capital allowances and investment allowances granted in the period but which remained unutilized.

### 28. Unquoted investments and properties

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

### 29. Quoted investments

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

### 30. Status of corporate proposals announced

#### *Vietnam Joint Venture*

There has been no change in the status of the above proposed Joint Venture since the last AirAsia quarterly announcement.

#### *Philippines Joint Venture*

There has been no change in the status of the above proposed Joint Venture since the last AirAsia announcement on 16 December 2010.



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**31 Borrowings and debt securities**

	<b>At 31/12/2010 RM'000</b>	<b>At 31/12/2009 RM'000</b>
<b>Current</b>	553,967	540,212
<b>Non-current</b>	7,302,884	7,067,696
<b>Total Debt</b>	<b>7,856,851</b>	<b>7,607,908</b>

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

The maturity period of non-current borrowing is 14 years and below. Borrowings are denominated in US Dollar (predominantly), RM and Euro. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 31 (i).

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



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### 32. Derivative Financial Instruments:

The fair value of derivative financial instruments is determined in accordance with FRS139 which was adopted by the Group with effect from 1 January 2010. The principal changes in accounting policies and effects resulting from the adoption of FRS 139 are disclosed in section 2 of this announcement.

#### (i) Forward Foreign Exchange Contracts

As at 31 December 2010, the Group has hedged approximately 41% of its dollar liabilities pertaining to its aircraft, engine and simulator loans into Malaysian Ringgit (“MYR”) by using long dated foreign exchange forward contracts. The calculation includes loans for aircraft deployed to Thai AirAsia and Indonesia AirAsia where AirAsia receives lease payments in USD. However, if the calculation is based on loans pertaining to aircraft being deployed to Malaysia, approximately 60% of the loans are hedged from USD into MYR. The latest weighted average foreign forward exchange rate is at 3.2528 USD:MYR.

#### (ii) Interest Rate Hedging

The Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivering from 2005 to 2010. As at 31 December 2010, the Group has hedged all its existing floating aircraft loans at the strike rates between 3.25% and 5.20% via interest rate swaps, interest rate caps and cross-currency swaps.

#### (iii) Fuel Hedging

As at 31 December 2010, the Group has no outstanding fuel hedging transactions.



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### Derivative financial instruments

Type of derivatives	Notional Value as at 31/12/2010	Fair Value as at 31/12/2010 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	-	-
- 1 year to 3 years	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	-	-
- more than 3 years	3,318.8	(293.7)
<b>Total</b>	<b>3,318.8</b>	<b>(293.7)</b>
(iii) Foreign currency contracts	RM (million)	RM (million)
- less than 1 year	-	-
- 1 year to 3 years	-	-
- more than 3 years	3,527.0	(134.5)
<b>Total</b>	<b>3,527.0</b>	<b>(134.5)</b>

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

### 33. Material litigation

As at 24 February, there was no material litigation against the Group.

### 34. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 31 December 2010.



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**35. 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 31/12/10	Preceding Quarter Ended 31/12/09	Current Year to Date 31/12/10	Preceding Year to Date 31/12/09
Net profit for the financial period (RM'000)	316,551	33,871	1,066,877	506,267
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,761,637	2,456,443	2,761,637	2,456,443
Adjusted for share options granted ('000)	8,644	-	8,644	-
Adjusted weighted average number of ordinary shares ('000)	2,770,281	2,456,443	2,770,281	2,456,443
Basic earnings per share (sen)	11.5	1.4	38.6	20.6
Diluted earnings per share (sen)	11.4	1.4	38.5	20.6

*(b) Diluted earnings per share*

The Group has no dilution in its earnings per share in the current quarter as there is no dilutive potential.

**36. 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  
24 February 2011