High Flying Start to 2010

- **Revenue: RM878 million**
- **Profit before tax: 106% growth y-o-y**
- **Indonesia turns around**
- **Ancillary Income per pax of RM38.1**

LOW COST TERMINAL SEPANG, 31 May, 2010 – AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce a profit after tax of RM 224 million for the first quarter of 2010.

AirAsia Group CEO Tony Fernandes announced that the Company's revenue for the quarter ending March 31, 2010, was up by 10% year-on-year from Q1 2009 – from RM797 million to RM 878 million. Passenger growth registered a healthy 17.1% increase to 3.7 million passengers.

The other major highlights of the quarter were the sustained turnaround in the Group's Thailand and Indonesian operations, and the astounding 31% jump in ancillary income. Ancillary income contributed 16% to the Company's total revenue, with its best-ever performance that easily surpassed the contributions in each of the previous four quarters.

"The results in Thailand and Indonesia and the contribution from Ancillary are an endorsement of the strategic shifts we put in place in 2009. Thai AirAsia is now the largest domestic carrier in Thailand, while Indonesia's improved performance is based on a realignment of its routes towards higher-yielding international flights," Fernandes said.

On the operations in Thailand, Fernandes said AirAsia Thailand had generated revenue of THB 3,108million, recording 30% growth year-on-year and profit after tax was up by 35% year-on-year. Thailand AirAsia also registered a 25% growth in passenger volume. "It's an amazing performance, and validates our strong belief that AirAsia Thailand is more than capable of weathering whatever challenges come its way and still post impressive numbers. These efforts will also get a powerful boost with the transition to an all-Airbus fleet in Thailand by the third quarter of this year."

On AirAsia Indonesia, he said: "I am proud to announce that Indonesia has recorded a profit for the first time". Revenue at the Indonesian operation grew by 37% year-on-year. The positive growth of 107% profit after tax is attributed to higher passenger volume and ancillary income.

"As for Ancillary, we are well on the way to the target of RM 40 spending per pax that we set for ourselves. The numbers reaffirm our conviction that Ancillary is a revenue stream that can boost our bottom line and also serve as a buffer to rising fuel prices," Fernandes said.

Shifting the focus to AirAsia Berhad, Fernandes said: "Passenger load factor stood at 74%, up from 70% year-on-year despite a capacity increase of 11.1%. This demonstrates that our capacity growth is in line with market demand. Cost/ASK of US 3.42 cents increased y-o-y but is mainly attributed to the rise in average fuel cost. Average fuel price in 1Q09 was US$57 vs 1Q10 of US$ 84 per barrel."

Fernandes praised the nearly 7,500-strong staff of AirAsia for the Group's sterling performance. "We have a team of creative, passionate, extremely hard-working and loyal staff that constantly come up with ideas and solutions to overcome any challenges thrown our way. Our staff are the reason why AirAsia was chosen as the Best Low Cost Airline in 2009 in the annual survey by Skytrax, the London-based aviation industry consultant. And they are the reason why the 18 million travelers who participated in the survey once again picked AirAsia as the World's Best Low-Cost Carrier in 2010."

Outlook

Fernandes was optimistic regarding AirAsia's prospects for the reaming quarters of 2010. "Forward bookings are looking good. We continue to add routes: We now fly to seven cities in India, making the subcontinent a key player in our growth strategy. We are also consolidating our dominant position in Asean, with our route connectivity and frequency of flights making us a Truly Asean carrier.

"There is some concern, of course, that the financial and economic troubles in the Eurozone could become a drag on the global economic recovery. We'll just have to wait and see how that plays out. But Asia, which is leading the world out of the slump and which represents AirAsia's focus, appears to be showing little signs of a slowdown. There's an increasing demand for air travel, especially in the Low-Cost Carrier segment. The rise in demand provides favourable opportunities for an upward-revision of fares in certain sectors."

Fernandes also said that AirAsia is constantly reviewing, re-evaluating and restructuring its internal operations. "We are fine tuning the route network to extract higher yields. We are focused on maintaining our status as the lowest-cost airline operator in the world. We are dedicated to providing high-quality service to our guests. We are determined to stay ahead of the competition through constant innovation and wider use of technology," he said.

On fuel, Fernandes said AirAsia has partially hedged fuel requirements up to December 2010. "This will help to mitigate some of the oil price volatility and we are monitoring the market and constantly assessing the feasibility of hedging further our fuel exposure in 2010 and beyond," he said.

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