PRESS RELEASE

Second Quarter 2011 Results (Addendum)

Sustained profitability at operational level

LOW COST TERMINAL SEPANG, 26 August, 2011 – AirAsia Berhad ("AirAsia" or "the Company") posted commendable second quarter numbers in its results announced Tuesday. The Group in 2Q11 registered a revenue of RM 1.08 billion, profit before tax of RM 145.0 million, RASK up 6% (y-o-y) for MAA, up 14% for AirAsia Thailand and 2% for AirAsia Indonesia. EBITDAR margins for MAA, TAA and IAA stood at 35%, 26% and 24% respectively.

Responding to the decrease of 47.6% in profit after tax, Group CEO Tan Sri Dr Tony Fernandes said, "Profits after tax are down only because of deferred tax where there was a big swing in this quarter from an income to a charge primarily because there were no aircraft delivered, which impacts deferred tax balances".

AirAsia reported a deferred taxation charge of RM32.8 million in the last quarter and the last delivery of aircraft was taken in 1Q11.

"Non-operating items such as deferred taxation, foreign exchange gains/losses and fair value gains/losses on derivative financial instruments due to FRS139, which are only accounting entries, should not be included when evaluating the performance of the Company", said Fernandes today.

AirAsia's deferred tax asset arises from tax allowances that are granted when the Company invests in new aircraft that are to be operated in Malaysia. These allowances are subsequently utilised by offsetting taxable profits against them during each financial period. In a financial period when no aircraft are delivered the balance of outstanding allowances will decline resulting in an income statement charge, whereas in a financial period when one or more aircraft are delivered the balance of allowances may increase leading to a gain in the income statement.

FRS139 is an accounting standard introduced in Malaysia with effect from 1 January 2010 which is concerned with accounting for derivative financial instruments. In the case of AirAsia, this standard applies to interest rate swaps, forward currency exchanges and fuel hedging transactions. The introduction of FRS139 brought Malaysia into line with International Accounting Standards, which have been adopted by the majority of the world's developed nations including all European countries, Singapore and Australia.

FRS139 requires that all derivative financial instruments are shown on the company balance sheet at their 'fair value' at each reporting date, with fair value equating to 'market value'. Changes in fair value between each reporting date are reflected in the company income statement either as a gain, where there is an increase in fair value, or a cost, where there is a decrease in fair value. These changes are reflected on the line item 'Other losses / (gains) net' and also as part of 'Finance Income' or 'Finance Costs' depending upon the nature of the derivative. These changes in fair value are accounting entries only and are distinct from the accounting entries made on settlement of the financial instrument which occur progressively during the contractual life of the instrument. Many of the financial instruments to which AirAsia is a party have a long contractual life as they relate to the financing of the aircraft.

Fernandes furthered said, "Oil prices in the last quarter have shot cost up 32% y-o-y. However, our operating profits were slightly down 3.5% y-o-y, reiterating our very robust operating model and disciplined cost structure. Strong demand and high load factors despite the tough operating environment helped AirAsia maintain its leading position. We have posted a profitable quarter when others in the industry are making losses or minimal profits".

On average, fuel prices were $140/barrel in 2Q11 as compared to $106/barrel in 2Q10.

"Against all odds, there was growth at all levels", he concluded.

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