AirAsia: An Outstanding Performance

Q3 2010: By the Numbers

- Revenue: RM988 Million (up 34% y-o-y)
- Core operating profit: RM 216 Million (up 539% y-o-y)
- Profit After Tax: RM 327 Million (A Q3 Record)
- Ancillary Income per pax: RM 44 (up 23% y-o-y)
- Load Factor: 78% (up 3% y-o-y)
- Thailand: Profits up 231% (y-o-y); 100% Airbus
- Indonesia: 226% jump in profits (y-o-y)

LOW COST TERMINAL SEPANG, 25 November, 2010 – AirAsia Berhad (“AirAsia” or “the Company”) posted record third-quarter numbers in 2010, in what Group CEO Tony Fernandes described as an “outstanding performance.”

The Company announced a profit after tax of RM 327 million for the quarter, on increased revenues of RM 988 million. Every other metric also showed a huge boost compared to the same period in 2009: Core operating profit; ancillary income; load factor; and yields. The record numbers were achieved even while the Group increased capacity, demonstrating the still immense potential for low-cost travel within the ASEAN region – whose airspace AirAsia dominates.

Fernandes said that the Company’s revenue for the quarter ending September 30, 2010, exceeded all expectations by posting a 34% growth year-on-year from RM 740 million to RM 988 million. Load factor hit 78% (up from 75% y-o-y) despite this quarter traditionally being a weak one because of the Muslim fasting month of Ramadhan. “Group wide, we carried almost 6.5 million guests in this quarter (Malaysia AirAsia 4 million; Thailand AirAsia 1.4 million and Indonesia AirAsia 1.1 million),” he said.

Revenue/ASK also rose 34% (y-o-y) for MAA, up 22% for TAA and 17% for IAA. Cost/ASK posted just an increase of 1% for MAA. And in Indonesia, Cost/ASK actually declined by 4% y-on-y; similarly, in TAA Cost/ASK was down by an incredible 10% -- helping AirAsia remain as the lowest-cost airline operator in the world.

Fernandes attributed the higher revenue to several factors, including the higher average fare and the contribution from ancillary income. “Ancillary income is a revenue stream that we continue to mine for ever-rising numbers. Every member of the Group contributed higher ancillary numbers compared to the same period last year: MAA, at RM 44.4 per pax (up from RM 36.2 y-0-y); TAA, Thai Baht 337 per pax (up from THB 185 y-o-y); IAA, Indonesian Rupiah 112,822 per pax (up from IDR 86,026).”

On the performance of Thailand AirAsia, Fernandes said the affiliate was well on track towards its target of listing in Bangkok next year. “The numbers for this third quarter show that Thailand AirAsia is building on its momentum from the first half of the year. TAA generated revenue of THB2,874 million, recording 46% growth year-on-year; profit after tax was also up by 231% year-on-year. Ancillary income per
person spent in Thailand increased by 81%. TAA is now an all-Airbus A320 fleet and should see more operational excellence, similar to its Malaysian counterpart,” Fernandes said.

As for Indonesia AirAsia, the affiliate posted a phenomenal 226% rise in profit after tax of IDR 191,408 million. Load factor rose to 81% (up from 77% y-o-y). “Indonesia’s turnaround is gaining a turbo boost! The introduction of new hubs, increased frequencies and more international routes – particularly to Australia – is paying huge dividends. This can only helped even further as Indonesia AirAsia, too, adds more of the higher-capacity Airbus A320 to its expanding fleet,” Fernandes said, adding that IAA’s planned listing in Jakarta next year was also in the process of being finalized.

Outlook

On the outlook for Q4 2010, Fernandes said forward bookings are strong. “We are heading into our strongest quarter on the back of what is already an amazing performance this year. We are looking forward to deliver the numbers for Q4, actually,” he said.

Looking ahead to 2011 and beyond, Fernandes reiterated that AirAsia will stay focused on its own strategy – driving down costs, raising yields, improving productivity, expanding its route network and strengthening the emotional bonds with the region’s communities.

“Our route connectivity and flight frequency within the ASEAN region is unmatched – and we will continue to ensure that it will stay this way. We have created a strong affinity with the people in the region thanks to our strong brand,” he added.

Fernandes also highlighted that given AirAsia’s momentum, the Group is ideally positioned to take full advantage of ASEAN’s move towards implementing an “Open Skies” policy in the region by 2015.

ASEAN governments took another giant stride towards this policy earlier this month when they signed the Asean Multilateral Agreement on the Full Liberalisation of Passenger Air Services. Under this agreement, designated airlines from ASEAN countries would be allowed to fly to any city in a member nation with an international airport.

“We are already recognised as the Truly ASEAN airline. With governments in the region – and beyond – all seeking to maximize revenues from tourism, we are confident that our unparalleled route connectivity, low fares and our branding puts us in a very strong position to capitalize on these developments vis-à-vis our competitors,” Fernandes said.

On hedging of fuel, he said the Group has currently hedged an average of 33% of Singapore Jet Kerosene for the fourth-quarter of 2010. “We hedged at an average price of USD 83.38 per barrel(current market price is averaging USD 97 per barrel). We aim to place more hedges for 2011,” Fernandes said.

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