

THREE CONSISTENT PROFITABLE QUARTERS DESPITE GOING THROUGH THE WORST ECONOMIC RECESSION IN HISTORY

- Net Income: RM130 million
- Passenger Growth: 19%
- Gearing down, Cash up

LOW COST TERMINAL SEPANG, 20 November 2009 - AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce it has recorded a net income of RM130 million for the quarter ending 30 September 2009 -- a complete swing from the reported net loss of RM466 million for the same period last year.

AirAsia achieved the feat despite the challenging economic environment that has seen other airlines, including established legacy carriers, reporting losses, grounding aircraft, retrenching staff and reducing capacity.

Group CEO Tony Fernandes acknowledged that revenue for the quarter was higher by 4% to RM740 million supported by 19% passenger growth to 3.8 million. The combined Malaysian, Thailand and Indonesian operations (“the Group”) as a whole carried 24% more passengers to 5.9 million during the period, which is traditionally our weakest quarter. It could have been higher, but forward bookings were affected by the WHO’s declaration of the H1N1 pandemic in June

He added: “AirAsia’s relentless focus on costs continues to deliver savings. While fuel remains volatile, we have continued to drive up productivity gains through investments in technology, contain airport and handling costs while the current low interest rate environment helps us to reduce the cost of aircraft financing.”

Fernandes also highlighted the importance of ancillary income to AirAsia’s business strategy. “Average fare was down in the third quarter but despite the significant drop, the contribution from ancillary income more than offset the impact of lower average fares. Ancillary income grew by 86% to RM130 million representing 20.4% of total revenues. This is the strategy going forward whereby our passengers will continue to enjoy low fares whilst we make it up from growing the ancillary sources. This strategy will shield the Company from being overly exposed to airline specific risks and make the business more robust.”

He noted that aggressive and creative marketing had helped AirAsia maintain its high load factor of 75% despite adding significant capacity and launching five new routes. Although Yield (Revenue per ASK) was lower by 11% to 12.6 sen per compared to the same period last year, the Company is committed to its load active, yield passive strategy.

Fernandes appreciated the confidence in the Company demonstrated by bankers and investors. “We have secured financing for our aircraft through 2010 despite the global credit crunch. And AirAsia tapped into the equity market and raised RM505 million in a capital raising exercise, indicating that investors share our faith in the Group.”

“This additional capital will be used to support business growth as well as address market concerns of our perceived high gearing levels. Our gearing ratio is now at 2.6, down from 3.5. And we have more than RM 500 million cash in hand,” he said.

Fernandes hailed the performance of AirAsia Indonesia. “The operation has performed exceptionally well and delivered a profit of IDR59 billion (RM21 million). The increased level of airport access, particularly to Singapore and Australia has proven to be immensely beneficial. The addition of Airbus A320 aircraft into the fleet has also helped to enhance operational reliability, increase capacity and substantially reduce operational cost.”

On the operations in Thailand and Indonesia, Fernandes said AirAsia Thailand had captured substantial market share and that its passenger load factor continues to grow. He blamed the weak consumer sentiment and intensified competition for the loss of THB403 million (RM42 million) but stressed that the fourth quarter looked positive. “The third quarter is a seasonally weak quarter for the Group and in Thailand, this was exacerbated by the political uncertainty. Fares had to be lowered substantially to encourage people to fly. The strategy appears to be working given the high passenger loads. The outlook for the fourth quarter is positive. The Thai operation is enjoying the cost benefits of the increased number of Airbus A320 aircraft in its fleet. We have also charged our Ancillary Income team with increasing the revenue from that segment in Thailand.”

Outlook

“While the airline industry is facing arguably the most difficult environment in recent memory, AirAsia is determined to grow traffic, market share and profits. We see vast opportunities to grow our business. For example, India beckons. We are launching several routes to Indian cities as well as a series of other new routes over the coming 12 months. We are enhancing cross connectivity to Singapore, China and the rest of ASEAN. Many airports now look at us as their engine of growth and offer us attractive deals. And the recent capital raising exercise has significantly strengthened our balance sheet with RM527 million in cash,” Fernandes said.

On the outlook, Fernandes said: “Based on the forward booking trend, the underlying passenger demand in the fourth quarter is positive. We are on course to achieve the Group’s target of carrying 25 million guests for the full year 2009.”

On fuel prices, Fernandes said AirAsia has partially hedged fuel requirements in the fourth quarter. “We have entered into a fuel hedging transaction and secured approximately 20% of the Group’s fourth quarter consumption needs at an average fixed swap rate of US\$74.98 per barrel (Singapore Jet Kerosene). This will help to mitigate some of the oil price volatility and we are monitoring the market and constantly assessing the feasibility of hedging our fuel exposure beyond 2009.

Other cost items are expected to remain low as we extract further efficiency gains and benefits of economies of scale. In addition, the Malaysian Ringgit has been strengthening against the USD since 30 September 2009 and should this trend continue, it may have a positive impact on the Group,” added Fernandes.

The Indonesian and Thailand operations are performing well in the fourth quarter with high passenger growth rate and encouraging yield trend. Both the associates are expected to show a respectable performance in the upcoming fourth quarter.

News Release

Third Quarter (Jul-Sep) Report 2009

Note: Effective this quarter, the Cost / ASK computation is changed. Aircraft lease rental to AirAsia Thailand and AirAsia Indonesia is reclassified as “other operating income”. Previously, it was net off against “aircraft lease rental”

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