AIRASIA DELIVERS STRONG SECOND QUARTER RESULTS; PROFITS TRIPLED, LOWEST COST IN THE WORLD*, 38% EBITDAR MARGINS

AirAsia Berhad , Asia's leading low-cost carrier is pleased to announce results for the second quarter ending 31 December 2004 and provide a review of recent notable events and achievements.

Tony Fernandes, Chief Executive Officer, said:

"These results highlight the strong performance of our operations and the successful implementation of our strategy of swift capacity expansion across new routes and increasing frequency in addition to starting new airlines. This growth and expansion can be displayed by the fact that our profitability for the first half of the year at RM 54 million is 11% above FULL YEAR profits of 2004. This is a showcase of AirAsia's ability to grow sensibly and displays the market's insatiable appetite for low fares. This is despite very quick expansion of capacity over the last 6 months of 65%.

Our concerted effort of cost control capitulate great results as our cost per ASK is 2.13 US cents, to our best knowledge is the lowest cost achieved by any airline in the world. This is in face of tough market conditions depicted by oil price spiking to levels unheard of for over two decades. With strong conditioning of cost coupled by growth in the top-line, we achieved strong profit growth as compared to the previous quarter. Revenue grew by 42% but operating cost increased by only by 21%. Only with our high operational efficiencies we are able to achieve EBITDAR margins of 38%, easily among the highest margins seen by any LCC operator.

It was a monumental quarter marked by important milestones to AirAsia. AirAsia now consists of three airlines and we are increasingly adding new routes. We are just shy of one year in Thailand and already we are the market leader and our customer base is continually growing. We set a firm footing in Indonesia with the purchase of our associate AWAIR; this is significantly way ahead of our initial timeline prediction to set up a base in Indonesia. We commenced flights into Macau, a destination that renders colossal opportunities that dwarfs the island's size in comparison. This signifies that we can take our model beyond our borders and make it work. And the successful proceeds from the Initial Public Offering strengthened our balance sheet to a net cash position of RM582 million. Suffice to say this is our biggest arsenal to ensure the expansion strategy is in good place.

Although the results were favourable, it hasn't been particularly easy from an operational point of view. Procurement of attractively priced aircraft is increasingly difficult to attain and lease rates have hardened. This is affecting our deployment schedule and the inability to acquire aircraft at the stipulated time may affect us financially. However we don't believe in acquiring aircraft at any price as it flouts our business model. We won't sacrifice our cost structure in order to address short-term market aversions. On top of that, we are expecting the brand new Airbus aircraft by year end and we believe it is imprudent to acquire expensively priced aircraft that otherwise will be phased out eventually. The board has supported our decision to maintain to our business model, something we have been consistent with for the past three years and we don't to lose that winning strategy. I strongly reaffirm that by sticking to our business model, it will provide the best benefits in the long-term."

**based on known and published reports*

Second Quarter 2005 Review and Outlook for the Remaining Financial Year
For the second quarter ending 31 December 2004, the key trends for our business continued; strong growth in capacity and passengers flown coupled with improved yields and reduced cost. Overall, our net profit for the quarter was RM 44.4 million, a 323% increase over the preceding quarter and a 68% increase over the previous financial year and driven by an EBITDAR margin of 38% for the quarter, among the highest in the global aviation industry. Revenue grew by 42% versus the preceding quarter boosted by continued growth in capacity and passenger volumes and increased yields. The key characteristics for the quarter are depicted below:-

COST/ASK 2.13 US cents – disciplined cost control, benefits of economies of scale
Our cost per ASK was maintained at a global industry low of 2.13 US cents. This is despite fuel prices spiking to record levels and cost of aircraft is steadily surging.

80 Airbus Order Concluded – guarantees continues supply of aircraft and secures low cost structure
In November, after two years of negotiation we concluded an order for 80 new Airbus A320 aircraft, consisting of 40 firm orders and 40 purchase rights with delivery of the first aircraft commencing January 2006. Over the next five years this will enable us to make even further reductions to our cost structure, improve our reliability and customer satisfaction and eliminate uncertainties related to procuring reliable, cost effective second hand aircraft to meet our growing demand.

Thai- AirAsia – expanding the model outside of Malaysia
We have built a strong foundation in Thailand. Thai AirAsia's capacities have grown by 44% from the last quarter and we manage to increase yields by 16% and reduce cost from.3.05 to 2.50 US cents per ASK..

Purchase Indonesian Airline – securing foundation of growth potential in Indonesia
In December, we took another important step in our regional expansion by commencing domestic and international operations from Jakarta through our sister airline, 49% owned AWAIR. We are truly excited about bringing AirAsia to the world's fourth most populous country. Our ability to deploy operations quickly played a crucial role, given that the Indonesian Government recently announced that there will be no more domestic licenses awarded. It took us less than three months to start up commercial operations.

Expansion to Macau and China – expanding our network to the Orient
In December, we launched flights from Kuala Lumpur to Macau, enhancing existing services by Thai AirAsia between Bangkok and Macau. In addition, we recently secured landing rights into Xiamen for Thai AirAsia and we expect to commence operations there before the end of the current financial year.

Initial Public Offering Launched; Inclusion in MSCI Global Index.
In October, we concluded one of Asia's most anticipated IPO's with the listing of our shares on the Bursa Malaysia, raising over RM 800 million. The success of our listing is underscored by the recent inclusion in the MSCI Standard Index Series, MSCI's highly regarded global share index.

Summary of Second Quarter 2005 Un-audited Financial Results

Year End : June RM'000	Q2 2005	Q1 2005	Q2 2004	∆ (%)	
				Q2:Q1(05)	Q2:Q2(04)
Revenue	178,633	125,479	106,477	42%	68%
EBITDAR	67,843	32,786	39,631	107%	71%
Net Income**	44,361	10,478	26,976	323%	64%
EBITDAR Margin	38%	26%	37%		

** Net Income = Profit attributable to shareholders

Summary of Second Quarter 2005 Operating Results

Year End : June	Q2 2005	Q1 2005	Q2 2004	Δ (%) Q2:Q1(05)	Δ (%) Q2:Q2(04)
Passengers Carried	1,126,393	984,621	727,645	14%	55%
ASK (million)	1645	1326	842	24%	95%
RPK (million)	1230	1017	692	21%	78%
Average Fare (RM)	153	122	138	25%	11%
Cost per ASK (US Cents)	2.13	2.08	2.44	2%	(13%)
Load Factor	75%	77%	81		
Aircraft (end period)	19	18	11		

While we continue to be well positioned for sustained profitability and growth, we also face several challenges, some of which may impact the results for the remaining period of the current financial year:

Acquisition of Additional Aircraft. Our biggest challenge has been securing attractively priced, reliable second hand aircraft on time to meet our deployment schedule. This delay may have an impact on our profit forecast.

- Surging demand for Boeing 737-300s, driven by cargo airlines.
- Faster than expected start-up in Indonesia increased demand for more aircraft
- 737-300s available, but not at prices and terms which fit our model. We will not sacrifice our model with short term measures.
- Long term solution to this challenge is the Airbus order, which will ensure a predictable supply of cost effective aircraft and further enhance our cost structure, operating efficiencies and reliability.

Start-up Losses in Indonesia. We expect to experience some losses in Indonesia over the current financial year, which will have an impact on our profit forecast.

- We remain extremely positive about the potential of Indonesia. Hence, we seized the opportunity to purchase AWAIR and deployed two aircraft from the Malaysian operations.
- We believe that short term losses will be far outweighed by long term gains.

(Indonesia was not computed in our initial prospectus as the purchase was after the IPO)

Oil Price Volatility. Sustained high oil prices may have an impact on our profit forecast.

- We continue to seek ways to manage price risk.
- Enhanced our current hedging contracts in December during a lull in oil prices.
- Airbus order will diminish our exposure to oil price volatility by providing new aircraft that are significantly more fuel efficient than current fleet.

The likely impact will become clearer in the next quarter. Our core foundation of cost containment, operating efficiency and economies of scale remains exceptionally strong and, as a result, we continue to be very positive about our future growth and profitability prospects.

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