The World's Highest Profit Margin Airline

AirAsia Berhad, Asia's leading low cost carrier is pleased to announce the unaudited results for the six months period ended 31 December 2007 and provide a review of recent notable events and achievements.

Tony Fernandes said:

"This has indeed been a fantastic year for our airline, highlighted by robust growth, record profits, industry leading performance and award winning standards. Our humble beginnings took flight six years ago, and after 24 consecutive profitable quarters later, we are now the highest profit margin airline in the world.

Revenue for the quarter was RM633 million, a growth of 43% compared to the same period last year. These results were achieved on the back of 21% growth in passenger volume, 17% higher average ticket prices and 49% growth in ancillary income. The demand for our low fares remained strong, our load factors held up at high levels despite significant capacity addition of 40%. Ancillary income rose by 49% to RM42 million, the per capita ancillary spend has increased by 25% to RM15.1 / pax and represents 6.6% of revenues. This performance reflects the increased service penetration and the success of our travel insurance and greater number of hotels booked through our website portal. Due to the higher average fares and ancillary income, yield was 11% higher than the same period last year.

Unit cost was at US3.43 cents per ASK, 7% higher due to unit fuel price increasing by 31% to $101/barrel in the period. Our fuel hedge has partially mitigated the impact of rising fuel prices with a net contribution of RM17 million in the quarter. We continue to achieve cost base improvements with the induction of Airbus A320 aircraft into our fleet. Currently, our Kuala Lumpur and Johor Bahru bases are fully equipped with the new Airbus A320 aircraft. Over the coming months, the Malaysian operations will be operating with Airbus A320 aircraft only.

The combination of higher yields and contained unit cost has resulted in a net profit of RM246 million, a 73% growth as compared to the same period last year. Contrary to initial reservations, our profit margins have expanded despite the soaring fuel prices.

Summary for the Period October – December 2007 unaudited Financial Results

Quarter Ended: 31 December RM'000	Oct-Dec 2007	Oct-Dec 2006 (restated)	Q2 2008 vs. Q2 2007
Ticket Sales	591,267	414,930	42%
Ancillary Income	41,526	27,905	49%
Revenue	**632,792**	**442,835**	**43%**
EBITDAR	256,829	145,299	77%
EBIT	154,847	86,822	78%
Pretax profit	202,024	85,189	137%
Net Income	245,723	142,050	73%
EBITDAR Margin	40.6%	32.8%	7.8 ppt
EBIT Margin	24.5%	19.6%	4.9 ppt
Pretax profit Margin	31.9%	19.2%	12.7 ppt
Net Income Margin	38.8%	32.1%	6.8 ppt

Summary for the Period October – December 2007 Operating Results

Quarter Ended: 31 December	Q2 2008	Q2 2007 (restated)	Q2 2008 vs. Q2 2007
Passengers Carried	2,757,967	2,273,405	21%
ASK (million)	4274	3060	40%
RPK (million)	3223	2505	29%
Average Fare (RM)	214	183	17%
Rev / ASK (US cents)	4.44	3.99	11%
Cost / ASK (US cents)	3.43	3.21	7%
Cost / ASK-ex fuel (US cents)	1.66	1.72	-4%
Seat Load Factor	77.8%	81.9%	(4.1) ppt
Aircraft (average)	33.7	27.0	25%
Aircraft (end of period)	39	32	22%

Summary of unaudited 12 months 2007 Financial Results

Figures in RM '000s, unless otherwise stated	12-months (Jan-Dec)
Ticket Sales	1,786,812
Ancillary Income	135,900
Revenue	**1,922,712**
EBITDAR	671,018
EBIT	406,906
Profit before Tax	451,776
Net Income	699,246
EBITDAR Margin	35%
EBIT Margin	21%
Profit before Tax Margin	23%
Net Income Margin	36%

Summary of the 12 months 2007 Operating Results

Year Ended: 31 December	12-months (Jan-Dec)
Passengers Carried	9,717,480
ASK (million)	14,536
RPK (million)	11,136
Average Fare (RM)	183.9
Rev/ASK (US cent)	4.03
Cost/ASK (US Cent)	3.20
Cost/ASK (US Cent) excl Fuel	1.61
Seat Load Factor	78.6%
Aircraft (average)	29.9
Aircraft (end of period)	39

The year 2007 marked a number of important milestones in AirAsia's growth, and the highlights are as follows;

- Profit margins for 12-months 2007 are the highest of any airline in the World.
- Recognition by independent industry observers as The Best Low Cost Airline in Asia awarded by Skytrax and Airline of the year 2007 by CAPA.
- Successfully obtained Government approval to fly to Singapore.
- Overtaking MAS as the largest domestic Malaysian airline with 6.5 million passengers compared to 5.4 million by MAS.
- Kuala Lumpur and Johor Bahru bases are re-fleeted with brand new Airbus A320 aircraft.

For the full 12 months of 2007, AirAsia's total revenue was RM1.9 billion. The operations performed well, load factors was at 79% with average fare of RM184. The profit margins achieved for the full year was the highest of any airline in the world."

Financial Review and Outlook

Outlook

2008 will be the first year that we implement a December year end. We are forecasting for passenger growth of 20% in 2008. The bulk of the new capacity will be injected to international routes which are relatively longer distance sectors. The average stage length therefore is forecasted to rise and this will initially exert pressure for lower yields. However, based on the expectation that some routes will mature and continued strong contribution from ancillary income, we expect yields to remain largely flat for the year. Cost items excluding fuel is expected to reduce further due to the induction of cost efficient Airbus A320 aircraft into the fleet and productivity drivers. In addition, the continued strengthening of the Malaysian Ringgit against the US Dollars will positively impact on cost as significant proportion of AirAsia's operational costs is denominated in US Dollars. Barring any unforeseen circumstances, the Directors are confident with the prospects of the Group and expect positive development in 2008.

Fleet Growth – disciplined and planned growth

In the upcoming March quarter, the Group will have a net addition of one aircraft in its fleet. We will take delivery of six Airbus A320 aircraft and return five Boeing 737-300 to the lessor.

Jet Fuel – managing the volatility

The escalating and volatile fuel price remains as our principle challenge for the year. Assuming WTI prices remains above USD90/barrel, 30% of our fuel requirements are hedged for the period of January to June at an equivalent price of USD79.50/barrel. We are looking for suitable structures to hedge the remainder of our fuel requirements.

Associates – on the path to profitability

We remain very bullish with our associates and believe the developments are headed in the right direction. The Thai operations have improved significantly since it received Airbus A320 aircraft – Thai currently has four Airbus in its fleet. We have seen greater passenger flow and higher yields since the induction of the aircraft. In addition, there is a mark improvement in the unit cost and reliability. The outlook for Thai's industry has improved, the general election resolved peacefully and the competitive landscape has improved. We believe that the Thai operations are set for return to profitability this year.

The Indonesian operation is also showing signs of recovery. The route network reorganization has already produced positive outcomes. Load factor and yields have improved substantially. In addition, the on time performance – a factor that has been a major negative for Indonesia in the past, have improved to the Group average.

For further information please contact:

Investor Relations	Mohshin Aziz	+603 8660 4013
Media Relations	Janet Leow	+603 8660 4265