

## **Strong Revenue Growth, Strong EBITDAR Margins of 10.5%, Smaller than Expected Core Losses**

AirAsia Berhad, Asia's leading low cost carrier is pleased to announce the unaudited results for the third quarter ended 30 September 2008 and provide a review of recent notable events and achievements.

### **Tony Fernandes said:**

“The resilience and strength of AirAsia produced a strong set of results of 43% revenue growth to RM659 million driven by strong passenger growth and ancillary income. The core operating losses of RM76 million was lower than expected despite operating in extreme volatile and high fuel prices.

Passenger numbers grew by 24% to 3.0 million which attest to the sustained strong demand for our services. We expect to carry a total of 20 million passengers across the AirAsia Group in 2008. Load factor for the period was at 75%, which is in line with expectations as we added significant capacity of 33% and introduced five new routes during the period. Yield (Rev per ASK) was up by 12% driven by 12% higher average fare and strong contribution from ancillary income.

Ancillary income continues to delivered stellar performance with 88% growth against the same period last year and the per passenger ancillary spend has increased by 52% to RM23.1 per passenger. Ancillary income now represents 10.6% of total revenue. This will be the driver for strong profit margins going forward.

Unit cost excluding fuel improved by an impressive 10% stemming from productivity gains and increased number of Airbus A320 aircraft into the fleet. However, when fuel cost is included, the unit cost was at 4.05 US cents per ASK, 35% higher than the same period last year as a result of fuel price rising by 94% to US\$162 per barrel. Unit cost are projected to decrease significantly going forward as the fuel price has come down and we continue to extract the cost benefits of the Airbus A320 aircraft.

Our initial view was that oil prices would stay at US\$70 per barrel and we have hedged our fuel based on this parameter. But this view has changed with the eruption of the global financial crisis. Due to the falling and extremely volatile fuel price, the Group has decided to unwind our fuel hedging and limit our losses. Had we not reacted, our losses would have been significantly more as the WTI has dropped to below US\$50 per barrel. The exceptional losses of RM215 million relates to the cost of unwinding of our fuel hedging and the likely non-recovery of margins held by Lehman Brothers commodity services Inc., subsidiary of Lehman Brothers Holdings Inc. which filed for bankruptcy on 15 September 2008. The cost of unwinding will be recovered in less than three months.

The net loss was affected by a series of non-cash accounting treatment. The US Dollar has strengthened against the Malaysian Ringgit and this has resulted in a non-cash translation loss of RM213 million. The Company has previously entered into a number of long-term forward contracts to purchase US Dollars at fixed rates. Based on the current outstanding principal amounts in respect of the contracts, the weighted average contracted rate and the prevailing exchange rate as at 30 September 2008, the Company could potentially enjoy a gain of RM366 million. However, this can only be reflected in the financial statements upon realization over the duration of these contracts.

The Thai operation endured a challenging period due to escalating domestic political disturbances and the temporary closure of southern Thai airports (Phuket, Krabi, Hadyaai, Narathiwat). Despite these tough operating conditions, the Thai operations managed to achieve an impressive 79% load factor and 29% increase in average fare. The Thai operations have managed to reduce losses by 44% against the immediate preceeding quarter despite the much higher fuel price.

The Indonesian operation has made significant improvements with 61% higher yields compared to last year and a 78% load factor. The route reorganisation exercise coupled with the improved competitive environment has enabled the Indonesian operations to narrow down losses by 88% against the immediate preceeding quarter. Indonesia has received its maiden Airbus A320 aircraft in 19 September and this will help to reduce cost, increase reliability and enhance our customer service delivery.”

## **Outlook**

The forthcoming fourth quarter is traditionally our strongest quarter and we have seen sustained strong demand for our services. The weakening global economic outlook is exerting negative pressure to the industry and we have seen more passengers switching to the low cost carrier as their primary travel option. The current spot market fuel price is substantially lower than the average fuel cost of US\$101 per barrel that we have paid in the fourth quarter last year. Assuming this trend continues until 31 December 2008, the fuel bill will be lower than initially budgeted and will positively impact on our profit and margins. The impact of the strengthening US Dollar against the Malaysian Ringgit, assuming this trend continues, will however have a negative impact on the company.

The directors expect that, barring unforeseen circumstances, the Group’s performance will be satisfactory for the fourth quarter.

## **Summary for the Third Quarter (July – September 2008) unaudited Financial Results**

Quarter Ended: 30 September RM'000	Jul-Sep 2008	Jul-Sep 2007	Δ (%)
Ticket Sales	588,755	424,563	39%
Ancillary Income	69,720	37,022	88%
<b>Revenue</b>	<b>658,475</b>	<b>461,585</b>	<b>43%</b>
EBITDAR	69,248	148,655	-53%
Core Operating Profit/(Loss)	(75,933)	47,763	-259%
Once off/Exceptional Items	(215,280)	0	n/a
Profit/(Loss) After Tax	(465,526)	179,977	-359%
EBITDAR Margin	10.5%	32.2%	-21.7 ppt
Core Operating Profit/(Loss) Margin	-11.5%	10.3%	n/a
Profit/(Loss) After Tax Margin	-70.7%	39.0%	n/a

### Summary for the Third Quarter (July – September 2008) Operating Results

Quarter Ended: 30 September	Jul-Sep 2008	Jul-Sep 2007	Δ (%)
Passengers Carried	3,018,395	2,439,600	24%
ASK (million)	4,833	3,645	33%
RPK (million)	3,429	2,707	27%
Seat Load Factor	75.4%	79.3%	-3.9 ppt
Average Fare (RM)	195	174	12%
Rev / ASK (sen)	13.63	12.66	8%
Rev / ASK (US cents)	4.08	3.65	12%
Cost / ASK (sen)	13.54	10.39	30%
Cost / ASK (US cents)	4.05	3.00	35%
Cost / ASK-ex fuel (sen)	4.43	5.13	-14%
Cost / ASK-ex fuel (US cents)	1.33	1.48	-10%
Aircraft (average)	38.2	29.5	29%
Aircraft (end of period)	46	37	24%

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For further information on AirAsia, please visit the Company's website: [www.airasia.com](http://www.airasia.com)

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