Five Years of Discipline and Focus transcending into Record Profits and Setting the Platform for Explosive Growth

AirAsia Berhad, Asia's leading low-cost carrier and voted as the best Asian low cost airline by Skytrax for 2007, is pleased to announce the unaudited results for the fourth quarter and the full year ended 30 June 2007, and provide a review of recent notable events and achievements.

Tony Fernandes, Group Chief Executive Officer, said:

"I am thrilled to announce our record fourth quarter and full year results. For the past five years, we have maintained unconditional focus and discipline to the low cost model. We are committed to the short-haul, no frills concept which has been proven successful all over the world. In the process, we have invested significantly to build a solid foundation and to create a platform for sustainable growth. We have built the AirAsia Academy to churn out high quality manpower to ensure seamless business growth. We constantly expand our route network and it is now the most dense in South East Asia. We are market leaders in almost all the routes we serve. We have also secured our growth pipeline with the purchase order of 200 Airbus A320 aircraft, it is almost impossible for any airline to purchase a new narrowbody aircraft as the production backlog is up to 2012. Our Malaysian operation now has the youngest fleet of any airline in South East Asia and we will get even younger going forward as we induct more Airbus A320 and phase out Boeing 737-300 from our fleet. Despite these heavy investments, our balance sheet is among the most liquid of any airline, the cash balance and aircraft deposits amounts to RM913 million. Furthermore, our aircraft assets is booked at RM3 billion – this is significantly lower than the current appraised market value.

The market condition in the past five years was very challenging. We were competing against a state subsidised airline, the authorities were not familiar with the low cost concept, airports were hesitant to offer concessions and our brand recognition was in its infancy. Nonetheless we persisted, and now the investments and strategic planning are delivering positive result. In the financial year 2007, we have carried 14 million passengers across the Group, launched 19 new routes, opened up two new bases in Kota Kinabalu and Kuching, become the market leader for domestic Malaysia and we are the lowest cost airline in the world. We are excited about the future growth prospects of the Company. The Malaysia Government's progressive decision to implement domestic rationalisation has allowed the industry to compete on the same basis. Government supports the low cost airline industry; there are three low cost terminals across the region and the Malaysian Government is planning to build a new Kuala Lumpur LCCT with a capacity of 30 million passengers per year – up from the current 10 million passengers per year. Our brand is the most recognisable ASEAN airline and this has aided with our efforts to penetrate new markets. These are competitive advantages that ensure sustainable profitable growth. AirAsia is the only LCC in the region making money and no other LCC in the region has a foundation as solid as ours.

Revenue for the quarter was RM432 million, a growth of 38% compared to the same period last year. These results are achieved by 45% growth in passenger volumes driven by an 8% lower average ticket prices and producing a 43% increase in per pax ancillary spend. Load factor decreased by 2 percentage points to 81% largely due to the huge 42% capacity addition in the quarter. Despite the lower fares and load factor, yields (Rev / ASK) was 3% higher due to strong ancillary income contribution and a shorter stage length.

Unit cost was relatively flat at US3.24 cents / ASK. This was a remarkable performance given that our unit fuel cost was 29% higher than the same period last year. The combination of higher yields with flat cost enabled us to deliver pretax income of RM130 million, eight times greater against last year's restated pretax profit of RM14 million. The Directors have decided to change the financial year end to December beginning next financial year.

Revenue growth for the full financial year 2007 was at 52%. These results are achieved by robust passenger growth of 53%, higher load factor of 80% and 11% yield growth against last year. Cost was up by 7% primarily due to higher fuel price. Profitability has improved with the increased business scale and higher yield, pretax profit for the financial year was RM278 million with margins of 17%. This represents as growth of 223% from last financial year. The Directors has agreed to change the financial year end to December beginning this 2007.

Thai AirAsia endured a challenging quarter due to the continuing unrest in South Thailand and prevailing political uncertainty. This has subdued the demand for air travel and foreign tourist numbers are lower than expected. Passenger growth for the quarter was 17% with average fares down by 4% reflecting the challenging environment. Thai AirAsia will receive five Airbus A320 aircraft during the year and this will provide significant competitive advantages and operational efficiencies. In the same way we (AirAsia Malaysia) have benefited from the induction of the Airbus A320 aircraft into our fleet, we believe our Thai operations will be able to achieve significant growth, expand market share, boost yields and reduce cost. On a positive note, our Thai AirAsia management has successfully bought out Asia Aviation for THB1 billion. This is a big move as it signals the management's confidence and removes the foreign shareholder overhang issue that has been consuming much of the management's time. Furthermore, the Government has announced a date for the general election (23 December) and this should resolve the political situation.

Indonesia AirAsia experienced a difficult quarter due to a series of unscheduled aircraft maintenance. Indonesia AirAsia posted a loss as a result of increased cost of maintenance and repair, compensation for cancelled and delayed flights. We will add seven aircraft to Indonesia for the financial year 2008 including a full standby unit. This should significantly improve Indonesia's operational reliability. We remain confident with the prospects in Indonesia, the demand for our service is strong and our brand is exceptionally popular.

We thank the Government's decision to lower passenger service charges (PSC) for passengers using the low cost terminals of Kuala Lumpur and Kota Kinabalu. This is a well thought out decision as the lower charges are reflective of the very basic amenities provided at the low cost terminal. The savings enjoyed by our guest will only lure them to fly more often and entice new first time fliers. Now, the final piece of the jigsaw puzzle is to attain lower airport and landing charges. We are in extended stage of negotiation with the Government and Malaysian airports to device a scheme that rewards airlines that brings significant passenger traffic into the country.

We take pride in being referred to as the 'People's Airline' and constantly explore ways to enhance our services. We have recently introduced web check-in and self-check-in kiosk to make it more convenient and flexible for our guests. Our new Airbus A320 aircraft provides greater comfort and superior reliability that is unmatched by our competitors. Thanks to these initiatives and the Airbus A320 aircraft, our on-time performance year-to-date has improved to 84%.

AirAsia was voted as the best low cost airline in Asia 2007 by Skytrax Research of London, the world's most popular, independent travel forum and air travel information web site. We are delighted to receive this accolade and credit goes to all our dedicated and hardworking people in their pursuit to provide the best services to our guests."

Summary of Fourth quarter 2007 unaudited Financial Results – AirAsia Malaysia

Quarter Ended: 30 June RM'000	Q4 2007	Q4 2006 (restated)	Q4 2007 vs. Q4 2006
Ticket Sales	400,726	298,568	34%
Ancillary Income	31,428	15,157	107%
Revenue	**432,154**	**313,725**	**38%**
EBITDAR	164,856	73,199	125%
EBIT	123,530	36,042	243%
Pretax profit	130,365	13,893	838%
Net Income (including deferred tax)	185,050	130,769	42%
EBITDAR Margin	38.1%	23.3%	14.8 ppt
Pretax profit Margin	30.2%	4.4%	25.7 ppt
Net Income Margin	42.8%	41.7%	1.1 ppt

Summary of Fourth quarter 2007 Operating Results – AirAsia Malaysia

Quarter Ended: 30 June	Q4 2007	Q4 2006 (restated)	Q4 2007 vs. Q4 2006
Passengers Carried	2,359,553	1,623,130	45%
ASK (million)	3402	2388	42%
RPK (million)	2745	1979	39%
Average Fare (RM)	170	184	-8%
Rev / ASK (US cents)	3.70	3.60	3%
Cost / ASK (US cents)	3.24	3.22	1%
Cost / ASK-ex fuel (US cents)	1.67	1.86	-10%
Load Factor	80.7%	82.9%	-2 ppt
Aircraft (average)	28.6	24.8	15%
Aircraft (end of period)	34	26	31%

Fourth Quarter Review:

Total revenue for the quarter rose by 38% to RM432 million compared to RM314 million for the same period last year. Ticket sales grew by 34% to RM401 million as passenger numbers rose by 45%. Average fares were down by 8% and load factor decreased by 2 points to 81% due to an aggressive 42% capacity addition. Ancillary income more than doubled to RM31 million, the per capita ancillary spend has increased by 43% to RM13.3 / pax and represents 7.3% of revenues, up from 4.8% a year ago. This performance reflects the increased service penetration and the success of our new product offerings. Despite the lower average fares and load factor, yields were 3% higher due to the shorter stage length and firmer Ringgit against the US$ Dollar.

Unit cost was up by 1% primarily due to higher fuel prices. Excluding fuel, cost has improved by 10% year on year due to the increased number of Airbus A320 aircraft in the fleet. Pretax profit grew by 838% to RM130 million as compared to last year's restated pretax profit of RM14 million. Pretax profit was boosted by sales of 19 interest rate swaps for RM73 million. The yield expansion and sales of the interest rate swaps have expanded profit margins; EBITDAR margin was 38% as compared to 23% last year and pretax profit margin increased to 30% against 4% last year.

The quarter's key highlights are outlined below:-

Customer Service Enrichment – always thinking of you
We are pleased to introduce the innovative web check-in and self check-in kiosk for the convenience of our guests. These technology driven initiatives offers our guests greater flexibility and hassle free check-in.

Unit Cost – second to none cost control discipline
Unit cost has increased slightly by 1% to US3.24 cents / ASK despite our fuel prices being 29% higher than the same period last year. The Airbus A320 aircraft has offset some of the impact of higher fuel prices; the fleet fuel consumption rate has improved by 9% from last year. The Company's investment in technology has also yielded positive results; the web check-in and self check-in systems has reduced the number of boarding related delays.

Lower PSC – major impetus for low cost travel

Passenger Service Charges (RM)	Old PSC	New PSC	Discounts Received
Domestic	9	6	RM3 / 33%
International	41	25	RM16 / 39%

The Malaysian Government has announced for a lower PSC for passengers using the low cost terminals of Kuala Lumpur and Kota Kinabalu. LCCT passengers will enjoy savings of RM16 for international flights and RM3 for domestic flights respectively. These new rates commenced on 1 June 2007.

English Premier League sponsorship – leveraging our brand with the most popular football league
AirAsia is now an official sponsor for English Premier League. The AirAsia brand will be featured on the referee's uniform for the entire 2007/2008 football season. This is a major milestone for the Group as it projects our brand globally. English Premier League is immensely coveted and is the most watched football league in the world. This will boost our efforts with Manchester United and AT&T Williams Formula 1 team to develop AirAsia as a truly global brand.

Summary of FY2007 unaudited Financial Results

12-months Ended: 30 June RM '000	FY2007	FY2006 (restated)	FY2007 vs. FY2006
Ticket Sales	1,494,115	996,470	50%
Ancillary Income	109,146	61,637	77%
Revenue	**1,603,261**	**1,058,107**	**52%**
EBITDAR	490,026	253,926	93%
EBIT	280,593	117,620	139%
Pretax profit	278,048	86,174	223%
Net Income (including deferred tax assets)	498,057	201,702	147%
EBITDAR Margin	30.6%	24.0%	6.6 ppt
Pretax profit Margin	17.3%	8.1%	9.2 ppt
Net Income Margin	31.1%	19.1%	12.0 ppt

Summary of FY2007 Operating Results

12-months Ended: 30 June	FY2007	FY2006 (restated)	FY2007 vs. FY2006
Passengers Carried	8,737,939	5,719,411	53%
ASK (million)	12,391	8,646	43%
RPK (million)	9,863	6,702	47%
Average Fare (RM)	171	174	-2%
Rev / ASK (US cents)	3.64	3.29	11%
Cost / ASK (US cents)	3.16	2.95	7%
Cost / ASK-ex fuel (US cents)	1.57	1.63	-4%
Load Factor	79.6%	77.5%	2.1 ppt
Aircraft (average)	27.1	20.5	32%

Full Year Review:
The revenue for the year rose by 52% to RM1,603 million as compared to RM1,058 million for the same period last year. Ticket sales increased by 50% to RM1,494 million due to a 53% increase in traffic reflecting increased passenger numbers on existing routes and the successful launch of our new routes and bases. Load factor improved by 2.1 percentage point improvement to 79.6% due to robust demand and better capacity management. Average fare was lower by 2% due to a 6% shorter stage length. Ancillary income grew by 77% over the period, the per capita spend has increased by 16% to RM12.5 / pax and represents 6.8% of revenues, up from 5.8% a year ago. Overall, yields have improved by 11%.

Cost / ASK was up by 7% as a result of higher fuel price. Cost excluding fuel has improved by 4% thanks to the cost efficient Airbus A320 aircraft, savings from the low cost terminals and productivity gains. Profitability has improved with the increased scale, EBITDAR was 93% higher at RM490 million and pretax profit grew by 223% to RM278 million with margins of 17%.

Financial Review and Outlook for FY2008

Fleet Growth – poised for continued growth
The Group will have a net addition of 18 aircraft in its fleet for the financial year 2008. We will take delivery of 23 Airbus A320 aircraft and return five Boeing 737-300 as the leases expire. Financial year 2008 will be a milestone as our Malaysian operations will have the youngest fleet in Asia with an average aircraft age of less than a year.

The preliminary aircraft deployment schedule for the Group is listed below. Take note that this schedule is subject to change depending on the market demand and operational requirements.

Aircraft Deployment Schedule	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Malaysia	37	38	38	41
Thailand	14	15	16	17
Indonesia	9	12	13	14
Total Airbus A320	27	33	39	44
Total Boeing 737-300	33	32	31	28
Total Aircraft	**60**	**65**	**70**	**72**

Route Network – linking China together with ASEAN
We plan to launch between 12 to 15 new routes for financial year 2008 and this will further enhance our route network. Thus far, we have launched four routes since July and the reception to these new routes has been positive. Kuala Lumpur to Shenzhen (launched 16 July) is the best performing start-up route in AirAsia's history and we will add an additional frequency in October. China is the core focus for new routes this year as we belief the demand for our services is robust and we have developed our distribution channel to cater to the Chinese markets. We target to launch flights to Guilin, Haikou and Hong Kong. In addition, we plan to cross link our existing Chinese destinations (Macau, Shenzhen, Xiamen) to our Johor Bahru and Kota Kinabalu bases.

Cost – relentless pursuit to lower cost
The addition of Airbus A320 aircraft will help to lower operating cost and reduce per seat fuel consumption rate by at least 5% in the financial year 2008. The low cost terminal in Kuala Lumpur and Kota Kinabalu are delivering substantial savings as it is more efficient and lowers our headcount requirements. We are still in negotiations with Malaysian Airports Berhad to develop a new structure to lower airport charges. Our plight has been escalated to the Government and we are confident that a resolution will be announced soon. The continued strengthening of the Malaysian Ringgit against the US Dollar is helping with our efforts to lower cost as we are a net beneficiary of a stronger Ringgit. On a net basis, we believe these developments will drive down ex-fuel cost items by 1% to 3%.

Jet Fuel – managing the volatility
We managed to hedge 35% of our jet fuel requirements for the first half of the financial year. The fuel hedge is providing us with a USD$10 / barrel discount to the market. We continue to look for opportunities for the unhedged portion and extend our hedges further. We have also taken positions to protect risk on the downside with a put spread options.

Associates – geared for profitable growth
We remain very bullish with our associates and believe the current operational pressure is a temporary blip. Thailand is the springboard to China and a tourist haven. Indonesia is a continent by itself with over 240 million people and 17 thousand islands. Overall, our joint-venture have significant competitive advantages; the brand recognition is very strong, the product is superior and the route network is unmatched by any competitor. There is much interest to setup a joint ventures in other countries and we are exploring the

opportunities to do so. We have signed a letter of intent to set a new joint venture in Vietnam; it is still in the preliminary stages and will make the necessary announcements in due course.

Outlook

We are confident that total AirAsia traffic will grow by at least 29% to 18 million passengers. We expect average fares to improve slightly as the newer routes will stabilise and some routes will become mature. Ancillary income will continue to outpace passenger growth rate as passengers are receptive to our new product offerings and we negotiate better deals from our suppliers. We are budgeting for yields to increase by 2% to 5% for the full year. The performance of our associates should improve noticeably as the Airbus A320 aircraft induction will render significant operational and cost benefits.

Barring any unforeseen circumstances, based on the factors mentioned above and assuming fuel price remains at current levels, the Directors are confident with the prospects of the Group and expect **pretax profits** to achieve positive growth for the financial year ending 30 June 2008.

Management Guidance for Financial Year 2008	
Passengers carried	11 million
Passengers carried by Associates	7 million
Rev / ASK	Increase 2% to 5%
Cost / ASK – excluding fuel	Reduce 1% to 3%

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For further information on AirAsia, please visit the Company's website: www.airasia.com
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