AirAsia Celebrates Fifth Anniversary, Passenger Growth of 63%, Pre-tax Profit Growth of 32%

AirAsia Berhad, Asia's leading low-cost carrier is pleased to announce the unaudited results for the first quarter ended 30 September 2006 and provide a review of recent notable events and achievements.

Tony Fernandes, Chief Executive Officer, said:

"This has been a very significant period in AirAsia's history. The domestic rationalisation signals the first signs of deregulation in the Malaysian aviation industry. Soon to follow, in our view, airports must rationalise their fees in order to attract and grow the market to its full potential. These changes will be the catalyst for greater growth for AirAsia in the years to come.

Pre-tax profit for the quarter was RM11.8 million, a 32% increase over the same period last year on the back of 29% revenue growth. Capacity grew by 39% for the period and we managed to improve load factors by 9 percentage points to 79%. This growth was driven by lower fares; our average fare declined by 28% to RM104 and yields were 15% lower. The drop in average fare and yields are due to the impact of Ramadan and the launch of two new bases during the quarter. Unit cost is down by 9% even with fuel prices breaking historical records in the quarter. Despite substantially higher fuel costs and seasonal impacts, AirAsia delivered consistent profit, produced RM145 million cash from operations and boosted cash balances by RM78 million to RM503 million.

Thai AirAsia continues to enjoy strong growth, with passenger volume up 67% for the quarter and a 76% load factor. The military coup de tat was a temporary setback, people cancelled their travel plans initially, but traffic resumed to normal levels after a few weeks when it became evident that the situation remained peaceful. Assuming no further disturbances, we don't expect this event to have a material impact on the operations. Thailand again suffered some currency translation losses in the quarter. However, we have already squared off the forward currency swap contract and the second quarter should reflect an improved performance.

It has been a long and hard battle to develop our Indonesian operations which has now successfully achieved a turnaround. The Government's decision to allow us to change our name, advertise fares and levy fuel surcharge was the turning point. Load factor and yields have improved substantially with the prospect of further improvement. We expect Indonesia to contribute positively to the Group in the future with consistent profitability.

Ancillary income continues to grow at a significantly faster rate than the growth in passenger volumes and now represents 12.5% of revenue. We expect that ancillary income will continue to outpace passenger growth as we are continuously expanding the product range available to guests and enhancing our cooperation with our partners.

Without a doubt, the single most important initiative of the past 12 months was the purchase of 130 Airbus A320 (comprising 100 firm and 30 options), for delivery during the period 2005 - 2012, at a very competitive price. This new order will enable AirAsia to significantly reduce our unit operating costs, and substantially improve cashflow, while we accommodate a steady growth rate in passenger numbers out to 2012. In September 2006, we overtook Malaysia Airlines as the biggest domestic airline in Malaysia. This is a significant milestone for what was a small airline with only two aircraft that commence operations back in 2002 and yet in just 5 years (thanks to low fares, lowest costs and brand new Airbus aircraft) have overtaken its larger competitors.

The Group added four new aircraft during the quarter bringing the total to 46 aircraft; all four aircraft were deployed in Malaysia to facilitate the domestic rationalisation and the opening up of two new bases. The performance of our new bases in Kota Kinabalu and Kuching are below system average *with lower average fare and load factor – this is expected as they are in the developmental stages. We are confident that we will be able to bring them up to system average within the near term and open up new opportunities for the Group.*

Our previous fuel hedge expired at the end of June 2006 and we were reluctant to hedge at that time as we believed it would be unwise to lock in at the very high forward prices. However as forward prices settle down, we resumed our hedging programme in order to remove some cost uncertainties over the seasonally volatile Northern Hemisphere winter period. We are taking advantage of the current bearish sentiment in the oil market and devised our fuel hedge to mitigate upside risk whilst at the same time allowing us to participate in the event oil prices declines. We are paying spot market rates for our oil requirements and we have upside protection for 54% of our needs from January 2007 to June 2007, and 45% of our needs from July 2007 to September 2007 at a price of US$62.25 / bbl (WTI crude component). Therefore, we remain partially unhedged but we will continue to monitor the market and look for opportunities to hedge our outstanding requirements into the future.

The second quarter will reflect the value and benefits unlocked by the domestic market rationalisation as well as strategic initiatives we have taken place over the past year. The outlook for the second quarter is better relative to the first quarter; forward bookings indicate average fare and yields will improve substantially. Furthermore, we are reaping the benefits of lower fuel prices and the delivery of four Airbus A320 aircraft in the period will help keep operating costs low."

Summary of First Quarter 2007 unaudited Financial Results

Quarter ended 30 September RM'000	Q1 2007	Q1 2006	Δ (%) qoq
Revenue	239,574	186,277	29%
EBITDAR	69,250	34,324	102%
EBIT	23,731	7,460	218%
Pre-tax Profit	11,772	8,934	32%
EBITDAR Margin	**29%**	**18%**	**11 ppt**
Pre-tax Profit Margin	**5%**	**5%**	

Summary of First Quarter 2007 Operating Results

Quarter ended 30 September	Q1 2007	Q1 2006	Δ (%) qoq
Passengers Carried	1,944,621	1,192,692	63%
ASK (million)	2713	1953	39%
RPK (million)	2152	1358	59%
Average Fare (RM)	104	144	-28%
Rev / RPK (US cents)	3.08	3.61	-15%
Cost/ASK (US cents)	2.20	2.41	-9%
Cost/ASK-ex fuel (US cents)	1.17	1.24	-6%
Load Factor	79%	70%	9 ppt
Aircraft (average)	24.8	18.8	32%
Aircraft (end of period)	30	21	43%

First Quarter Review:
Revenue for the quarter rose by 29% to RM240 million as against RM186 million for the same period last year. The increase was driven by 63% increase in passengers carried, a 28% decline in average fares which was partially offset by better contribution from ancillary income. The lower fares stimulated strong traffic which was reflected by a 9 percentage point improvement in load factor despite adding capacity by 39%. The combination of lower fare and 3% longer stage length reduced yields by 15%. Unit cost was down by 9% compared to last year. The increased business scale with lower cost improved our profit margins. EBITDAR margins increased to 29% as compared to 18% last year. Pre-tax profit was 32% higher to RM11.8 million with 5% margins.

Adaptation of International Financial Reporting Standard IAS 12

Quarter ended 30 September Group RM ('000)	Adoption of IFRS (IAS 12)	Compliance with MASB (FRS 112)
Profit after tax and minority interests	**94,520**	**5,662**
Shareholders' Funds	1,270,573	1,028,126
Basic Earnings Per Share (sen)	4.0	0.2
Cash from Operations	145,000	145,000

As stated in the previous announcement, the Company will present an additional set of financial result that is in accordance with International Financial Accounting Standards.

The quarter's key features are outlined below:-

Domestic Rationalisation
The domestic rationalisation commenced smoothly on 1 August 2006. We are now competing on a fully commercial basis against MAS and there is a clear distinction between low cost and premium travel. The Malaysian Government gave an assurance that AirAsia is now an equal status national carrier; this will assist our eventual entry into India, China and beyond.

Unit Cost Improvement – second to none cost control discipline
Our unit cost improved by 9% to US2.20 cents / ASK. This was achieved by prudent cost control measures, better economics from the Airbus A320 aircraft and higher productivity from our move to the low cost terminal. Cost recoveries from our fuel surcharges averaged at RM32/pax for the quarter, or US$31.9 per barrel equivalent.

Thai-AirAsia – negative impact of forex losses
Thai AirAsia posted a net profit of THB5 million (RM0.5 million). Thailand performed well with average fare growth and steady unit cost. EBITDAR margin increased to 15% as compared to 12% achieved for the same period last year. However, currency losses contributed negatively to the operations. The currency swap contract has been squared off and the second quarter will not see a reoccurrence of such losses.

Indonesia-AirAsia – conducive business environment generate profits
The operations have improved significantly since we have been allowed to advertise our fares and levy fuel surcharge. The business environment in Indonesia right now is more conducive and consistent with what we are accustomed to in Malaysia and Thailand, and we are able to step up our efforts to boost load factors and yield more effectively.

Financial Review and Outlook

Fleet Growth
The Group will have a net addition of three aircraft in its fleet by the end of the second quarter. We will take delivery of four Airbus A320 aircraft and return one Boeing 737-300 as its lease expire during the period. The four Airbus A320 aircraft will be based in Malaysia and one Boeing 737-300 will be redeployed from Malaysia to Thailand. The aircraft will be used to launch new routes and add frequency on existing routes.

Route Network – connecting the dots all over Asia
We have launched 10 new routes since July and we have three routes that are due for launch soon. Response to our latest route offering from Kuala Lumpur to Hanoi and Bangkok to Yangon has exceeded our initial expectations. We will continue to explore new opportunities and enhance our route network.

Costs – there is scope for improvement
We are on track with our cost improvement efforts, with scope for more improvements going forward. Our cost structure will improve as we take delivery of more Airbus A320 aircraft. The low cost terminal is providing significant cost saving opportunities and productivity gains. We are in the midst of finalizing a new airport deal with the authorities and we should get confirmation on lower airport charges in the near future.

Jet Fuel – partial hedge with prospect for more
We are paying spot market rates for our oil and we have upside protection at US$62.25 / bbl. The volumes hedged are 54% of our requirements from January 2007 to June 2007, and 45% of our requirements from July 2007 to September 2007. We are constantly monitoring the market for suitable opportunities to hedge our outstanding requirements for the fiscal year.

Associate – will contribute positively to the Group
Thailand's operations are generating consistent profits given its adequate scale and established routes. We do not foresee the coup de tat posing a material impact on the business and it will contribute positively to the Group. Indonesia is now operating in much better commercial environment with respectable yield and buoyant demand from the market. Furthermore, the second quarter is seasonally the strongest quarter for Indonesia and it is expected to contribute positively to the Group.

Outlook
We are confident that the strong traffic growth will continue into the second quarter. The Airbus A320 aircraft and the low cost terminal will assist in keeping our operating costs low. The strategic initiatives and investments that we have put in place with our associates are yielding positive results and we expect positive contributions from both associates in the second quarter. Assuming fuel prices remain at current levels and barring any unforeseen circumstances, the Directors remain positive about the Group's prospects and expect pretax profit growth for the financial year ending 30 June 2007.

For further information please contact:

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

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