

PRESENTED TO

AIRASIA

AirAsia's growth has been phenomenal since it was re-launched as a low-cost carrier in 2001.

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Six and a half years of flying, continuing growth and profits in every quarter since day one. And Malaysia's AirAsia is now claiming something more: it says it has the highest profit margin of any airline in the world.

AirAsia came out tops in our finance category this year for "delivering outstanding financial results and industry-leading profit margins while bringing low-fare airline service to Southeast Asia and now, through AirAsia X, to the long-haul marketplace".

AirAsia was a struggling full-service airline when a group of private investors acquired it for the price of a cup of coffee and the assumption of half its debts at the end of 2001. It was re-launched as a low-cost carrier and since then its growth has been phenomenal. At the end of June it hit an impressive milestone when it carried its 50 millionth passenger.

"When we first started, many people thought it was a crazy idea to offer low fares as it was not economically viable," says group chief executive Tony Fernandes. "Especially with an airline with high aspirations like us, we were expected to fail. However, with strong persistence and the right strategies, we persevered and we are now the leading and largest low-cost carrier in Asia."

The numbers tell a solid story. In the first quarter, revenues increased nearly one-third to 535.1 million ringgit (\$167 million) and net profit soared to 161.2 million ringgit from 86.8 million ringgit. AirAsia claimed an operating margin of 24% and a net profit margin of 30% during the period. Margins were even stronger in 2007, with its full-year operating margin coming in at 35% and a net margin at 36%. AirAsia's revenues reached \$450 million in 2007.

When AirAsia re-launched as a low-cost carrier, many doubted the model would work in Asia, largely as a result of bilateral air services restrictions and a lack of secondary airports. But it has found ways around government restrictions in several important markets. For instance, our judges were particularly impressed with the way it has got around airline ownership restrictions by setting up AirAsia-branded joint venture carriers in other countries with local partners. It now has associate airlines in Indonesia and Thailand, which our judges



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ROZMAN BIN OMAR
Regional head of finance, AirAsia

felt were "starting to bear fruit".

AirAsia has also won long-running battles for more access under key bilateral air services agreements. The Singapore-Malaysia market, for example, which for decades has remained one of the most restrictive in Asia, finally opened up slightly earlier this year and AirAsia is now flying on the lucrative Singapore-Kuala Lumpur route. There is more to come at the end of this year when Association of Southeast Asian Nations members remove all restrictions on air services between capital cities.

The group is now expanding into the long-haul market through AirAsia X, a minority-owned associate carrier that is separate from the publicly traded short-haul entity. The new carrier launched late last year with flights to the Gold Coast in Australia.

AirAsia has quite simply established itself as the largest and most profitable low-cost airline group in Asia, and despite new challenges amid high fuel prices, regional head of finance Rozman Bin Omar says: "There will always be demand for air travel whatever the fuel price is. With very affordable low-fare offerings, people will trade down." He adds that "we expect to enjoy high profit margins in years to come".

NICHOLAS IONIDES