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Malaysia Airlines reports Record Profit for Q307 Net Profit increases by 52% to RM364 million

Subang: Malaysia Airlines reported a record net profit of RM364 million for the 3rd quarter ended 30 September 2007, up 52% from a year earlier, boosted by strong passenger demand and sustained yield improvement.

This brings Malaysia Airlines' net profit from January to September 2007 to RM610 million, the highest profit in its 60 year history. Its previous highest annual profit of RM460 million was recorded in 2004. Even with the Q407 result still to be included, Malaysia Airlines has already surpassed its 2004 record.

Operating profit was up by 254% from RM101 million a year ago to RM358 million, as strong demand pushed the passenger load factor to 74.1% with passenger revenue increasing 12% to RM2.46 billion while yield rose 7% to 27.1 sen per revenue passenger kilometer (RPK). There was also gain from re-leasing of aircraft.

Malaysia Airlines' continuous profit improvement is due to the implementation of its Business Turnaround Plan (BTP). The 3rd quarter net profit is the best so far since the launch of the Plan. It is an improvement by RM124 million from the same quarter of 2006 which registered the first profit of RM240 million after the launch of its Plan in February 2006.

This also marks the airline's 5th successive net profit quarter since the launch of the BTP.

Just 9 months into the 2007 financial year, Malaysia Airlines already beat its own forecast on 3 counts:

- Registering an impressive RM133 million profit in the first quarter to exceed its full year target of RM50 million profit
- Achieving a cumulative profit of RM610 million for the first 3 quarters to overtake its stretch target of RM300 million for the full financial year.
- Exceeding even its BTP target of RM500 million profit for 2008.

Pleased with the Q307 financial performance, Malaysia Airlines' Managing Director/CEO Dato' Sri Idris Jala said, "This is indeed a very encouraging development as we have now achieved our BTP profit target one year earlier than originally scheduled. We managed to reach this pole position at a much quicker pace, through the sheer determination and dedication of our employees who rose to the challenge for the success of the BTP.

"This was also greatly assisted by the confidence shown by our shareholders and most importantly, our customers who consistently patronized our 5-star airline products and services. Malaysia Airlines is proud to be one of the elite 5-Star airlines in the world along-side Singapore Airlines, Cathay Pacific, Qatar Airways and Asiana. More and more passengers are flying on Malaysia Airlines as our seat factor has increased from 69% last year to 74% in Q307."

Jala also said, "We have indeed made tremendous progress, achieving an increase in operating profit of almost 650% from the RM48 million reported in the 2nd quarter this year. In addition, over the last 18 months, we have made radical changes in the way we are operating, simplifying processes to reduce expenses whilst investing in enhancements to our product and services to maintain our position as a 5-star airline and the preferred carrier of customers. These changes have made us much, much more competitive and efficient, but there is more to be done."

"We now have 426 ongoing initiatives for improving our products and services to further bring down our costs across the network by another 10% by the next financial year. This action by itself will translate into a cost saving of RM1 billion, that will give us greater flexibility and options to grow, build and expand our business," he added.

For the year to date ending 30 September 2007, Malaysia Airlines' net profit of RM610 million is a significant improvement over its RM258 million in losses for the corresponding period last year.

Overall revenue increased 15% to RM11.14 billion from RM9.66 billion, with passenger revenue increasing 14%. Yield increased 11%, while seat factor rose 2 percentage points to 71.7%.

Having reaped the benefits of the Alpha and Omega projects where yield has improved, Malaysia Airlines introduced a number of initiatives under Project Delta which will again provide more cost savings. The national carrier is also focused on improving its internet capability and sales penetration to reduce its GDS (Global Distribution Systems) charges which also take up a large part of its operating cost.

In addition, the airline is taking on more 3rd party work to optimize available resources at Engineering & Maintenance, and increase its capability as a major facility in the country for Maintenance, Repair & Overhaul (MRO).

The airline's subsidiary, Firefly is now flying out of Subang after obtaining Government approvals to operate from this airport, Johor Baru and Kota Kinabalu in addition to Penang. With the approvals, Firefly will be expanding to serve a total of 60 domestic and regional routes.

Looking forward, Jala said, "The oil price has reached the highest levels that mankind has ever experienced and it will negatively impact the financial performance of all airlines. In January 2007, SIN Jet was US\$69.7 per barrel and it has gone up to US\$115.00 per barrel. The 4th quarter is seasonally the strongest and we are already experiencing very strong bookings. However, our performance will be dampened by the impact of higher oil price like all other airlines.

"Bracing ourselves for tough times, we are continuously building the foundation to adapt ourselves to the needs of the immediate future. We have seen and read of many full service airlines that have buckled down because the competition was too great and costs were out of control. We are taking the cue from these painful examples and are working in a united manner, maximizing on every single opportunity to take the company to yet even greater heights of financial and operational success," he added.

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