

Media Release

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Malaysia Airlines proves resilience, records RM38 million net profit for Q308

Subang (28 November 2008): Malaysia Airlines proved its resilience and reported a net profit of RM38 million for the third quarter ending 30 September 2008.

For YTD08, it reported a net profit of RM198 million, with overall revenue increasing by 4% to RM11.6 billion.

The national carrier has delivered profits consistently for 9 consecutive quarters despite the adverse environment, which saw over 30 airlines declaring bankruptcy.

Managing Director/ Chief Executive Officer, Dato' Sri Idris Jala said, "We made money and this is almost impossible in such adverse times. If oil price had remained at USD100/bbl like last year, we would have met our target of up to RM1 billion for 2008, and achieved our BTP 2 target of "outstanding" performance as stipulated in our 2008 corporate scorecard.


"However, oil price went to highs never seen before and this hit every airline. Although crude oil price has tapered off, the current financial crisis will result in many bankruptcies and it will take 2-3 years for the aviation industry to fly out of this crisis. IATA has predicted that airlines worldwide, in all likelihood, will probably report combined losses of as much as USD5.2 billion in 2008."

Despite the global economic slowdown and its fuel bill increasing by an astronomical 56% or RM872 million to RM1.9 billion, Malaysia Airlines maintained its revenue at RM4.1 billion in Q308. Its revenue was sustained by its operating performance and non-fuel expenses which reduced significantly by 14% to RM2.2 billion. Passenger revenue was up 4% to RM2.9 billion while cargo reported a revenue of RM589 million.

The key measures of an airline's profitability - yield and Revenue per Available Seat Kilometre (RASK) - grew by double digits. Yield was up 17% to 31.7 sen/RPK while RASK increased 11% to 22.1sen/ASK.

Jala also said, "The question now is which airline can innovate fast enough to overcome the challenges. Nibbling at the edges of what used to work is not good enough. With our track record, and by fundamentally changing the way we work, we are quickly transforming into The World's Five Star Value Carrier.

"We are also pushing ahead with our innovative initiatives. A key project is Project Pit Stop which revolves around reducing aircraft turnaround time by being more efficient in the way we work. We will start this project with the B737-400 planes for domestic flights on 1 December 2008. This will free one aircraft and since this one aircraft can do 8 flights a day, we plan to offer more frequencies for key domestic routes."



In May this year, Malaysia Airlines launched Everyday Low Fares or ELF which saw its online revenue growing 150%. Likewise, its All Inclusive Low Fares promotion which was the cheapest deal in town pushed sales in Australia up by 1700%, Malaysia by 400%, and ASEAN, 140%. Sales of normal fares have also increased.

“We have passed our cost efficiencies on to our customers by offering low fares. We are priced very competitively. Our competitor analysis on a route by route basis shows that some airlines who reduced or removed their fuel surcharge have raised their fares or maintained relatively high fares while airlines which did not lower their fuel surcharge have reduced their fares.

“So, what the customers ultimately pay for is the same in both cases. At the end of the day, it is the total sum of the parts that counts. After all, customers pay for both the fares and fuel surcharge. The total amount must be competitive which is why our All Inclusive Low Fares have been extremely popular with our customers,” he added.

Remaining focused on the MH Customer Value Proposition, and emphasizing safety, quality and efficiency, over the past 18 months Malaysia Airlines has actioned some 700 initiatives. With an 80% closure rate, these initiatives have resulted in cost efficiencies of RM427 million in Q308. For YTD08, Malaysia Airlines achieved cost efficiencies of RM900 million, and is on track to reach its RM1 billion target for FY08.

In addition, the national carrier continues to be rated as having one of the best cabin services of any airline in the world and won 16 awards for the quality of its products and services in this year alone.

“We will take delivery of 3 leased 737-800 planes next year which we will use to add frequencies for key regional routes such as Bangkok and Jakarta where there is high demand from business passengers. It’s the perfect solution for us as lease rates have come down, and these aircraft are the perfect fit for these routes. We also have plans to offer new routes and will announce this later,” he elaborated.

Jala also said, “Compared to 2005 when we lost RM1.3 billion, we have a strong balance sheet, RM4.8 billion in cash and a low debt position. With the credit crunch, and in an environment where financing is almost impossible and when available, comes at an extremely high cost, cash is king. We are in a good position to capitalize and ride on any opportunities that may arise.”

He added that Malaysia Airlines is continuously reviewing all aspects of its operations to boost revenue. A key potential is the Maintenance, Repair and Overhaul business, where Malaysia Airlines can offer around 50% of available man hours to cater to the needs of 3rd party maintenance.

With the fuel-efficient ATR72 aircraft joining Firefly, Malaysia Airlines can expect yield and revenue improvements when Firefly expands its network to Indonesia and Thailand.

Aviation Week, a major aviation magazine has ranked Malaysia Airlines the second top airline amongst all the full service airlines in the world as being in the best shape to face the current challenges citing the underlying survivability factors as underpinned by disciplined operational improvements, sound management, focus on efficiency and liquidity.

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