



PRESS RELEASE:

Deccan Aviation Records Improvement in all Operating Parameters

Bangalore, 31 January 2008

Deccan Aviation turnover for the 2nd quarter ended December 31, 2007 recorded a growth of over 14% to INR 5772.9 Mn (in comparison to INR 5402 Mn., excluding one off income, in the second quarter of the previous financial year). The increase in turnover is largely the result of improved yield, which reflect the airlines' repositioning as a high value carrier. Average ticket values for the period were about 12% higher than the corresponding quarter of the previous year.

The travelling public has responded positively to Deccan's improved On Time Performance and substantial reduction in cancellation, compared to any period in the past. Other measures including retraining of customer facing staff, improved quality of on ground and in air services, have also contributed to a perceptible improvement in the customer experience. This forms the foundation for aggressive growth plans and enhanced capacity utilization going forward.

While the benefits of combining the operation of Kingfisher Airlines and Deccan Aviation are yet to flow through, pending national roll out, the quarter under review witnessed a high impact rebranding exercise with attendant one off costs. These one off costs also include the cost of having part of the fleet on ground throughout the period for refurbishment and repainting.

Despite a steep increase in the average cost of ATF amounting to over 13% over the corresponding quarter of the previous year, the company was able to operate at EBITDAR positive levels during the quarter without relying on any exceptional inflows from non operation sources.

After applying capital related costs i.e. interest, lease rentals and depreciation and accounting for the one off expenses pertaining to rebranding, the company reported a net loss of INR 1908 Mn.

While competitive environment remains intense, the company is hopeful that there will be easing of pressure on the infrastructural front over the next several months. Accenture, the leading firm of consultants have been engaged to identify areas of revenue enhancement and cost control. Their initial report has identified multiple areas for potential profit improvement, key among which are rejigging the network so as to enhance the utilization of the combined fleet of 81 aircraft, as also leveraging the benefits scale to significantly bring down various heads of cost. These ideas are in the process of translation and the benefits from implementation will begin to flow through from the second half of the year.

Mr. Ramki Sundaram, Officiating CEO Deccan said, "Going forward, our objective of profitable growth is intertwined with our ability to be consistently safe, reliable and customer friendly in our operations. The last quarter gave an example of our performance vs. objectives set:

- A new customer friendly cancellation policy was rolled out in October 2007 which aims at providing our guests more options when it comes to rescheduling and cancellations.
- Rebranding and customer focus on all touch points
- Realigned focus on Yield management

In recognition to the performance, Galileo Express Travel World adjudged Deccan as India's best domestic low cost carrier for 2007.

Positive EBITDAR is a milestone achievement considering the industry performance and going forward, the growth trend will continue."

About Deccan Aviation

Deccan Aviation operates scheduled and non-scheduled air services in India. The non-scheduled charter company with a network of seven bases spanning locations across the country has a fleet of 10 helicopters and 3 fixed-wing aircraft deployed across all the bases.

Deccan is the scheduled airline of Deccan Aviation. Launched in August 2003, Deccan's affordable fares and value added facilities have created a niche in Indian aviation and realized the aspirations of millions of Indians. The Deccan - Kingfisher combine is the largest airline in Indian aviation connecting 71 destinations and operating over 570 flights daily with a fleet of 81 aircraft. Deccan presently flies to 63 destinations nation wide with a fleet of 41 brand new aircraft and operates 301 flights daily. Following Deccan's strategic alliance with The UB Group owned Kingfisher Airlines, Deccan has embarked on a renewed phase of growth and enhancement making itself the airline of choice for the metro and non metro traveler alike.

Forward looking and cautionary statements

Certain statements in this release concerning our future growth prospects are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. We do not undertake to update any forward looking statement that may be made from time to time by us or on our behalf.

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