

AirAsia

“Now Everyone Can Fly”



First Quarter 2006 Results
29th November 2005

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Agenda

- 1. Highlight & Events**
- 2. Results Commentary**
- 3. Cost Management**
- 4. Outlook**

Supplementary Information



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1. Highlight & Events



Key Highlights

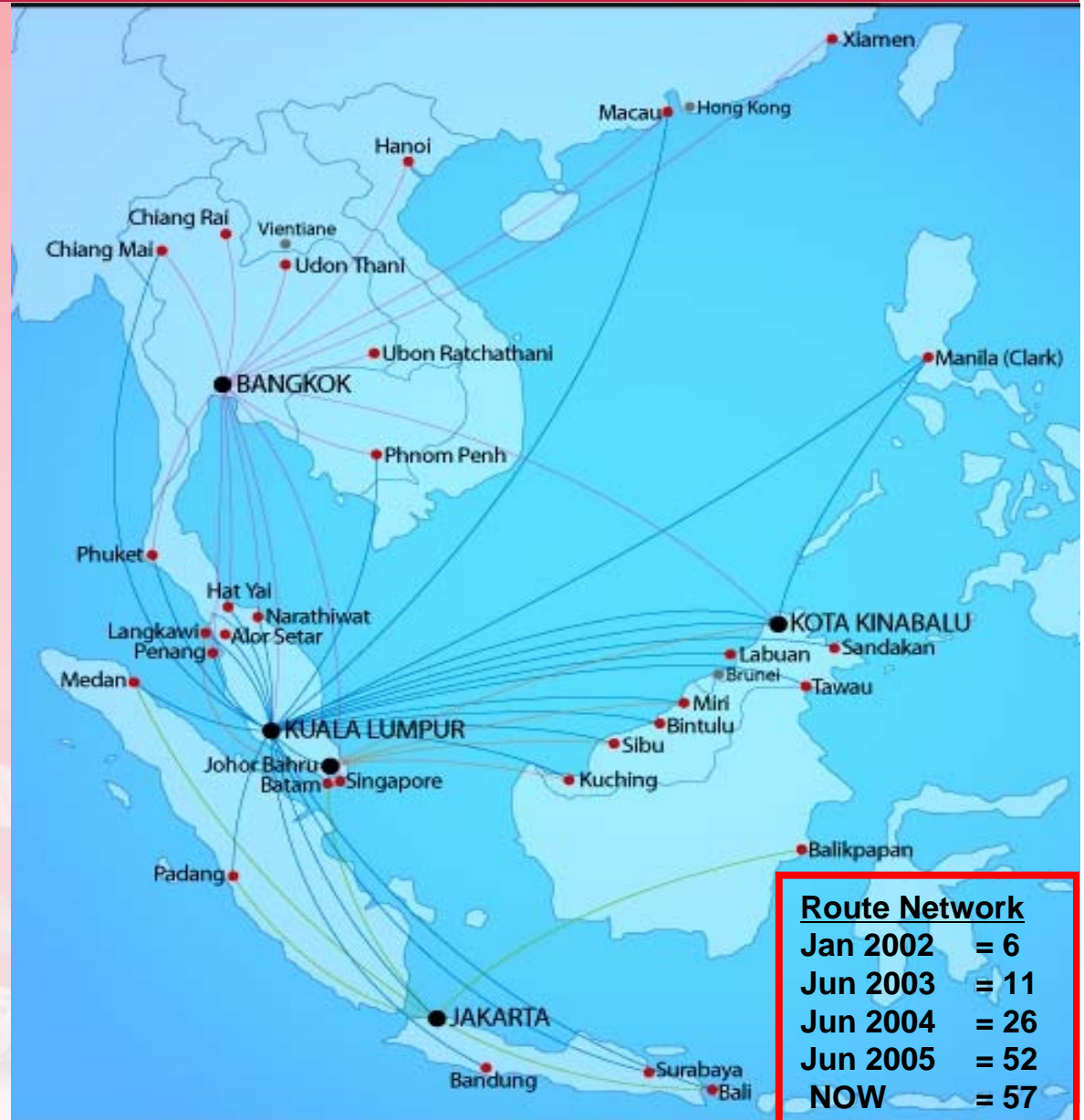
- ❑ Net Income of RM11.8 million
 - growth of 13% YoY on the back of 50% revenue growth
 - EBITDAR growth superior to most other listed Asia-Pacific carriers
- ❑ Strong growth profile maintained
 - passenger numbers grew 21% YoY
 - average fare increased by 18% YoY
- ❑ Encouraging performance by the associates
 - Thailand operations profitable
 - Indonesia start-up losses kept to a minimum
- ❑ Group fleet rose from 27 to 31 aircraft
- ❑ LCC terminal construction progressing ahead of schedule
 - expect to commence operations by end of first quarter 2006

Other Developments

- ❑ Fuel fully hedged for FY2006 requirements
 - hedge crude component, WTI quoted
 - refining margin (crack) exposed spot markets
- ❑ Ministry of Finance granted Investment Income Allowance
 - scope for minimal tax payments for the foreseeable future
- ❑ Acquired full ownership of “CrunchTime”
 - restructured business to address underperformance
- ❑ Launched 5 new routes
 - Jakarta – Batam
 - Kuala Lumpur – Chiang Mai
 - Kuala Lumpur – Phnom Penh
 - Bangkok – Hanoi
 - Bangkok – Phnom Penh

Highly Efficient Route Network

- ❑ Over 14 million passengers carried to date
- ❑ Maximize load factor thru flight connections and network efficiency
 - 25 minute turnaround
 - high aircraft utilization, c13 block hours / day
 - most diversified network in South East Asia



Recent Routes Launched

Jakarta – Batam	Sep
KL – Chiang Mai	Oct
KL – Phnom Penh	Nov
Bangkok – Phnom Penh	Nov
Bangkok – Hanoi	Nov

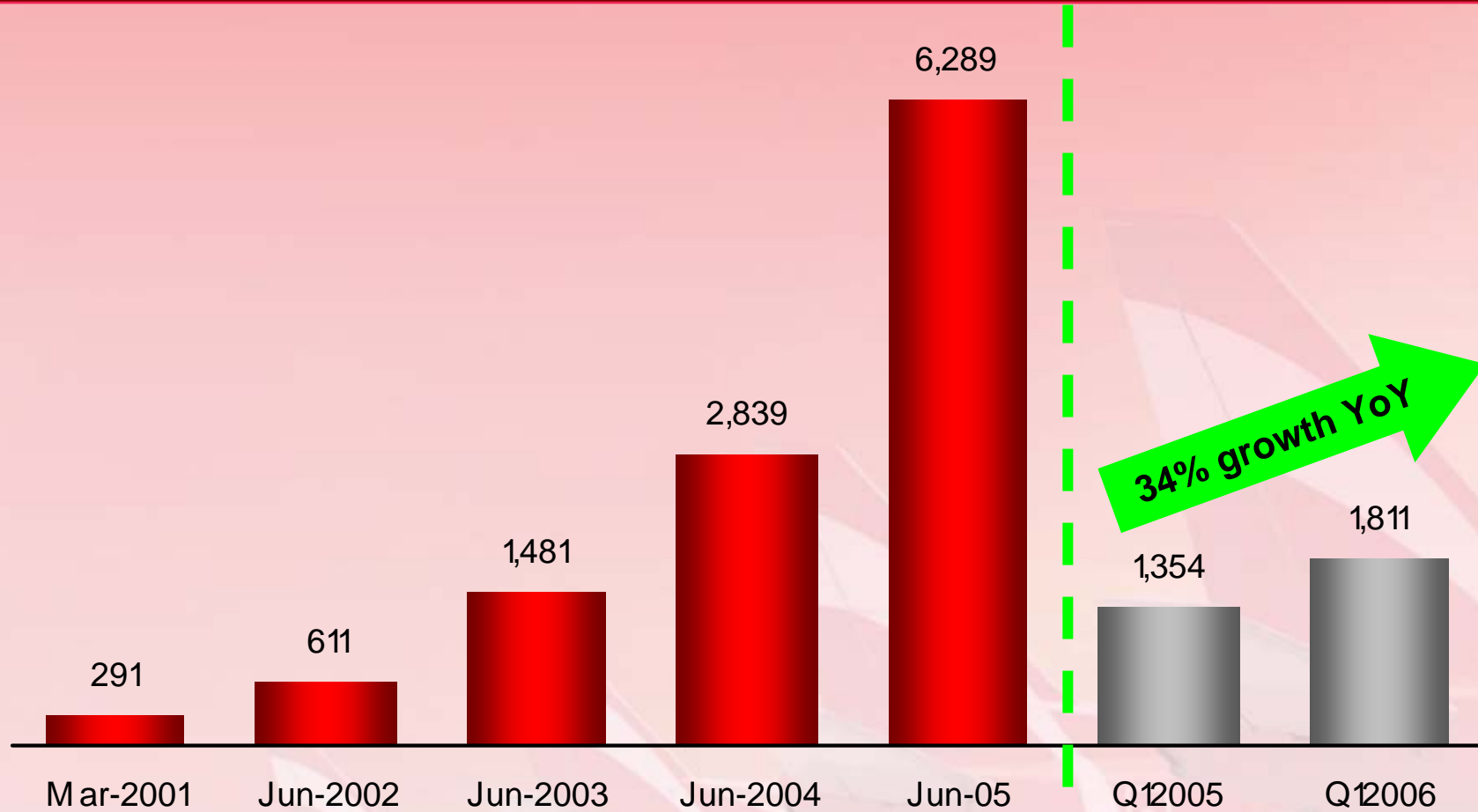
Route Network

Jan 2002	= 6
Jun 2003	= 11
Jun 2004	= 26
Jun 2005	= 52
NOW	= 57

Consistent passenger growth



Passengers Flown by AirAsia Group ('000)



→ There is no stopping the LCC phenomenon

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2. Results Commentary



Operational Statistics

- ❑ Strong passenger growth
 - 21% growth
- ❑ Effective capacity growth
 - 47% growth
- ❑ Superior cost control
 - 2.41/ASK US cents, 16% rise YoY – primarily due to fuel price hike
 - 1.24/ASK US cents excluding fuel, 5% improvement YoY
- ❑ Improving fares and yield value despite longer trip length
 - 18% improvement in fares to RM144
 - 10% improvement in yields to 3.61/RPK US cents
- ❑ Load factor as per Management's expectations

Operational Statistics

Operational Statistics	Q1 2006	Q1 2005	Δ (%)
Average Load factor	70%	77%	
# Passengers	1,192,692	984,621	21%
Average fare (RM)	144	122	18%
RPK (mn)	1358	1017	34%
ASK (mn)	1953	1326	47%
Rev/RPK (US cents)	3.61	3.27	10%
Cost/ASK (US cents)	2.41	2.08	16%
# aircraft (end)	22	18	22%
Average # aircraft	18.76	13.85	35%

Thailand coming along nicely

Thailand Statistics	Q1 2006	Q1 2005	Δ (%)	FY2005
Average Load factor	76%	84%		73%
# Passengers	445,505	369,340	21%	1,603,594
Average fare (THB)	1231	992	24%	1194
RPK (mn)	437	314	39%	1452
ASK (mn)	574	371	55%	1982
Rev / RPK (US cents)	3.16	2.89	9%	3.31
Cost / ASK (US cents)	2.48	2.89	(14%)	2.66
# aircraft (average)	6.00	3.87	55%	6.00

- Improving average fare and yields
- Cost control on track with expectations
- Expected to contribute profit to the Group

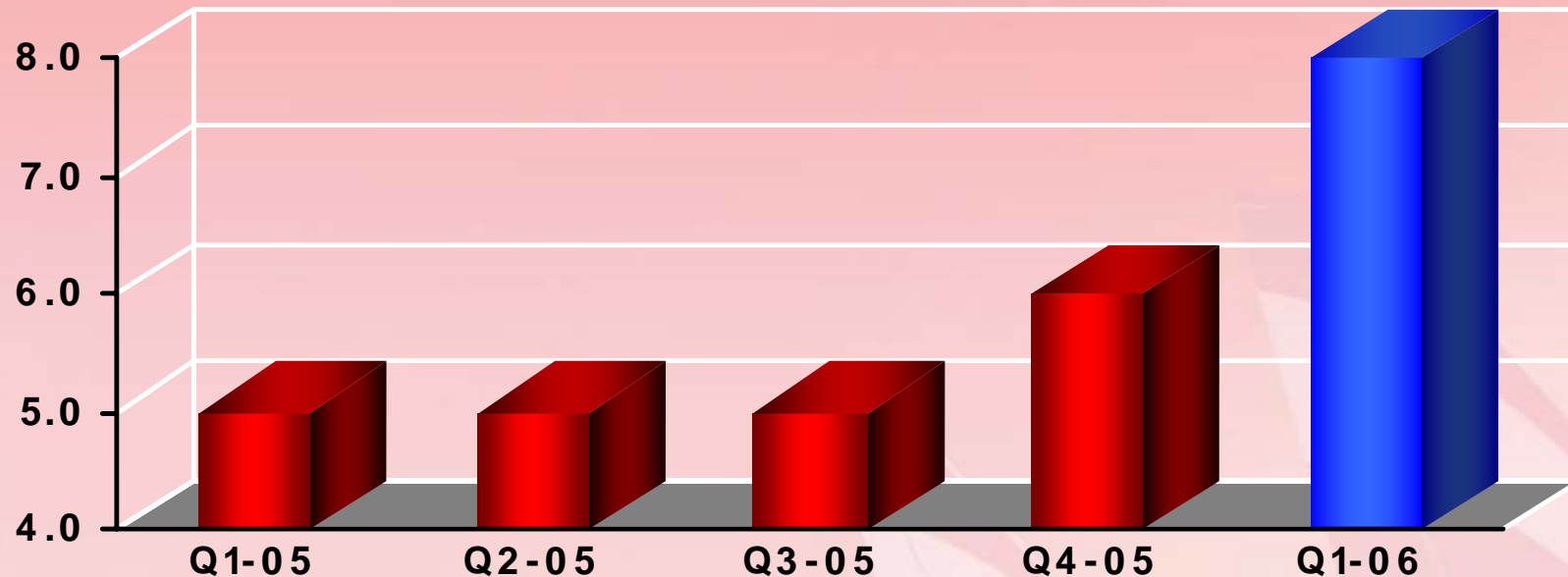
Profitability

(RM '000)	Q1 2006	Q1 2005	Δ (%)	Margins (%)	
				Q1 2006	Q1 2005
Revenue	186,277	124,198	50%		
EBITDAR	34,324	32,786	5%	18.4%	26.4%
EBIT	7,460	15,509	(52%)	4.0%	12.5%
Net Income	11,789	10,478	13%	6.3%	8.4%

- ❑ Profit growth achieved
 - despite sharp rises in operational cost
- ❑ Profit margin depressed due to cost escalations
 - unit cost for fuel is 39% higher than same period last year
 - higher headcount of technical staff in preparation for Airbus A320

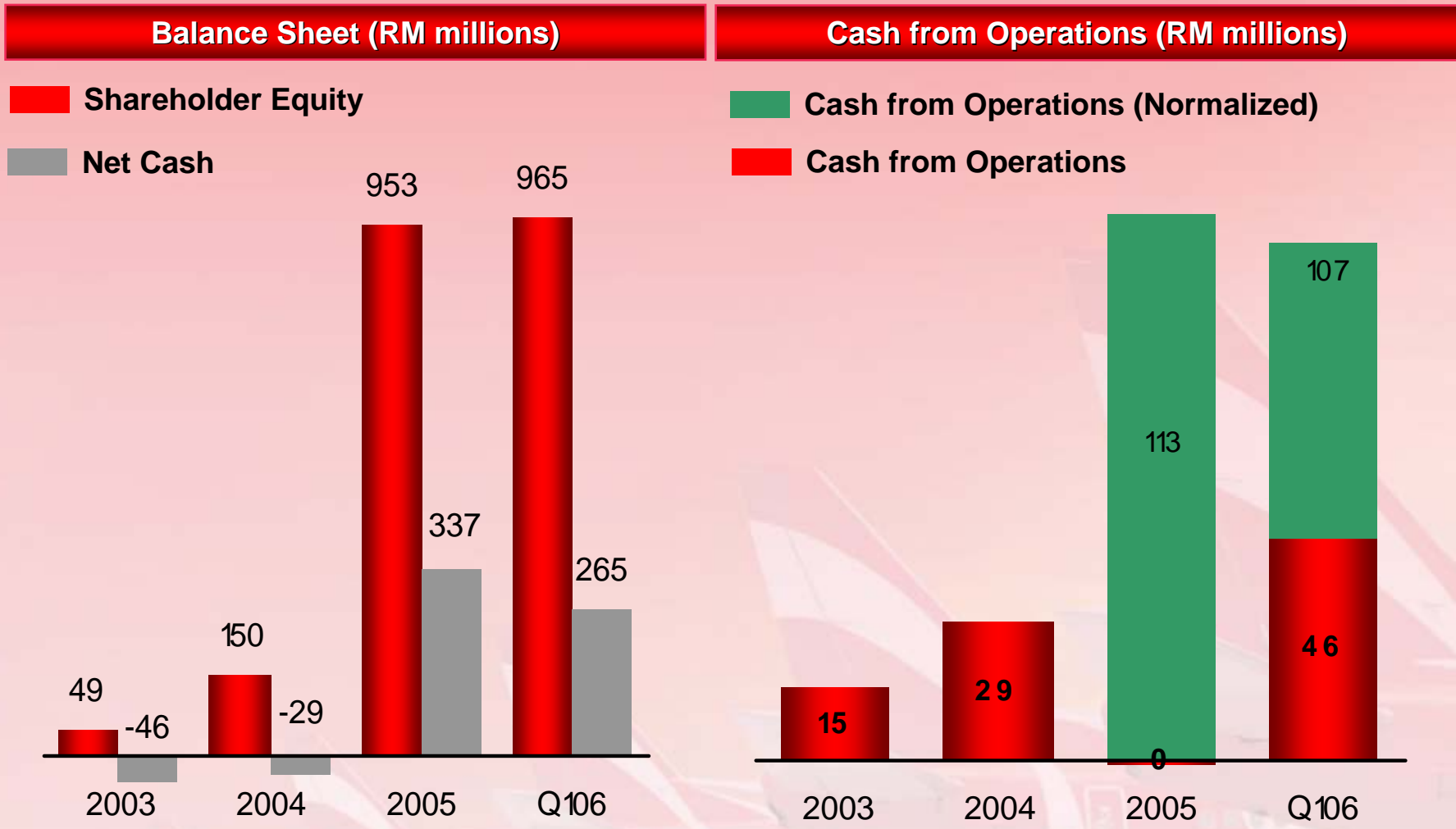
Ancillary Income Progress

Ancillary Income as % Revenue



- ❑ Positive developments from new ancillary sources
 - Go Car, in-flight advertising
- ❑ Ancillary income will continue to grow going forward
 - Crunchtime restructured and contributing profits
 - strong credit card subscription in Malaysia, Singapore & Thailand
 - cargo contributions

Continuously Strengthening our Books



➔ Lower cash levels reflect aircraft deposits

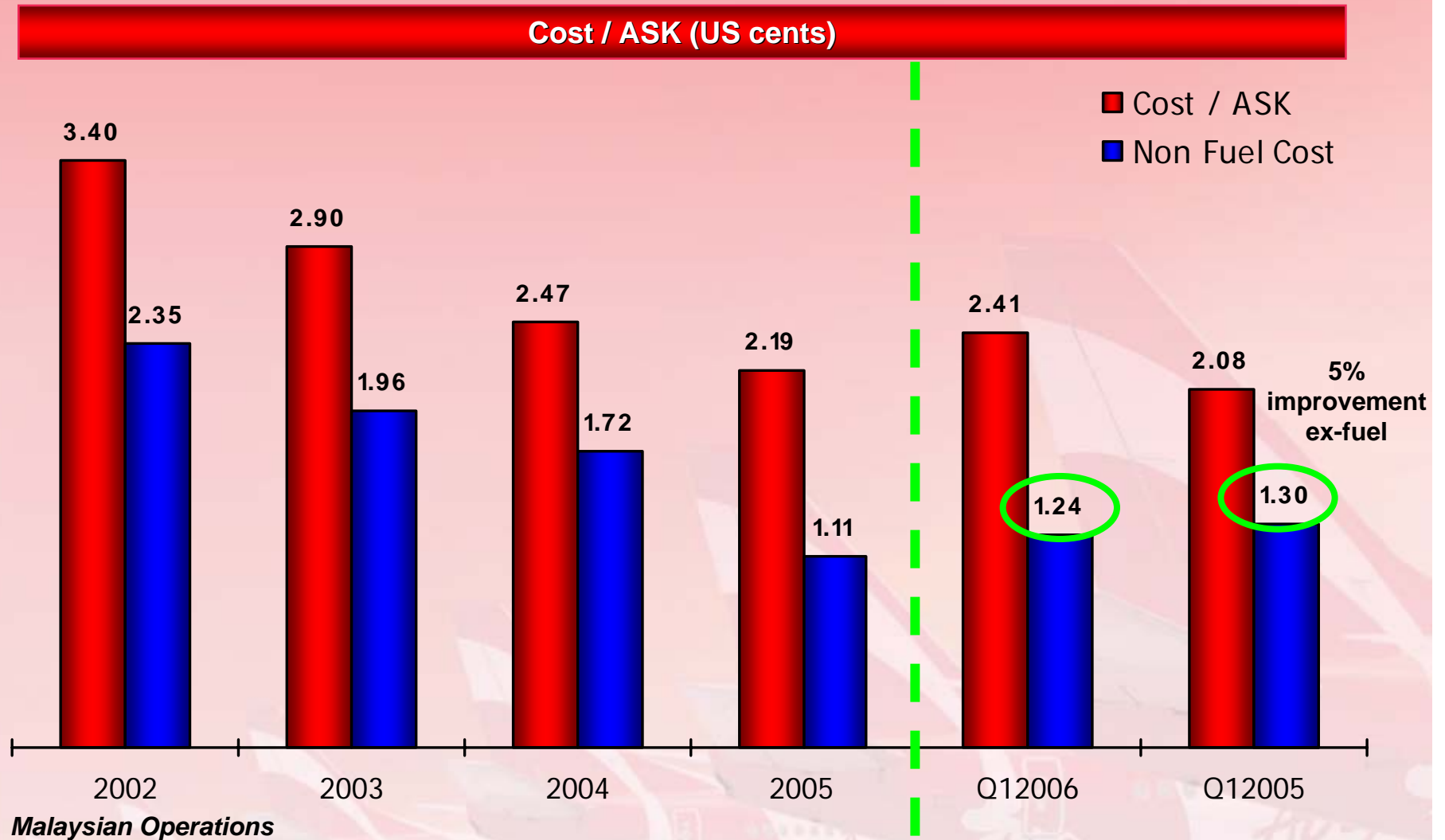
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3. Cost Management



Cost Management



Superior cost containment despite fuel price impact

Operating Expenses

Operating Expenses (RM '000)	Q12006	Q12005	% Revenue	
			Q12006	Q12005
Revenue	186,277	124,198		
– Staff Cost	(28,996)	(15,936)	15.6%	12.8%
– Fuel and Oil	(87,114)	(44,283)	46.8%	35.7%
– User & Station Charges	(11,949)	(6,117)	6.4%	4.9%
– Maintenance & Overhaul	(18,884)	(19,455)	10.1%	15.7%
– Others	(5010)	(5,621)	2.7%	4.5%
EBITDAR	34,324	32,786	18.4%	26.4%
- Cost of aircraft	(14,089)	(12,344)	7.6%	9.9%
EBITDA	20,235	20,442	10.9%	16.5%
- Depreciation & Amortisation	(12,775)	(4,934)	6.9%	4.0%
EBIT	7,460	15,509	4.0%	12.5%
Net Income	11,789	10,478	6.3%	8.4%

Cost / ASK – what changed from last year to this year?



2.41 (2006) vs. 2.08 (2005) {16% cost rise}

<i>(US cents)</i>	Cost per ASK	Change (%)	Reasons	
	Maintenance & Overhaul	0.25	-34.1	Fewer heavy checks
	Cost of aircraft	0.19	-22.5	High utilization & longer stage
	Other costs	0.07	-48.1	Effective marketing
	Staff	0.39	23.5	Technical staff recruitment
	Fuel and Oil	1.17	50.5	Fuel price spiking
	User & Station Charges	0.16	32.6	More international route mix
	Depreciation & Amortization	0.17	75.8	Purchased some aircraft
Total Cost per ASK		2.41	16.0%	

Investment Allowance Incentive

Ministry of Finance approved an “*Investment Allowance Incentive*” to AirAsia on 14 October 2005

- Income tax exemption for capital expenditure
 - 60% exemption on ‘qualifying capex’ during the period 1 July 2004 to 30 June 2009
 - this is in addition to the normal 100% allowance for capex

→ *AirAsia will pay minimal taxes for the foreseeable future*

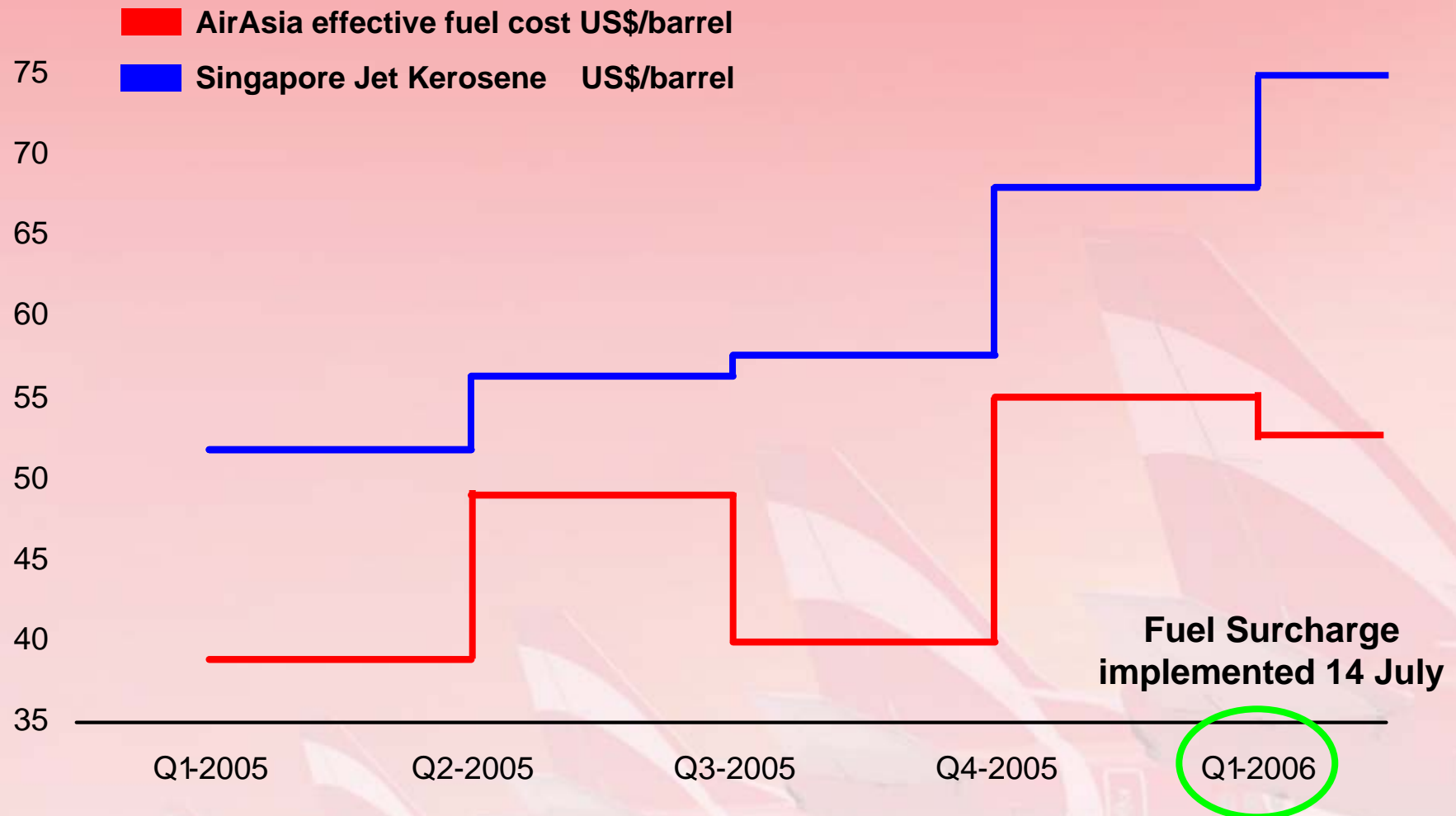
Fuel – actively managing the price hike

- ❑ WTI Crude Oil Capped Swap for FY2006
 - discount of US\$ 12 / bbl for WTI above US\$ 54 /bbl
 - FY2006 requirement fully covered
 - Insurance cover in place at US\$70/bbl for WTI (AirAsia never pays >US\$58/bbl)
 - ➔ ***Roughly US\$12/bbl discount to market***

- ❑ Fuel surcharge implemented 14 July
 - Peninsular Malaysia RM 5
 - East Malaysia RM 15
 - International RM 30
 - US\$4/pax vs. US\$16 industry; 9% of average fare vs. 16% for industry
 - ➔ ***Recovery of \$ 8~10 / bbl fuel equivalent***

Equivalent Recovery: cUS\$ 20/bbl

Track Record of Handling fuel Price Hike



➔ Fuel surcharge is necessary to mitigate the fuel price hikes

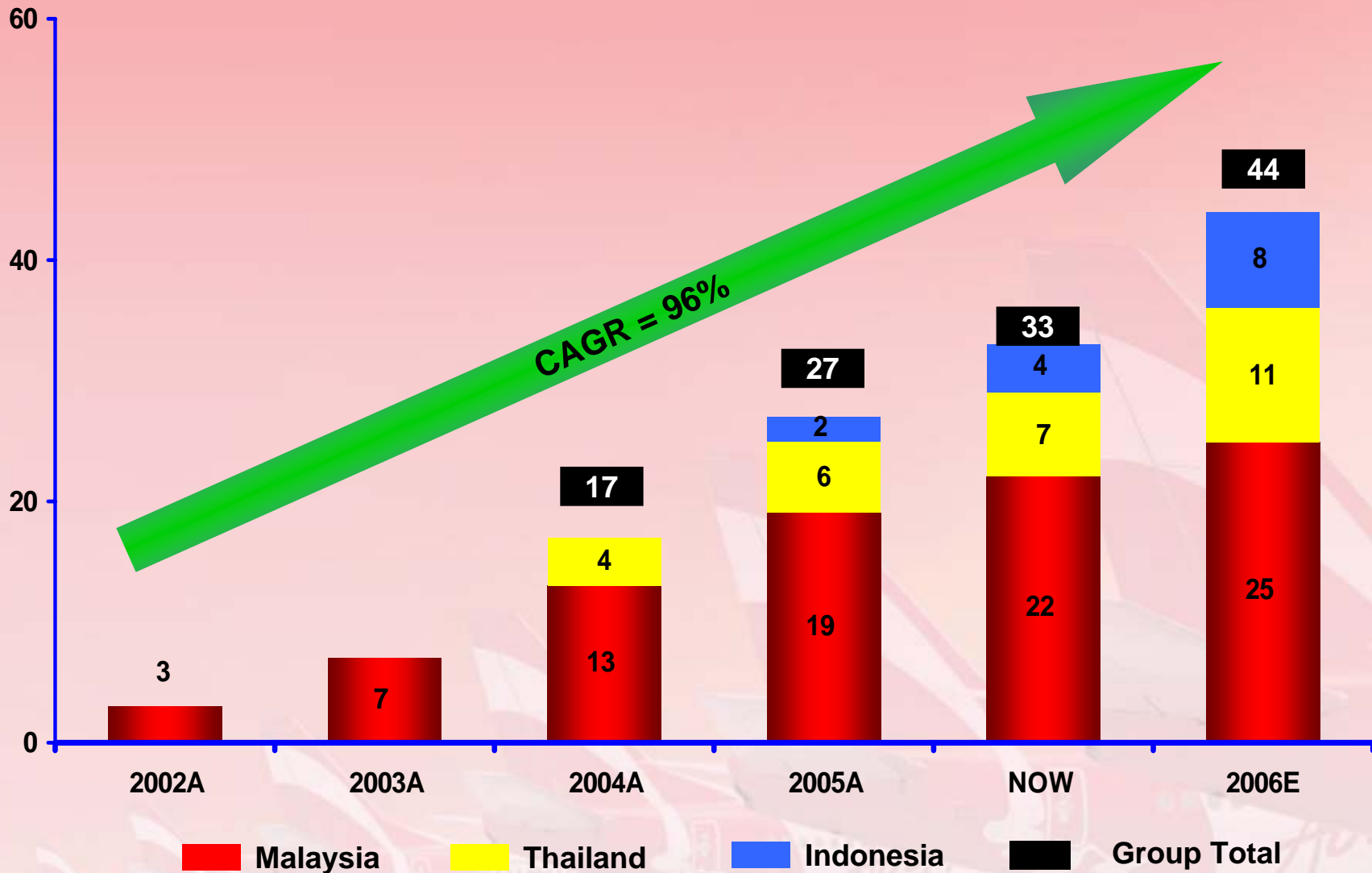
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6. Outlook



Fleet Plan to Facilitate Profitable Growth



Substantial Expansion Opportunities

- Increase frequencies
 - KL-Macau (2x daily)
 - BKK – Macau (3x daily)
 - Jakarta-KL (4x daily)

- Introduce cross connectivity
 - KL-Chiang Mai

- Expand into attractive markets across Asia
 - Cambodia & Vietnam
 - venturing into new countries (Indo-China, China, Brunei)

- New Routes Under Target
- New Cross Connectivity





Malaysia – Going Strong



- ❑ Strong Growth Profile Expected to Continue
 - # aircraft now = 22; expecting 23 by end FY2006
 - budgeting ASK growth between 40 - 45% vs. FY2005

- ❑ Waiting for Government's directive to rationalize domestic route
 - potential for MAS to rationalize domestic operations
 - significant upside potential from a new improved schedule (reduction of excess capacity and create separation in departure times)
 - this will hasten AirAsia's expansion within Malaysia

→ should occur within a year

- ❑ Malaysia Airlines (MAS) increased fuel surcharge on 15 Sept for regional travel, second time this year
 - this has expanded the price gap between MAS and AirAsia



Thailand – turnaround achieved



- ❑ Strong Growth Profile Expected to Continue
 - # aircraft now = 7; expecting 11 by end FY2006
 - budgeting ASK growth between 70-75% vs. FY2005
- ❑ Competition is immobile
 - no growth at One-Two-Go
 - Nok Air only growing as it takes TG's domestic "cast offs"
- ❑ Average fares and passenger numbers improving
- ❑ Benefiting from increased business scale



Indonesia

- ❑ Strong Growth Expected to Continue
 - # aircraft now = 4; expecting 8 by end FY2006
 - budgeting capacity between 2000-2500 million ASK
- ❑ Encouraging support seen, depicted by high load factor (proof that the model has appeal in Indonesia)
- ❑ Fragmented and far flung market; huge potential to target



AirAsia - Concluding Remarks

- ❑ World's lowest cost carrier
- ❑ Industry leading customer service and innovative delivery
- ❑ Disciplined and structured growth out to 2010
- ❑ Airports and bases plentiful; no shortage of new markets
- ❑ 100 new aircraft facilitates growth to over 30m pax pa
- ❑ Profit growth should accompany our expanding scale

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Supplementary Information



Working Example – Fuel Hedge FY2006

- ❑ WTI Crude Oil Capped Swap for FY2006
 - discount of US\$ 12 / bbl for WTI above US\$ 54 /bbl
 - FY2006 requirement fully covered
 - refining margin (crack) is open to spot market

Formula = Crude oil (with hedging mechanism) + crack

Eg 1: WTI = \$55 / bbl, crack = \$10 / bbl

AirAsia pays = (\$55 / bbl - \$12 / bbl) + \$10 / bbl = \$ 53 / bbl

Eg 2: WTI = \$54 / bbl, crack = \$5 / bbl

AirAsia pays = (\$54 / bbl - \$12 / bbl) + \$5 / bbl = \$ 47 / bbl

Eg 3: WTI = \$40 / bbl, crack = \$10 / bbl

AirAsia pays = \$40 / bbl + \$10 / bbl = \$ 50 / bbl

Working Example – Tax Allowance

❑ Accounting Criteria

- capital allowance dispersed over four years; 20% initial allowance and 20% pa annual allowance
- Investment allowance may be deducted up to 70% of statutory income

*assume Capex 100 for this example

Revenue	200	
<u>Expenses & tax adjustments</u>	<u>-100</u>	GAAP allows 100% deduction of Capex
Adjusted Income	100	
<u>Capital Allowance</u>	<u>-40</u>	20% initial + 20% annual allowance
Statutory Income	60	
<u>Investment Allowance</u>	<u>-42</u>	Total investment allowance is 60, but can deduct maximum 70%; balance to be carried forward
Taxable Income	18	This is the only taxable portion