

AMAZING  
*AirAsia*



# Second Quarter 2007 Results

28 February 2007

Voted #1 Airline Brand in Asia's Top 1,000 Brand Survey

[airasia.com](http://airasia.com)

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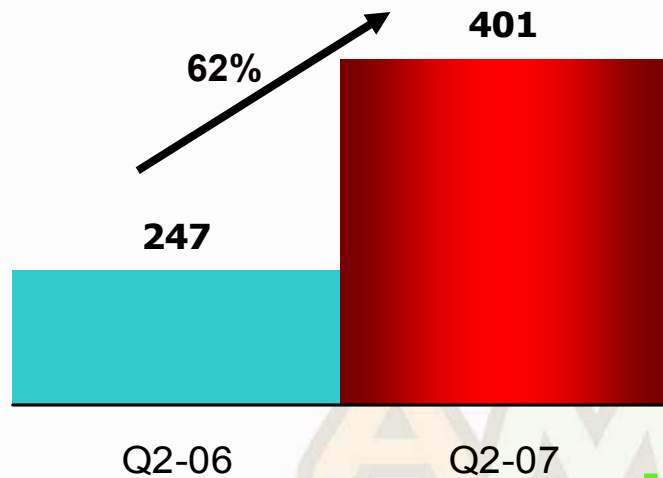
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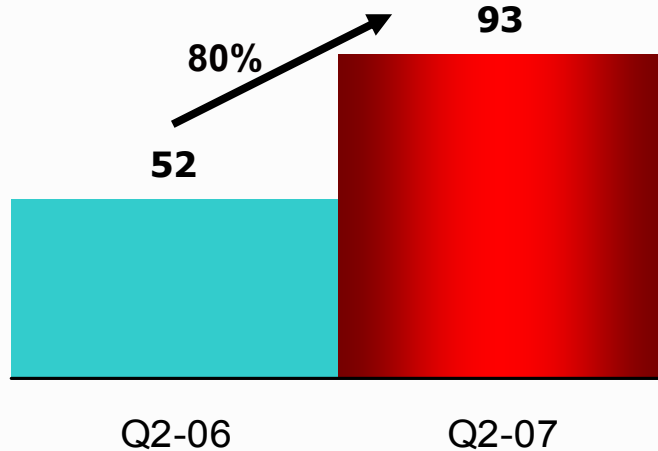
# Delivering Growth, Delivering Record Profits



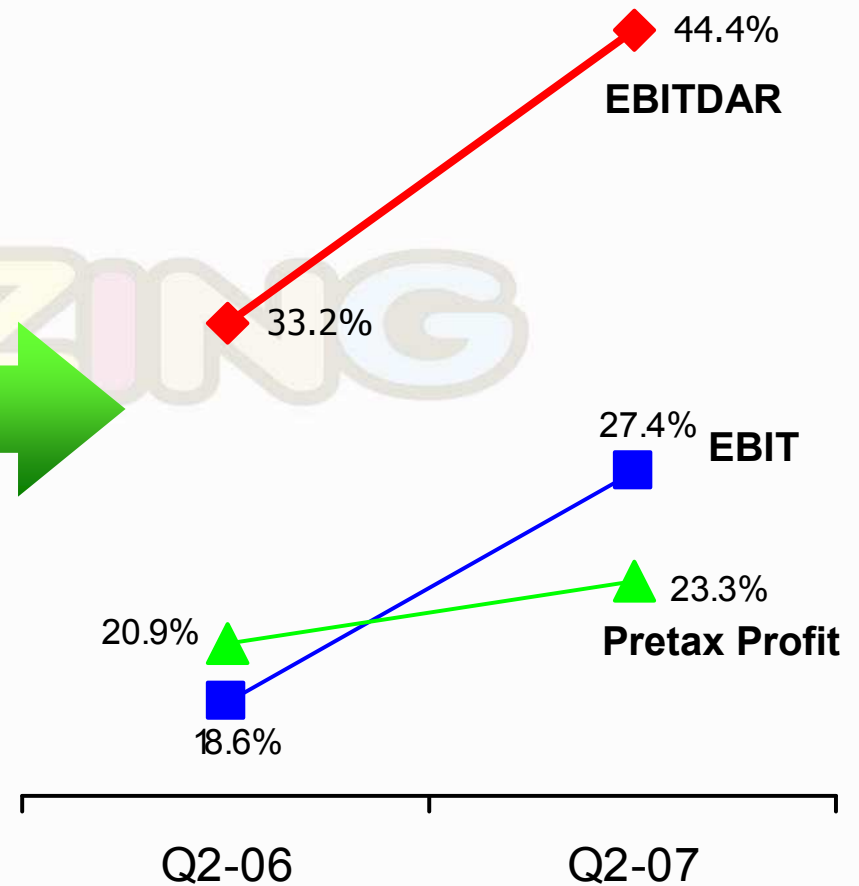
Revenue (RM million)



Pretax Profit (RM million)



Profit Margins



# Key Highlights of Second Quarter

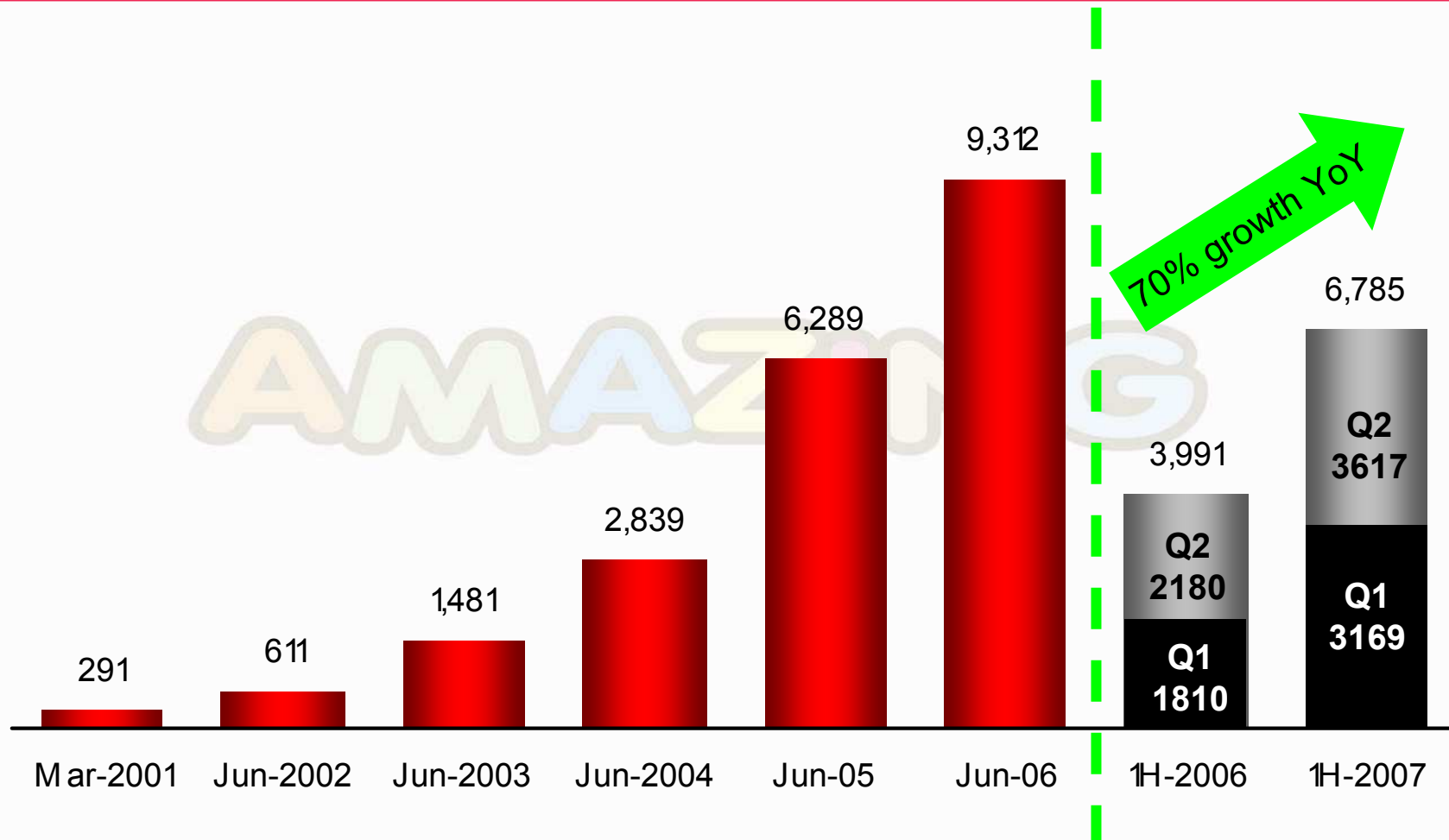


- ❑ First true quarter of fair market competition with no subsidies
- ❑ Profit before tax of RM93.3 million
  - record pretax profit margin of 23.3%
  - lowest cost airline in the world 2.66 US¢ / ASK
  - despite investment in KK & Kuching hub (enduring start-up losses)
- ❑ Robust disciplined growth
  - fleet size rose from 46 to 49 (end of second quarter)
  - capacity growth of 52% and passenger growth of 69% YoY
  - load factor of 82%
  - domestic market share to 51% in December
- ❑ Associates profitable despite challenging operating environment
  - Thailand delivered 13% EBITDAR margins
  - Indonesia delivered 14% EBITDAR margins

# Growth, Growth, Growth



Passengers Flown by AirAsia Group ('000)



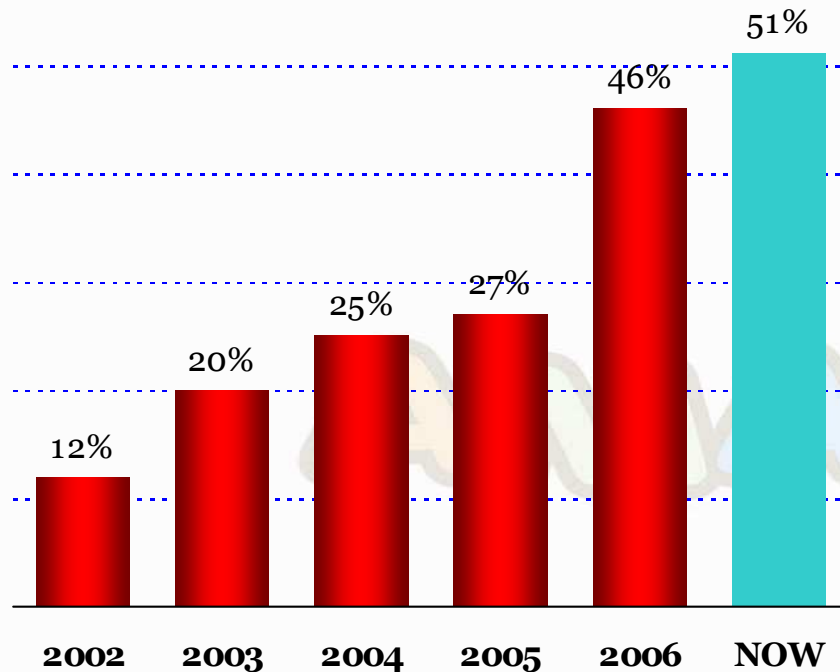
70% growth YoY

→ There is no stopping the LCC phenomenon

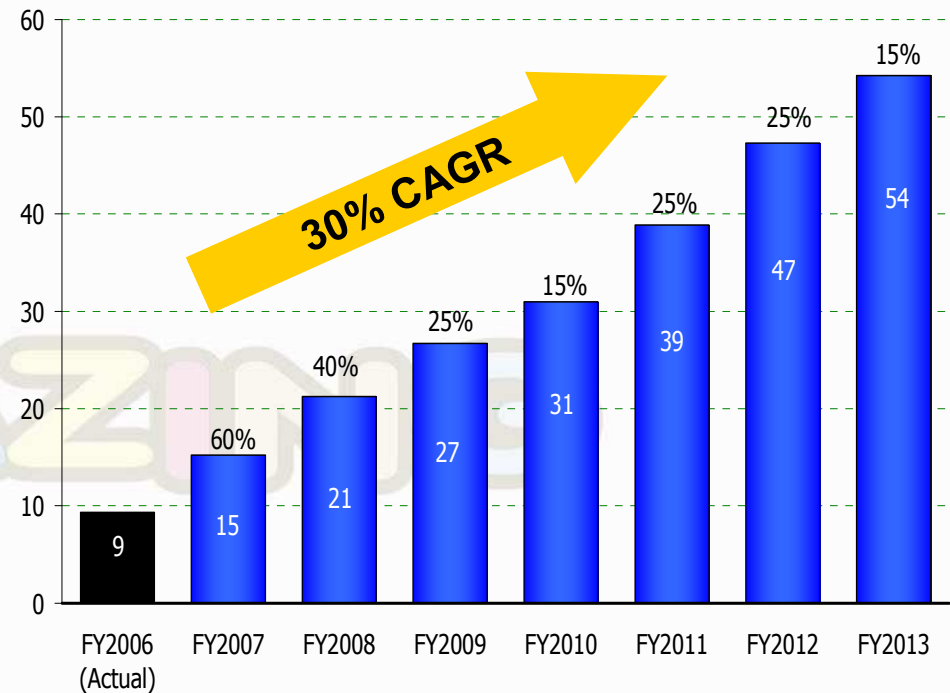
# Capturing Market Share & Growing the Market



## Domestic Market Share

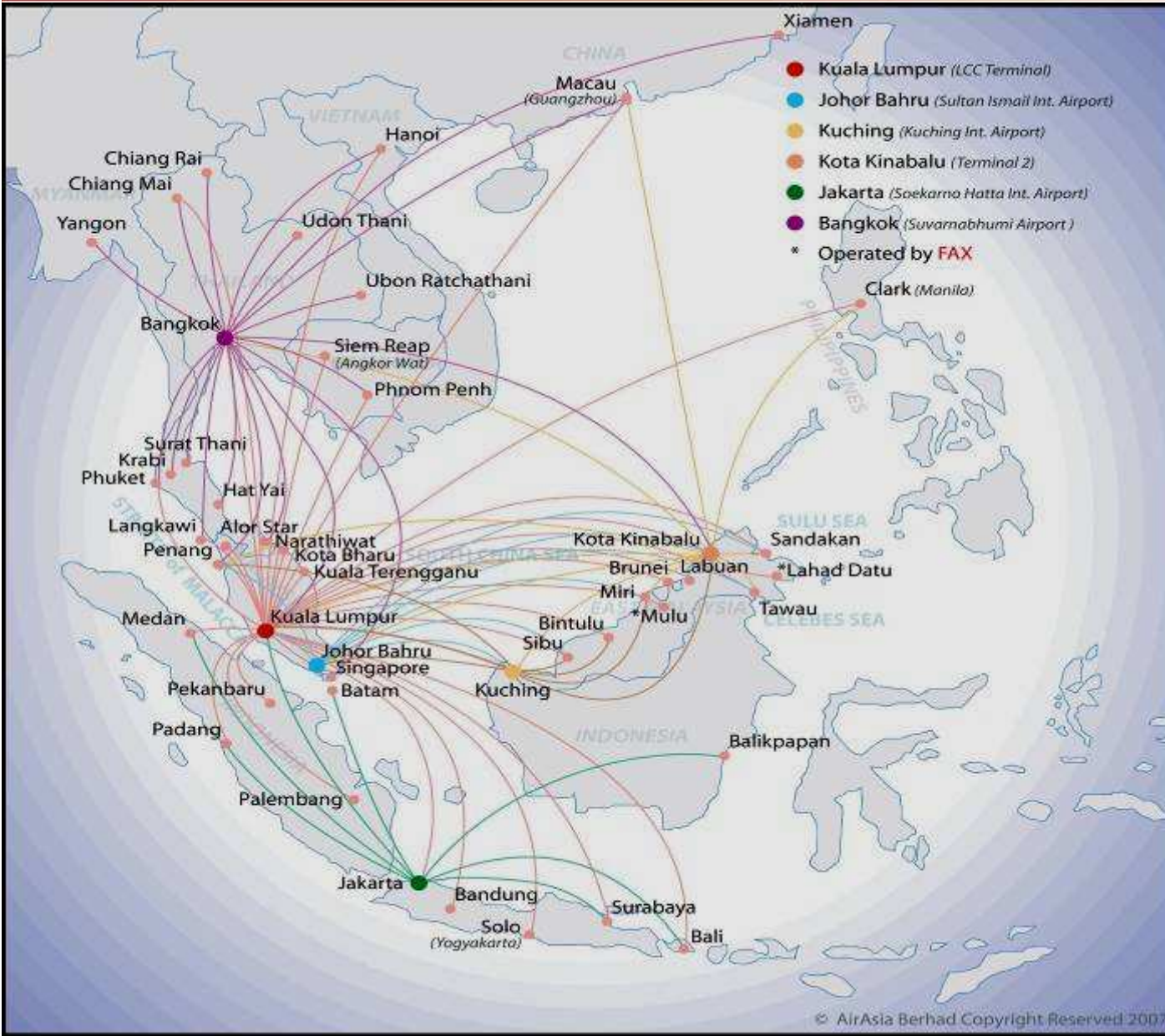


## Passenger Projection to FY2013



- ❑ Liberation of domestic Malaysian market facilitates strong market share expansion
- ❑ Robust demand for low fares facilitates continuous growth

# Painting the Sky Red



Period	Destinations Served
Jan 2002	6
Jun 2003	11
Jun 2004	26
Jun 2005	52
Jun 2006	65
NOW	75

## Latest Routes

- KK – Penang
- Kuching – Penang

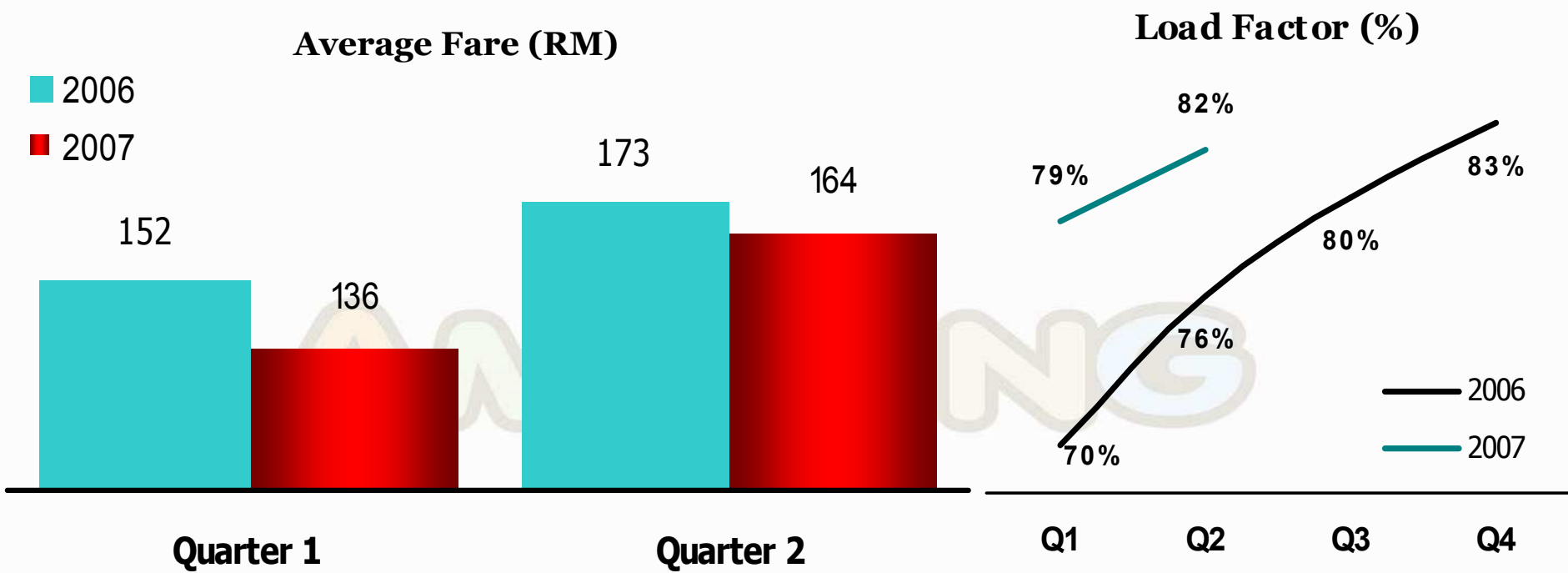
## Upcoming Routes

- KL – Jogjakarta

# Results Commentary



# Growth through Aggressive Pricing

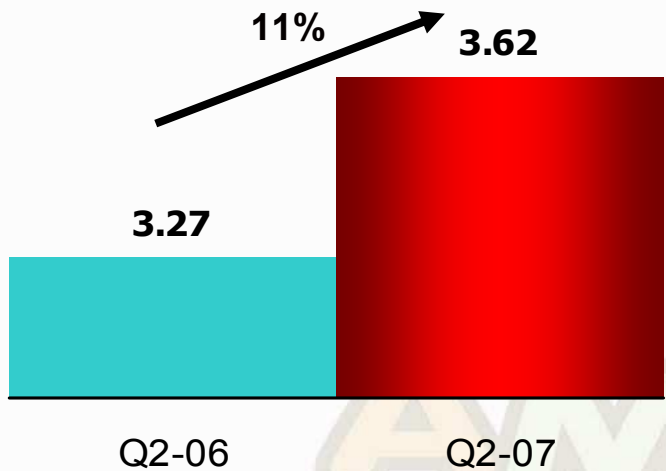


**AirAsia's Strategy** + **Low fares** + **High load factor** + **Low cost** = **Strong Profitable Growth**

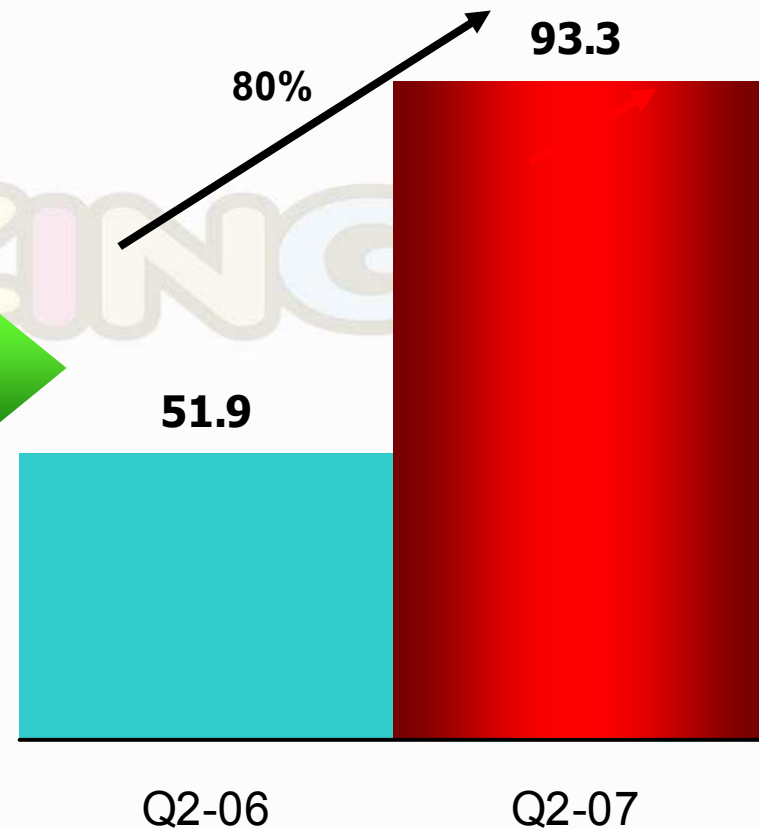
# Profitability – 2Q-07 vs 2Q-06



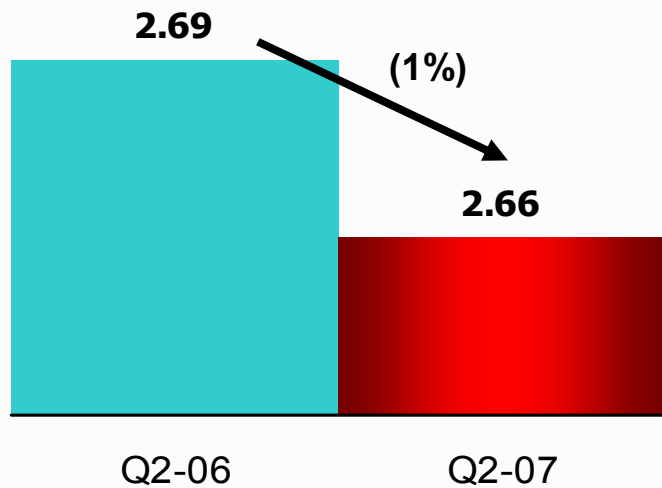
Rev / ASK (US ¢)



Pretax Income (RM million)



Cost / ASK (US ¢)



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



Cost Breakdown (US cents / ASK)	Q2 2007	Q2 2006	Δ (%)	Reason
Staff Costs	0.36	0.35	3%	Opening of new bases
Fuel and Oil	1.31	1.31	0%	Fuel efficient fleet
User & Station Charges	0.27	0.16	70%	More international route
Maintenance and Overhaul	0.21	0.21	0%	new aircraft
Cost of Aircraft	0.09	0.19	-53%	Less lease aircraft in fleet
Depreciation & Amortisation	0.33	0.29	12%	New aircraft & FRS 116
Others	0.09	0.18	-52%	Productivity benefits
<b>SUM</b>	<b>2.66</b>	<b>2.69</b>	<b>-1%</b>	

# Outlook on Cost Reduction

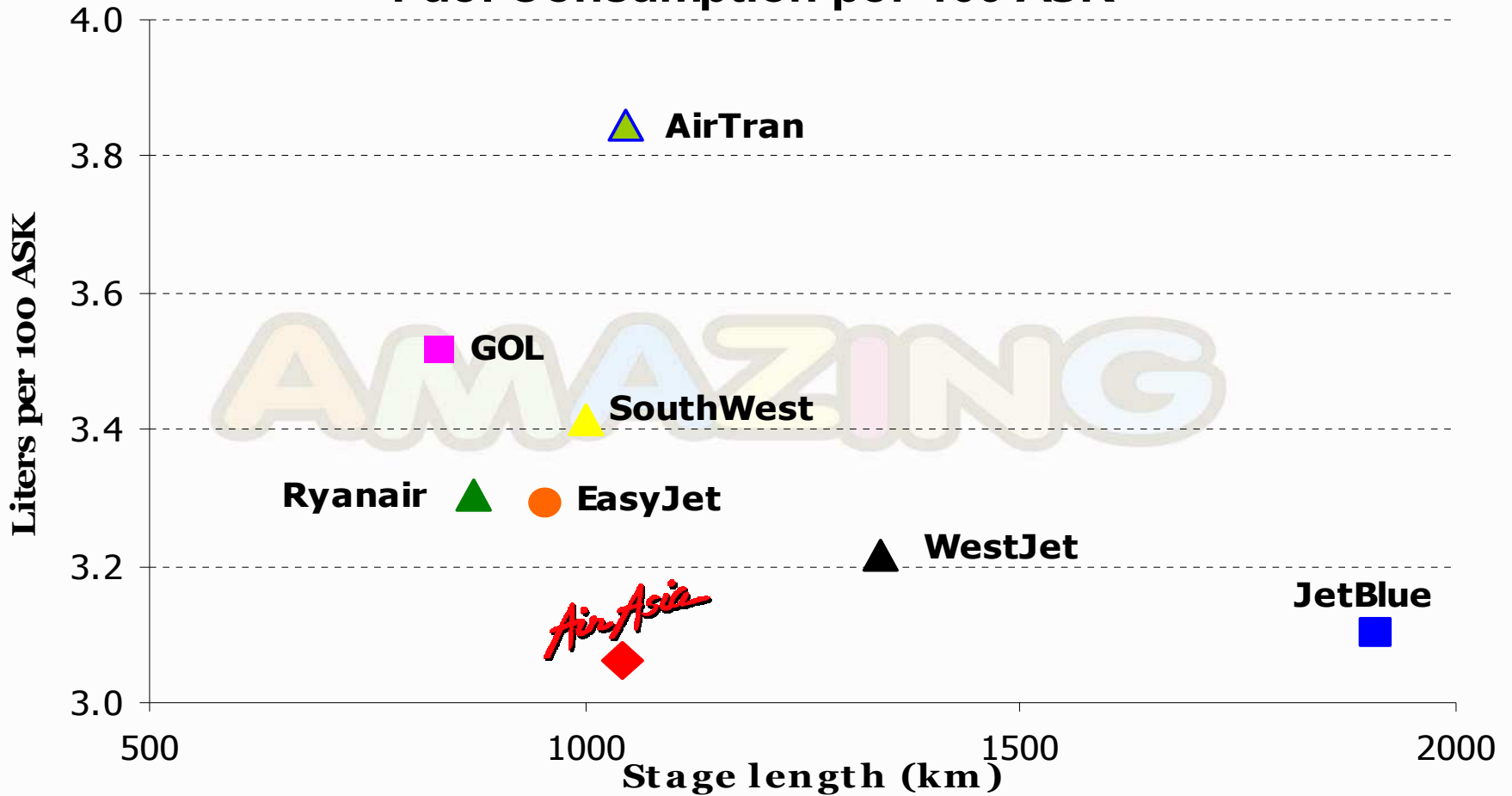


- ❑ Airbus A320 aircraft
  - cost economics far superior compared to Boeing 737-300
  
- ❑ Strengthening of Ringgit against US\$ Dollar
  - hedged 15 aircraft at par forward rate
  - potential savings of RM200 million for entire financing term of the aircraft
  
- ❑ Airport charges
  - negotiating with airports for lower rates
  - new LCCT (Kota Kinabalu) and more on the way
  
- ❑ Productivity Drivers
  - scalability of business (great deal from suppliers)
  - enhancement of route network with new hubs
  - operational efficiency with Airbus A320

# The Most Fuel Efficient Fleet



## Fuel Consumption per 100 ASK

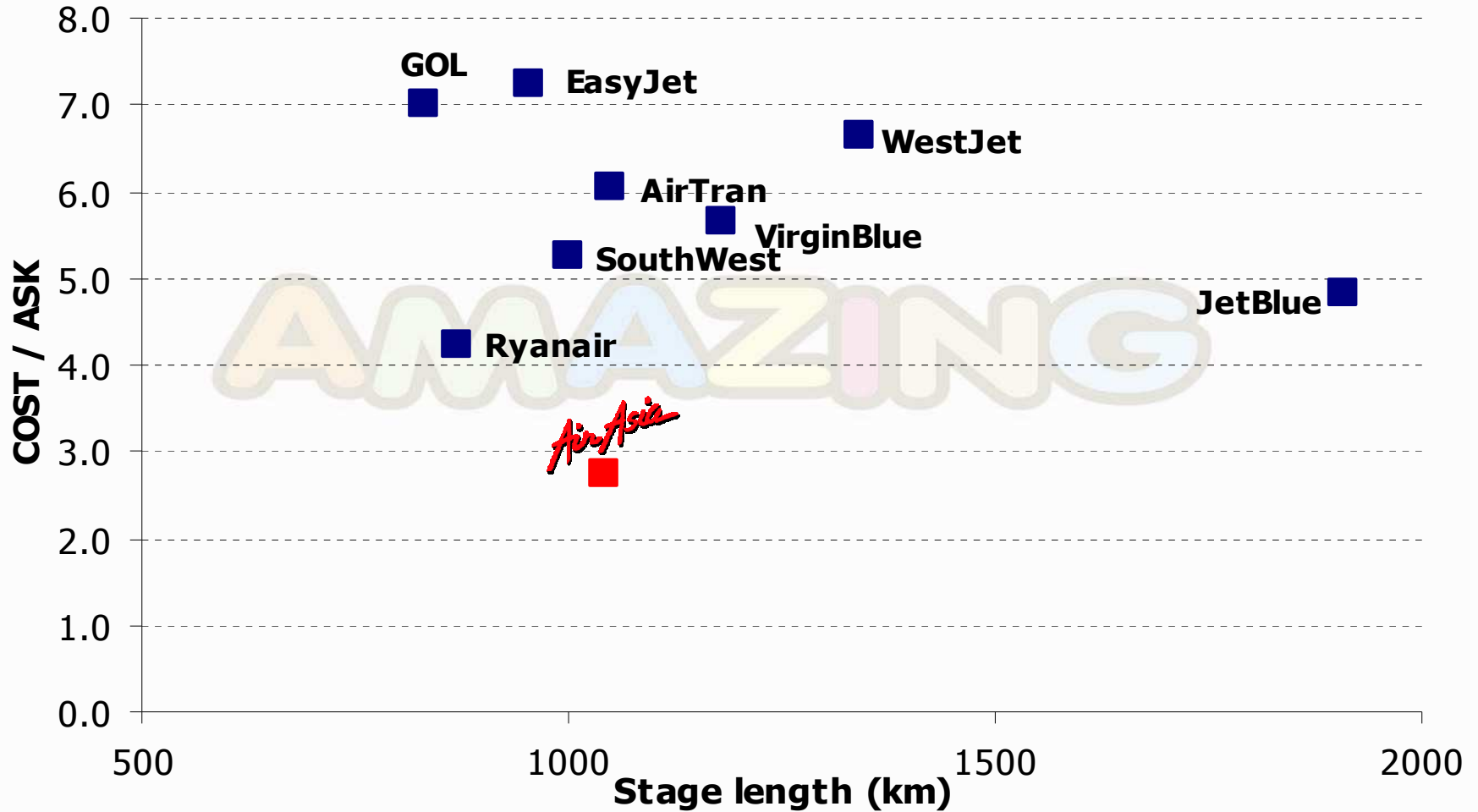


Source: Company Reports

# Our Advantage = Lowest Cost in the World



Lowest cost airline in the world by a significant margin



# Associate Development

# Operational Statistics – Thailand



- ❑ Strong passenger growth – 52% YoY growth
- ❑ Steady cost despite higher fuel prices
  - 3.26/ASK US cents, constant YoY
  - 1.63/ASK US cents ex fuel, 10% improvement YoY
- ❑ Lower fares and yields due to challenging operating environment
  - 13% decline in fares to THB1462 YoY
  - 8% lower yields to 3.31 Rev / RPK US cents YoY
- ❑ Steady load factor despite military coup de tat

# Thailand Updates



- ❑ Political situation
  - situation is stable, with the exception in Southern Thai
  - trade and commerce is not interrupted
- ❑ Foreign ownership issue soon to be resolved
  - Thai individuals express interest to acquire shares
  - management opting for a stake
- ❑ Suvarnabhumi Airport
  - inefficient operating conditions (inadequate check-in gates, baggage system malfunctioning, cracks in runway, etc)
  - discussing with AOT for resolution (move back Don Muang, or invest in improving facility)

# Operational Statistics – Indonesia



- ❑ Strong passenger growth – 80% YoY growth
- ❑ Higher fuel and marketing increased cost
  - 2.73 /ASK US cents, 13% increase YoY
  - 0.85/ASK US cents ex fuel, 26% improvement YoY
- ❑ Higher yields at lower average fares
  - 5% decline in fares to IDR 286,545 YoY
  - 31% increase in yields to 2.80 / ASK US cents YoY
- ❑ Load factor outperforms expectations
  - 14 percentage point improvement to 83%
- ❑ Dominant in Sumatra
  - market leader for Jakarta-Medan
  - most number of routes from Sumatra to Malaysia

# Indonesia Updates



- ❑ Jakarta floods
  - material impact on operations, all flights originate from Jakarta
  - significant delays and cancellation of flights
  - aircraft reliability low (older Boeing 737-300 in fleet)
  
- ❑ ADAM Air crash has dented sentiment to travel
  - demand for travel muted since crash (temporary, should revert to normal soon)
  - AirAsia is very strict with safety – conform to the highest international standards
  - people take notice of AirAsia’s superior safety record
  - short term negative, long term positive

# Group Consolidated (Performa)



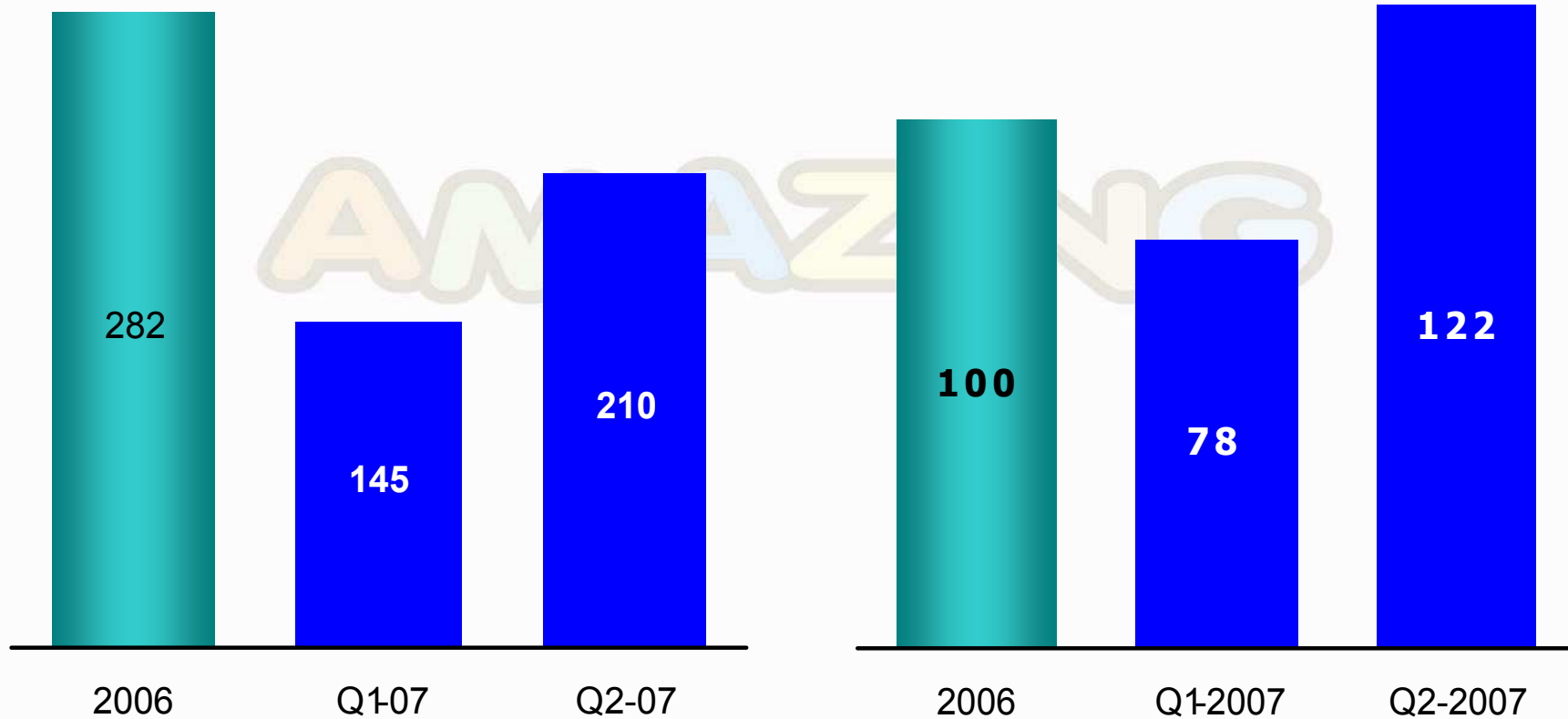
Figures in RM '000s, unless otherwise stated	Q1-2007	Q2-2007	1H-2007
Ticket Sales	368,301	460,081	828,383
Ancillary Income	28,660	33,680	62,339
<b>Total Revenues</b>	<b>396,961</b>	<b>493,761</b>	<b>890,722</b>
<b>EBITDAR</b>	<b>82,995</b>	<b>192,000</b>	<b>274,994</b>
<b>EBITDA</b>	<b>62,385</b>	<b>172,222</b>	<b>234,607</b>
<b>EBIT</b>	<b>26,932</b>	<b>113,243</b>	<b>140,175</b>
<b>Profit/(Loss) After Taxation and MI</b>	<b>78,017</b>	<b>151,197</b>	<b>229,214</b>
RPK (million)	2,733	3,129	5,862
ASK (million)	3,445	3,825	7,269
Load factor (%)	<b>79.3%</b>	<b>81.8%</b>	<b>80.6%</b>
<b>Average fare (RM)</b>	<b>116</b>	<b>127</b>	<b>122</b>
Rev / RPK (US cents)	3.98	4.36	4.18
Cost / ASK (US cents)	2.94	2.57	2.84
Cost / ASK - excluding fuel (US cents)	1.21	1.33	1.27

# Robust Cash Generation



Cash from Operations (RM millions)

Net Cash Increase (RM millions)

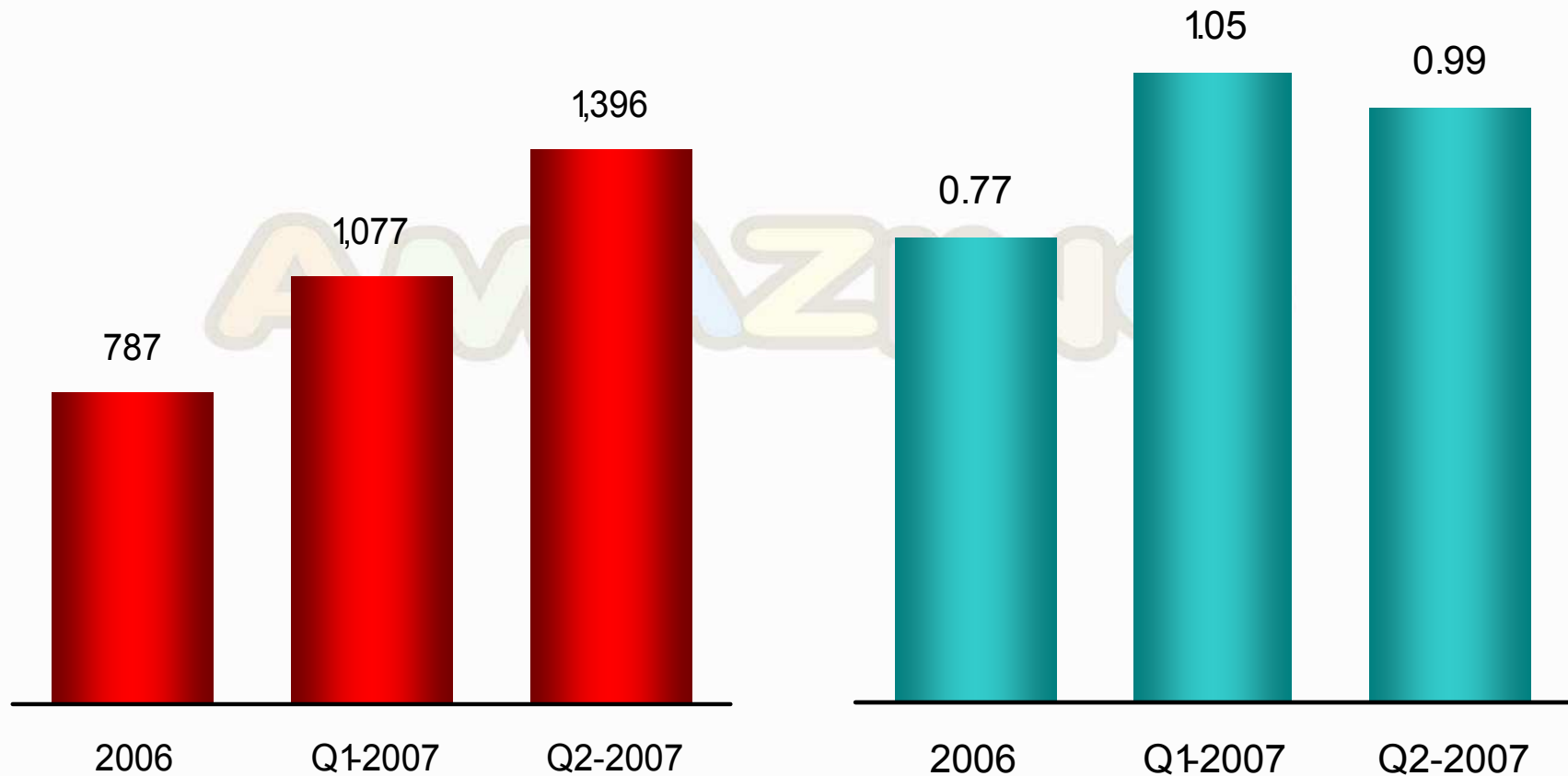


# Solid Balance Sheet



Net Debt (RM million)

Net Gearing (Net Debt / Equity)

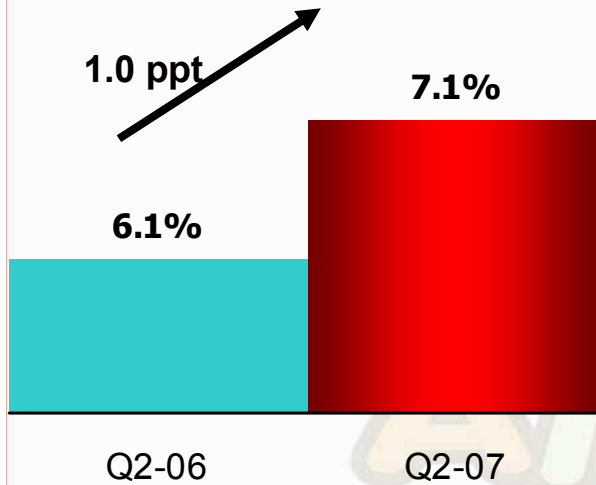


# Ancillary Income Developments

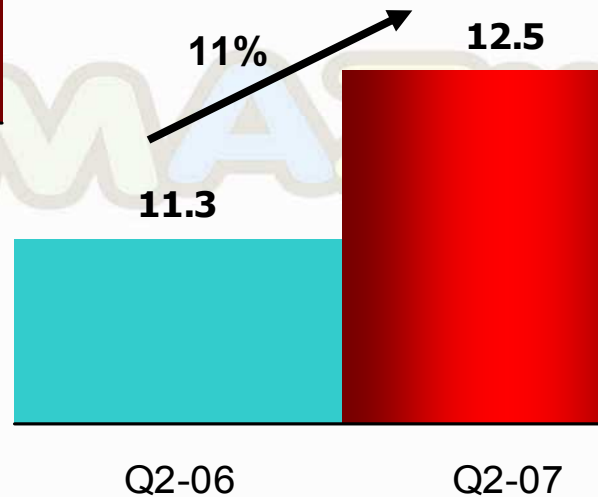
# Driving Growth from Ancillary Income



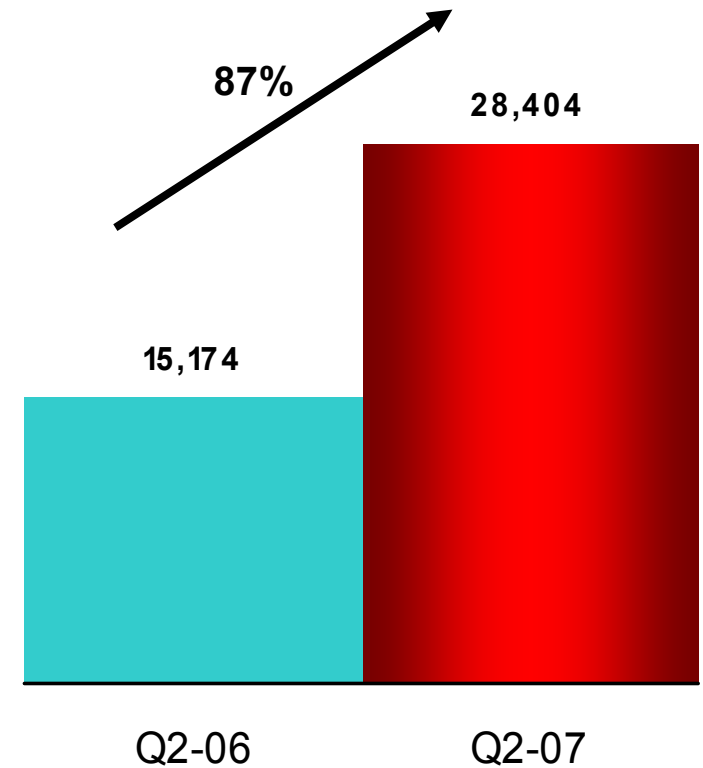
### Ancillary % Revenue



### Pax Spend (RM/pax)



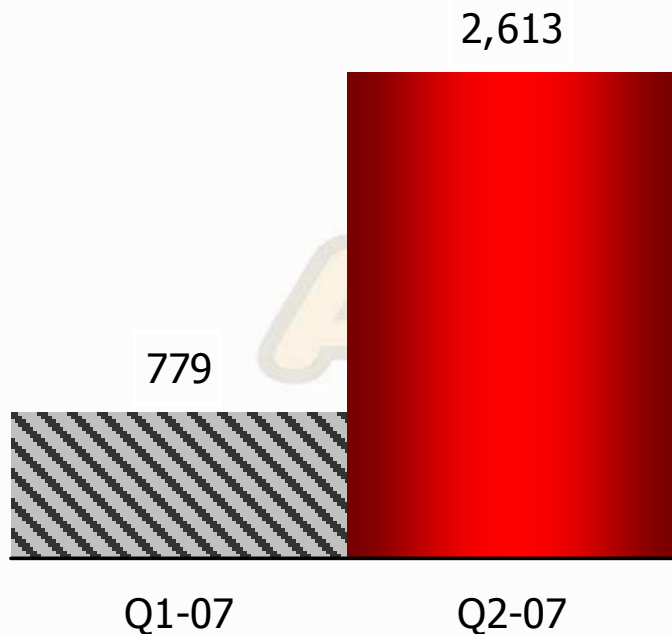
### Ancillary Income (RM '000)



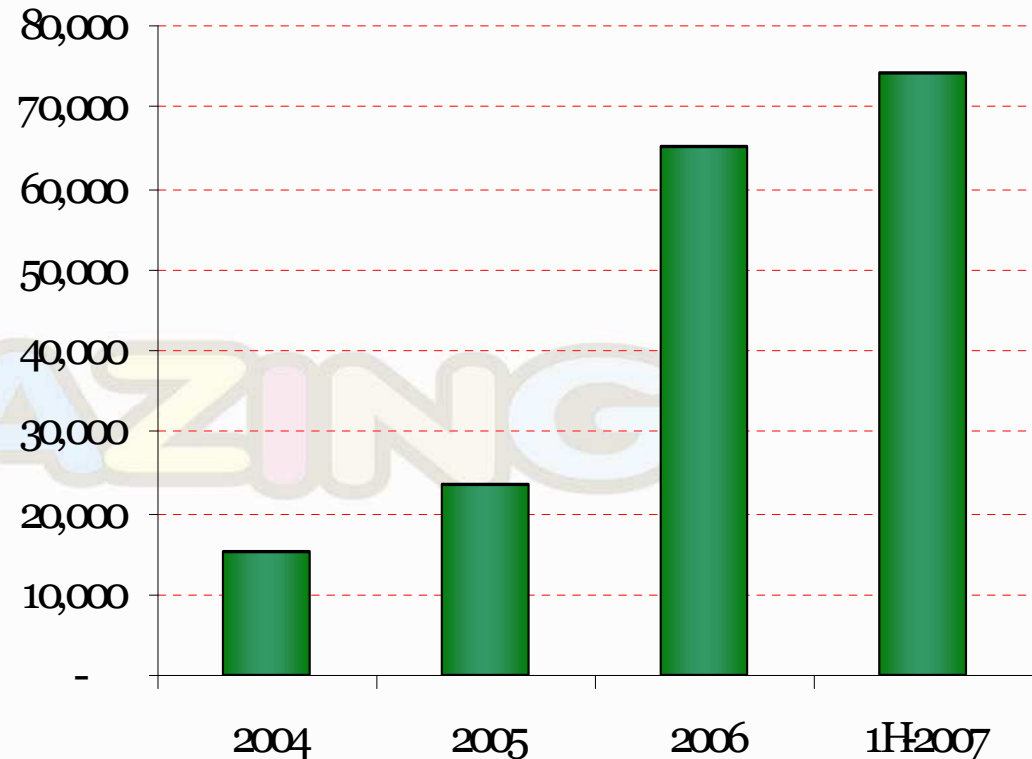
# Go-Holiday – the one stop online travel portal



**Go-Holiday Profits  
(RM '000)**

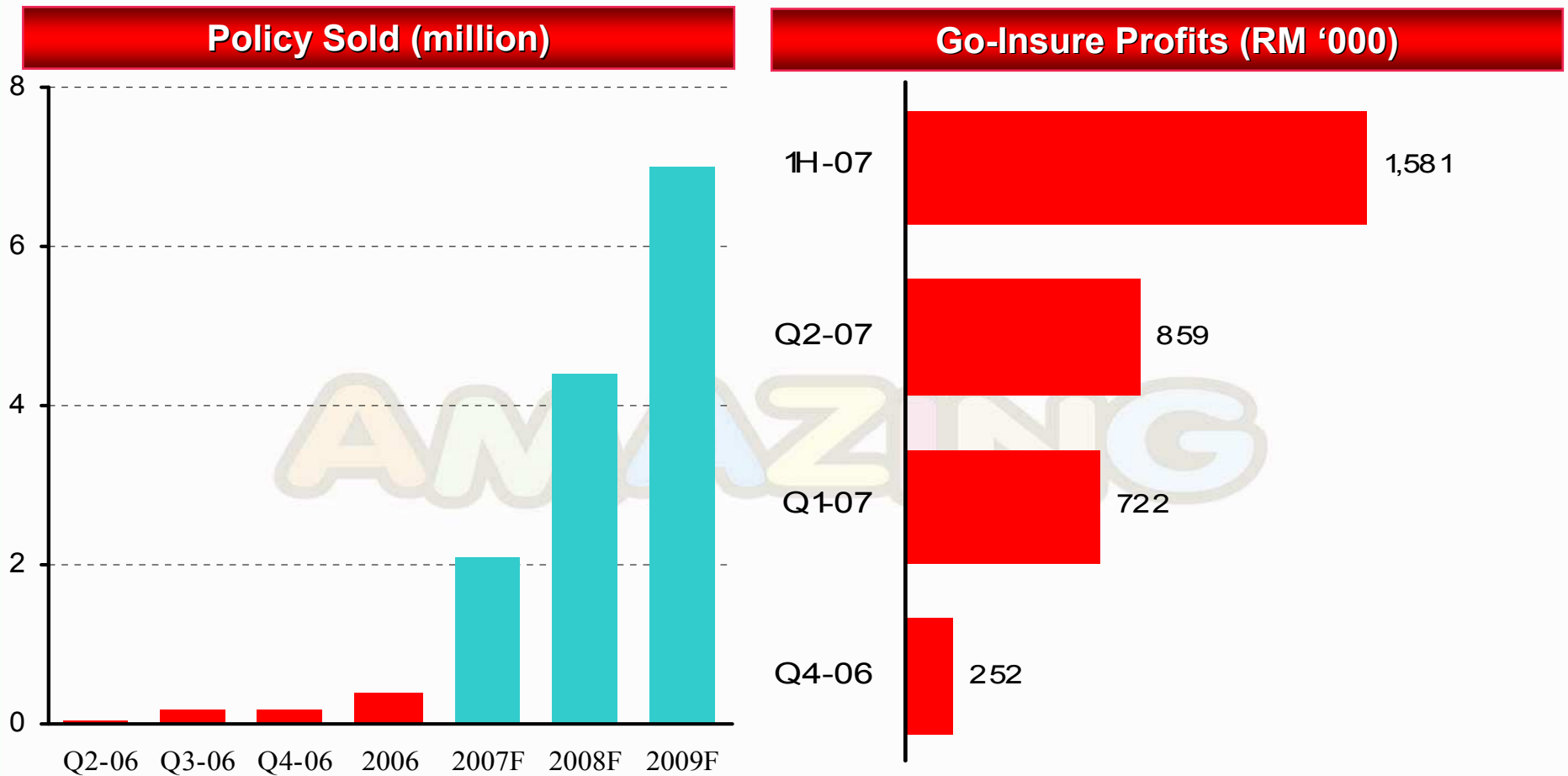


**Rooms Sold**



- Increasing value chain and strong revenue growth
  - recruiting more hotel partners to cater future needs
  - formulate attractive packages (medical, golf, family fun, etc)

# Go-Insure – online travel insurance



- Increasing the take-up rates
  - unveiling new products (annual travel insurance)
  - aggressive promotions



# Potential Business Development: CARGO



- ❑ Current Status
  - outsource to third party
  - adhoc basis, reliant on the third party
  - current load  $\pm$  10,800 tons / year @ 8% capacity utilization
  
- ❑ Proposed Cargo Operations
  - manage all aspects of cargo operations ourselves (system, marketing, warehousing, aircraft handling, distribution)
  - use AirAsia flights as belly network
  - comprehensive chain (retailers, agents & wholesalers)
  - door to door service (in consideration)

→ Targeted launch date = April 2007



# High Profitability and Returns

Company	EBITDAR	EBIT	Net Income	ROE <sup>(2)</sup>	Adjusted ROIC <sup>(3)</sup>
Ryanair	35%	25%	20%	15%	7.9%
EasyJet	17%	7%	6%	10%	3.9%
VirginBlue	22%	10%	6%	16%	n/a
JetBlue	16%	5%	0%	0%	0%
SouthWest	18%	10%	6%	8%	5.4%
GOL	28%	18%	15%	26%	10.5%
WestJet	25%	15%	7%	14%	4.2%
<b>AirAsia</b>	<b>31%</b>	<b>16%</b>	<b>19%</b>	<b>19%</b>	<b>5.7%</b>
<b>LCC Average</b>	<b>23%</b>	<b>13%</b>	<b>8%</b>	<b>13%</b>	<b>5.2%</b>
SIA	21%	10%	9%	10%	8%
Cathay	n/a	8%	7%	10%	7%
Qantas	n/a	5%	4%	8%	5%
MAS	16%	-2%	-1%	-1%	-0.1%

(1) FY 2006 for JetBlue, SouthWest, GOL, WestJet, EasyJet and Ryanair. 9-months financial for VirginBlue. Latest 12 months for AirAsia under IFRS. Others: Bloomberg

(2) Net Income / Total Equity

(3) Net Income / (Total Equity + Total Debt + (Aircraft Lease x 7))

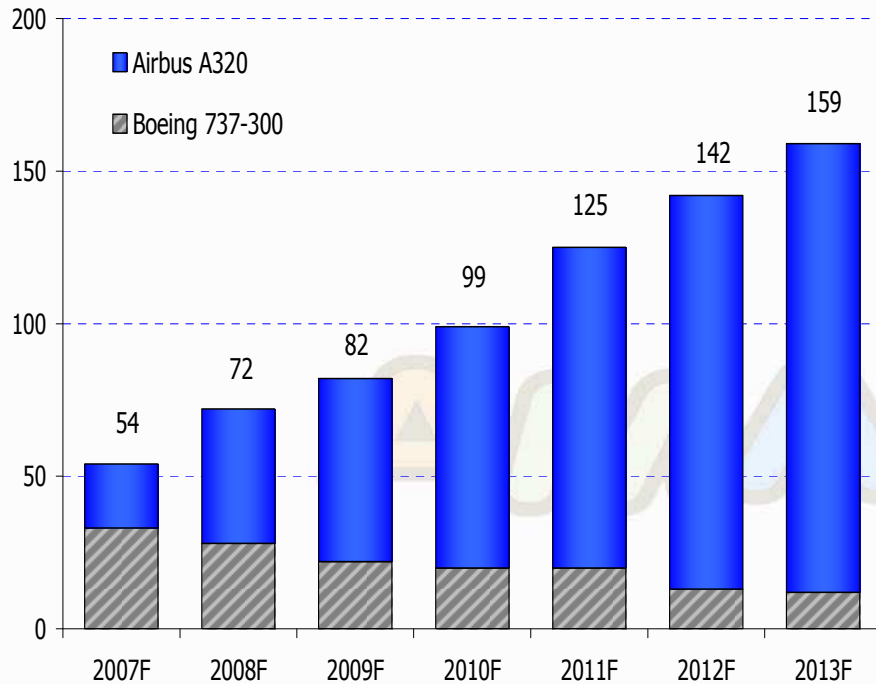
# Current Issues

1. Why are we buying 200 Airbus?
2. Can balance sheet cope with 200 Airbus?
3. AirAsia X
4. Deferred taxation
5. Management focus

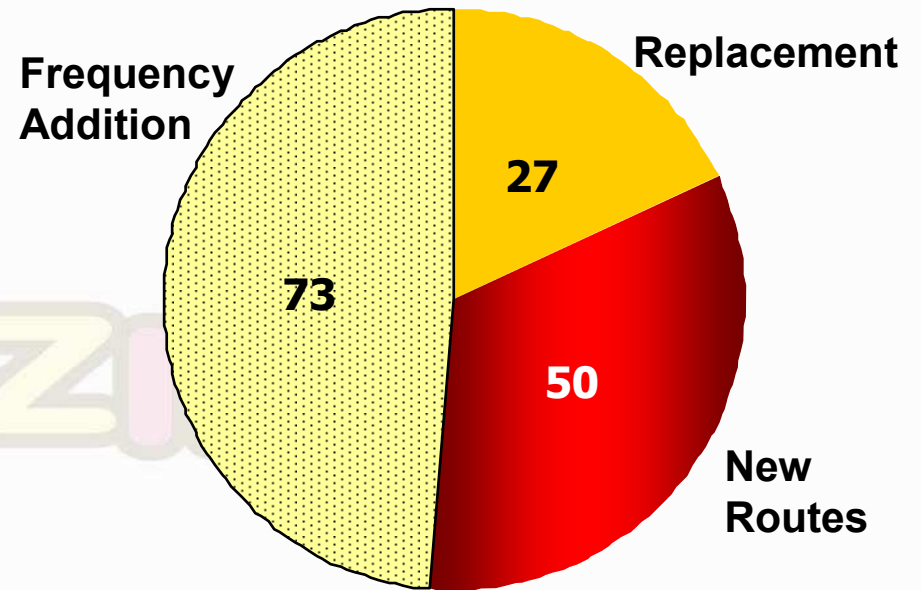
# We Need Capacity



## Net Fleet Size at year end



## What is the new Aircraft Used For?



- Replacement of retirement of old aircraft
- Capacity to expand existing routes
- Capacity to open new routes

# Aircraft Rollout Plan FY2008 to FY2012



Deployment Schedule	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b><u>Malaysia</u></b>					
Airbus A320	32	43	48	56	64
Boeing 737-300	7	0	0	0	0
	<b>39</b>	<b>43</b>	<b>48</b>	<b>56</b>	<b>64</b>
<b><u>Thailand</u></b>					
Airbus A320	6	9	15	24	35
Boeing 737-300	13	13	13	11	4
	<b>19</b>	<b>22</b>	<b>28</b>	<b>35</b>	<b>39</b>
<b><u>Indonesia</u></b>					
Airbus A320	6	10	19	31	38
Boeing 737-300	8	7	4	3	1
	<b>14</b>	<b>17</b>	<b>23</b>	<b>34</b>	<b>39</b>
<b>Total</b>	<b>72</b>	<b>82</b>	<b>99</b>	<b>125</b>	<b>142</b>

# Airbus vs. Boeing Cost Comparison (KL to Kuching)



Operating Expenses (US cents / ASK)	Airbus A320	Boeing 737-300	Boeing 737-300
– Staff Cost	0.35	0.39	higher productivity
– Fuel and Oil	1.13	1.41	much more fuel efficient
– User & Station Charges	0.11	0.12	scalability benefits
– Maintenance & Overhaul	0.22	0.31	new aircraft requires less
– Others	0.12	0.14	scalability benefits
– Aircraft cost (lease or own)	0.45	0.35	new aircraft are costly
<b>Total Cost</b>	<b>2.38</b>	<b>2.71</b>	<b>12% lower unit cost</b>

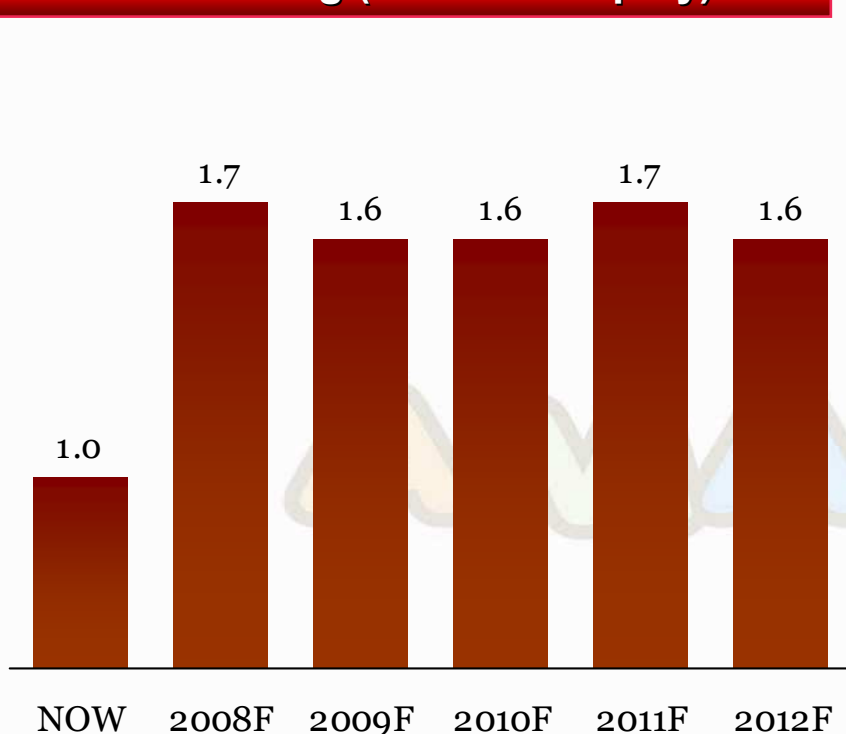
Assuming: Jet fuel \$75/bbl, Trip length 1180km

- ❑ Airbus A320 has a lower unit cost compared to Boeing 737-300
- ❑ Cash cost for A320 can be up to 15-20% lower than Boeing 737-300

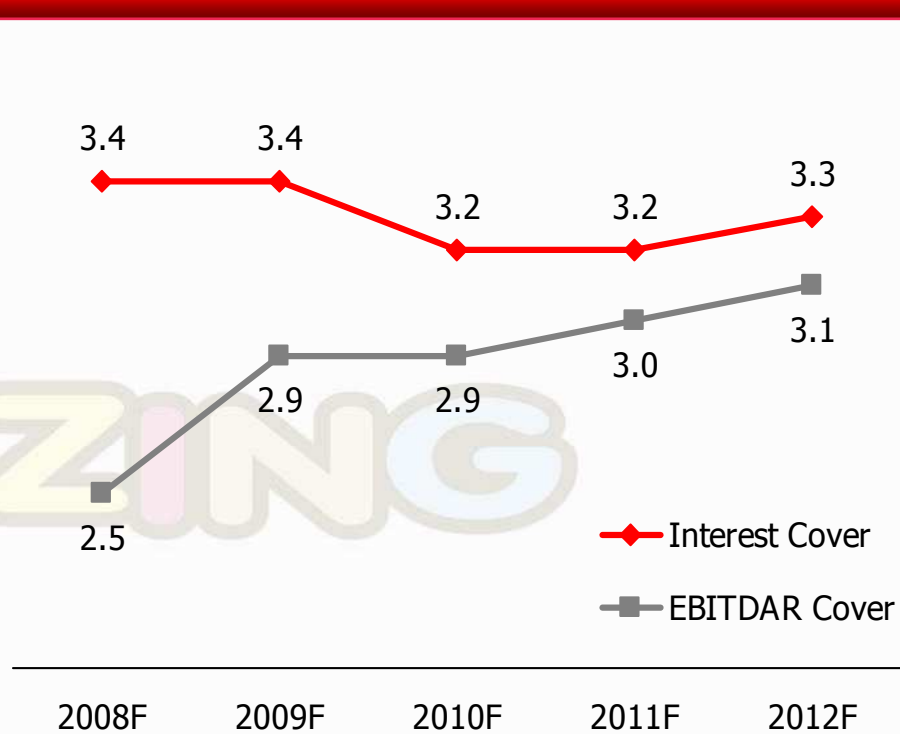
**➔ Airbus A320 significantly generates more operating cash**

# What is the Balance Sheet Outlook?

## Net Gearing (Net Debt/ Equity)



## Interest & EBITDAR Cover



- Gearing is unlikely to exceed 3 times in our current forecast
- Interest repayment cover is comfortable with our strong cashflow
- AirAsia is in no rush to raise capital

# Strategic Link-up with FAX

*AirAsia*  
Now Everyone Can Fly



## ❑ Why didn't AirAsia operate long haul alone?

- management wants to remain focus to the LCC model
- interesting concept, but untested business model (risk reward ratio unfavorable to shareholders)
- Independent Board made an assessment and believe securing options to purchase is more safe and prudent approach

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# AirAsia X – benefits to AirAsia



- Financial reward
  - royalty payments for use of branding
  
- Expand brand name to all over the world
  - leverage the brand reach to all over the world
  
- Options to acquire up to 30% of share capital
  - five years option
  - purchase at par value

# Deferred Taxation

- Ministry of Finance sent a letter with some clarifications
  - based on principal, our treatment is acceptable
  
- Recognize Investment Allowance as deferred tax assets
  - to better reflect our financial situation
  
- Awaiting official statement from MASB

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# Management Focus is on other Businesses



- ❑ Tony Fernandes involvement in other business ventures (Tune Hotel, Tune Money)
  - personal investment, minority shareholder
  - non-executive (not involved in day to day operations)
  - ring fenced approach to AirAsia, monitored by board of directors
  - board of directors maintain highest standards of corporate governance
  - primary focus is always in AirAsia
  
- ➔ **Tony is top shareholder in AirAsia with approximately 19% ownership**

# Looking Forward

# Management Guidance for FY2007



Management Guidance for FY2007	OLD	NEW
Passenger carried (million)	8.0	8.5
Passenger carried by Associates (million)	6 to 7	5.5 to 6.5
Rev / ASK (US cents)	Flat	Increase 5% - 10%
Cost / ASK (US cents)	no guidance	Reduce 1% - 3%
Profit before tax (RM million)	positive growth	double-digit growth

# Looking Forward: 2007 Initiatives



- ❑ Looking for lower airport charges

- ❑ Investor Relations

- new website to be launched soon
- webcast of key events
- “ask the management” direct email
- Investor Day, later in the year

# AirAsia - Concluding Remarks



- World's lowest cost carrier
- Level playing field and equal status
- LCC is now a way of life in Asia
- Government supports the LCC
- Airbus improves reliability and performance
- Aircraft order secures growth pipeline until 2013
- AirAsia Academy secures quality skilled manpower requirements

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# Appendix

# Note: Change in Accounting Statements



	Previous	Current
Revenue	Ticket sale and other revenue	Three main components: <ul style="list-style-type: none"><li>- ticket sales</li><li>- Go-Holiday</li><li>- other ancillary income</li></ul>
Fuel Surcharge	Netted off against fuel expense	Incorporated as part of ticket sales
Cost / ASK	With fuel surcharge net off against fuel cost	Without fuel surcharge net off against fuel cost
Yield Rev / ASK	Rev / RPK	Rev / ASK

# Operational Statistics – Malaysia



Operational Statistics	Q2 -2007	Q2 -2006 (restated)	Δ (%)
<b>Average Load factor</b>	82%	76%	6 ppt
<b># Passengers</b>	2,273,405	1,343,795	69%
<b>Average fare (RM)</b>	164	173	(5%)
<b>RPK (mn)</b>	3,060	1,532	64%
<b>ASK (mn)</b>	2,505	2,009	52%
<b>Rev/ASK (US cents)</b>	3.62	3.27	11%
<b>Cost/ASK (US cents)</b>	2.66	2.69	(1%)
<b># aircraft (end)</b>	32	23	39%
<b>Average # aircraft</b>	27.0	19.7	37%

## Profitability – Malaysia

(RM `000)	Q2-2007	Q2-2006 (restated)	Δ (%)	Margins (%)	
				Q2-07	Q2-06
Ticket Sales	372,203	231,937	60%		
Ancillary Income	28,404	15,174	87%		
<b>Revenue</b>	<b>400,607</b>	<b>247,111</b>	<b>29%</b>		
EBITDAR	178,068	82,674	109%	<b>44.4%</b>	<b>33.5%</b>
EBIT	109,650	46,316	125%	<b>27.3%</b>	<b>18.7%</b>
<b>Pretax Profit</b>	<b>93,262</b>	<b>51,880</b>	<b>80%</b>	<b>23.3%</b>	<b>21.0%</b>

- Profit margin improvement
  - increased business scale
  - yield enhancement
  - positive contribution from associates

# Operating Expenses – Malaysia



Operating Expenses (RM '000)	1H 2007	1H 2006	% Revenue	
			1H 2007	1H 2006
<b>Revenue</b>	<b>693,784</b>	<b>442,821</b>		
– Staff Cost	(70,975)	(55,720)	10.2%	12.6%
– Fuel and Oil	(301,158)	(195,376)	43.4%	44.1%
– User & Station Charges	(43,721)	(23,827)	6.3%	5.4%
– Maintenance & Overhaul	(35,874)	(35,170)	5.2%	7.9%
– Others	(10,824)	(17,219)	2.7%	3.9%
<b>EBITDAR</b>	<b>247,318</b>	<b>121,521</b>	<b>35.6%</b>	<b>27.4%</b>
- Cost of aircraft	(20,584)	(28,454)	3.0%	6.4%
<b>EBITDA</b>	<b>226,734</b>	<b>93,067</b>	<b>32.7%</b>	<b>21.0%</b>
- Depreciation & Amortisation	(93,353)	(34,768)	13.5%	7.9%
<b>EBIT</b>	<b>133,381</b>	<b>58,299</b>	<b>19.2%</b>	<b>13.2%</b>
<b>Pretax Profit</b>	<b>105,034</b>	<b>60,814</b>	<b>15.1%</b>	<b>13.7%</b>
<b>Net Income</b>	<b>226,558</b>	<b>59,938</b>	<b>32.7%</b>	<b>13.5%</b>

# Operational Statistics – Thailand



Operational Statistics	Q1 -2007 (restated)	Q2 -2007
<b>Average Load factor</b>	76%	80%
<b># Passengers</b>	742,899	842,849
<b>Average fare (RM)</b>	177	148
<b>Average fare (THB)</b>	1722	1462
<b>RPK (mn)</b>	694	762
<b>ASK (mn)</b>	907	948
<b>Rev/ASK (US cents)</b>	3.55	3.31
<b>Cost/ASK (US cents)</b>	3.50	3.26
<b># aircraft (end)</b>	10	11
<b>Average # aircraft</b>	10.0	10.5

# Profitability – Thailand



(THB million)	Q1-2007 (restated)	Q2-2007	Margins (%)	
			Q1-07	Q2-07
Ticket Sales	1,279	1,232		
Ancillary Income	43	57		
<b>Revenue</b>	<b>1,322</b>	<b>1,289</b>		
EBITDAR	149	172	<b>11.2%</b>	<b>13.3%</b>
EBIT	17	35	<b>1.3%</b>	<b>2.7%</b>
<b>Net Income</b>	<b>5</b>	<b>33</b>	<b>0.4%</b>	<b>2.6%</b>

- ❑ Profit margin improvement
  - 13% EBITDAR margins
  - despite enduring military coup de tat and Bangkok bombings

# Operational Statistics – Indonesia



Operational Statistics	Q1 -2007 (restated)	Q2 -2007
<b>Average Load factor</b>	84%	83%
<b># Passengers</b>	480,980	505,771
<b>Average fare (RM)</b>	144	108
<b>Average fare (IND)</b>	342,511	286,545
<b>RPK (mn)</b>	493	510
<b>ASK (mn)</b>	586	612
<b>Rev/ASK (US cents)</b>	3.28	2.80
<b>Cost/ASK (US cents)</b>	3.26	2.73
<b># aircraft (end)</b>	6	6
<b>Average # aircraft</b>	4.57	5.70

## Profitability – Indonesia

(IDR million)	Q1-2007 (restated)	Q2-2007	Margins (%)	
			Q1-07	Q2-07
Ticket Sales	164,741	144,926		
Ancillary Income	12,553	13,215		
<b>Revenue</b>	<b>177,294</b>	<b>158,142</b>		
EBITDAR	22,462	22,875	<b>12.7%</b>	<b>14.4%</b>
EBIT	3,567	3,644	<b>2.0%</b>	<b>2.3%</b>
<b>Net Income</b>	<b>1,918</b>	<b>1,986</b>	<b>1.1%</b>	<b>1.3%</b>

- ❑ Improved operational developments
  - 14% EBITDAR margins
  - better yield management with more forward booking