



“Now Everyone Can Fly”



**Third Quarter 2006 Results
30 May 2006**

Disclaimer



Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the company. Neither we nor our advisors make any representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that reflect the company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the company's assumptions are correct. Actual results may differ materially from those projected.

This presentation is strictly not to be distributed without the explicit consent of Company management under any circumstance.

CONFIDENTIAL



1. Highlight & Events



We've come a long way.....



- After 4 years of hard work, we have made LCC a way of life in Asia
- Huge barriers overcome and most hard work is now behind us
- Despite the obstacles, **PEOPLE** support AirAsia

3

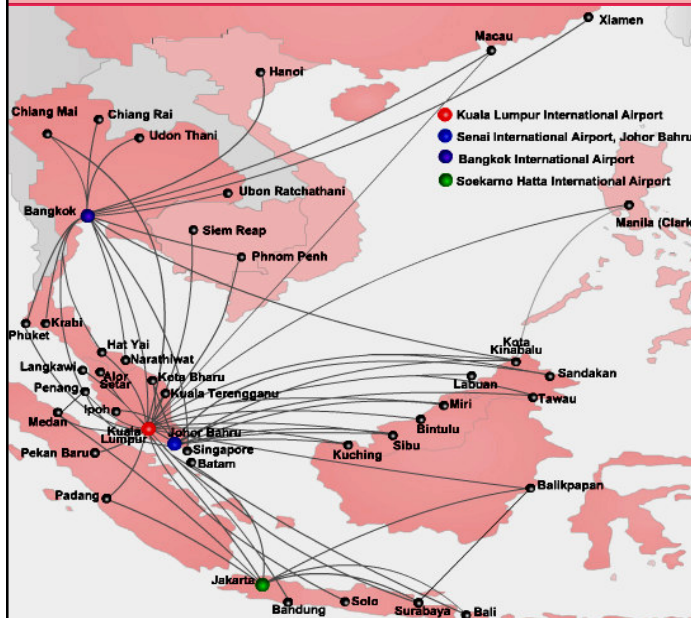
Key Highlights



- ❑ End of subsidies, level playing field begins 1 Aug
- ❑ Strong profitability, EBITDAR margins 27%
- ❑ Disciplined cost control, US2.14 cents / ASK
- ❑ Ancillary income, at 8.5% revenue and still growing
- ❑ Net Income of RM22.8 million
 - on the back of 23% revenue growth
- ❑ Strong growth profile maintained
 - passenger numbers grew 42% YoY
- ❑ Thai-AirAsia
 - Thailand operations profitable, net income THB41.7m (RM3.9m)
- ❑ Group fleet rose from 36 to 41 aircraft
- ❑ LCC terminal launch on 23 March 2006
 - Kota Kinabalu LCT under construction, expected completion by end 2006

4

Dominating ASEAN



Period	Destinations Served
Jan 2002	6
Jun 2003	11
Jun 2004	26
Jun 2005	52
Now	65

Domestic Share

#2 in Malaysia
- 35% market share

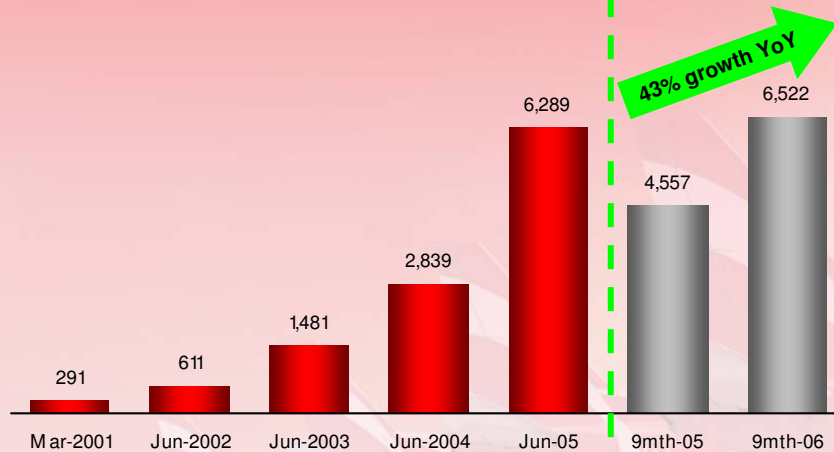
#2 in Thailand
- 22% market share

5

Consistent passenger growth



Passengers Flown by AirAsia Group ('000)



→ There is no stopping the LCC phenomenon

6

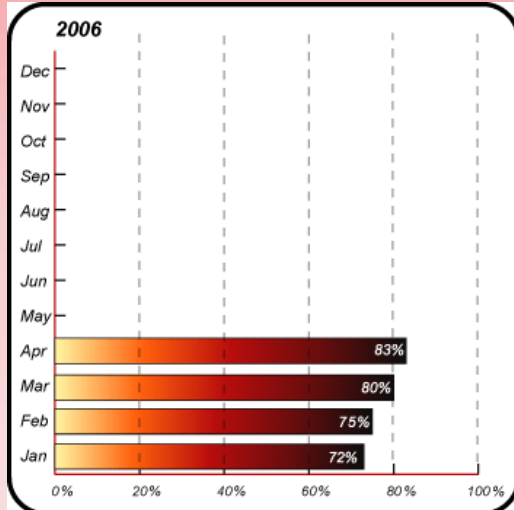
Standardized New Fleet – Airbus A320



- Smooth transition process
- Reduces cost
 - lower fuel burn
 - better unit cost
- Improves efficiency
 - superb dispatch reliability
- People love it



Continuous Improvement



- Benefits of Airbus A320
 - high service level
 - higher reliability
- Benefits of LCT
 - simple operations
- Task force initiated
 - target 90% reliability

8

CONFIDENTIAL



2. Updates on Malaysia

- Low Cost Terminal
- Domestic Rationalization

Our New Home = Low Cost Terminal @ Red Fort



Malaysia unveils Low Cost Terminal

- launched at 23 March 2006
- design capacity 10 million, upgradeable to 15 million
- Low cost terminals to be built at Kota Kinabalu and Kuching
- Other cities joining the LCC phenomenon (Singapore, Bangkok – potentially)

10

The Benefits of the LCT



- Simple Operations
 - no aerobridge
 - minimal walking distance

- Close to runway
 - minimize taxi time
 - aids ground transfer movement

11

Power In – Power Out



No truck and pushback required



Less manpower and save cost
Improved efficiency



Aircraft powers
itself to runway

- Reduce cost
- Saves time
- Reduces complexity
- Improves efficiency



Perfectly
safe



Our Culture = Everyone's Equal



Open concept promotes harmonious
working environment

CEO's Palace.
First hand view of
our aircraft &
operations



Chairman's premise.
Everyone's equal, no borders.
Everybody's accessible.



13



Domestic Rationalization



“The two airlines are competing for different purposes. AirAsia is competing to be the best in the LCC segment and MAS as a full service segment. Both airlines can be champions in their respective market”

Datuk Seri Abdullah Badawi – PM of Malaysia

- ❑ Government announced resolution on 27 March 2006
 - 19 trunk routes defined to be shared by AirAsia & MAS
 - AirAsia is the sole operator for non-trunk routes
 - MAS will maintain operations for trunk routes, albeit at reduced frequency
 - Freedom to determine frequency, capacity and pricing
 - MAS “Supersavers” stopped immediately
- ❑ Clear demarcation between premium & low cost travel

14

Implications for AirAsia



- ❑ Significant growth opportunities
 - MAS carried 8.9m domestic passengers in 2005 vs. 3.5m for AirAsia
- ❑ Yield improvement
 - due to absence of “supersavers”
 - clear demarcation of fares between premium & low cost travel
 - improved schedule (sufficient separation time between flights)
- ❑ Build secondary hubs
 - Kota Kinabalu and Kuching
- ❑ Turboprop will be contracted to a third party
 - Government will continue to subsidize this social service
 - no impact to AirAsia Income Statement

15

CONFIDENTIAL



3. Results Commentary



Operational Statistics



- ❑ Strong passenger growth
 - 42% growth
- ❑ Capacity growth reflects new routes
 - 40% growth in ASK
- ❑ Cost control
 - 2.14/ASK US cents, 1 rise YoY
 - 1.16/ASK US cents ex fuel, 16% rise YoY
- ❑ Lower fares and yield
 - 14% drop in fares to RM123
 - 19% drop in yields to 2.94/RPK US cents
- ❑ Load factor outperforms expectations
 - 8% point improvement from same period last year

17

Operational Statistics – Malaysia



Operational Statistics	Q3-2006	Q3-2005	Δ (%)
Average Load factor	80%	72%	8 ppt
# Passengers	1,559,794	1,099,596	42%
Average fare (RM)	123	143	(14%)
RPK (mn)	1833	1187	54%
ASK (mn)	2296	1650	39%
Rev/ RPK (US cents)	2.95	3.63	(19%)
Cost/ASK (US cents)	2.14	2.12	1%
# aircraft (end)	24	20	20%
Average # aircraft	21.55	17.07	27%

18

Operational Statistics – Thailand



Operational Statistics	Q3-2006	Q3-2005	Δ (%)
Average Load factor	82%	69%	13ppt
# Passengers	658,672	410,005	61%
Average fare (RM)	114	120	(5%)
Average fare (THB)	1199	1215	(1%)
RPK (mn)	613	351	75%
ASK (mn)	751	508	48%
Rev/ RPK (US cents)	3.35	3.80	(12%)
Cost/ASK (US cents)	2.58	2.64	(2%)
# aircraft (end)	10	6	67%
Average # aircraft	8.90	5.36	66%

19

Operational Statistics – Indonesia



Operational Statistics	Q3-2006	Q3-2005	Δ (%)
Average Load factor	74%	73%	1ppt
# Passengers	313,099	119,992	161%
Average fare (RM)	93	76	22%
Average fare (IND)	232,719	185,309	26%
RPK (mn)	329	138	138%
ASK (mn)	446	190	135%
Rev/RPK (US cents)	3.18	1.87	70%
Cost/ASK (US cents)	2.38	2.68	11%
# aircraft (end)	6	2	
Average # aircraft	4.65	1.96	137%

20

Profitability – Malaysia



(RM '000)	Q3-2006	Q3-2005	Δ (%)	Margins (%)	
				Q3-06	Q3-05
Revenue	201,681	163,911	23%		
EBITDAR	54,753	57,332	(4%)	27.1%	35.0%
EBIT	18,825	39,315	52%	9.3%	24.0%
Net Income	22,799	40,688	(44%)	11.3%	24.8%

- ❑ Respectable profit margins given the environment
- ❑ Profit margin reduced due to yield erosion
 - increased competitive environment
 - coincides with our aggressive marketing campaign

21

Profitability – Thailand

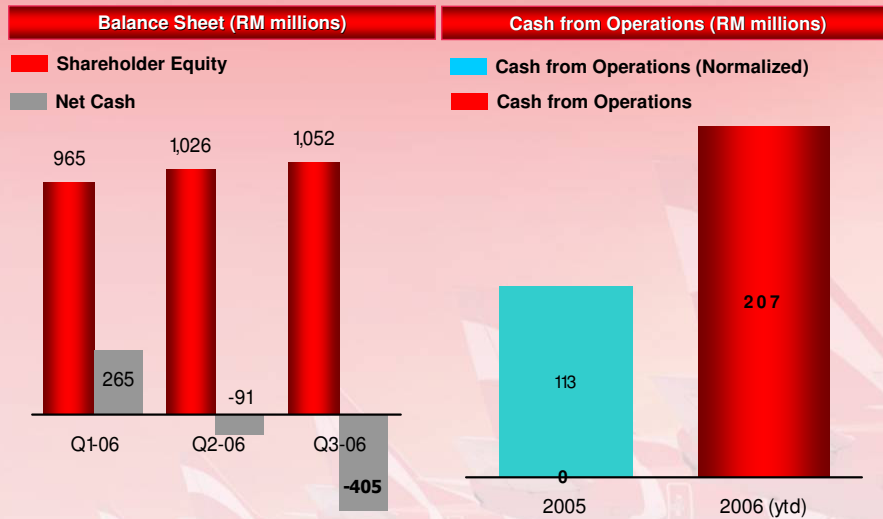


(THB '000)	Q3-2006	Q3-2005	Δ (%)	Margins (%)	
				Q3-06	Q3-05
Revenue	805,888	514,384	57%		
EBITDAR	170,387	70,556	141%	21.1%	13.7%
EBIT	45,702	(1,433)		5.7%	(0.3%)
Net Income	41,717	1,066	3813%	5.2%	0.2%

- Improved profit growth and margins due to:-
 - increased business scale
 - high load factors
 - improved unit cost (positive recoveries from fuel surcharges)

22

Robust cash generation



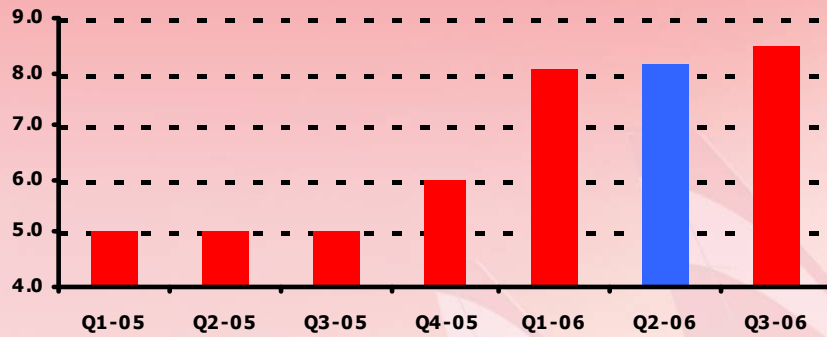
→ Debt levels reflect aircraft deposits

23

Ancillary Income Progress



AirAsia Ancillary Income % Revenue



- Plenty of scope for growth
 - strong growth opportunities: car rentals, in-flight advertising
 - cargo contributions
- Insurance launched 26 April 2006
 - 69k policies sold in one month - despite any official launch or promotion

24

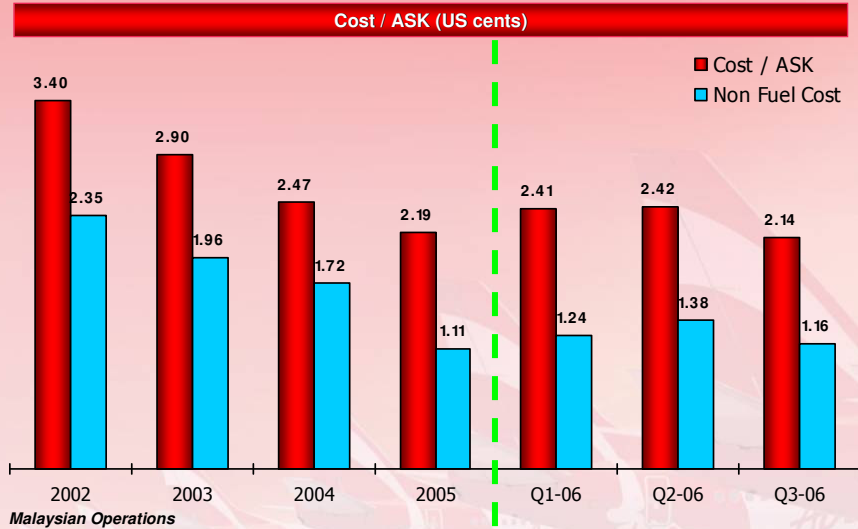
CONFIDENTIAL



3. Cost Management



Cost Management



Superior cost containment despite fuel price impact

26

Operating Expenses – 9 months



Operating Expenses (RM `000)	9mth-2006	9mth-2005	% Revenue	
			9mth-06	9mth-05
Revenue	613,884	466,741		
- Staff Cost	(84,584)	(53,935)	13.8%	11.6%
- Fuel and Oil	(249,783)	(183,826)	40.7%	39.4%
- User & Station Charges	(39,354)	(23,467)	6.4%	5.0%
- Maintenance & Overhaul	(59,723)	(41,511)	9.7%	8.9%
EBITDAR	167,491	157,962	27.3%	33.8%
- Cost of aircraft	(42,626)	(38,278)	6.9%	8.2%
EBITDA	124,864	119,684	20.3%	25.6%
- Depreciation & Amortisation	(56,523)	(19,148)	9.2%	4.1%
EBIT	68,341	100,537	11.1%	21.5%
Net Income	87,846	95,527	14.3%	20.5%

27

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



2.14 (Q3:2006) vs. 2.12 (Q3:2005) {1% cost increase}

(US cents)	Cost per ASK	Change (%)	Reasons
Fuel and oil	0.97	12.9	Fuel surcharge recoveries
Staff cost	0.34	5.8	More staff hired
User station charges	0.18	29.0	Route mix more international
Maintenance	0.29	54.5	Heavy checks
Cost of aircraft	0.17	0.5	Fewer leased aircraft in fleet
Depreciation & Amortization	0.25	108	More purchased aircraft
Total Cost per ASK	2.14	0.9%	



28

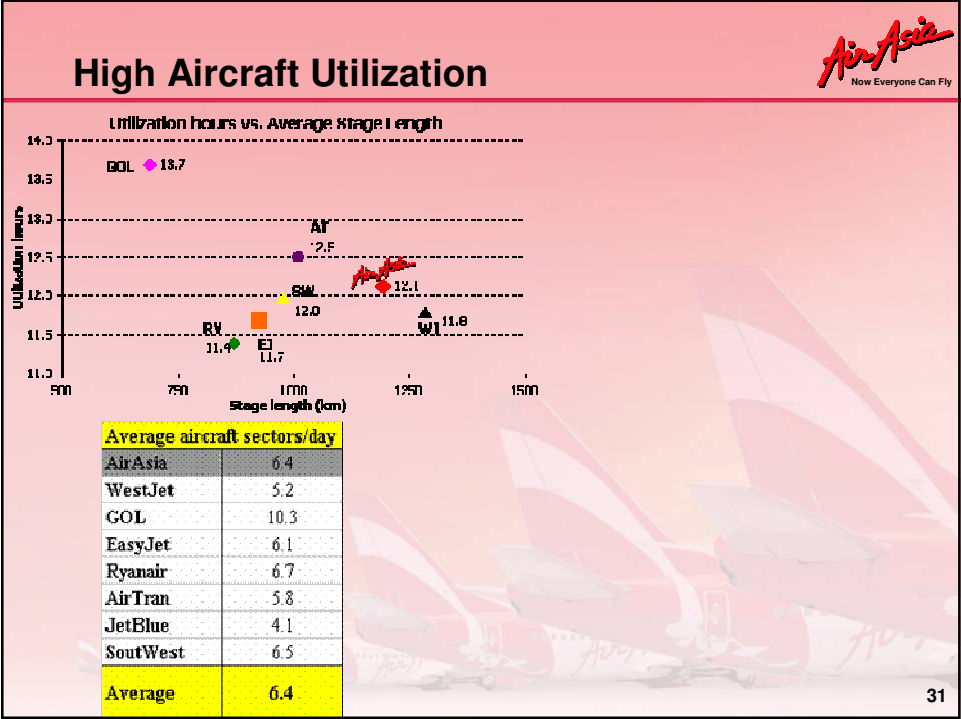
Fuel Updates



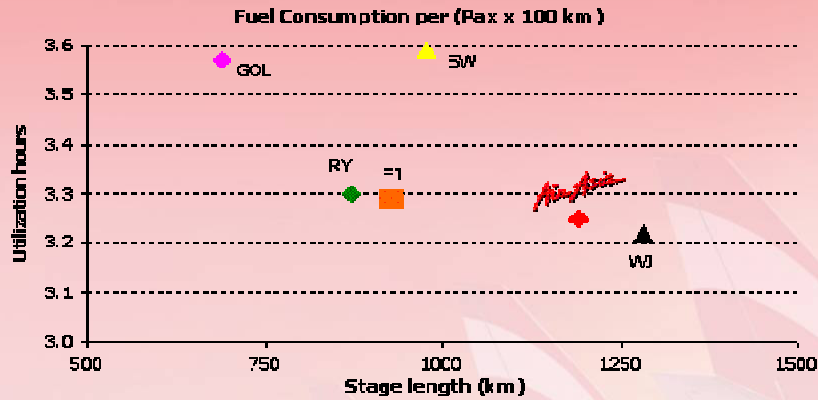
- No hedge beyond 30 June 2006
 - waiting for the opportune moment
- Increased fuel surcharge on 8 May 2006
 - Peninsular Malaysia RM 10
 - East Malaysia RM 25
 - International flights < 3 hours RM 40
 - International flights ≥ 3 hours RM 50

→ Fuel recovery of USD\$ 19-21 per barrel equivalent

29



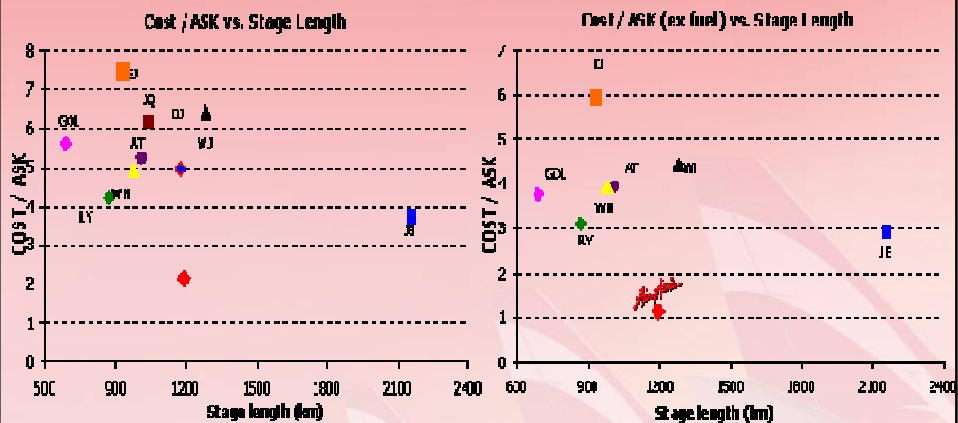
Fuel Consumption



- Good fuel consumption mainly from higher stage length
 - Airbus A320 will help to reduce fuel consumption

32

Cost Control



- Second to none unit cost with prospect to improve further
 - Airbus A320 will help to reduce cost
 - low cost terminal will render cost saving benefits

33

Ancillary Income



Ancillary Income	% Revenue	\$ / pax
AirAsia	8%	3.21
GOL	4%	3.35
Ryanair	16%	9.06
EasyJet	7%	5.45
WestJet	13%	15.40
Air Tran	4%	2.75
SoutWest	4%	3.45
Average	8%	6.10

34

Profit Margin



Profitability Margin %	EBITDAR	Net Income
AirAsia	27%	11%
GOL	35%	17%
Ryanair	35%	20%
EasyJet	16%	3%
WestJet	20%	8%
Air Tran	21%	4%
SoutWest	19%	7%
Average	25%	10%

- ❑ Among the most profitable airline in the world
 - despite having the lowest yield
 - we are the youngest airline among the peers

35

Load Factor



Load Factor Performance %	
AirAsia	80%
GOL	73%
Ryanair	78%
EasyJet	85%
WestJet	75%
Air Tran	83%
SoutWest	71%
Average	78%

- Load factor performance ranks us among the top-tier

36

AirAsia - Concluding Remarks



- World's lowest cost carrier
- Level playing field
- LCC accepted – dedicated terminals, people, destinations
→ **all in 4 years**
- Airbus will transform AirAsia
- Software dealt with – AirAsia Academy
- Growth of other LCC muted

37