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Agenda

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

Supplementary Information
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

<table>
<thead>
<tr>
<th>Route</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jakarta – Batam</td>
<td>Sep</td>
</tr>
<tr>
<td>KL – Chiang Mai</td>
<td>Oct</td>
</tr>
<tr>
<td>KL – Phnom Penh</td>
<td>Nov</td>
</tr>
<tr>
<td>Bangkok – Phnom Penh</td>
<td>Nov</td>
</tr>
<tr>
<td>Bangkok – Hanoi</td>
<td>Nov</td>
</tr>
</tbody>
</table>

Route Network

<table>
<thead>
<tr>
<th>Month</th>
<th>Routes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2002</td>
<td>6</td>
</tr>
<tr>
<td>Jun 2003</td>
<td>11</td>
</tr>
<tr>
<td>Jun 2004</td>
<td>26</td>
</tr>
<tr>
<td>Jun 2005</td>
<td>52</td>
</tr>
<tr>
<td>NOW</td>
<td>57</td>
</tr>
</tbody>
</table>
Consistent passenger growth

There is no stopping the LCC phenomenon

Passengers Flown by AirAsia Group (000)

Mar-2001: 291
Jun-2002: 611
Jun-2003: 1,481
Jun-2004: 2,839
Jun-05: 6,289
Q12005: 1,354
Q12006: 1,811

34% growth YoY
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

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

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

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

<table>
<thead>
<tr>
<th>(RM ‘000)</th>
<th>Q1 2006</th>
<th>Q1 2005</th>
<th>Δ (%)</th>
<th>Margins (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Q1 2006</td>
</tr>
<tr>
<td>Revenue</td>
<td>186,277</td>
<td>124,198</td>
<td>50%</td>
<td>18.4%</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>34,324</td>
<td>32,786</td>
<td>5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>EBIT</td>
<td>7,460</td>
<td>15,509</td>
<td>(52%)</td>
<td>6.3%</td>
</tr>
<tr>
<td>Net Income</td>
<td>11,789</td>
<td>10,478</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

- Profit growth achieved  
  - despite sharp rises in operational cost

- Profit margin depressed due to cost escalations  
  - unit cost for duel is 39% higher than same period last year  
  - higher headcount of technical staff in preparation for Airbus A320
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
### Balance Sheet (RM millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholder Equity</th>
<th>Net Cash</th>
<th>Cash from Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>49</td>
<td>-46</td>
<td>-29</td>
</tr>
<tr>
<td>2004</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>2005</td>
<td>337</td>
<td>265</td>
<td>265</td>
</tr>
<tr>
<td>Q106</td>
<td>953</td>
<td>965</td>
<td>965</td>
</tr>
</tbody>
</table>

### Cash from Operations (RM millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash from Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>15</td>
</tr>
<tr>
<td>2004</td>
<td>29</td>
</tr>
<tr>
<td>2005</td>
<td>113</td>
</tr>
<tr>
<td>Q106</td>
<td>107</td>
</tr>
</tbody>
</table>

Lower cash levels reflect aircraft deposits.
3. Cost Management
Cost Management

Superior cost containment despite fuel price impact

Cost / ASK (US cents)

- Cost / ASK
- Non Fuel Cost

Malaysian Operations

2002 2003 2004 2005 Q12006 Q12005

- 2002: Cost / ASK = 3.40, Non Fuel Cost = 2.35
- 2003: Cost / ASK = 2.90, Non Fuel Cost = 1.96
- 2004: Cost / ASK = 2.47, Non Fuel Cost = 1.72
- 2005: Cost / ASK = 2.19, Non Fuel Cost = 1.11
- Q12006: Cost / ASK = 2.41, Non Fuel Cost = 1.24
- Q12005: Cost / ASK = 2.08, Non Fuel Cost = 1.30

5% improvement ex-fuel
## Operating Expenses

<table>
<thead>
<tr>
<th>Operating Expenses (RM ‘000)</th>
<th>Q12006</th>
<th>Q12005</th>
<th>% Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Q12006</td>
</tr>
<tr>
<td>Revenue</td>
<td>186,277</td>
<td>124,198</td>
<td></td>
</tr>
<tr>
<td>– Staff Cost</td>
<td>(28,996)</td>
<td>(15,936)</td>
<td>15.6%</td>
</tr>
<tr>
<td>– Fuel and Oil</td>
<td>(87,114)</td>
<td>(44,283)</td>
<td>46.8%</td>
</tr>
<tr>
<td>– User &amp; Station Charges</td>
<td>(11,949)</td>
<td>(6,117)</td>
<td>6.4%</td>
</tr>
<tr>
<td>– Maintenance &amp; Overhaul</td>
<td>(18,884)</td>
<td>(19,455)</td>
<td>10.1%</td>
</tr>
<tr>
<td>– Others</td>
<td>(5010)</td>
<td>(5,621)</td>
<td>2.7%</td>
</tr>
<tr>
<td>EBITTDAR</td>
<td>34,324</td>
<td>32,786</td>
<td>18.4%</td>
</tr>
<tr>
<td>- Cost of aircraft</td>
<td>(14,089)</td>
<td>(12,344)</td>
<td>7.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>20,235</td>
<td>20,442</td>
<td>10.9%</td>
</tr>
<tr>
<td>- Depreciation &amp; Amortisation</td>
<td>(12,775)</td>
<td>(4,934)</td>
<td>6.9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>7,460</td>
<td>15,509</td>
<td>4.0%</td>
</tr>
<tr>
<td>Net Income</td>
<td>11,789</td>
<td>10,478</td>
<td>6.3%</td>
</tr>
</tbody>
</table>
### Cost / ASK – what changed from last year to this year?

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

**Total Cost per ASK** | **2.41** | **16.0%**

2.41 (2006) vs. 2.08 (2005) {16% cost rise}
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
Fuel surcharge is necessary to mitigate the fuel price hikes.

Fuel Surcharge implemented 14 July

AirAsia effective fuel cost US$/barrel
Singapore Jet Kerosene  US$/barrel
6. Outlook
Fleet Plan to Facilitate Profitable Growth

CAGR = 96%

- **Malaysia**: 3, 7, 17, 27, 33, 44
- **Thailand**: 0, 2, 6, 7, 7, 11
- **Indonesia**: 0, 2, 6, 7, 7, 11
- **Group Total**: 0, 2, 6, 7, 7, 11

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
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
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% annual allowance
  - Investment allowance may be deducted up to 70% of statutory income

*assume Capex 100 for this example

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>200</td>
</tr>
<tr>
<td>Expenses &amp; tax adjustments</td>
<td>-100</td>
</tr>
<tr>
<td>Adjusted Income</td>
<td>100</td>
</tr>
<tr>
<td>Capital Allowance</td>
<td>-40</td>
</tr>
<tr>
<td>Statutory Income</td>
<td>60</td>
</tr>
<tr>
<td>Investment Allowance</td>
<td>-42</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>18</td>
</tr>
</tbody>
</table>

GAAP allows 100% deduction of Capex
20% initial + 20% annual allowance
Total investment allowance is 60, but can deduct maximum 70%; balance to be carried forward
This is the only taxable portion