“Now Everyone Can Fly”

2005 Third Quarter Results
25th May 2005
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Agenda

1. Highlight & Events
2. Results Commentary – Third Quarter 2005
3. Cost Management
4. Airbus Updates
5. Outlook

Question & Answers
1. Highlight & Events
Strong growth trajectory despite tough market conditions

- Q3FY05 passenger numbers up 52% YoY
  - not even slow season or a Tsunami gets in the way of growth
- Profits up 152%
  - major growth on Q3FY04, despite a 48% rise in jet fuel prices
- Loads and fares levels improve
  - unit cost discipline maintained; margins still top the industry
- New markets, rising frequencies drive record year
  - may miss prospectus earnings estimates, but still in for bumper profits
Other developments

- Encouraging debut performance in Indonesia
  - carried 119,992 passengers with only two aircraft

- Profitability in Thailand
  - first profitable quarter (turnaround achieved despite tsunami & terrorist attacks)

- 100 Airbus Order Concluded
  - guarantees continuous supply of aircraft and secures low cost structure

- AirAsia inducted to MSCI Emerging Market Index, 1st March
  - benefits almost immediate; net uptake by index funds

- Appointment of Timothy Ross as Independent Director
We fly to more destinations in SE. Asia than MAS or SIA. We have domestic operations in three markets, a feat not easily duplicated by any airline.
Growth, Growth, Growth

Passengers Flown by AirAsia Group ('000)

291       611       1,481     2,839     1,354     1,561     1,630     4,545

➤ There is no stopping the LCC phenomenon
New routes, rather than falling demand impact loads

Not just any kind of growth, but **HIGH QUALITY GROWTH**
Profitability linked to fleet development

- Slight shortage of originally stated number of aircraft
  - merely a delay in rollout; confident of acquiring 40 aircraft by year end
We are 3.57 aircraft short of forecast

Resulting capacity loss equates to 665 million ASK (13% shortfall)
Cost Management

Superior cost containment despite fuel price impact
### What about Profit Margins?

<table>
<thead>
<tr>
<th>Profitability Margin% (latest)</th>
<th>Air Asia</th>
<th>Ryan air</th>
<th>Easy Jet</th>
<th>Virgin Blue</th>
<th>Jet Blue</th>
<th>South West</th>
<th>AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR</td>
<td>35</td>
<td>37</td>
<td>17</td>
<td>24</td>
<td>18</td>
<td>16</td>
<td>24.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>24</td>
<td>17</td>
<td>5</td>
<td>11</td>
<td>7</td>
<td>6</td>
<td>11.6</td>
</tr>
<tr>
<td>Net Income</td>
<td>25</td>
<td>12</td>
<td>4</td>
<td>8</td>
<td>2</td>
<td>5</td>
<td>9.2</td>
</tr>
</tbody>
</table>

Source: AirAsia; Bloomberg; latest company reports

<table>
<thead>
<tr>
<th>Where does AirAsia stack</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR</td>
<td>2</td>
</tr>
<tr>
<td>EBIT</td>
<td>1</td>
</tr>
<tr>
<td>Net Income</td>
<td>1</td>
</tr>
</tbody>
</table>

The numbers speaks for themselves
People, People, People

Timothy Ross
Independent Director

- Research Analyst for UBS
  - 14 years experience in the financial industry
  - experience spanning, Asia Pacific, Europe and the USA

- Highly experienced & well regarded in the airline industry
  - voted #1 in *Institutional Investor* poll four years in a row by fund managers
2. Third Quarter Results Commentary
Operational Statistics

- Passenger volumes increased by 52% YoY

- Superior capacity growth YoY
  (ASK increased by 71%, RPK increased by 72%)

- Load factor improved by 2% point; stronger demand by the traveling public

- Superior cost containment. Cost savings via economies of scale, effective marketing & promotion and increased productivity offsets rising fuel price

- Yields reduced by 4% due longer trip length (growth of 13% vs. Q3FY04), although average fares continue to rise 11% YoY
## Operational Statistics

<table>
<thead>
<tr>
<th>Operational Statistics</th>
<th>Q3 -2005</th>
<th>Q3 -2004</th>
<th>Δ y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Load factor</td>
<td>72%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td># Passengers</td>
<td>1,099,596</td>
<td>722,150</td>
<td>52%</td>
</tr>
<tr>
<td>Average fare (RM)</td>
<td>143</td>
<td>129</td>
<td>11%</td>
</tr>
<tr>
<td>RPK (mn)</td>
<td>1187</td>
<td>689</td>
<td>72%</td>
</tr>
<tr>
<td>ASK (mn)</td>
<td>1650</td>
<td>965</td>
<td>71%</td>
</tr>
<tr>
<td>Rev/ RPK (US cents)</td>
<td>3.63</td>
<td>3.78</td>
<td>(4%)</td>
</tr>
<tr>
<td>Cost/ ASK (US cents)</td>
<td>2.12</td>
<td>2.10</td>
<td>1%</td>
</tr>
<tr>
<td># aircraft (beginning)</td>
<td>19</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td># aircraft (end)</td>
<td>20</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Average # aircraft</td>
<td>17.07</td>
<td>10.60</td>
<td>61%</td>
</tr>
</tbody>
</table>
### Thailand Statistics

<table>
<thead>
<tr>
<th>Thailand Statistics</th>
<th>Q3 -2005</th>
<th>Q2 -2005</th>
<th>Q1 -2005</th>
<th>Q4 -2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Load factor</td>
<td>69%</td>
<td>77%</td>
<td>84%</td>
<td>74%</td>
</tr>
<tr>
<td># Passengers</td>
<td>410,005</td>
<td>434,865</td>
<td>369,340</td>
<td>230,831</td>
</tr>
<tr>
<td>Average fare (RM)</td>
<td>120</td>
<td>115</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Cost / ASK (US cents)</td>
<td>2.50</td>
<td>2.57</td>
<td>3.14</td>
<td>2.83</td>
</tr>
<tr>
<td>RPK (mn)</td>
<td>351</td>
<td>409</td>
<td>314</td>
<td>182</td>
</tr>
<tr>
<td>ASK (mn)</td>
<td>508</td>
<td>544</td>
<td>371</td>
<td>247</td>
</tr>
<tr>
<td># aircraft (end)</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

- Within a year, we are now the market leaders in Thailand
- Strong passenger growth with improving yield and lowered cost
## Financial Highlights – Q3 2005

<table>
<thead>
<tr>
<th>Year End: June</th>
<th>Q3 2005</th>
<th>Q3 2004</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>163,911</td>
<td>98,134</td>
<td>67%</td>
</tr>
<tr>
<td>EBIT DAR</td>
<td>57,332</td>
<td>31,694</td>
<td>81%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>46,999</td>
<td>21,076</td>
<td>123%</td>
</tr>
<tr>
<td>EBIT</td>
<td>39,315</td>
<td>17,210</td>
<td>128%</td>
</tr>
<tr>
<td>Share of Associates</td>
<td>(1,106)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>40,611</td>
<td>16,172</td>
<td>152%</td>
</tr>
<tr>
<td>ASK (million)</td>
<td>1650</td>
<td>965</td>
<td>71%</td>
</tr>
</tbody>
</table>
### Performance Indicator

<table>
<thead>
<tr>
<th>Figures in %</th>
<th>Q3 2005</th>
<th>Q2 2005</th>
<th>Q3 2004</th>
<th>FY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR Margin</td>
<td>35</td>
<td>38</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>24</td>
<td>26</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>25</td>
<td>25</td>
<td>17</td>
<td>15</td>
</tr>
</tbody>
</table>

- Consistent EBITDAR margin improvement
- Profitability intact despite losses in Indonesia and fuel price spike
Balance Sheet

Balance Sheet (RM’ million)

Note: (*) For the 15 months ended June 30, 2002

Consistently building shareholder value
Cash Generating Machine

Cashflow from Operating Activities (RM’ million)

Mar-00  Mar-01  Jun-02  Jun-03  Jun-04  YTD-05
-19  -3  -12  15  29  157

Note:
(*) For the 15 months ended June 30, 2002

“Normalized CFO” is RM157m. RM175m is paid for aircraft and fuel deposits. Therefore CFO is ‘superficially’ depressed at RM18m.
3. Cost Management
## Operating Expenses - YTD

<table>
<thead>
<tr>
<th>Operating Expenses (RM '000)</th>
<th>9 months - 2005</th>
<th>% Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>466,741</td>
<td></td>
</tr>
<tr>
<td>- Staff Cost</td>
<td>(53,935)</td>
<td>11.6</td>
</tr>
<tr>
<td>- Fuel and Oil</td>
<td>(183,826)</td>
<td>39.4</td>
</tr>
<tr>
<td>- User &amp; Station Charges</td>
<td>(23,467)</td>
<td>5.0</td>
</tr>
<tr>
<td>- Maintenance &amp; Overhaul</td>
<td>(41,511)</td>
<td>8.9</td>
</tr>
<tr>
<td>- Others</td>
<td>(5,419)</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>EBITDAR</strong></td>
<td>158,583</td>
<td>34.0</td>
</tr>
<tr>
<td>- Cost of aircraft</td>
<td>(38,278)</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>120,305</td>
<td>25.8</td>
</tr>
<tr>
<td>- Depreciation &amp; Amortisation</td>
<td>(19,148)</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>101,158</td>
<td>21.7</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>95,527</td>
<td>20.5</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>Staff cost</td>
<td>0.31</td>
<td>-29.7</td>
<td>Improved productivity</td>
</tr>
<tr>
<td>Maintenance &amp; Overhaul</td>
<td>0.25</td>
<td>-44.1</td>
<td>Economies of Scale</td>
</tr>
<tr>
<td>Other costs</td>
<td>0.06</td>
<td>-71.3</td>
<td>Effective marketing</td>
</tr>
<tr>
<td>Cost of aircraft</td>
<td>0.22</td>
<td>-35.0</td>
<td>Higher aircraft utilization rate</td>
</tr>
<tr>
<td>Fuel and Oil</td>
<td>1.04</td>
<td>37.5</td>
<td>Fuel price spiking</td>
</tr>
<tr>
<td>User &amp; Station Charges</td>
<td>0.13</td>
<td>56.5</td>
<td>More international routes</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>0.11</td>
<td>81.3</td>
<td>Purchased some aircraft</td>
</tr>
<tr>
<td><strong>Total Cost per ASK</strong></td>
<td><strong>2.11</strong></td>
<td><strong>-9.1%</strong></td>
<td></td>
</tr>
</tbody>
</table>

9months-2005 : 2.11 vs. 9months-2004 : 2.32 (9% improvement)
Cost Management – more than just managing fuel price

We dealt with escalating fuel price & derive cost savings from other avenues

Malaysian Operations

Cost / ASK versus Singapore Jet Kerosene

Cost / ASK
Jet Kerosene ($/bbl)
Fuel Hedge FY2006

- **WTI Crude Oil Capped Swap for FY2006**
  - Fixed price of USD40/bbl but capped at US$52/bbl
  - Discount of US$ 12 / bbl for WTI above US$ 52 /bbl
  - 1HFY06 fully covered, 2HFY06 50% covered

- **WTI Call Option (Insurance cover) for FY2006**
  - Strike price of US$ 70/bbl; 50% covered
  - Provides protection given market expectations of bullish oil prices
Rationale for crude oil instead of jet fuel

- Expect crack to dip after recent premium to crude price
- Average crack past 5 years is close to US$4 as opposed to current US$15

Refining margin (Crack)
4. Airbus Updates
Secured 100 Airbus A320

Purchase agreement with Airbus concluded on 25th March 2005. (60 firm orders with options to purchase an additional 40)

- Maiden delivery of two aircraft expected December 2005
- Boeing 737-300 aircrafts will be phased out sequentially. AirAsia will eventually be a single aircraft airline of Airbus A320’s
- **Financing for the Airbus deal**
  - 85% external financing and 15% internal sources
  - final stages of securing funding from financial institutions
  - financing term: 12 years financing, 10% down-payment
  - probably will fix interest rate for the whole financing duration
Why buy 100 aircraft?

- Indonesia was not part of the initial deal
  - Indonesia’s requirement alone is huge
  - AWAIR’s operations for the past three months demonstrates just that (strong demand and great load factor)
  - many domestic routes that haven’t been served

- Route Network Expanding Rapidly
  - many new routes in the pipeline (China, Philippines, Indo-China)
  - development of new secondary hubs requires more planes
5. Outlook
Shortage of planes restricts initial growth forecast

Sentiment for travel muted in January & early February due to Tsunami tragedy. Recovery in air travel during mid-February

Malaysia Airlines (MAS) implementing Fuel Surcharge on local Routes
- Peninsular Malaysia : RM 7.50
- East Malaysia : RM 15.00

Scope to raise fares or we may instill fuel surcharge
ThaiAirAsia reached break-even
- despite Tsunami tragedy
- despite poor sentiment to travel
- despite operating with lower number of aircraft

Shortage of planes restricts initial growth forecast

Competition is rationalizing, average fares improving

All Thai LCCs will add a fuel surcharge
- Local : THB 200
- International : THB 400

Scope to raise fares or increase fuel surcharge
Indonesia – Jewel in the Crown

- Start-up losses kept at a minimum
- Tremendous support evident in exceptionally high load factor (proof that the model works in Indonesia)
- Operating with two aircraft, will have six aircraft by end 2005
- Application for name change to “Indonesia AirAsia” submitted; awaiting approval from the authority
- Fragmented market, huge potential to take advantage of
- Indonesian airline industry agreed to increase average fares

**Scope to raise fares or we may instill fuel surcharge**
Ancillary Income Progress

- Go Holiday – AirAsia’s holiday package option
  - customers increasingly comfortable with Go-Holiday
  - developing other opportunities (insurance; travel & health)

- Advertising – paying homage to our strong brand
  - aircraft body advertising
  - web portal / banners / links
  - in-flight advertising opportunities

- Snack Attack – AirAsia’s onboard food & drinks
  - rejuvenated menu and food selection

- Charter flights
  - late night flights to various destinations

- Car Rental (launch of Go Car – March 29)
  - referral commissions for every car rented via our website
  - effectively minimal cost to the company
Prospectus profit estimate

Will miss the Initial Public Offering forecast

- Aircraft availability culprits
  - average aircraft for FY2005 is 16.28 as oppose to planned 19.93

- Thailand
  - lower number of aircraft in operation
  - tsunami disaster and civil unrest dent sentiment for travel

- Indonesian start-up losses
  - not computed in IPO
  - initial losses minute compared to long-term potential

- Fuel price higher than initial budget

  ➔ Deferred rather than cancelled
Expansion Strategy

- Increasing frequency to existing destinations
  - expand popular routes (KL-Bangkok, KL-Jakarta, Bangkok-Singapore)

- Introduce new connectivity from existing airports
  - introducing Senai-Sibu, commencing 25 May

- Use new airlines (Thailand & Indonesia) to capture local markets

- Working to introduce new destinations in 2005
  - extended stages before commencing flights to 5 other Chinese destinations (Naning, Chengdu, Kunming, Haikou, Guangzhou)
  - venturing into new countries (Indo-China)
AirAsia - Concluding Remarks

- Well positioned for growth
  - excellent reputation and service level.
  - domestic operations in 3 countries (unlikely to be replicated)
  - diverse route network (51 routes to date)
  - strong business model (working exactly the way it should)

- Southeast Asia’s only genuine LCC

- Lowest cost operator – costs still coming down (other than fuel)

- Competitors are finding the going tough
  - inability to expand capacity, add new routes, fleet expansion
Thank You – Question & Answer