

Air Asia



Airline Of The Year

April-June Quarter 2008 Results

28 August 2008

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Key Highlights for Apr-Jun Quarter



- ❑ Delivered profit in a very tough business environment
 - Core operating profit of RM30 million with margins of 4.9%
 - Profit after tax of RM9 million with margins of 1.5%

- ❑ 26th consecutive quarter of profitability

- ❑ Lowest cost airline in the world at 3.57 US cents / ASK
 - despite unit fuel price gaining by 65% year on year

- ❑ Disciplined growth
 - Group fleet size of 72 (end of June 2008)



Key Highlights for Apr-Jun Quarter



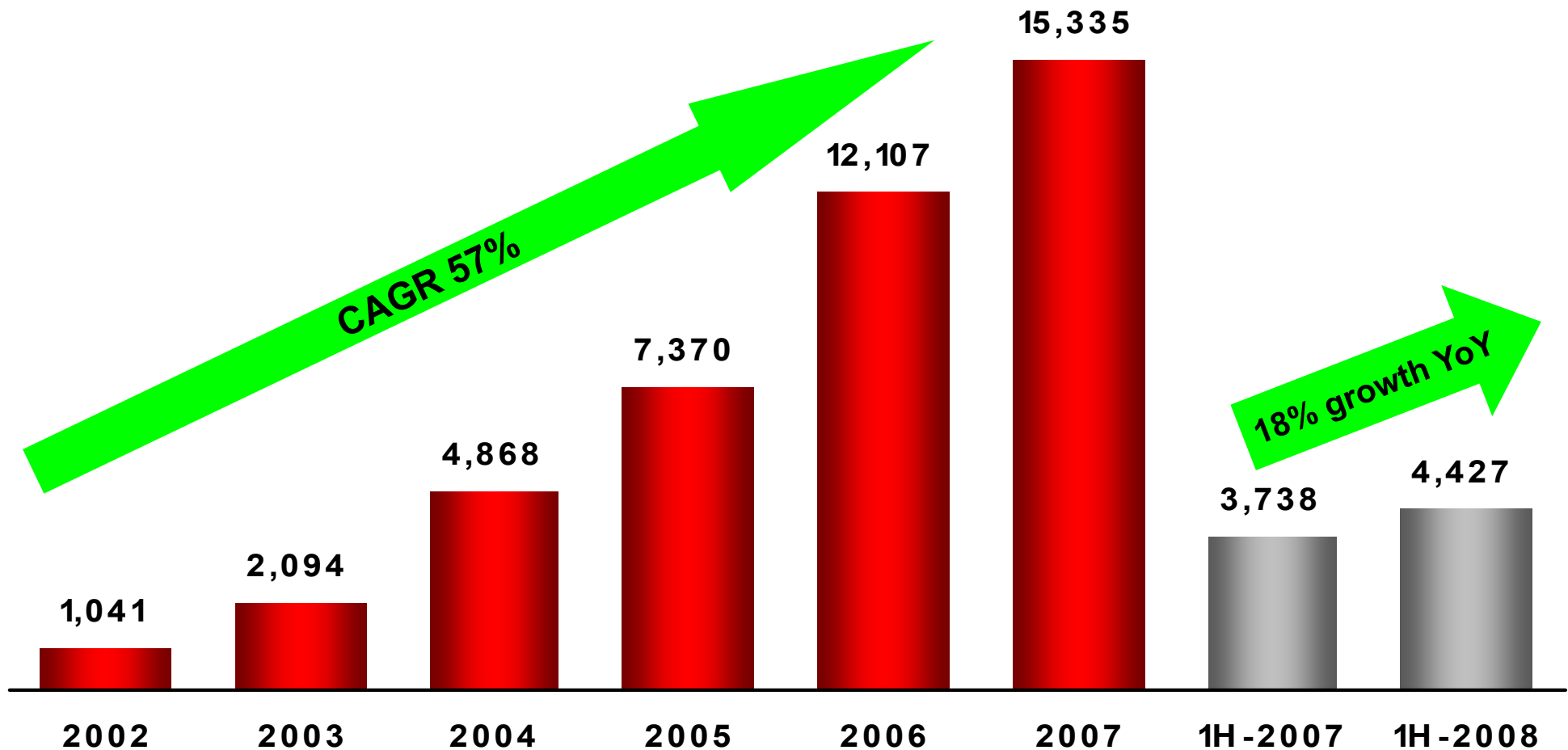
- ❑ Contrarian approach, keeping the growth intact
 - introduced 20 routes since the beginning of the year
- ❑ On-time performance of 89% year to date
- ❑ Airbus success story continued with deliveries to Thailand and Indonesia
 - higher reliability and improved serviceability
 - Thai AirAsia is currently operating with seven Airbus A320
 - Indonesia to receive first Airbus A320 on 19 September



Consistent Passenger Growth



Passengers Flown by AirAsia and AirAsia Associates ('000)



- ❑ Benefiting from slower economic growth
 - people going for better value proposition airline
 - our 5 star qualities are attracting new markets



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Results Commentary

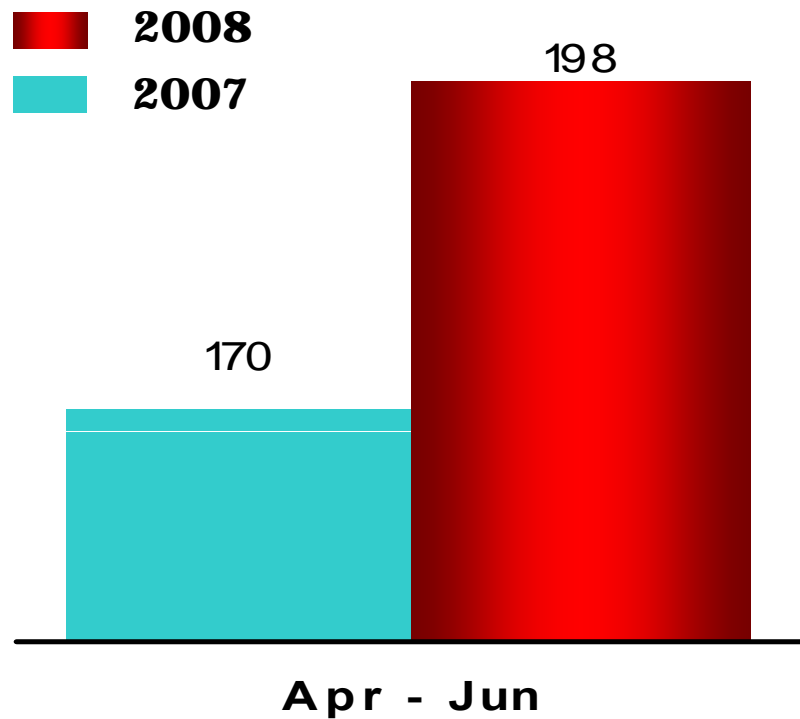


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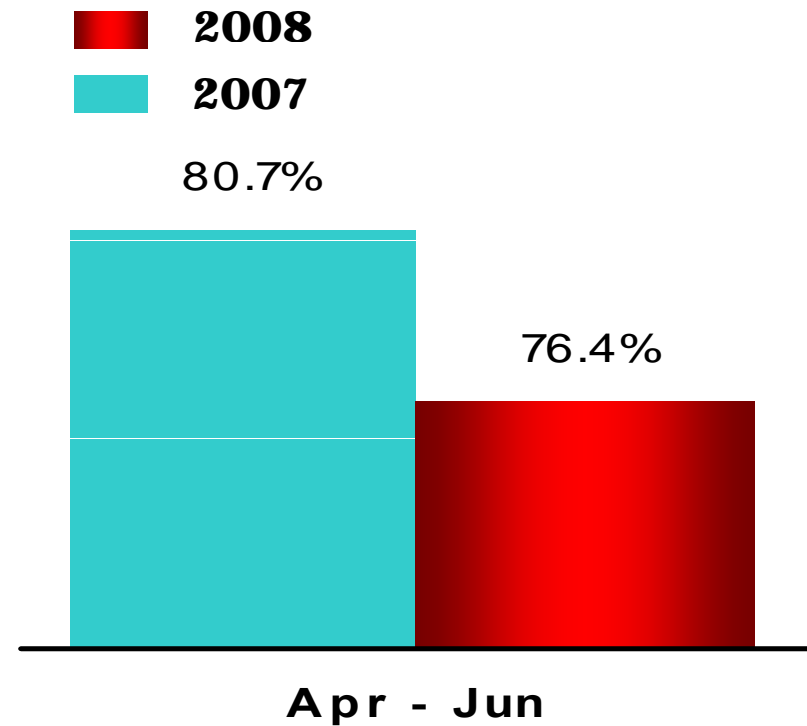
Growth through Aggressive Pricing



Average Fare (RM)



Load Factor %

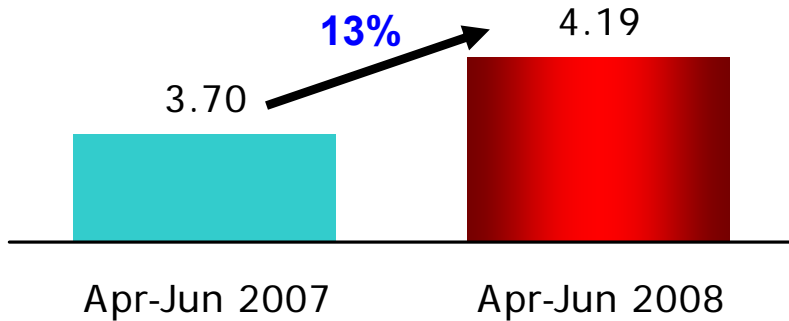


- Better yield management
- Higher international flight bias

- Significant capacity added over the period (33% ASK growth)
- In line with management expectations

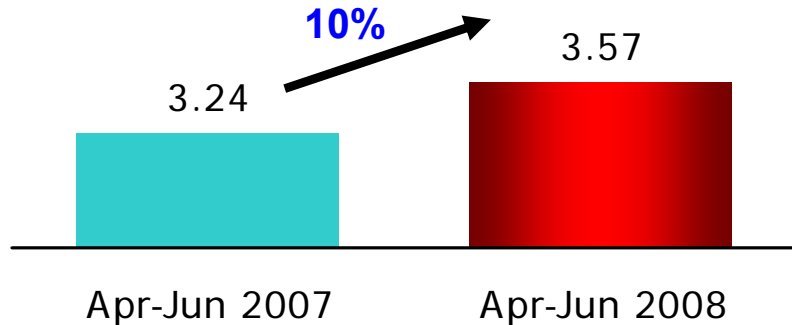
Consistent Yield Expansion

Rev / ASK (US ¢)



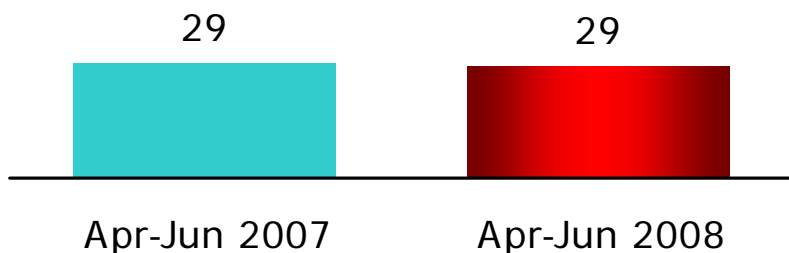
- 16% Higher average fare
- Higher ancillary income contribution

Cost / ASK (US ¢)



- Unit Fuel price climbed by 65% to USD143/barrel

Core Operating Profit (RM million)



- Strong operational performance
- Superior cost management



Cost / ASK – year on year Comparison



Cost Breakdown (US cents / ASK)	Apr-Jun 2008	Apr-Jun 2007	Δ (%)	Reason
Staff Costs	0.38	0.32	19%	Wage inflation
Fuel and Oil	2.43	1.57	55%	Higher jet fuel price
User & Station Charges	0.00	0.23	n/a	Credits from MAHB granted
Maintenance and Overhaul	0.13	0.46	(72%)	New aircraft requires less work
Cost of Aircraft	(0.13)	0.05	n/a	Sub-lease income from Thai AirAsia
Depreciation & Amortisation	0.54	0.31	74%	More owned aircraft in fleet
Sales, Marketing & Others	0.22	0.30	(27%)	Classification of cost line items
Total Cost / ASK	3.57	3.24	10%	Higher Fuel Price
Cost / ASK (ex fuel)	1.14	1.67	(32%)	Efficient A320 aircraft



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Driving Growth from Ancillary Income



	Apr-Jun 2008	Apr-Jun 2007	Δ %
Ancillary Income (RM million)	50.3	31.4	60%
Passenger Spend (RM / pax)	17.8	13.3	34%
% Revenue	8.3%	7.3%	1.0 ppt

- ❑ Driving promotions harder
 - to increase penetration rate
 - packaged products to increase yields

- ❑ Checked baggage fee launched 21 April
 - revenue contributor and cost savings
 - no impact to ticket sales demand

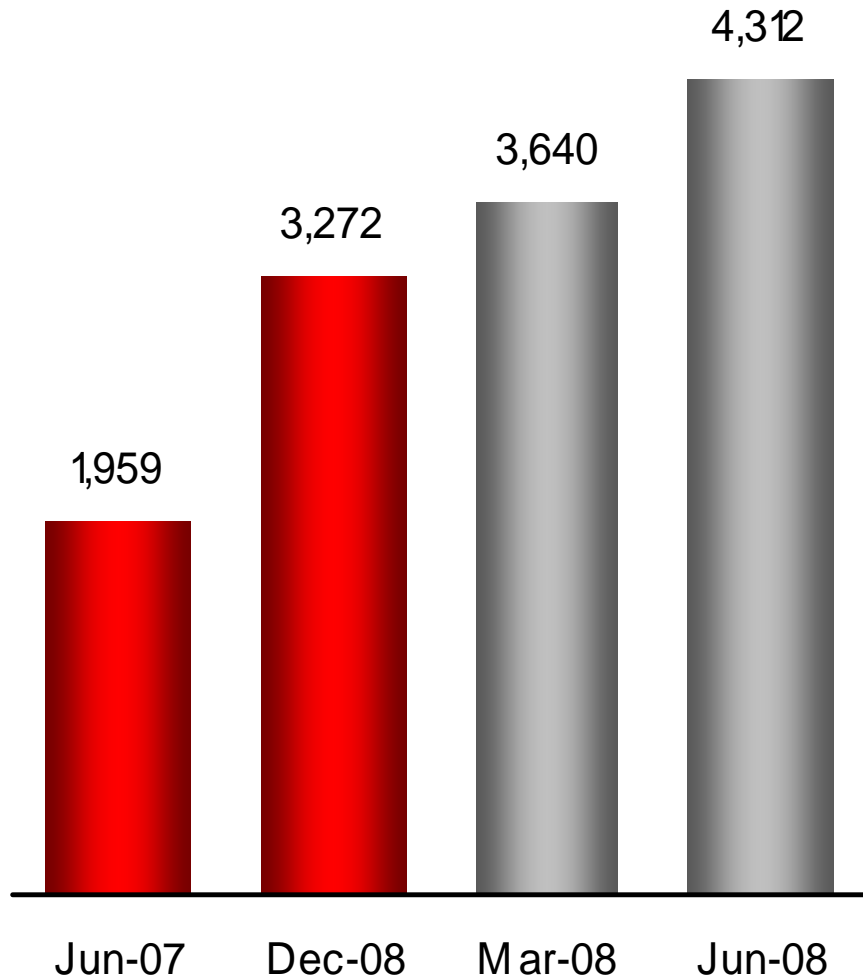


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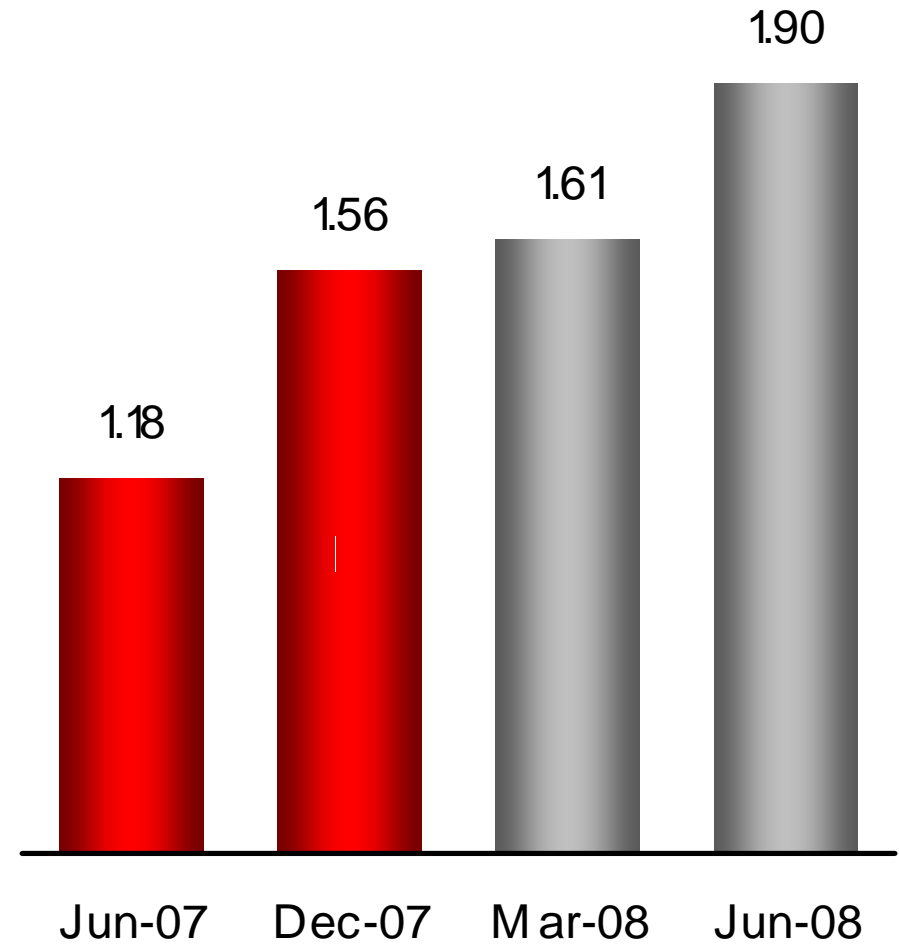
Borrowings and Gearing



Net Debt (RM million)



Net Gearing (Net Debt / Equity)



MAHB



- ❑ Reached an amicable solution with MAHB
- ❑ Paid the agreed amount of settlement
- ❑ Received credits for the disputed amount
 - amount has been adjusted to income statement
- ❑ Working with the Government to make LCC travel a bigger success
 - differentiate charges between main terminal building and LCCT
 - incentives for growth airline



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Updates on Associates



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Updates on Associates

❑ Thai updates

- 19% passenger growth with 20% average fare growth YoY
- posted a loss of THB446 million (RM44.2 million), our portion of losses is THB219 million (RM21.7 million)
- currently operating with 5 Airbus A320 aircraft
- better yields due to weakening competitors

❑ Indonesia Updates

- 12% passenger growth with significantly higher average fares
- posted a loss of IDR72 billion (RM25 million), our portion of losses is IDR35 billion (RM12.2 million)
- Indonesia due to receive first Airbus on 19 September



AirAsia X: Dark horse that adds Value

- ❑ New Airbus A330 aircraft deployment schedule
 - aircraft #2: 2 November 2008
 - aircraft #3: 5 March 2009

- ❑ Expanding routes to Australia
 - Kuala Lumpur to Perth (2 November)
 - Kuala Lumpur to Melbourne (12 November)

- ❑ New routes to be launched in 2009
 - London (United Kingdom)
 - Amritsar (India)
 - Tianjin (China)



Summary



- ❑ Challenging outlook but AirAsia will be profitable
 - innovation and focus on quality is key to survival
 - focus on low fares and marketing
- ❑ Ancillary Income
 - new products provide huge upside
- ❑ Most comprehensive route network in Asia
 - competitors are slowing, we are continuing to expand the network
- ❑ Strong balance sheet
 - total cash (cash, deposits) of RM1 billion
- ❑ AirAsia will emerge stronger in the end
 - others will fail
 - consolidation in the market is inevitable



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Appendix

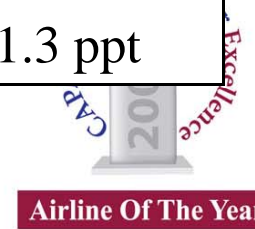


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Financial Data – Second Quarter



Quarter Ended: 30 June RM'000	Apr-Jun 2008	Apr-Jun 2007	Δ (%)
Ticket Sales	558,020	400,726	39%
Ancillary Income	50,332	31,428	60%
Revenue	608,352	432,154	41%
Core Operating Profit	29,984	29,426	2%
Profit After Tax	9,418	185,050	-95%
Core Operating Profit Margin	4.9%	6.8%	-1.9 ppt
Profit After Tax Margin	1.5%	42.8%	-41.3 ppt



Operating Data – Second Quarter



Quarter Ended: 30 June	Apr-Jun 2008	Apr-Jun 2007	Δ (%)
Passengers Carried	2,822,612	2,359,553	20%
ASK (million)	4,514	3,402	33%
RPK (million)	3,286	2,745	20%
Seat Load Factor	76.4%	80.7%	-4.3 ppt
Average Fare (RM)	198	170	16%
Rev / ASK (sen)	13.48	12.70	6%
Rev / ASK (US cents)	4.19	3.70	13%
Cost / ASK (sen)	11.65	11.12	5%
Cost / ASK (US cents)	3.62	3.24	12%
Cost / ASK-ex fuel (sen)	4.38	5.73	-24%
Cost / ASK-ex fuel (US cents)	1.36	1.67	-19%
Aircraft (end of period)	44	34	29%

Operating Data – Second Quarter



Quarter Ended: 30 June	Apr-Jun 2008	Apr-Jun 2007	Δ (%)
Average fare (RM)	197.7	169.8	16%
Ancillary Income / pax (RM)	17.8	13.3	34%
Unit Revenue / pax (RM)	215.5	183.2	18%
Fuel consumed (barrels)	784,636	620,026	27%
Unit fuel price (\$/barrel)	142.5	86.2	65%
Average stage length (km)	1,200	1,128	6%
No. of flights	21,208	17,659	20%
No. aircraft at end of period	44	34	29%



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Fleet Composition

Operational Aircraft count	Jun 2008	Now (Aug)
Malaysia	44	47
Thailand	17	15
Indonesia	11	12
Group Total	72	74
<u>Aircraft Type</u>		
# Airbus A320	39	48
# Boeing 737-300	33	26

