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AirAsia Berhad | annual report 2007

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## Our Dreams and Aspirations

To be the largest low cost airline in Asia serving the 3 billion people who currently are underserved with poor connectivity and high fares.

- To be the best company to work for where employees are treated as part of a big family
- Create a globally recognised ASEAN brand
- To strive for the lowest cost so that all of the 3 billion people can fly with AirAsia
- Maintain the highest quality product using the best technology to reduce cost and enhance service level



# AirAsia – Asia's low cost leader

AirAsia flies to over 86 routes across 11 countries in ASIA.



Malaysia



Thailand



Indonesia



Singapore



Philippines



Cambodia



Brunei



Vietnam



Myanmar



Laos



Macau



China

## COUNTRY OF OPERATIONS



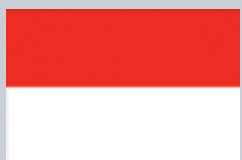
**MALAYSIA**

Malaysia AirAsia was incorporated on **20 December 1993**.  
Currently Malaysia has a staff strength of **2,924**.



**THAILAND**

Thai AirAsia was launched on **3 February 2004** as our first joint venture.  
Currently Thailand has a staff strength of **1,381**.



**INDONESIA**

Indonesia AirAsia was launched on **8 December 2004**. This is our second associate in the region. Currently Indonesia has a staff strength of **745**.

# AirAsia

## CORPORATE PROFILE



AirAsia Berhad (“AirAsia” or “the Company”) is a name synonymous with low fares, quality service and dependability. With over 86 routes across 11 countries, AirAsia is truly Asia’s leading airline with the widest route connectivity and largest customer base. With the unmistakable tagline, “Now Everyone Can Fly”, AirAsia has made flying affordable for more than 40 million guests.

### Against All Odds

In 2001, Dato’ Tony Fernandes along with Dato’ Pahamin Ab. Rajab (Chairman, AirAsia), Dato’ Kamarudin bin Meranun (Deputy Group Chief Executive Officer, AirAsia) and Abdul Aziz bin Abu Bakar (Director, AirAsia) formed a partnership to set up Tune Air Sdn Bhd and bought AirAsia for a token sum of RM1.00. With the help of Conor Mc Carthy (Director, AirAsia; Director, former Director of Tune Air Sdn Bhd and former Director of Group Operations, Ryanair), AirAsia was remodeled into a low cost carrier and by January 2002, their vision to make air travel more affordable for Malaysians took flight.

Valued at RM4.5 billion, AirAsia is today an award winning and the largest low cost carrier in Asia. From a two aircraft operation of Boeing 737-300, AirAsia currently boasts a fleet of 60 aircraft that flies to over 50 domestic and international destinations and operates over 400 domestic and international flights daily from six hubs located at Low Cost Carrier Terminal (KLIA), Johor Bahru, Kota Kinabalu, Kuching, Bangkok (Thailand) and Jakarta (Indonesia). AirAsia is fast spreading its wings to create a bigger and more extensive route network through its associate companies,



Thai AirAsia and Indonesia AirAsia. The airline has carried, thus far, over 40 million guests since its first day of operation.

### Bringing Asia Closer

At AirAsia, we are bringing people closer by bridging boundaries through our philosophy of offering low fares. It has sparked a revolution in travel, as more and more people from all walks of life are now able to fly for the first time, while many others have made air travel with AirAsia their preferred choice of transport even within Malaysia. We are consistently adding new routes, which include city pairs that never existed before, in our relentless efforts to create a seamless bridge of unity across ASIA. It is something very close to our hearts as we continuously strive to promote air travel and create excitement amongst our guests with our range of innovative products and personalised services.



### The Foundation of Our Business

AirAsia’s success has taken flight through the continued confidence of our guests who prefer a no-frills, hassle-free, low fare and convenient option in air travel. The key to delivering low fares is to consistently keep cost low. Attaining low cost requires high efficiency in every part of the business and maintaining simplicity. Therefore every system process must incorporate best industry practices. We make this possible through the implementation of the following key strategies:

- **Safety First** – Safety is the single most important criteria in every aspect of the operations, an area that AirAsia will never compromise on. AirAsia complies with the conditions set by regulators in all the countries where the airline operates. In addition, AirAsia partners with the world’s most renowned maintenance providers to ensure that its fleet is always in the best condition.



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

**a revolutionary name in air travel reaches greater heights**

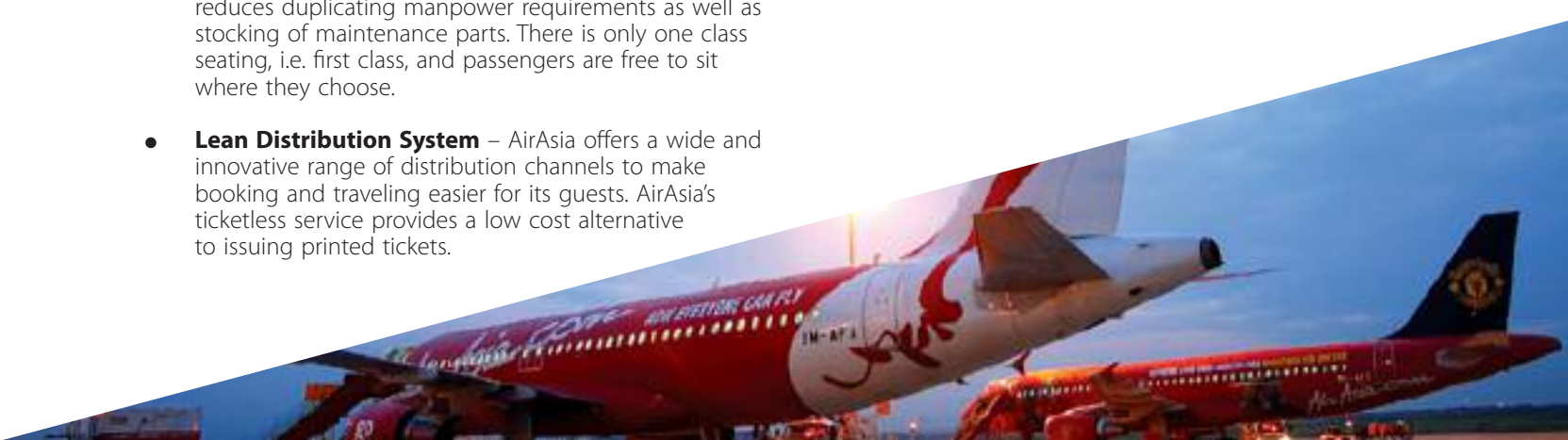


- **High Aircraft Utilisation** – AirAsia’s high frequency flights have made it more convenient for guests to travel as the airline implements a quick turnaround of 25 minutes, which is the fastest in the region. This has resulted in high aircraft utilisation, lower costs and greater airline and staff productivity.
- **Low Fare, No Frills** – AirAsia targets guests who are prepared to do away with frills such as meals, frequent flyer miles or airport lounges in exchange for fares lower than those currently offered without compromising on quality and service. Guests have the choice of buying exclusively prepared meals, snacks and drinks from our in-flight service at an affordable price.
- **Streamline Operations** – Making the process as simple as possible is the key to AirAsia’s success. We are working towards a single aircraft fleet; this greatly reduces duplicating manpower requirements as well as stocking of maintenance parts. There is only one class seating, i.e. first class, and passengers are free to sit where they choose.
- **Lean Distribution System** – AirAsia offers a wide and innovative range of distribution channels to make booking and traveling easier for its guests. AirAsia’s ticketless service provides a low cost alternative to issuing printed tickets.

- **Point to point network** – The LCC model shuns the hub-and-spoke system and adopts the simple point-to-point network. Almost all AirAsia flights are short-haul (3 hour flight or less). The underlying business is to get a person from point A to B.

**Our Commitment**

AirAsia has a firm commitment with a purchase order for 200 Airbus A320 aircraft (150 firm + 50 options), thus securing our growth pipeline up till 2013. We are committed to be a truly Asian airline that operates an extensive route network, fosters economic prosperity, stimulates tourism and promotes stronger cultural integration. AirAsia is poised to be the largest and youngest airline in the region.



# FINANCIAL HIGHLIGHTS

<b>For the year ended 30 June</b> (RM million, unless otherwise stated)	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b> (restated)	<b>2007</b>
<b>Revenue</b>	<b>330</b>	<b>393</b>	<b>718</b>	<b>1,071</b>	<b>1,603</b>
Total expenses	318	332	596	997	1,322
EBITDAR	95	116	209	154	490
EBIT	12	61	122	74	281
Associates contributions	0.0	(0.1)	(5.4)	(0.5)	(3.9)
Profit before tax	11.5	58.1	114.6	86.2	278.0
Tax	7.4	(9.1)	(14.3)	115.5	220.0
<b>Net income *</b>	<b>18.8</b>	<b>49.1</b>	<b>100.8</b>	<b>201.7</b>	<b>498.0</b>
<b>BALANCE SHEET</b>					
Cash & cash equivalent	34	66	329	426	595
Total Assets	124	350	1,123	2,574	4,779
Net Debt (Total Debt – Total Cash)	(34)	29	(329)	627	1,959
Shareholders' Equity	49	150	953	1,148	1,662
<b>CASH FLOW STATEMENTS</b>					
Net cash from operating activities	15	29	(38)	282	595
Cash flow from investing activities	(22)	(144)	(297)	(1,249)	(1,943)
Cash flow from financing activities	26	141	589	1,067	1,509
<b>Net Cash Flow</b>	<b>19</b>	<b>26</b>	<b>254</b>	<b>100</b>	<b>161</b>
<b>CONSOLIDATED FINANCIAL PERFORMANCE (%)</b>					
Return on total assets	15.2	14.0	9.0	7.8	10.4
Return on shareholders' equity	38.4	32.7	10.6	17.6	30.0
R.O.C.E (EBIT/(Net Debt + Equity))	74.4	33.8	19.6	4.2	7.7
EBITDAR margin	29.7	29.6	29.1	14.4	30.6
EBIT margin	3.5	15.4	17.0	6.9	17.5
Net Income margin	5.7	12.5	14.0	18.8	31.1
<b>CONSOLIDATED OPERATING STATISTICS</b>					
Passengers carried	1,481,097	2,838,822	4,414,069	5,719,411	8,737,939
RPK (million)	1,539	2,771	4,881	6,702	9,863
ASK (million)	2,086	3,592	6,525	8,646	12,391
Load factor (%)	74	77	75	78	80
Aircraft utilisation (hours per day)	12.5	12.8	12.1	12.0	12.0
Average fare (RM)	147	131	143	174	171
Yield Revenue per ASK (sen)	11.1	10.9	10.2	12.2	12.9
Cost per ASK (sen)	10.9	9.4	8.3	10.9	11.2
Cost per ASK – excluding fuel (sen)	7.4	6.5	4.2	6.1	5.6
Yield Revenue per ASK (US¢)	2.92	2.87	2.69	3.29	3.64
Cost per ASK (US¢)	2.86	2.47	2.19	2.95	3.16
Cost per ASK – excluding fuel (US¢)	1.96	1.72	1.11	1.63	1.57
Number of Stages	14,461	25,106	40,679	48,339	68,195
Average stage length (km)	975	967	1,024	1,163	1,088
Average fleet size (Malaysia)	5.5	9.5	16.3	20.5	27.1
Size of fleet at year end (Malaysia)	7	13	19	26	34
Size of fleet at year end (Group)	7	17	27	42	54
Number of employees at year end	648	1,382	2,016	2,224	2,924
Percentage revenue via internet (%)	29	43	47	60	65

\* Net income after minorities

GE Transportation  
Aircraft Engines

# OnPoint<sup>SM</sup>

Services that perform. Solutions that save.

OnPoint is GE's consultative approach to aircraft engine service that focuses on meeting each customer's goals and needs. Through OnPoint, we offer flexible service solutions that lower cost of ownership and deliver world class support with unparalleled operational excellence.

To learn more about OnPoint products and solutions, visit [www.geae.com/onpoint](http://www.geae.com/onpoint).



imagination at work

# G-O-O-O-A-A-A-L-L-L!

Navitaire congratulates AirAsia on yet another winning year.

AirAsia's strong growth and record profits demonstrate the high-performance results achievable through innovative ideas supported by strategic business partners. Navitaire is honored to underpin AirAsia's extraordinary success by delivering flexible, integrated systems for reservations, revenue management and operations management.

Thinking beyond the ordinary lets AirAsia tap into new markets, grow profitably and maintain a low cost structure to score impressive business results.

We're confident AirAsia will continue to be a high-performance business that consistently outperforms its peers in a highly competitive world. And Navitaire will be there to help AirAsia turn its ideas into revenues.

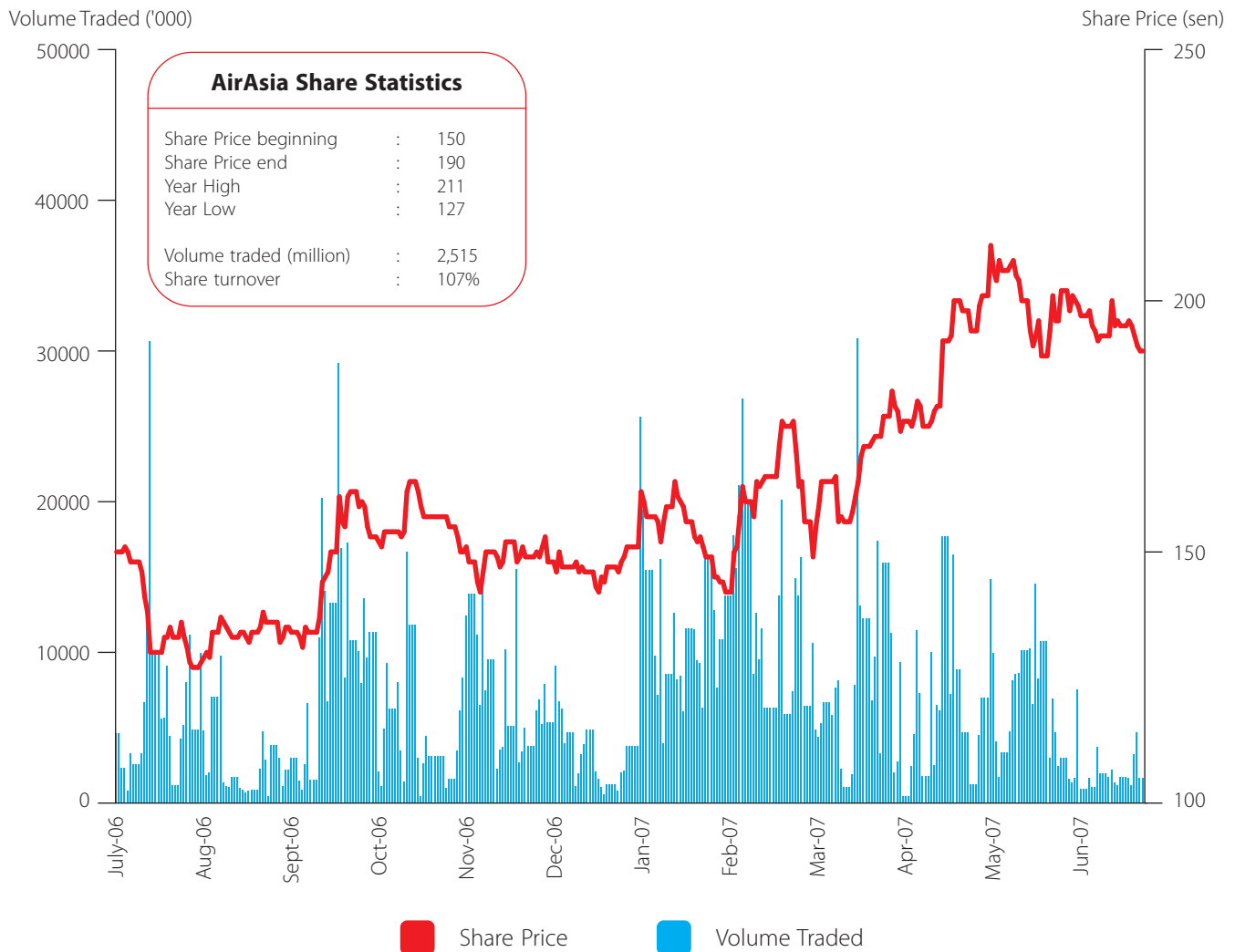
Growth, Innovation, Results. Delivered.

# NAVITAIRE

[www.navitaire.com](http://www.navitaire.com)



# SHARE PERFORMANCE



## NOV 2006

Announcement on 30 November 2006 of the unaudited consolidated first quarter results for the three months ended 30 September 2006.

## DEC 2006

13th Annual General Meeting (AGM) of the Company was held on 28 December 2006.

## FEB 2007

Announcement on 28 February 2007 of the unaudited consolidated second quarter results for the three months ended 31 December 2006.

## MAY 2007

Announcement on 23 May 2007 of the unaudited consolidated third quarter results for the three months ended 31 March 2007.

## AUG 2007

Announcement on 30 August 2007 of the unaudited consolidated fourth quarter results for the three months ended 30 June 2007.



# CHAIRMAN'S STATEMENT

**"AIRASIA TODAY IS A GROUP WITH SALES IN EXCESS OF RM1.6 BILLION, A PRESENCE IN 11 COUNTRIES AND MORE THAN 5,000 EMPLOYEES."**

**PAHAMIN AB. RAJAB**  
CHAIRMAN





## Dear Shareholders

AirAsia has just completed its best financial year ever. This is against a backdrop of exciting opportunities as well as a fair share of challenges. AirAsia today is a group with sales in excess of RM1.6 billion, a presence in 11 countries and more than 5,000 employees. Earnings continued to improve thanks to robust passenger growth and improved margins in all business areas. This was despite the slowdown in the Indonesian aviation industry, lower than expected tourist arrivals in Thailand and increases in the price of jet fuel to levels that only two or three years ago would have seemed impossible. Our business model has weathered these challenges, and coupled with our sound operational performance, we have seen the Group produce record profits.

The domestic rationalisation was the main focus of the Group for the past year. This progressive decision by the Malaysian Government has allowed the industry to compete on the same basis which in turn has clearly defined the premium and budget segment of the industry. AirAsia is now the market share leader for domestic Malaysian operations and a number of regional routes. In addition, the

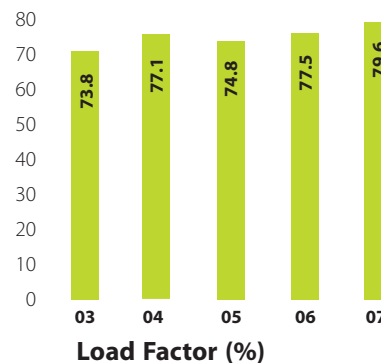
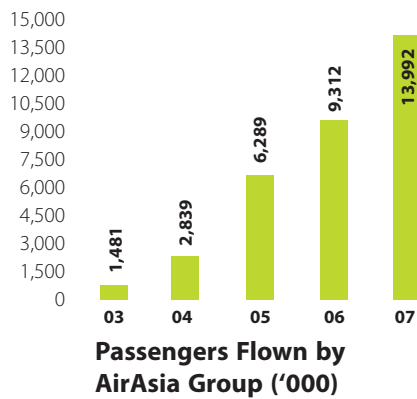
Government has built a new low cost terminal in Kota Kinabalu and subsequently reduced the passenger service charges for travelers using the low cost terminals of Kuala Lumpur and Kota Kinabalu. These positive developments highlight that the Government understands and supports the low cost airline industry.

AirAsia's business has always had a long stride. As we grow our Company across the region, we will continue to work as one collaborative and seamless ASEAN airline, drawing on local expertise and fully exploiting our Group processes and knowledge. We will leverage on what is common between all our markets and combine this with the local edge that our companies are adept at.

I am pleased that we have met all our key performance indicators, and in many cases, exceeded our targets. AirAsia carried 14 million passengers across the Group; this represents a growth of 50% against the previous year. The Group has achieved a stellar performance in capacity management with 80% load factor and 6% increase in yields. Excluding fuel, our cost was actually lower than



**“THE GROUP HAS ACHIEVED A STELLAR PERFORMANCE IN CAPACITY MANAGEMENT WITH 80% LOAD FACTOR AND 6% INCREASE IN YIELDS.”**



budgeted thanks to the Airbus A320, which is delivering tremendous cost and productivity benefits. This resounding all round strong performance highlights the successful execution of our corporate strategy and investments made in the past.

AirAsia would not have been able to meet these challenges without the commitment and dedication of our people, led by Tony Fernandes and the team he heads. Their determination, experience and creativity are needed to rise to the challenges our business faces. I would like to thank all our staff around the world for their contribution in 2007. I am proud to recognise the value they have created for our shareholders.

It is worth repeating, AirAsia is on the right track, as our results for financial year 2007 clearly show. Our constant efforts in lowering cost, expanding our route network, developing innovative products and building a strong ASEAN brand, will see us moving closer to being the most profitable airline in the world. I can therefore promise that the quest to be the best will never rest and we will have yet another exciting period ahead of us.

**Pahamin Ab. Rajab**  
Chairman

Financing  
GLOBAL AVIATION GROUP

# Innovation, Commitment, Execution

Calyon Crédit Agricole CIB is authorised by Commission Bancaire in France and by The Financial Services Authority, regulated by The Financial Services Authority for the conduct of UK business. This announcement appears as a matter of record only.

2005 - 2008	<p>13 A320 family 12 ATR72-500 Sale &amp; Lease Back Export Credit &amp; Commercial Financing  Financial Advisor</p>	August 2007	<p>1 A330-300 Japanese Operating Lease  Equity Arranger</p>	August 2007	<p>USD 270 million Unsecured Private Placement  Joint Placement Agent</p>	May & July 2007	<p>2 A321-200 Structured Lease &amp; Export Credit Financing  Global Arranger &amp; Agent</p>
April & July 2007	<p>2 A320-200 Structured Lease Financing  Arranger &amp; Agent</p>	March to July 2007	<p>1 A330-200 3 A330-300 Structured Lease Financing  Arranger &amp; Agent</p>	January to July 2007	<p>5 A321-200 Export Credit &amp; Commercial Financing 2 A320-200 Refinancing  Arranger &amp; Agent</p>	January to June 2007	<p>6 A320-200 Structured Lease Financing  Sole Arranger &amp; Agent</p>
June 2007	<p>Financing &amp; Leasing Advisory for fleet renewal  Financial Advisor</p>	June 2007	<p>Initial Public Offering  US Placement Agent</p>	May 2007	<p>Financing of the Acquisition of Budapest Airport by Hochtief  Mandated Lead Arranger</p>	April 2007	<p>USD 300 million Unsecured 10-year Bond  Joint Lead Manager</p>
April 2007	<p>USD 1.66 billion Aircraft Lease Securitization Limited  Sole Co-Lead Manager &amp; Liquidity Facility Provider</p>	April 2007	<p>1 B747-400 Commercial Lease Financing  Arranger &amp; Agent</p>	February 2007	<p>1 A330-300 Structured Lease Financing  Sole Arranger &amp; Agent</p>	February 2007	<p>Aircraft Acquisition Warehouse Facility  Documentation Agent</p>

# AirAsia

Now Everyone Can Fly

**"THE GROUP EXPANDED THE NETWORK TO 19 NEW DESTINATIONS AND OPENED UP NEW BASES IN KOTA KINABALU AND KUCHING."**

**TONY FERNANDES**  
GROUP CHIEF EXECUTIVE OFFICER



# GROUP CHIEF EXECUTIVE OFFICER'S REPORT

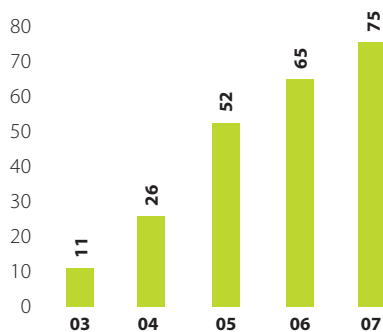
## Dear Shareholders

2007 was a fantastic year for AirAsia. The demand for our low fares and services was never better as we continued to achieve strong revenue and profit growth. It is all coming together for AirAsia. We continue to add another layer to our already strong foundation as we re-organised the business to create a leaner, more resilient Company. What we have now is the right structure and the right team.

The Group expanded the network to 19 new destinations and opened up new bases in Kota Kinabalu and Kuching. We acquired a net addition of 12 aircraft into the fleet with the delivery of 14 new Airbus A320 and the return of two Boeing 737-330 on expiry of their lease within the period. We ended the year with a total of 54 aircraft, up from 42 in June 2006. In 2007, the Group carried 14 million people across our network, which represents a 50% growth from 2006.

The Group's operating results over the past year underscore two major highlights. The first is how effectively our people worked to meet customer needs during the highest demand for air travel we have ever experienced. The second highlight was how well the team managed the robust capacity growth of 41% across the Group. This was the first time that we achieved a load factor of 80% for the full year. Even more impressive is the accompanying higher yields. Furthermore, unit cost excluding fuel items improved by 8%.

I can never say this enough, our success and ability to meet these challenges are attributed to the dedication and commitment of the people of AirAsia. Our people's commitment and efforts to meet our guests' expectations and our own goals are second to none. Not only did this dedication allow us to withstand this challenging environment, but it resulted in a number of important accomplishments that will position AirAsia for our next phase of growth. It goes without saying that AirAsia's main pillar of strength is the 5,000-plus people we have employed.



**Destinations Served By Airasia Group**



## Strategic Actions

Let us turn the clock back for a moment to the early days of AirAsia, when the new management took over and revamped the airline as a low cost carrier. At that time, the airline industry was in a grim state due to the aftermath of the 9/11 terrorist attacks and a depressed global economy. Overcapacity and low barriers to entry had led to price wars. To compound matters, we were competing against a state subsidised airline, the authorities were not familiar with the low cost concept, airports were hesitant to offer concessions and our brand recognition was in its infancy. We needed to take tougher actions to become a major market player – and we did.

In the past five years, we have maintained unwavering focus and discipline in the low cost model. In the process, we have invested significantly to build a solid foundation and to create a platform for sustainable growth. We have built the AirAsia Academy develop high quality manpower in ensuring seamless business growth. We are constantly expanding our route network, currently the most comprehensive in South East Asia. We are the largest domestic airline in Malaysia and we are market leaders in almost all the routes we serve. We have also secured our growth pipeline with the purchase order of 200 Airbus A320 aircraft - it is almost impossible for any airline to purchase a new narrow-body aircraft as the production backlog stretches to 2012. Our Malaysian operation now has the youngest fleet of any airline in South East Asia and we will have the youngest fleet as we induct more Airbus A320 and phase out the Boeing 737-300.

Every Ringgit we receive from our business comes back to be used for the future benefit of the business. It begins with investing in employees, rejuvenating our aircraft fleet and upgrading infrastructure for continuous and disciplined growth.

I am happy to say that all our corporate strategy and strategic investments have yielded positive results. In 2007, our unit cost is the lowest reported in the world and our profit margins are among the best. Just imagine what we can achieve in the future.



### Low Cost Carrier Terminal

The low cost carrier terminal (LCCT) in Kota Kinabalu was commissioned on 14 February 2007. This terminal was built to cater to the robust passenger demand for Kota Kinabalu and to upgrade it as the major hub for East Malaysia. The Kota Kinabalu base is growing from strength to strength and currently houses three aircraft, with 27 daily flights to 10 destinations across the region.

Altogether, there are three LCCTs across the region and the Malaysian Government has approved a master plan to develop a new LCCT in Kuala Lumpur with a capacity of 30 million passengers per year – up from the current 10 million passengers per year. This terminal will be designed to include a greater number of amenities, with significant retail component and comprehensive connectivity via rail, bus and other ground transports. Construction work may start as early as 2010 and will take about two years to complete. When completed, this terminal will be the third largest in the world and should comfortably serve as AirAsia's permanent headquarters. This initiative is a testimony of the Government's confidence and support for the low cost carrier industry.

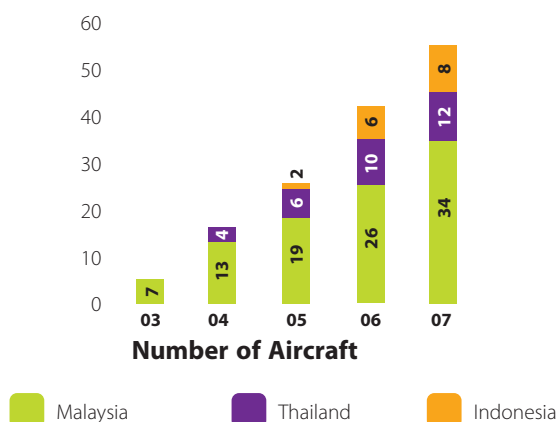
### Airbus A320

Undoubtedly, the Airbus replacement programme is the biggest contributor to our strong performance. The superior operating economics and reliability of the Airbus A320 aircraft has elevated our customer service delivery to a higher level and the aircraft is proven popular among our guests. As the number of Airbus A320 aircraft in our fleet increases, we will continue to achieve greater reduction in operational costs and further extend our competitive edge. Due to the proven success of the Airbus A320 aircraft, we have increased our aircraft purchase order to 150 firm orders with options to acquire up to a further 50 aircraft. This purchase order effectively secures our growth pipeline up till 2013 while concurrently locking in the benefits of our original aircraft acquisition agreement.

### One Brand

Branding is a vital asset for a consumer driven company such as AirAsia. We will continue to focus a large share of our marketing and resources on developing AirAsia as a strong ASEAN brand with global recognition. Our consumers should always regard AirAsia as their first choice whenever they want to fly across the region. A strong brand commands superior product differentiation, encourages repeat customers and customer loyalty, and is important for raising profitability.

We continue to invest significantly in our brand and have leveraged our brand with the biggest sporting outfits in the world. We are now an official sponsor of the AT&T Williams Formula 1 team for the 2007 season. In addition, we are also an official sponsor for the English Premier League. The AirAsia brand will be featured on the referees' uniform for the entire 2007/2008 football season. We now have covered almost all of the world's most popular sports and this has made us one of the most recognisable ASEAN brands in the world.



Some think  
competition.

**We think  
partnership.**



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**“WE WILL CONTINUE TO FOCUS A LARGE SHARE OF OUR MARKETING AND RESOURCES ON DEVELOPING AIRASIA AS A STRONG ASEAN BRAND WITH GLOBAL RECOGNITION.”**



**Future Development**

The year 2007 was as exciting as it was challenging. Looking forward, we are in an excellent position to capitalise on the growing demand for low cost travel and to register significant growth. The challenge now is to execute disciplined growth in capacity that matches the demand from our new and existing customers. Ultimately, we will carry in excess of 50 million passengers per year by 2013 with the current fleet growth plan, but it is critical that growth occurs at a measured pace, driven by returns to our shareholders and fully supported by market needs.

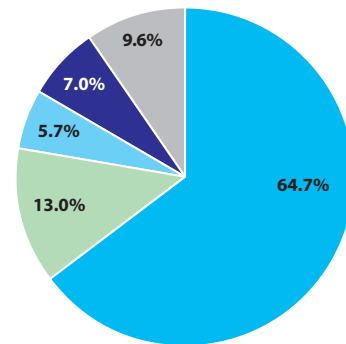
The competitive landscape and market dynamics will always be open to new challenges. To be successful, we must not only stay abreast of developments; we must understand what people really want and drive the changes ourselves. Therefore it is important that we remain proactive to be one step ahead of the competition and embrace changes whenever necessary.

Finally, I would like to thank our shareholders for your continued support of the Group. Our view going forward is that sustainability in all areas should be rooted in demonstrated capabilities, proven results and solid long-term strategies. This approach will reward our shareholders in the years to come.

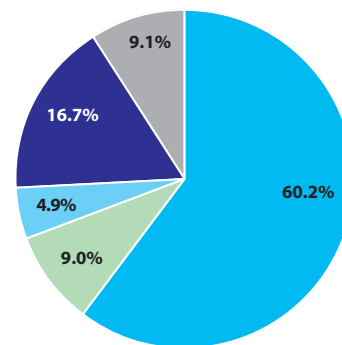
Yours faithfully,

**Tony Fernandes**  
Group Chief Executive Officer

**2007**



**2006**



**Distribution Mix**



# YOU CAN EXPAND YOUR NETWORK, WITH THE SUPPORT OF OUR NETWORK.

Award-winning AirAsia has soared onto the Asian travel scene with a successful formula of understanding customers' needs, cost-efficient services, out-of-the-box products and a corporate culture that encompasses safety, care, fun, integrity and passion to be the best. We are committed to be your partner in your exciting journey by providing one-stop banking services to help you achieve your goals.

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Making more possible



ABN•AMRO



*Petronas Twin Towers , Kuala Lumpur*

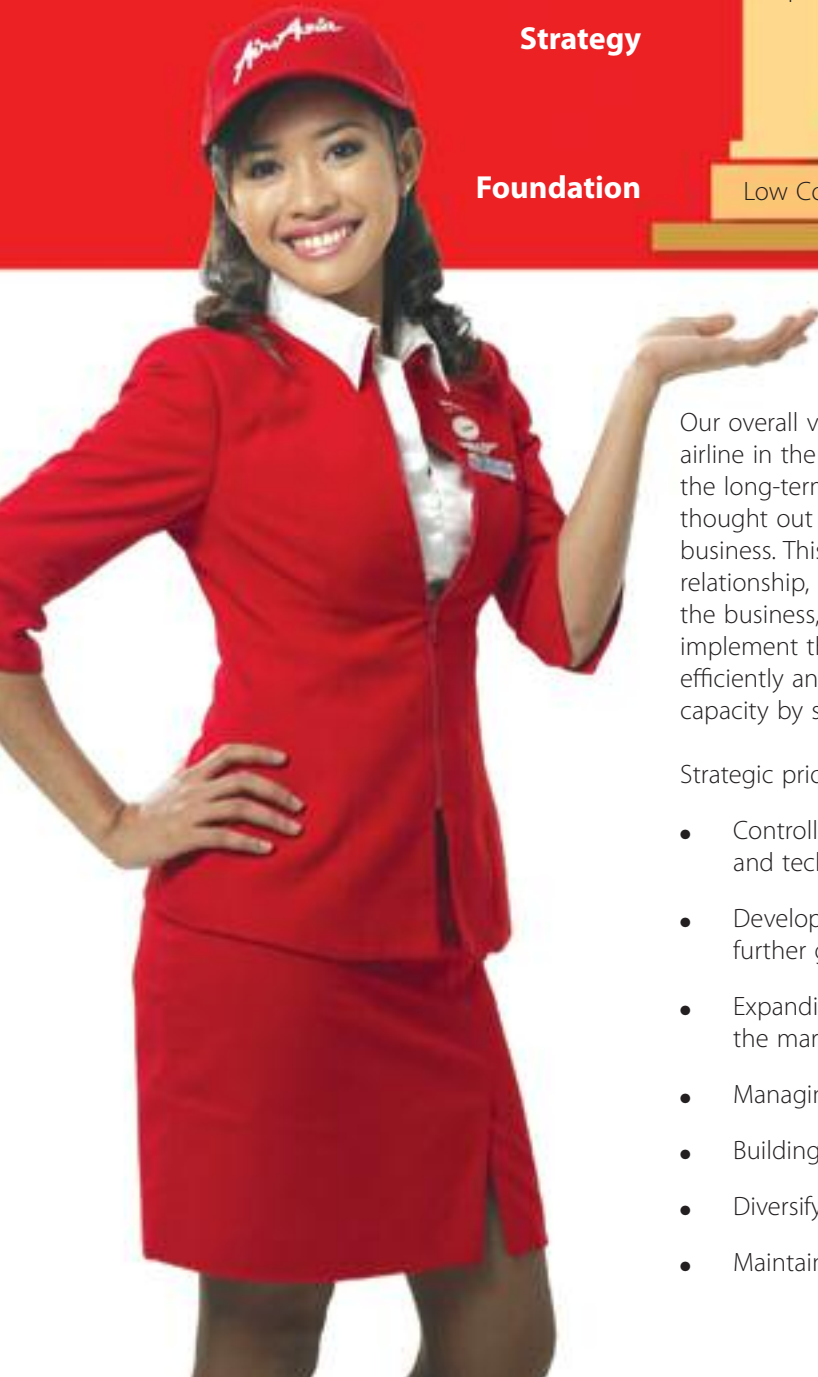
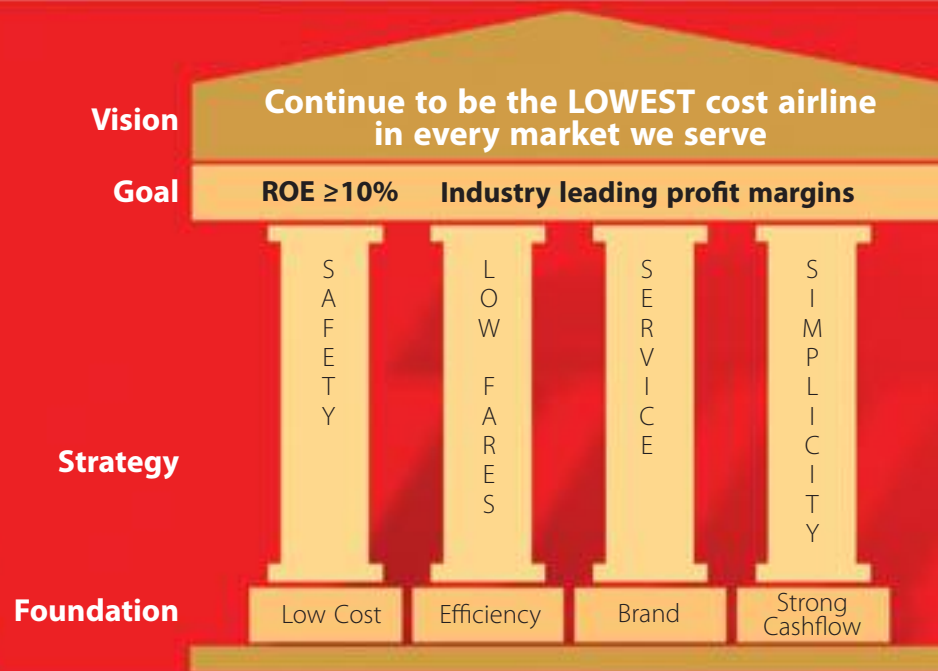


## *malaysia*

Every year, AirAsia is helping millions of guests discover a nation that is a melting pot of various races and religions, cultures and traditions and yet bonded by an identity that is truly, uniquely Malaysian. A nation that is hailed as an excellent model of unity in diversity.



# AIRASIA'S STRATEGY FOR SUCCESS



Our overall vision and goal is to continue to be the lowest cost airline in the world and achieve sustainable profitable growth over the long-term. We plan to accomplish this by implementing a well thought out strategy and secure a strong foundation for our business. This strategy is to maintain a solid, long-term customer relationship, efficient management of operations in order to grow the business, thereby increasing cash flows from operations. To implement this, the focus is to minimise costs, utilise existing assets efficiently and carefully manage market risk while prudently growing capacity by stimulating new markets.

Strategic priorities for AirAsia include:

- Controlling costs through a strong focus on efficient operations and technology
- Developing human capital to capitalise on opportunities for further growth
- Expanding the route network to provide a long-term supply to the market
- Managing the business through various economic cycles
- Building a strong ASEAN brand that is globally renowned
- Diversifying the customer base to strengthen market position
- Maintaining a strong focus on guest and employee safety

## Achieving higher profitability

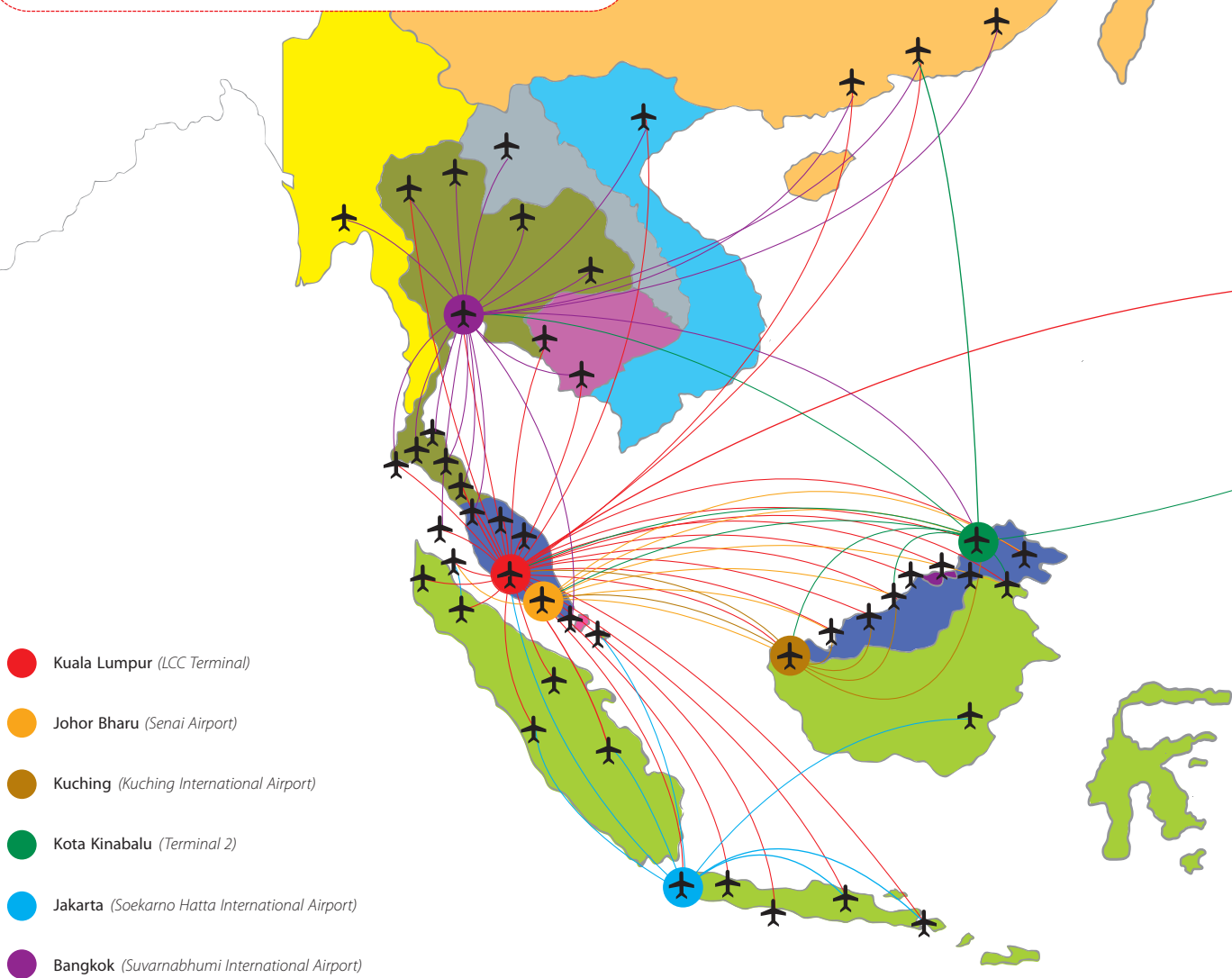
AirAsia is constantly striving to improve profitability. Our focus is to further reduce cost, enhance efficiency, develop new products and continuously strengthen our brand globally. These are all vital components in our strategy to generate profit margins that is the best in the industry.



Over the past five years, the market for air travel has converted from being the last option for travel – due to its high cost nature, to being the most favoured option for travel. Consumers appreciate the convenience of a fast, hassle free and economical means of transportation and opt for air travel whenever it is affordable. AirAsia has evolved from a small niche airline which is consistently referred to as **“the other airline”** to an innovative, market driven company that builds on consumer insight and needs. Slowly but surely, AirAsia will be referred to as **“the airline”**.

The number of new products and services created through consumer focused product development is increasing rapidly. This has led to a better product offering, and thus to an increasing number of more successful launches. Low costs, innovative products and a strong brand have enabled AirAsia to create a foundation for higher profitability and growth.

# ROUTE NETWORK



## Malaysia

- **Kuala Lumpur (KUL - LCCT)**
  - Alor Setar (AOR)
  - Penang (PEN)
  - Kota Bharu (KBR)
  - Terengganu (TGG)
  - Langkawi (LGK)
- **Johor Bahru (JHB)**
- **Kota Kinabalu (BKI - LCCT)**
  - Sandakan (SDK)
  - Tawau (TWU)
- **Kuching (KCH)**
  - Miri (MYY)
  - Sibul (SBW)
  - Labuan (LBU)
  - Bintulu (BTU)

## Thailand

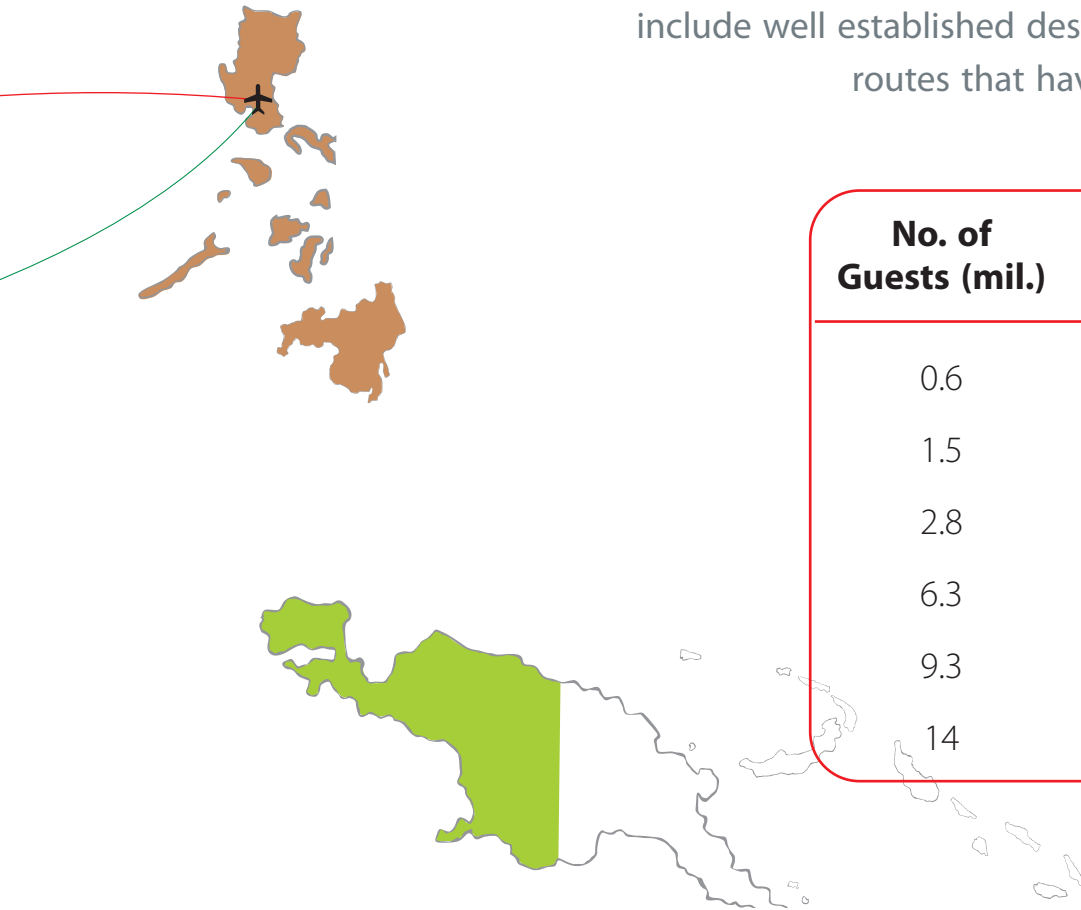
- **Bangkok (BKK)**
  - Surat Thani (URT)
  - Udon Thani (UTH)
  - Ubon Ratchathani (UBP)
  - Krabi (KBV)
  - Phuket (HKT)
  - Hat Yai (HDY)
  - Narathiwat (NAW)
  - Chiang Mai (CNX)
  - Chiang Rai (CEI)
  - Nakhon Si Thammarat (NST)
  - Khon Kaen (KKC)

## Indonesia

- **Jakarta (CGK)**
  - Banda Aceh (BTJ)
  - Medan (MES)
  - Pekanbaru (PKU)
  - Padang (PDG)
  - Palembang (PLM)
  - Bandung (BDO)
  - Solo (Yogyakarta) (SOC)
  - Surabaya (SUB)
  - Bali (DPS)
  - Balikpapan (BPN)
  - Batam (BTH)

We serve over 86 routes across 11 countries across Asia.

We are continuously expanding our route network to include well established destinations as well as pioneer routes that have never been done before.



No. of Guests (mil.)	Year	No. of Routes
0.6	2002	6
1.5	2003	11
2.8	2004	26
6.3	2005	52
9.3	2006	65
14	2007	75

**China**

- Xiamen (XMN)
- Macau (MFM)
- Shenzhen (SZX)

**Myanmar**

- Yangon (RGN)

**Philippines**

- Clarke (Manila) (CRK)

**Vietnam**

- Hanoi (HAN)

**Laos**

- Vientinne (VTE)

**Cambodia**

- Siem Reap (REP)
- Phnom Penh (PNH)

**Brunei**

- Bandar Seri Begawan (BWN)

**Singapore**

- Changi (SIN)



# SAFETY

AirAsia considers safety to be **THE** single most important aspect of our operations and it is a criteria that we will never compromise. AirAsia is stringent about complying with the highest international standards and procedures set by the Malaysian Civil Aviation Regulations. Safety procedures include strict aircraft maintenance, constant updating and training of technicians and flight crew.



## The List of Checks for Airbus A320

Our aircraft are put to a series of checks every day for its entire operating life. This is to ensure the safety of our guests and our people. The series of maintenance checks and inspections are listed below:



### Transit check

Performed on each and every transit stop of a flight. Visual inspections are conducted on the major components of the aircraft. While in transit, the pilot performs a test run on the system to make sure everything is performing as expected. In the event any irregularities are discovered during the transit stop, the pilot will engage the engineer to conduct a full analysis on the aircraft.



### Daily check

Performed at the end of each day. Our engineers and maintenance crew clean and inspect the aircraft for any visual defects, and conduct tests of the aircraft systems. This inspection includes the fuselage, wings, pylons and landing gears. Each daily check will require at least 2 hours.



### Weekly check

Performed on the landing gear and generator and change of fluid consumables. In addition, the emergency evacuation systems and cargo compartment are inspected.



### 400 flight hour check

Performed every 400 flight hours. Detailed inspections are performed on the electrical, hydraulics and static inverter systems.



### 'E' check

Performed every 600 flight hours. This workshop visit will include replacements of consumables and some minor component changes.



### 'C' check

Performed every 6,000 flight hours. This workshop visit will involve replacement of major components as well as a comprehensive inspection on the whole aircraft. Depending on the work required, a 'C' check can consume anywhere between 4 days to 8 weeks in the workshop.

# AIG

®

## AIRASIA'S OFFICIAL INSURANCE PARTNER

Congratulations to AirAsia on another exceptional year. AIG is proud to have covered over one million AirAsia guests through our unique partnership. We look forward to expanding our global relationship from strength to strength over the years to come.

*AirAsia*  
**GoInsure**

**AIG**

# PRODUCT DEVELOPMENT



## Xpress Boarding

AirAsia practices a free seating policy. This policy has enabled us to consistently achieve a turnaround time of 25 minutes for all of our flights.

We now offer, as an option, the choice of seats through Xpress Boarding. Xpress boarding allows guests to board an aircraft first, and choose a seat of their liking – be it a window seat, aisle seat, front of aircraft or next to the lavatory. This service has proven to be exceptionally popular for time hungry businesspeople, corporate employees on business trips, and families traveling together.

## Web Check-in

For a seamless, quick and convenient check-in, Web Check-in was introduced to enable those traveling without luggage. Guests may simply check-in via the webpage from the comfort of their homes or office, print out their boarding pass and proceed to the airport at their leisure.

AirAsia has always been in the forefront to listen to our guests' feedbacks and respond to the needs and fast pace change of market trends. This is important for us to continuously enhance our services and cater to the diverse profile mix of our guests as we expand our network regionally.

## Self Check-in Kiosk

Self Check-in is also available. Our fiery red kiosks are located at the LCC Terminal, KLIA to enable a self check-in with a touch of the screen.

## E-Gift Voucher

The E-Gift Voucher is an innovative gift for all occasions as well as being a much-appreciated corporate gift for its high-perceived value. Since its launch, the E-Gift Voucher has proven itself to be a popular choice for those who want to present imaginative gifts.

CAE is a leading provider of simulation and modelling technologies and integrated training services for civil aviation, and defence customers worldwide.

safety



AGUST



one step ahead

cae.com



### **Citibank AirAsia Credit Card**

Our partnership with Citibank has brought together two organisations that are leaders in their respective industries. Citibank is a highly recognisable brand in banking solutions with strong regional and global presence. Our partnership, backed by our extensive network within the Asia region, will further reaffirm our unwavering commitment towards becoming a truly global brand. It also allows us to tap into Citibank's client database, and broaden our market segment.

The Citibank AirAsia credit card rewards cardmembers with points which are redeemable for AirAsia flights. Cardmembers will also enjoy priority booking during promotional campaigns.

### **AirAsia's In-flight Services – Snack Attack!**

We pride ourselves in providing the fastest in-flight services in the region. Within 25 minutes, new carts loaded with food, beverages and high-quality merchandise are efficiently stowed on the aircraft, ready for sale after take-off.

Our delicious menus are changed quarterly. All-time favourite items such as Nasi Lemak are retained in the menu. New merchandise items like the Sports Edition Watches, Visit Year Malaysia 2007 Luggage Tag and AirAsia Playing Cards are fast becoming popular items onboard alongside with our best-selling signature AirAsia Polo T-shirts and caps. We constantly introduce new products and refresh our menus whilst maintaining our all-time favourites.



## The Citibank - AirAsia Credit Card

The only card that gives you  
*amazing deals!*



Yes, it's here and it's bigger than ever.

Hurry, apply at [airasia.com](http://airasia.com) or [citibank.com.my](http://citibank.com.my) now  
to enjoy all the benefits.\*

✓ **Free Flights**

RM 1 spent = up to 2 AA points

✓ **Priority Booking**

Be first in line for flight bookings ahead of non-card members during AirAsia sales at [airasia.com](http://airasia.com)

✓ **Special Fares**

Enjoy special fares and holiday packages not available anywhere else

✓ **Citibank World Privileges**

Enjoy discount and privileges at over 40,000 local and global hotels, restaurants, retail outlets and more

Apply now and enjoy 1 year fee waiver  
and receive 3,000 AA points\* when your card is approved before 29 Feb 2008  
SMS "AIRASIA" to 36700 or  
Call 03-2383 4076

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

citibank

In line with AirAsia's mission to make air travel affordable, simple and easy for everyone, we launched our online holiday packages in August 2003. To date, our Do-It-Yourself (DIY) packages which comprises of flight and hotel bookings remain the most popular product. Travelers may also book online other travel related products such as tours, transfers, activities, medical services and car rental.

Hotel **Go Holiday** now boasts 700 hotel partners in all the countries that we fly to. Our hotels range from high-end properties to budget hotels, enabling us to cater to travelers from all walks of life. Go Holiday's wide room selections; tight rate negotiation process that delivers the best rates to our customers; interesting and user-friendly web layouts; introduction of multi-currency booking; and aggressive marketing campaigns, are among the factors contributing to the popularity of this online service. To further enhance our services, there will be cooperation plans with related tourism bodies, telcos and promotions through credit cards. As we expand our network, we will even progressively have additional languages to meet the

demands of our multi-racial and multi-lingual guests. We also take into account the importance of proper database management with the help of e-CRM marketing tools, we will be able to understand our customers better by studying their needs and travel patterns.

**Flight + Hotel Package (DIY)** is the convenient way for guests to book any combination of flights and hotels at one stop and enjoy a more attractive rate. On top of providing hotel accommodation and flights, we also offer other services such as:

**Tour & Transfer** which added in October 2007, offering a variety of tour packages that cater for all segment needs, from adventure to luxury travels. In addition, products such as airport transfers, tours and activities ranging from Spas to theme parks will be marketed online.

**Go Medic** is our specially designed online health package to cater to the growth in health tourism. Currently, Go Medic has formed a partnership with three diagnostic centres with potentially more hospitals and diagnostic centres to be added to the service.

**Go Car** is our convenient, value-for-money online car rental service. Currently, Go Car has formed a partnership with three Car Rental Companies with potentially more local and international partners to be added to the service.



# TRAVEL PORTAL

## Objective

To become a renowned one-stop online travel portal in the region.

## How are we lower in cost?

- ✓ We focus on simplicity, good value and good variety
- ✓ Comprehensive and simple distribution system
- ✓ Do-It-Yourself

## What do we offer?

- ✓ **Hotels**  
Currently 700 hotel partners
- ✓ **Flights & Hotels**  
Convenience in holiday/travel planning
- ✓ **Car Rental**  
Fuss-free rental of quality cars for business and leisure travel
- ✓ **Medic Services**  
Reassurance of reliable and expert medical care far from home
- ✓ **Tours & Transfer NEW!**  
Efficient ground arrangements to maximise your itinerary during business or holiday trips





THE SKY IS YOUR LIMIT!



TRAVEL  
**3**  
SIXTY®

### Airspace Advertising

AirAsia's AirSpace Advertising generates additional revenue by giving our advertisers the opportunity to communicate to a captive audience on board our aircraft

Our extensive list of established brands as advertisers is proof of campaign effectiveness when it comes to reaching a diverse target audience. Digi, Mastercard, Citibank, Celcom and TH Properties are just some examples. Airspace Advertising will continue to contribute substantially to our ancillary revenue.

AirSpace encompasses the following media:

- Meal tray advertising
- Overhead compartment
- Auto boarding pass
- Flying airboard
- Napkins
- Beverage cups
- Pocket schedule

### The AirAsia Magazine

Travel 3Sixty – AirAsia's in-flight magazine – was launched on 8 August 2007. Two issues have been published and the response has been tremendous. Guests and other readers are drawn to the magazine for its diverse topic coverage of subjects from family travel, adventure destinations and travel tips. With an audience of over 1.3 million guests on our aircraft every month, Travel 3Sixty offers advertisers to tap a wide audience across Asia

### airasia.com

With over 90 million impressions and 600,000 unique visitors every month, airasia.com is by far the biggest e-commerce merchant in ASEAN. airasia.com is unmatched in terms of comprehensive information, content and its ability to cater to six languages covering 11 countries. With an extensive reach of frequent guests as well as potential new ones, the website is a powerful one-stop integrated travel portal.

AirAsia's Internet sales have grown from a mere 15% from on its first day of operations to an impressive 70% today. As we launch more innovative products and services online, our web traffic will continue to rise. With E-Gift Vouchers, Web check-in, Xpress Boarding and Go-Insure Travel Insurance, we now offer guests an integrated online experience at airasia.com.

