



First Quarter 2010 Results

31 May 2010

AirAsia.com

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SNAPSHOT - 1st Quarter 2010

AirAsia Group PROFITABLE

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❑ Strong top line growth in Malaysia

- ❑ Revenue up to RM878 million from RM797 million
- ❑ Increased traffic growth of 17.1% y-o-y of 3.7 million passengers
- ❑ Profit after tax of RM224 million, up 10% y-o-y
- ❑ Deposits, cash and bank balances increased to RM938 million in 1Q10

❑ Thailand exceeds expectations

- ❑ Revenue of THB3, 108 million recording 30% y-o-y growth
- ❑ Posted profit after tax growth of 109% y-o-y
- ❑ Passenger volume and load factor up 25% and 5% y-o-y

❑ Indonesia makes PROFIT

- ❑ Revenue up 37% y-o-y
- ❑ Posted 107% growth profit after tax y-o-y
- ❑ Passenger volume grew by 35% y-o-y a load factor 72%, up from 68% y-o-y

❑ Group wide ancillary revenue up

- ❑ Malaysia = ↑ 54%, Thailand = ↑ 86% , Indonesia = ↑ 67%

Financial Results

- Malaysia

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Year Ended: 31 March 2010 RM'000 unless otherwise stated	1Q2010	1Q2009	Change y-o-y
Revenue	878,041	797,131	10%
EBITDAR	323,516	389,956	-17%
Lease of Aircraft	(21,832)	(27,650)	21%
EBITDA	301,684	362,305	-17%
EBIT	186,255	264,142	-29%
Profit before tax	256,187	124,118	106%
Profit after tax	224,110	203,150	10%
Profit after Tax Margin	25.5%	25.5%	-
Core Operating Profit / (Loss) *	111,397	165,963	-33%

*Core operating profit = PBT less adjustments

- ❑ Both revenue and profit after tax grew 10% y-o-y
- ❑ 106% growth in profit before tax y-o-y posting a 1Q10 of RM256 mil

- ❑ Core operating profit down 33% y-o-y primarily due to the increase in fuel cost.

	1Q09	1Q10	Change
Fuel price	US\$57	US\$84	↑47%

Revenue Breakdown

- Malaysia

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	1Q2010	1Q2009	Change y-o-y
RM'000			
<u>Revenue</u>			
Ticket Sales	632,214	622,930	2%
Ancillary Income	140,278	91,248	54%
Other Operating Income *	101,549	82,953	22%
Total Revenue	878,041	797,131	10%

* Inclusive of aircraft lease income

Tickets sales, ancillary income and other operating income all up in 1Q10

- ❑ Passenger ticket sales up 2% y-o-y despite increased capacity
- ❑ Strong take-up rates in ancillary income posting best performance of 54% y-o-y

Operating Statistics

- Malaysia

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Year Ended: 31 March 2010	1Q2010	1Q2009	Change y-o-y
Passenger Carried	3,685,389	3,147,609	17%
Capacity	5,016,780	4,515,120	11%
Load Factor	74%	70%	4 ppt
ASK (million)	5,929	5,215	14%
RPK (million)	4,090	3,487	17%
Rev/ASK (sen)	13.22	13.84	-4%
Rev / ASK (US cents)	3.92	3.99	-2%
Cost/ASK (sen)	11.54	9.83	-17%
Cost / ASK (US cents)	3.42	2.71	-26%
Cost/ ASK – ex fuel (US cents)	1.88	1.67	-12%
Number of flights	27,871	25,084	11%
Average Fuel Price	90.0	61.6	46%
Average Fare (RM)	172.6	197.9	-13%

- ▣ Higher passenger and capacity volumes show signs of recovering industry supported by aggressive marketing

- ▣ Higher contribution from ancillary income offsets lower average fare

- ▣ Positive load factor due to the maturing of certain routes

- ▣ Rise in CASK mainly fuel related as CASK ex –fuel impact is small

Capacity Growth & Load Factor

- Malaysia

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∞ Successful revenue management despite higher capacity



Improvement in travel demand

- Market recovery from 2009
- Load factor increased by 4ppt y-o-y

Consistent upward trend

- 13.7% growth in additional capacity y-o-y
- Increased frequencies on trunk routes

Financial Results

- Thailand

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Year Ended: 31 March 2010 THB'000 unless otherwise stated	1Q2010	1Q2009	Change y-o-y
Revenue	3,108,336	2,395,836	30%
EBITDAR	983,096	756,142	30%
EBITDA	482,583	330,896	46%
EBIT	451,104	300,263	50%
Profit after tax	622,862	297,633	109%
Profit after Tax Margin	20%	12.4%	7.6 ppt
Core operating profit / (loss)	400,622	297,633	35%

*Core operating profit = PBT less adjustments

- ❑ 109% growth in profit after tax y-o-y
- ❑ Achieved THB401 mil in core operating profit, a 35% increase from 1Q09
- ❑ Successful route structure supported by strong domestic travel

Passenger and Ancillary Revenue

- Thailand



	1Q2010	1Q2009	Change y-o-y
THB'000			
<u>Revenue</u>			
Ticket Sales	2,665,301	2,173,866	22%
Ancillary Income	405,644	217,077	87%
Other operating income	37,391	4,893	664%
Total Revenue	3,108,336	2,395,836	30%

All across the board increase in revenue

- ❑ Passenger ticket sales up 22% y-o-y
- ❑ Growth in ancillary income posting 87% increase in 1Q2010 y-o-y in 2009

Operating Statistics

- Thailand

AirAsia.com

Year Ended: 31 March 2010	1Q2010	1Q2009	Change y-o-y
Passenger Carried	1,481,111	1,186,098	25%
Capacity	1,836,101	1,557,624	18%
Load Factor	81%	76%	5 ppt
ASK (million)	1,914	1,432	34%
RPK (million)	1,544	1,059	46%
Rev / ASK (US cents)	4.86	4.72	3%
Cost / ASK (US cents)	4.20	4.14	-1.4%
Cost/ ASK – ex fuel (US cents)	2.58	2.81	8%
Number of flights	10,802	9,462	14.16
Average Fare (THB)	1,800	1,833	-2%

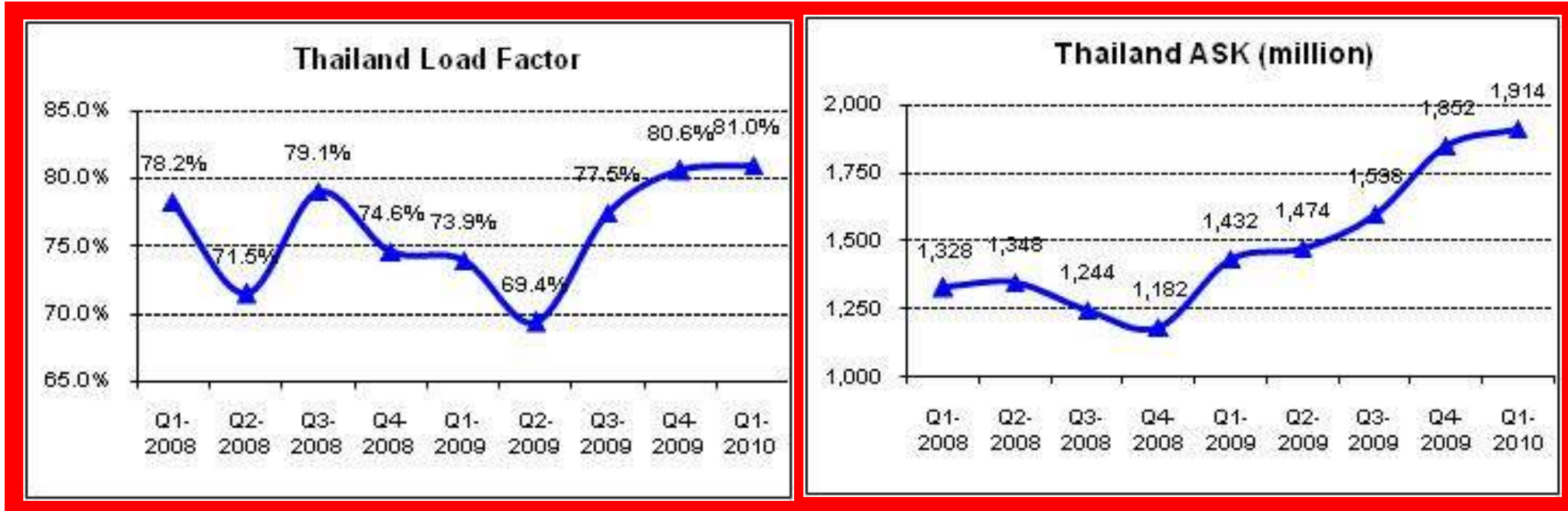
- ❑ 25% increase in passenger carried with only 2% decrease in average fare
- ❑ Improved load factor due to the revival of tourism coupled with effective marketing campaign
- ❑ 3% increase in yields due to strong passenger demand and positive contribution from ancillary income

Capacity Growth & Load Factor

- Thailand

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∞ Demand outpacing capacity and growth



❑ Thailand is stronger and resilient

- ❑ Load factor highest in 2 years in 1Q10
- ❑ More frequencies added into existing domestic routes and higher yielding international routes
- ❑ Thailand remains resilient in Q210 despite political turmoil
 - Current load factor in 2Q10 still up y-o-y due to strong domestic route
 - No flight cancellations. TAA team is prepared and experienced in facing such situations
 - Second hub in Phuket provides alternatives to operations in Bangkok
 - Work closely with authorities to help on Bangkok bounce back

Financial Results

- Indonesia

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Year Ended: 31 March 2010 IDR'million unless otherwise stated	1Q2010	1Q2009	Change y-o-y
Revenue	528,355	384,664	37%
EBITDAR	107,495	70,021	54%
EBITDA	(7,881)	(30,652)	74%
EBIT	(11,163)	(32,652)	65%
Profit / (loss) after tax	4,640	(64,634)	107%
Profit / (loss) after tax margin	-6.4%	-16.8%	17.7 ppt
Core Operating Profit / (loss)	(33,973)	(64,634)	47%

IAA operations is profitable

- Profit after tax shows 107% growth y-o-y
- Further improvement in revenue with 37% growth y-o-y
- International routes are performing well and are profitable

Passenger and Ancillary Revenue

- Indonesia

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	1Q2010	1Q2009	Change y-o-y
IDR 'million			
<u>Revenue</u>			
Ticket Sales	443,574	332,067	34%
Ancillary Income	86,359	53,013	63%
Other operating income	(1,578)	(416)	-279%
Total Revenue	528,355	384,664	37%

- ❑ 53% increase y-o-y in ticket sales despite heavy domestic competition in Indonesia
- ❑ Better route mix for international market
- ❑ Upward trending for ancillary income due to high passenger take up

Operating Statistics

- Indonesia

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Year Ended: 31 March 2010	1Q2010	1Q2009	Change y-o-y
Passenger Carried	893,381	662,483	35%
Capacity	1,234,492	979,632	26%
Load Factor	72%	68%	4 ppt
ASK (million)	1,569	1,103	42%
RPK (million)	1,136	745	52%
Rev / ASK (US cents)	3.64	3.00	21%
Cost / ASK (US cents)	3.76	3.25	-14%
Cost/ ASK – ex fuel (US cents)	2.08	1.90	-9%
Number of flights	7,213	6,060	19%
Average Fare (IDR)	496,511	501,245	-1%

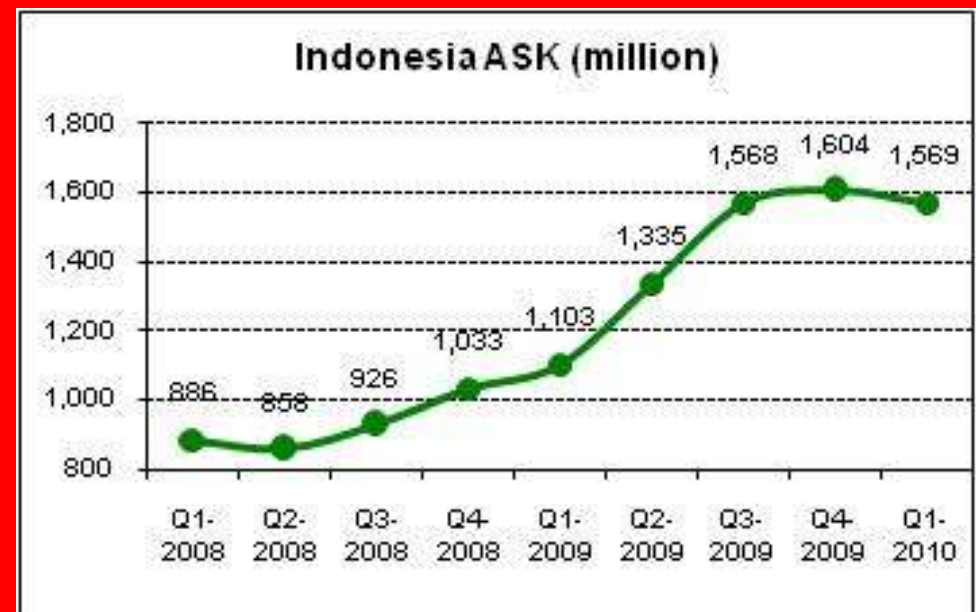
- ❑ Strong ticket sales in-line with 35% passenger growth y-o-y
- ❑ Lower average fare of 1% was offset with increase ancillary income in 1Q10. Have shown steady increase since 1Q09
- ❑ Growth of load factor to 72% due to successful international routes
- ❑ Rise in CASK due to fuel cost and increase in head counts

Passenger Growth & Load Factor

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- Indonesia

∞ Indonesia will be a catalyst for further growth with new Airbus fleets



❑ Challenging environment

- ❑ Successful realignment of strategy from domestic to international
- ❑ Competitive environment

❑ Strong international presence

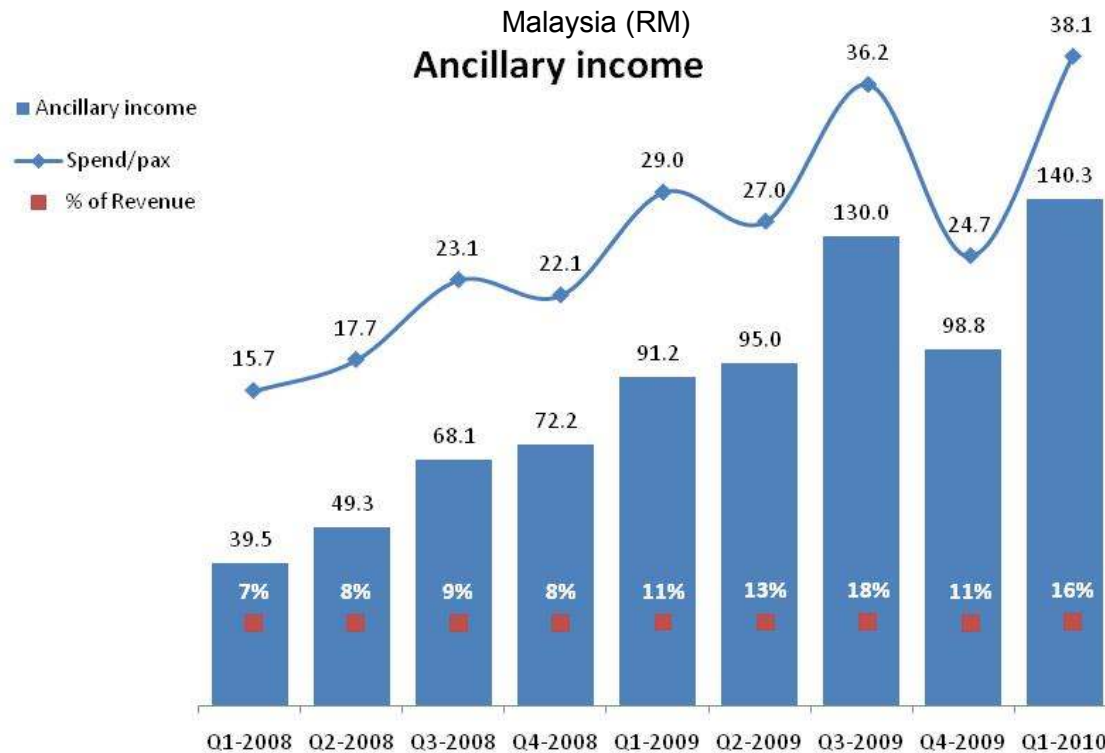
- ❑ Growth of 42% y-o-y due to longer routes and strong performance in the Australian sector
- ❑ New frequencies added to complement the 4 established hubs

Group Ancillary Income



Ancillary Income per pax up y-o-y across the Group:

Malaysia : ↑ 31%
 Thailand : ↑ 44%
 Indonesia: ↑ 41%



Exchange rate

- RM1: THB10.08
- RM1: IDR2748

- ❑ Provides buffer to spike in oil prices and competitive pressures
- ❑ Minimal cost – use existing network, belly space, existing infrastructure

Cash Balance & Gearing



❑ Cash and Cash equivalents close to RM1 billion

- ❑ Cash balance increased to RM938 million
- ❑ Including deposit on aircraft purchases, total cash is close to **RM1.3 billion**

❑ Improved Net Gearing below 3 times q-o-q due to growth in cash

AirAsia Berhad	1Q2010	4Q2009	Change (%)
Net Debt (RM'mil)	6,248	6,862	-9
Net Gearing	2.25	2.62	-14

❑ Positive Net Cashflow

- ❑ Group posted cash from operations of RM296 mil in 1Q2010

The amounts due from TAA and IAA have not been provided for:

- ❑ The improvement in the financial results of these entities as shown earlier
- ❑ The expected further improvement on the financial performance of these companies
- ❑ The value of AirAsia's stake in these companies

Impact of FRS139

Impact of Total Derivatives

Category/ RM'000	1 Jan 2010	31 Mar 2010	Period ended 31 March 2010		
	Derivative Assets/ (Liabilities)	Derivative Assets/ (Liabilities)	Movement in derivatives	Cash Flow Hedge Services DR/(CR)	Profit /Loss DR/(CR)
Interest rate derivatives	(214,493)	(252,533)	(38,040)	20,487	17,553
Forex derivatives	81,904	(38,689)	(120,593)	-	127,814
Commodity derivatives	1,944	6,957	5,013	(2,117)	(2,896)
Total	(130,645)	(284,265)	(153,620)	18,370	142,471

- ❑ The impact as at 1 Jan 2010 due from FRS139 is RM57 million
- ❑ In 1Q10, FRS 139 has the effect of decreasing the profit by RM139.2 mil

Impact on Reserves



	1 January 2010				31 March 2010			
	Retained Earnings	Cash Flow Hedge Reserves	AFS Reserves	Total	Retained Earnings	Cash Flow Hedge Reserves	AFS Reserves	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current reserves	1,138,438	-	-	1,138,438	1,041,160	(65,670)	105,996	1,081,486
FRS 139 impact due to:								
• Derivative fair valuation	(64,975)	-	-	(64,975)	(21,195)	-	-	(21,195)
• Hedge effectiveness	-	(65,670)	-	(65,670)	(121,276)	(11,150)	-	(132,426)
• Fair value of investment in AirAsia X	-	-	105,996	105,996	-	-	-	-
• Change in present value from amount due from JV and Associate entities	(32,303)	-	-	(32,303)	3,237	-	-	3,237
Restated reserves	1,041,160	(65,670)	105,996	1,081,486	901,926	(76,820)	105,996	931,102

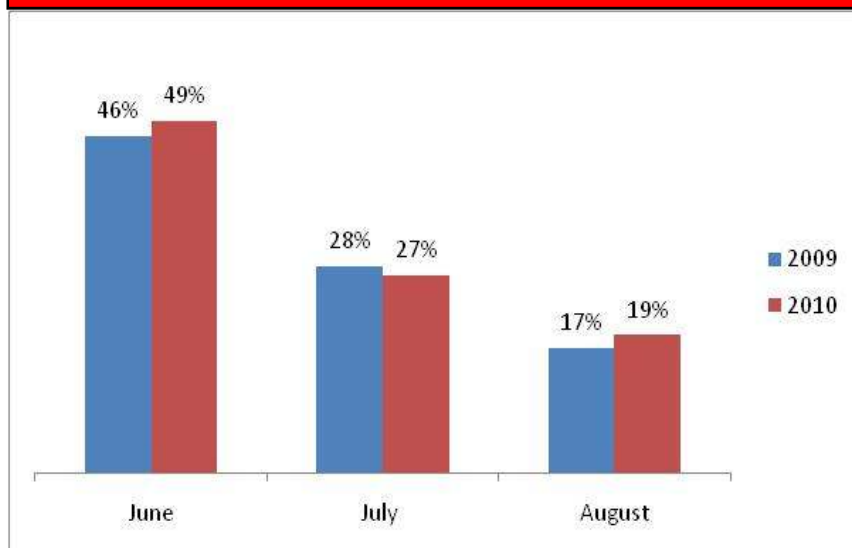
Outlook 2010

Forward Bookings

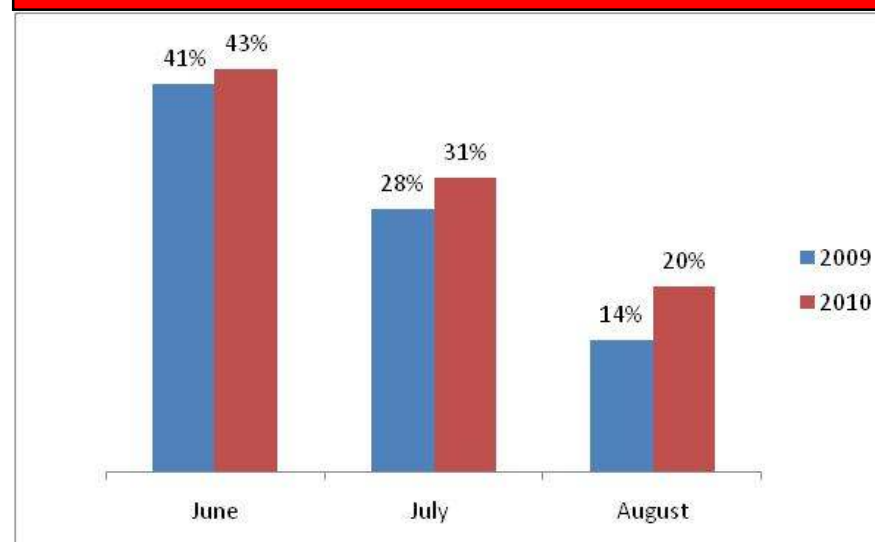
As at 26 May 2010

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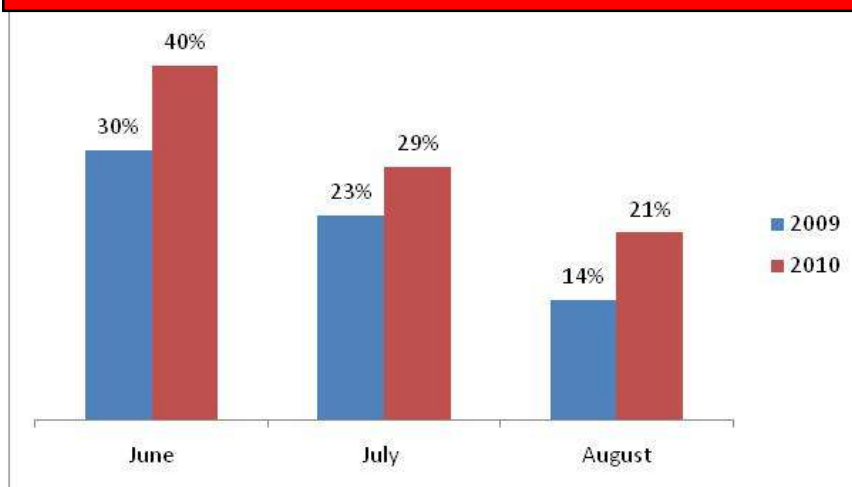
Malaysia



Indonesia



Thailand



Increase in demand on air travel

- ❑ Forward booking remains consistent y-o-y
- ❑ High take up rates on promotional campaigns
- ❑ Strategic marketing together with a targeted route revenue management

Aircraft Delivery Schedule



❑ Delivery schedule for 2010

Delivery Month	No. of planes	Deployments
Quarter 2 (Apr – Jun)	6	3 = Thailand 2 = Malaysia 1 = Indonesia
Quarter 3 (Jul – Sept)	6	4 = Thailand 2 = Malaysia
Quarter 4 (Oct – Dec)	4	1 = Thai 3 = Indonesia

- ❑ Total delivery of 16 Airbus A320 aircraft
- ❑ Phasing out remaining Boeing 737
- ❑ The financing for all the aircraft in 2010 is secured

Regional Network Expansion



To further capture and strengthen all routes

- ❑ Develop Indian routes from hubs in Malaysia and Thailand
- ❑ Increase growth with the addition of frequencies on popular routes
- ❑ Further cross connecting main hubs

AirAsia Group Route update

New routes	Additional frequency
Kota Kinabalu – Taipei	Kuala Lumpur – Kota Kinabalu (8 times)
Kota Kinabalu - Hong Kong	Kuala Lumpur - Kuching (11 times)
Kuala Lumpur - Male	Kuala Lumpur – Hong Kong (3 times)
Surabaya – Medan	Kuala Lumpur – Singapore (9 times)
Penang - Medan	Kuala Lumpur – Macau (3 times)
	Kuala Lumpur – Phnom Penh (2 times)

Note: Only based on routes that have been announced or available for sale

Summary



- ❑ The Group carried over 6 million guests in 1Q10 compared to 5 million guests in 1Q09
- ❑ Strong catalyst for growth for Malaysian ancillary income achieving RM38 per pax in 1Q10. Launch of new products in 2010 and for ancillary income to target 20% of revenue
- ❑ Thailand remains resilient
 - Strong profitable 1Q10 for Thailand operations
 - 2Q10 load factor looks to show stronger growth y-o-y
 - More focus in fulfilling domestic demand
- ❑ Indonesia posted its first profit. Continue to focus on higher yielding international routes.
- ❑ The Group hedged over 26% of fuel requirements up to Dec 10 via Jet Kero and cracks
- ❑ Resolved issues with Malaysia Airports. Look forward to a new permanent LCCT targeted to be completed by first quarter 2012
- ❑ Vietnam JV – work in progress, no specific launch date
- ❑ Awarded the “**Best Low Cost Airline Worldwide**” two years running by Skytrax by 18 million independent travelers

Accounting for Investments

AirAsia Consolidated Results

3 months ended 31 March 2010

AirAsia.com

	Profit after tax (RM'mil)
Malaysia AirAsia ("MAA")	224,110
Thailand AirAsia ("TAA")	Nil
Indonesia AirAsia ("IAA")	Nil
Total	224,110

Group Results for the 3 months ended 31 March 2010

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RM'000	MAA	TAA	IAA
Revenue	898,041	308,452	192,282
EBITDAR	323,516	97,556	39,120
EBITDA	301,684	47,889	(2,868)
EBIT	186,255	44,756	(4,062)
Profit before tax	256,187	61,809	1,689
Profit after tax	224,100	61,809	1,689

Exchange rate

- RM1: THB10.08
- RM1: IDR2748

Impact of TAA and IAA on AirAsia's consolidated financial statements

AirAsia.com

31 March 2010	TAA RM'000	IAA RM'000
Cost of investment	12	4
Recognised losses in balance sheet	(12)	(4)
Amounts due from TAA & IAA	335,351	438,043
Accumulated losses in the entities	455	486
- recognised	12	4
- AA's portion	210	233
48.8%	222	237
Other shareholders portion 51.2% share	233	249
	455	480

Accounting for TAA and IAA



Overview

- ❑ AirAsia has investments of 48.9% in both TAA and IAA
- ❑ The aviation laws of Thailand and Indonesia require foreign shareholdings to not exceed 50% interest in these entities
- ❑ Based on the shareholders' agreements for these entities, TAA is considered to be a jointly controlled entity and IAA is considered to be an associate of AirAsia.
- ❑ The basis of this consideration is due to the various covenants in the agreements whereby in the case of TAA, key decisions are taken jointly and in the case of IAA, AirAsia has only significant influence

Accounting Considerations

- ❑ AirAsia's accounting treatment for its investments in IAA and TAA is in full compliance with International Financial Reporting Standards ("FRS")
- ❑ The IFRS applied are FRS 131 "Accounting for Jointly Controlled Entities" (IFRS 31) which applies to TAA and FRS 128 "Accounting for Associates" (IFRS 28) which applies to IAA
- ❑ TAA and IAA are accounted for using the equity method of accounting per the respective Standards
- ❑ Consolidation of TAA and IAA is strictly prohibited by the IFRS unless the shareholder arrangements change, which result in AirAsia having control. AirAsia can account for all the losses of TAA and IAA if it assumes obligations for all liabilities of TAA and IAA which will obviously be detrimental to the shareholders of AirAsia

Accounting for TAA and IAA (continued)



Equity Accounting

- ❑ The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.
- ❑ FRS 128 and FRS 131 provide that if an investor's share of losses of an associate or jointly controlled entity equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses unless the investor has incurred legal or constructive obligations or made payments on behalf of the associate.
- ❑ Consequently, as the share of losses for both TAA and IAA have exceeded the cost of investment in these entities, AirAsia has in prior years fully provided for the cost of investment in both TAA and IAA (amounting to RM12 million and RM4 million respectively), and discontinued its recognition of share of any further losses, as required by the Standard, as it has not provided any legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity.

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Appendix

- 1Q10 Cost Breakdown for AirAsia Group

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Quarter ended: 31 March 2010 Cost / ASK (US cents)	MAA	TAA	IAA
Staff Costs	0.39	0.37	0.38
Fuel and Oil	1.55	1.62	1.68
User Charges and Station Expenses	0.28	0.55	0.34
Maintenance and Overhaul	0.13	0.41	0.20
Aircraft related cost	0.11	0.79	0.79
Depreciation & Amortisation	0.54*	0.05	0.02
Others	0.30	0.21	0.23
Sales & Marketing	0.14	0.19	0.11
Total Cost / ASK	3.42	4.20	3.76

* Less depreciation from TAA and IAA aircraft

Fleet Composition (31 March 2010)

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Number of Aircraft	Total	Airbus A320	Boeing 737
Malaysia	48	48	0
Thailand	20	12	8
Indonesia	16	10	6
Group Total	84	70	14