

*AirAsia.com*



# First Quarter 2011 Results

24 May 2011

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# 1Q11 Results – Key Highlights

## ❑ Malaysia – Passenger and Ancillary income drive up revenues

- ❑ Operating profit of RM241 million recording 46% y-o-y growth
- ❑ Operating profit margins up 4 ppt y-o-y to 23%
- ❑ Passenger volume grew by 17% y-o-y, achieving 80% load factor
- ❑ RASK (RM sen) up 12% despite tough fuel environment of average fuel price of US\$117 per barrel in 1Q11 compared to US\$99.6 per barrel in 1Q10

## ❑ Thailand – Another strong quarter

- ❑ Operating profit of THB849 million recording 88% y-o-y growth
- ❑ Passenger volume grew by 23% y-o-y, achieving 84% load factor
- ❑ RASK (THB) up 13% contributed from higher fares, ancillary income

## ❑ Indonesia – Sound performance

- ❑ Operating profit of IDR8,809 million recording 40% y-o-y decline due to maintenance charges
- ❑ Passenger volume grew by 22% y-o-y, achieving 79% load factor
- ❑ RASK (IDR) up 10% despite being a traditionally a weak quarter

## ❑ Ancillary Income per pax increase for all three operations

**MAA** – up 31%

**TAA** – 34%

**IAA** – up 57%

- ❑ Net gearing down to 1.57 times from 2.25 times y-o-y for MAA
- ❑ Further debt reduction by associates in 1Q2011 to RM263 million from RM380 million at 4Q2010
- ❑ Maiden Dividend payout of 3 cents per ordinary share
- ❑ Hedged up to 17% via Jet Kerosene and Brent fixed swap up to 2H11

# 1Q11 Results – Financial Results

	MAA RM'000			TAA THB'000			IAA IDR million		
	1Q11	1Q10	Change	1Q11	1Q10	Change	1Q11	1Q10	Change
<b>Revenue</b>	1,047,941	870,605	20%	4,086,332	3,065,609	33%	774,846	563,502	38%
<b>Operating Expenses</b>	(806,222)	(705,551)	14%	(3,237,043)	(2,613,868)	24%	(766,037)	(548,877)	40%
<b>Operating Profit</b>	241,719	165,054	46%	849,289	451,741	88%	8,809	14,625	-40%
<b>Profit before tax</b>	202,874	256,182	-21%	812,055	623,500	30%	31,943	4,640	588%
<b>Profit after tax</b>	171,928	224,110	-23%	811,362	622,862	30%	31,943	4,640	588%
<b>EBITDAR</b>	398,650	303,624	31%	1,520,335	983,421	55%	171,375	137,237	25%
<b>Operating profit margin (EBIT)</b>	23%	19%	4 ppt	21%	15%	6 ppt	1%	3%	- 2 ppt

## MAA – High revenue growth

- ❑ Revenue grew 20% y-o-y driven by high load factor of 80%
- ❑ Operating profit margins grew by 4 ppt to 23% y-o-y
- ❑ Net Income down 23% to RM171 mil y-o-y due to lower forex gains

## TAA – Margins growing

- ❑ Revenue grew 33% y-o-y driven by high load factor of 84%
- ❑ Operating profit margins increase by 6 ppt to 21% y-o-y
- ❑ Net Income up 30% to THB811 mil y-o-y due to seasonally strong quarter

## IAA- Gaining pace!

- ❑ Revenue up 38% to IDR774 bil y-o-y despite a weak quarter
- ❑ Operating profit margins down 2 ppt due to one-off maintenance charges
- ❑ Net Income growth of 588% to IDR 32 bil y-o-y

# 1Q11 Results – Operating Statistics

	MAA			TAA			IAA		
	1Q11	1Q10	Change	1Q11	1Q10	Change	1Q11	1Q10	Change
<b>Passengers Carried</b>	4,318,334	3,685,389	17%	1,817,485	1,481,111	23%	1,093,643	893,381	22%
<b>Capacity</b>	5,415,120	5,016,780	8%	2,154,780	1,836,101	17%	1,388,588	1,234,492	12%
<b>Load Factor</b>	80%	74%	6 ppt	84%	81%	3 ppt	79%	72%	7 ppt
<b>ASK (million)</b>	6,374	5,929	7%	2,261	1,914	18%	1,953	1,569	24%
<b>RPK (million)</b>	5,108	4,090	25%	1,906	1,544	23%	1,511	1,136	33%
<b>Average Fare (RM/THB/IDR)</b>	164	173	-5%	1,885	1,800	5%	556,448	496,511	12%
<b>RASK (sen/THB/IDR)</b>	16.44	14.68	12%	1.81	1.60	13%	396.71	359.12	10%
<b>RASK (US cents)</b>	5.39	4.82	12%	5.92	5.24	13%	4.45	4.03	10%
<b>CASK (sen/THB/IDR)</b>	12.65	11.90	6%	1.43	1.37	5%	392.20	349.80	12%
<b>CASK (US cents)</b>	4.15	3.91	6%	4.69	4.47	5%	4.40	3.93	12%
<b>CASK Ex-fuel (sen/THB/IDR)</b>	6.74	6.82	-1%	0.84	0.85	-2%	223.45	194.90	15%
<b>CASK Ex-fuel (US cents)</b>	2.21	2.24	-1%	2.74	2.79	-2%	2.51	2.19	15%

# 1Q11 Results – AirAsia Group

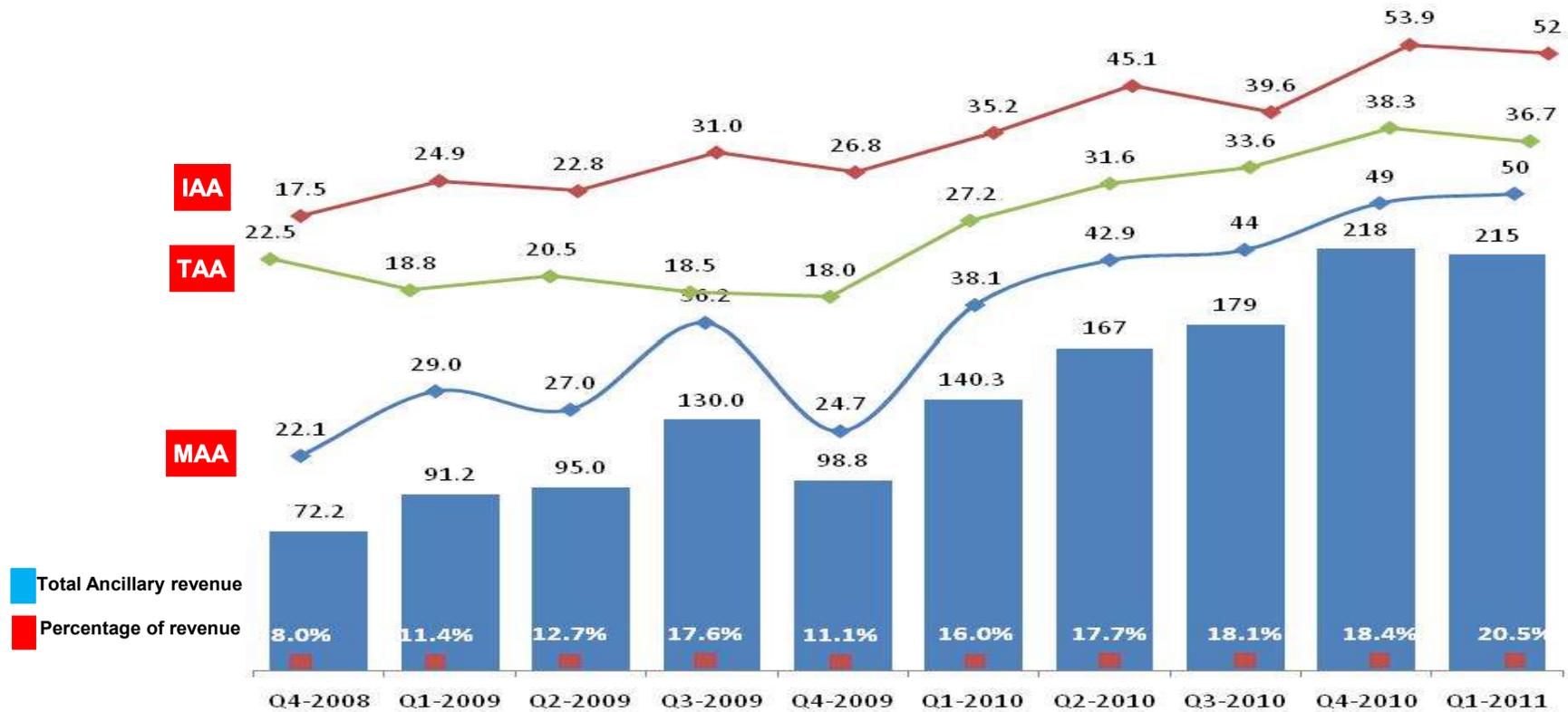
	AirAsia Group		
	1Q11	1Q10	Change
Revenue	1,720,844	1,384,673	24%
Operating Profit	329,492	217,044	52%
PBT	294,846	322,539	-9%
PAT	263,830	290,401	-9%
Passenger Carried	7,229,462	6,059,881	19%
Capacity	8,958,488	8,087,373	11%
RPK (million)	8,525	6,770	26%
ASK (million)	10,588	9,412	12%
Load Factor	81%	75%	6 ppt

- ❑ AirAsia Group revenue increased 24% y-o-y contributed from stronger passenger and ancillary demand
- ❑ Load factors for AirAsia Group up 6 ppt to 81% y-o-y as strategy to maximise loads on key popular routes pays dividends

# 1Q11 Results – Ancillary Income

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

Malaysia : ↑31%   Thailand : ↑ 34%   Indonesia: ↑ 57%



- Ancillary increased to RM50 per pax due to increased charges in February on ancillary like baggage, pick a seat, cancellation and documentation which contributes up to RM143 million to Ancillary
- Key contributor is still Baggage, Cargo, Fees. Greater take up for on-board F&B
- Ancillary unit passenger revenue up 2% for MAA, 9% for TAA and 19% for IAA

# 1Q11 Results – RASK on the rise

- ❑ RASK up y-o-y across three operations despite high fuel environment

## Average fuel price

MAA :

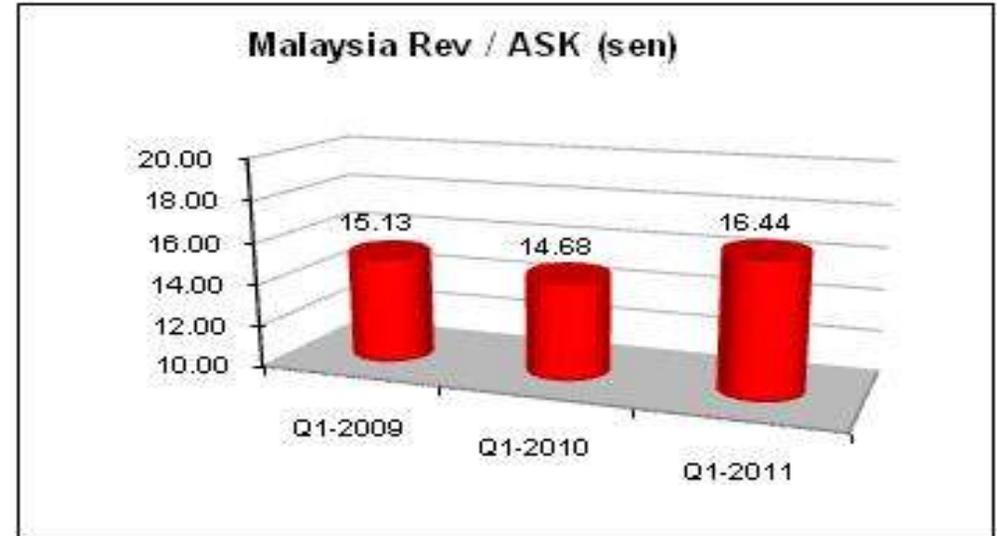
1Q11 – US\$ 117.1 1Q10 – US\$99.6

TAA :

1Q11 – US\$117.8 1Q10 – US\$96.9

IAA :

1Q11 – US\$117.6 1Q10 – US\$100.4



# 1Q11 Results – Gearing Level

AirAsia Berhad	2Q2009	3Q2009	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011
Net Debt (RM'mil)	6,726	6,688	6,862	6,248	6,728	6,705	6,356	5,976
Net Gearing	3.50	2.60	2.62	2.25	2.27	2.02	1.75	<b>1.57</b>

- ❑ **Gearing level reduced to 1.57 times from 1.75 times q-o-q**
- ❑ **Achieved cash up to RM2.0 billion**
  - Cash balance of RM1.79 billion as at end 1Q11
  - Including deposits on aircraft purchases, total cash is close to **RM2.0 billion**
- ❑ **Cash balance to further increase with expected payments from affiliates**
  - Amount due from affiliates decreased **to RM276 million**
    - Thailand to repay amount due this year

# Fleet Strategy

**AirAsia Group has the biggest and youngest fleet among the LCC's in the region with an average age of 2.5 years**

- ❑ AirAsia Group has 93 aircraft spread across 12 hubs.

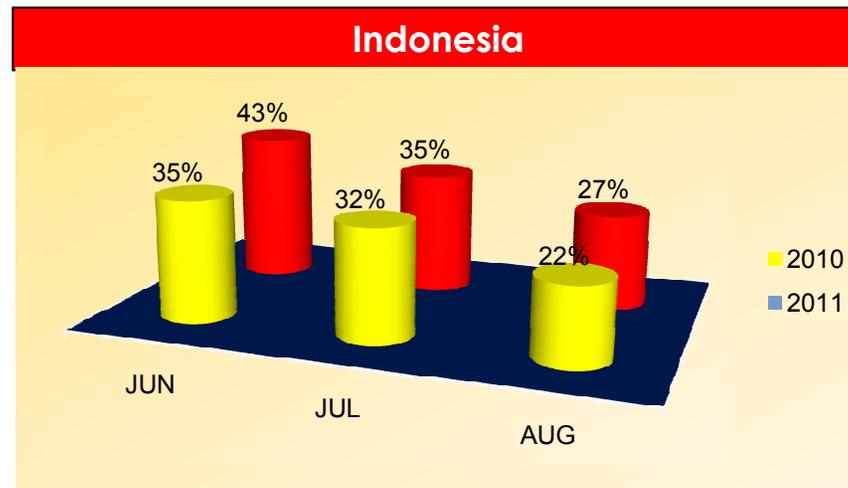
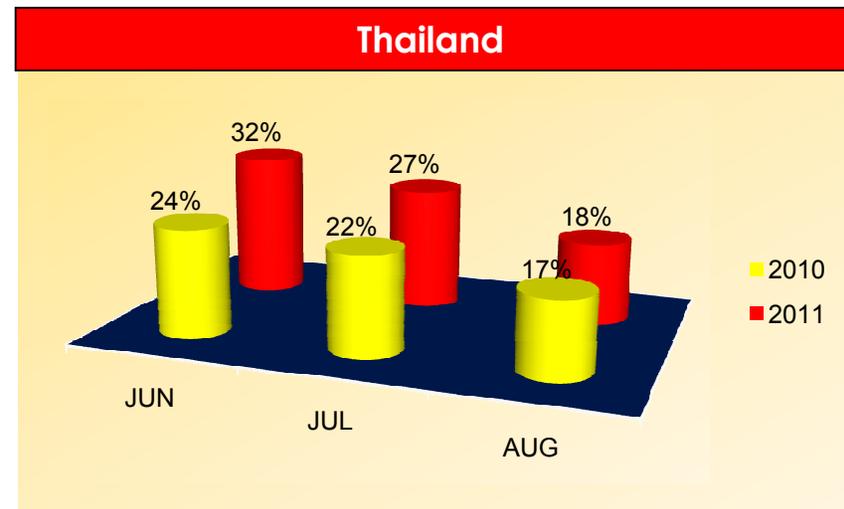
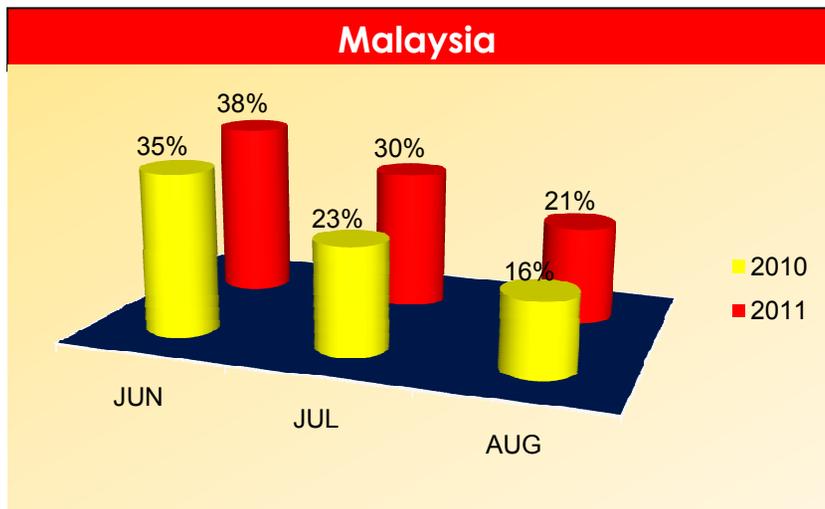
No.	HUB	B737	A320
1	Kota Kinabalu	0	5
2	Kuching	0	3
3	Kuala Lumpur	0	42
4	Penang	0	3
5	Bangkok	0	17
6	Chiang Mai	0	1
7	Phuket	0	2
8	Bandung	4	1
9	Jakarta	0	7
10	Denpasar	0	5
11	Medan	0	1
12	Surabaya	0	2
<b>Total</b>		<b>4</b>	<b>89</b>

- ❑ Bringing forward 2 aircraft deliveries from 2012 to 2011
  - ❑ Allocation:- MAA – 3 aircraft ; TAA – 3 aircraft; IAA - 2 aircraft ; PAA – 2 aircraft
- ❑ 12 Aircraft in 2012
  - ❑ Proposed Allocation:- MAA – 4 aircraft ; TAA – 2 aircraft; IAA - 4 aircraft ; PAA – 2 aircraft

# Outlook

# Forward Bookings

- Forward bookings in 2Q2011 higher compared to 2Q10 despite fuel surcharge being imposed
- Continue to be load active by offering promotional fares on various destinations



# Value Creation via New Ancillary Initiatives



## Overview of AirAsia Go / Expedia JV

- ❑ Proposed JV will combine AirAsiaGo with Expedia-branded storefronts in Japan, India, and ASEAN
  - AirAsia will contribute AA and AAX inventory and commission from ancillary sales
  - Expedia, Inc. will also contribute: hotel inventory at cost, technology solution
- ❑ Capex requirements for the JV expected to be minimal

## Overview of AirAsia Loyalty programme

- ❑ A programme in which members can earn points to redeem for flights and other awards
- ❑ BIG will partner with merchants to allow members to earn at many places
- ❑ BIG card will have a pre-paid debit card function where available (only Malaysia today), powered by a partner

## Overview of AirAsia Academy JV

- ❑ A proposed JV could bring AirAsia and a JV partner would operate a commercial 'aviation university'
  - ❑ Satisfy AirAsia's training needs but also capitalize on regional 3<sup>rd</sup> party training upside
- ❑ Preferential training rates for AirAsia driven by JV's higher asset utilization and lower maintenance spend
- ❑ Favorable scheduling privileges and access to training activities



# Joint Ventures in NEW MARKETS

## Philippines JV

- ❑ Target Launch 4<sup>th</sup> Quarter 2011
- ❑ Clark as the first hub
- ❑ Key Strategies

Connect Existing routes flown by AirAsia Group such as :-

- Hong Kong
- Singapore
- Taipei
- Japan
- South Korea
- Bangkok
- China



## Vietnam JV

- ❑ In discussions with partners on proposed launch in the near term
- ❑ Ho Chi Minh as the first hub

Key Strategies

Connect Existing routes flown by AirAsia Group such as :-

- Danang
- Hanoi
- Singapore
- Hong Kong
- Taipei
- Laos
- China



**AirAsia Berhad - The true ASEAN stock  
encompassing Thai, Indo, Philippines & Vietnam**

# Key Strategies for AirAsia Group

## MALAYSIA

- ❑ Focus on building domestic market
- ❑ Add more frequencies on key domestic east Malaysia route
- ❑ Re-evaluate loss making routes and proposed to cancel
- ❑ Focus on shorter routes – less than 3 hours

## THAILAND

- ❑ Building domestic market which is very profitable for Thai AirAsia
- ❑ Build North Indian market from Thailand – Delhi, Mumbai
- ❑ Planned to launch BKK – Colombo
- ❑ New hub in Chiang Mai in Jan 2011 as Chiang Mai is a popular leisure destination both for locals as well as foreign travellers. There was also a need to diversify our traffic from focusing on Bangkok hub alone due to the political volatility of Bangkok to political unrest.

## INDONESIA

- ❑ Main focus on international routes; but also looking at unique domestic routes and routes underserved by other airlines.
- ❑ New marketing strategy for all routes in Indonesia

# Our Vision

- ❑ **AirAsia is already a regional leader in aviation. It has an unique opportunity to extend this leadership and create a global aviation giant in the near term**
  - ❑ Low cost leadership
  - ❑ Pioneer of the Associate model
  - ❑ Leading ASEAN brand
- ❑ **Broader growth in Asian aviation underpins AirAsia's opportunity**
  - ❑ Passenger travel forecast in AirAsia to grow at 8.5%
  - ❑ LCCs penetration to accelerate, outgrowing rest of market by 50%
- ❑ **By 2020, AirAsia could become one of the world's largest airlines, by any measure**
  - ❑ 320 – 510 aircraft (A320 equivalent)
- ❑ **Several 'critical enablers' required for AirAsia to capitalise on its scale and reach the next level of success**
  - ❑ Network growth: Deeper penetration of current markets;
  - ❑ additional partnerships for new markets; M&A
  - ❑ Organisation: Management depth; succession planning; decision effectiveness  
Market communication: governance; transparency; capital planning

Thank You

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# Appendix

# CASK Breakdown

Quarter ended: 31 March 2011 Cost / ASK (US cents)	MAA	TAA	IAA
Staff Costs	(0.61)	(0.48)	(0.50)
Depreciation	(0.73)	(0.02)	(0.03)
Aircraft Fuel Expense	(1.94)	(2.08)	(1.93)
Aircraft Operating lease expense	(0.08)	(0.95)	(0.91)
Maintenance, Overhaul, User Charges and other related expense	(0.76)	(1.11)	(0.95)
Travel and tour operations expenses	(0.09)	0.00	0.00
Others Operating Expenses	(0.02)	(0.04)	(0.08)
Other (losses)/ gains -net	0.07	-	-
<b>Total Cost / ASK</b>	<b>4.15</b>	<b>4.69</b>	<b>4.40</b>

MYR :USD – 3.05  
 THB: USD – 30.53  
 IDR :USD – 8,906

# 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.