



**AirAsia Berhad  
First Quarter 2012 Analyst Presentation**

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# 1Q12 Highlights

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# 1Q12 Results - Key Highlights



- ❑ Malaysia recognises maiden profit contribution of RM2.3 mil from Thailand
- ❑ Revenue upside in all three operations
  - Malaysia - RM 1.17 billion up 11% y-o-y
  - Thailand - THB 4.87 billion up 18% y-o-y
  - Indonesia - IDR 911.35 billion up 17% y-o-y
- ❑ Strong operating profit
  - Malaysia - RM 240.08 million down 1% y-o-y
  - Thailand - THB 628.83 million down 26% y-o-y
  - Indonesia - IDR 15.45 billion up 75% y-o-y
- ❑ Profit after tax performance
  - Malaysia - RM 172.44 million maintained y-o-y
  - Thailand - THB 621.64 million down 23% y-o-y
  - Indonesia - (IDR 36.65) billion down 215% y-o-y
- ❑ Ancillary income per pax
  - Malaysia - RM 40 unchanged y-o-y
  - Thailand - THB 354 down 3% y-o-y
  - Indonesia - IDR 138,447 down 9% y-o-y
- ❑ Continued focus on cost management excluding fuel
  - Malaysia - CASK, ex-fuel (sen) up only 3% from 6.83 to 7.04 y-o-y
  - Thailand - CASK, ex-fuel (THB) up 14% from 0.82 to 0.93 y-o-y
  - Indonesia - CASK, ex-fuel (IDR) down 5% from 222.30 to 211.51 y-o-y
- ❑ PBT margin remains strong at 18% and could be stronger if not for minimal losses in AirAsia Expedia, Philippines' AirAsia and AirAsia Japan.



# 1Q12 Results - Key Highlights



- ❑ **Thai AirAsia**
  - MAA recognised first profits of RM2.3 million from TAA
  - Thai AirAsia sets IPO price at THB3.70 per share
  - Issuing 1,212.5 million shares
  - Bookbuilding 10 times oversubscribed
  - Target listing 31 May 2012 on Stock Exchange of Thailand
- ❑ **Expected strong growth in near term**
  - Fleet advancement required
    - One aircraft brought forward to 2012 from 2014
    - Two aircraft brought forward to 2013 from 2014
    - In discussion with Airbus to bring forward deliveries to cater for high growth and demand
  - Currently operating 101 Airbus fleet
    - MAA - 57
    - TAA - 24
    - IAA - 18
    - PAA - 2
- ❑ **Strong balance sheet**
  - Healthy cash balance of RM2.32 billion including aircraft deposits
  - Net Gearing of 1.26 times
- ❑ **New joint ventures come to life**
  - Philippines' AirAsia begins operations in March 2012
  - AirAsia Japan to begin operation in early 2H12 and begins selling seats next week



# 1Q12 - Financial Results - Malaysia



RM'000	Financial performance		
	1Q12	1Q11	Change
Revenue	1,168,398	1,053,283	11%
EBITDAR	411,202	398,648	3%
Operating Profit	240,075	241,717	-1%
Net Operating Profit	167,968	161,900	4%
Profit after tax	172,436	171,928	0%
EBITDAR margin	35%	38%	-3 ppt
Operating profit margin (EBIT)	21%	23%	-2 ppt

- ❑ Revenue up 11% driven by high passenger growth and increased average fare during peak season
- ❑ Operating profit down only 1% despite increased in average fuel price by 9%
- ❑ Profit after tax maintained at RM172 mil proves AirAsia's resilient operating model against industry performance
- ❑ Recording EBITDAR margins of 35% still the highest in the industry



# 1Q12 - Financial Results - Malaysia



	Operational performance		
	1Q12	1Q11	Change
Passengers Carried	4,821,397	4,318,334	12%
Capacity	6,057,000	5,415,120	12%
Load Factor	80%	80%	-
RPK (million)	5,546	5,108	9%
ASK (million)	6,907	6,374	8%
Average Fare (RM)	177	164	7%
RASK (sen)	16.92	16.53	2%
CASK (sen)	13.44	12.73	6%
CASK ex-fuel (sen)	7.04	6.83	3%

- ❑ Load factor maintained at 80% y-o-y despite increased in average fare
- ❑ CASK up 6% y-o-y against higher fuel prices increase of 9% y-o-y
- ❑ CASK ex fuel up 3% mainly due to:-
  - Staff cost
    - Pilots secondment at AAX ended and being absorbed by AirAsia Berhad
    - Increased EPF rate of 1% to relevant employees
- ❑ Operating Expense - Increased branding building commitment
- ❑ Aircraft lease expenses - Additional 11 aircraft on lease commitments y-o-y



# 1Q12 - Financial Results - Thailand



	THB'000		
	1Q12	1Q11	Change
Revenue	4,868,109	4,137,102	18%
EBITDAR	1,399,609	1,516,302	-8%
Operating Profit	628,832	845,256	-26%
Profit after tax	621,641	806,669	-23%
Passenger Carried	2,131,397	1,817,485	17%
Capacity	2,459,160	2,154,780	14%
Load Factor	87%	84%	3 ppt
Average Fare (THB)	1,904	1,885	1%
RASK (THB)	1.92	1.83	5%
CASK (THB)	1.67	1.46	15%
CASK ex-fuel (THB)	0.93	0.82	14%

- ❑ Revenue up 18% y-o-y due to higher load factor of 87% y-o-y
- ❑ Passenger carried up 17% y-o-y exceeding capacity growth
- ❑ CASK up 15% y-o-y mainly due to:-
  - Increased staff cost due to salary adjustment
  - Increased lease expenses from additional new aircraft
  - Marketing expenses due to launching new routes & IPO Fees



# 1Q12 - Financial Results - Indonesia



	IDR million		
	1Q12	1Q11	Change
Revenue	911,345	779,048	17%
EBITDAR	165,795	171,375	-3%
Operating Profit	15,452	8,809	75%
Profit after tax	(36,654)	31,943	-215%
Passenger Carried	1,273,362	1,093,643	16%
Capacity	1,655,280	1,388,588	19%
Load Factor	77%	79%	- 2 ppt
Average Fare (IDR)	572,316	556,448	3%
RASK (IDR)	430.54	398.86	8%
CASK (IDR)	423.24	394.35	7%
CASK ex-fuel (IDR)	211.51	222.30	-5%

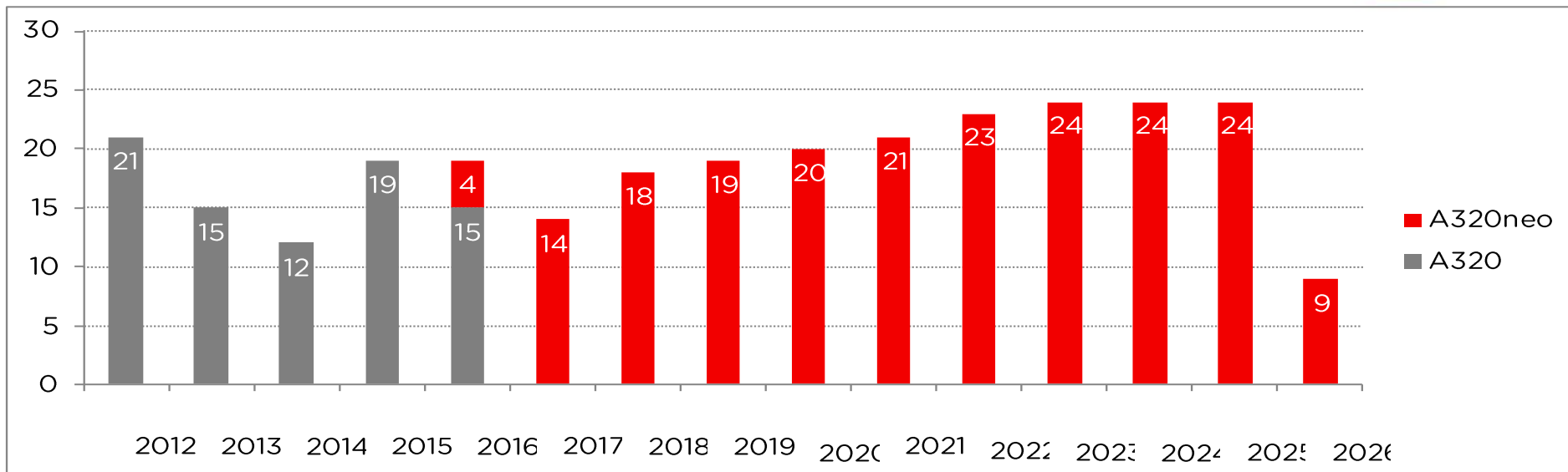
- ❑ Revenue up 17% y-o-y due to strong passenger demand
- ❑ Operating profit up 75% due to increased revenue from realising full Airbus fleet potential
- ❑ CASK up 7% mainly due to:-
  - Higher fuel prices y-o-y



# Fleet Strategy



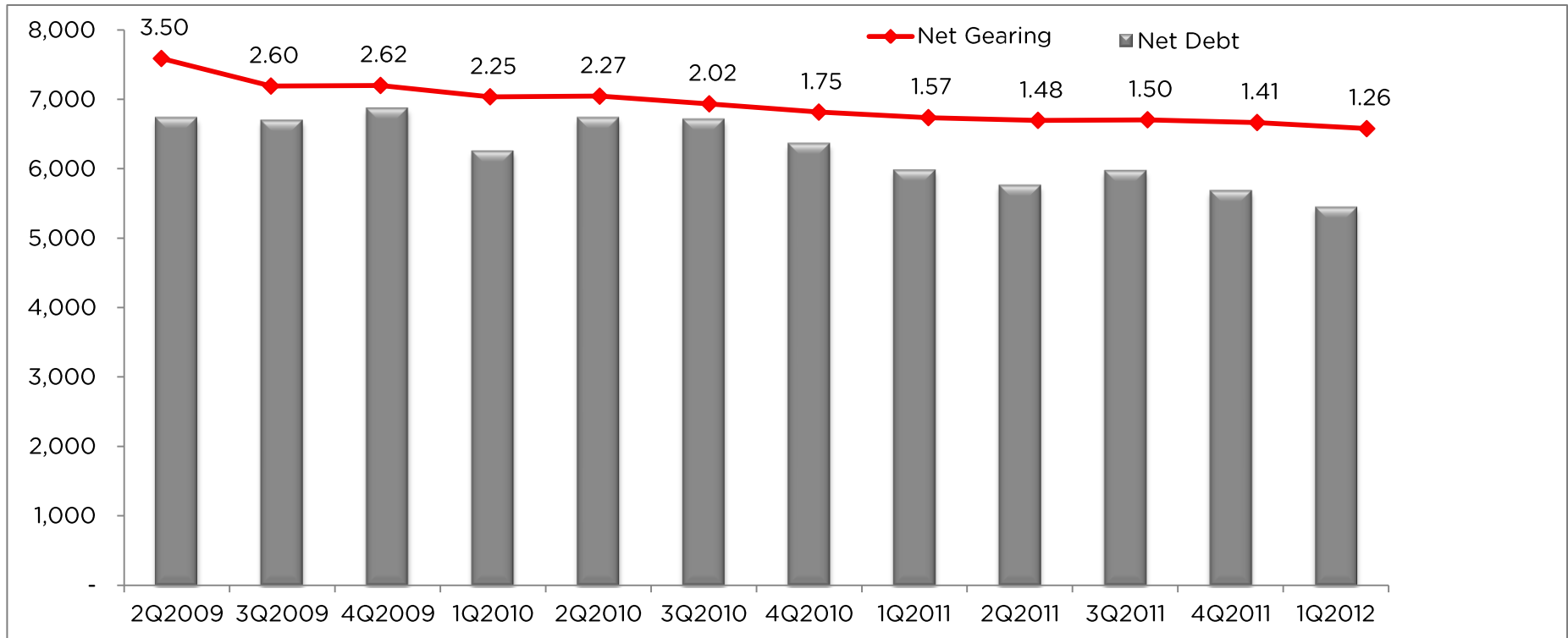
- ❑ Fleet rollout next 15 years:



- ❑ 101 Airbus A320 to date : MAA 57, TAA - 24, IAA -18, PAA -2
- ❑ Aircraft deliveries brought forward
  - One aircraft brought forward to 2012 from 2014
  - Two aircraft brought forward to 2013 from 2014
- ❑ Further discussions with Airbus to advance more A320s
- ❑ Financing for 2012 a combination of commercial financing, ECA-backed financing and sale & leaseback
- ❑ Financing secured up to 2013



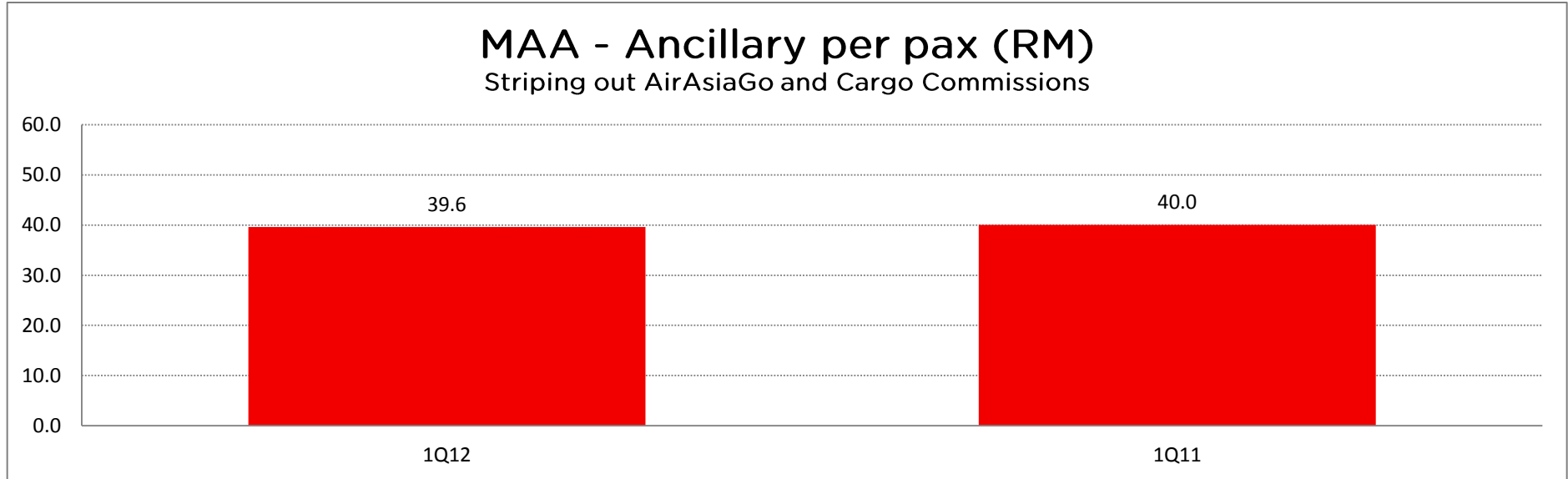
# 1Q12 - Net Gearing & Net Debt



- ❑ Gearing down to 1.26 times from 1.41 q-o-q
- ❑ Cash position of RM2.32 billion including aircraft deposits



# Ancillary Income - Strong Upside



## 1Q12 Ancillary Income

- ❑ In MAA, ancillary income remains unchanged RM40 per pax y-o-y due to reclassification of AirAsiaGo & Cargo commissions.

## Ancillary Income products performing well per pax basis

- ❑ Existing items posted strong revenue growth for each products includes:-
  - Assigned seats - up 44%
  - In-flight Beverage - up 44%
  - Freight - up 31%



# Hedging Updates



- ❑ Fuel hedged up to:-
  - Up to 40% for 2Q12 via fixed swap Jet Kero @US\$122/bbl
  - Up to 12% for July via fixed swap Jet Kero @US\$124.9/bbl
  - Up to 27% for 2H12 via fixed swap Brent @US\$116/bbl
  
- ❑ Hedging strategy to match forward bookings
  
- ❑ Foreign Exchange
  - Foreign currency hedge up to 68% with a weighted average of USD/RM3.2247 (based on loans pertaining to aircraft being deployed to Malaysia)
  
- ❑ Interest Rate Hedging
  - Hedged some loans for 2013 via USD forward starting IRS at 2.00%



# Joint Ventures Updates and Growth Upside



Joint ventures	Details
Philippines' AirAsia	<ul style="list-style-type: none"><li>▪ Began operations in March</li><li>▪ Operating out of Clark</li><li>▪ Launched routes to Davao, Kalibo and Puerto Princesa</li><li>▪ Launching Clark to Kuala Lumpur in June 2012</li><li>▪ Focusing on the regional travel and riding on AirAsia Group extensive network</li></ul>
AirAsia Japan	<ul style="list-style-type: none"><li>▪ Target launch earliest August 2012</li><li>▪ To operate out of Narita; Announcement of dedicated LCC terminal</li><li>▪ To operate the underpenetrated LCC market in Japan</li><li>▪ Ticket sales to go on sale next week</li></ul>
AirAsia Expedia	<ul style="list-style-type: none"><li>▪ Currently operating is Expedia Japan, India, Singapore, Korea, Malaysia</li><li>▪ Inventories of hotel of AirAsiaGo and Expedia are merged</li><li>▪ To reinvest profits for expansion</li></ul>
BIG (Loyalty programme)	<ul style="list-style-type: none"><li>▪ 150,000 members signed up</li><li>▪ Indonesia AirAsia and Thai AirAsia launched BIG with local merchants</li></ul>
AirAsia/CAE	<ul style="list-style-type: none"><li>▪ Fully operational</li><li>▪ All pilots training has been moved under the joint venture</li><li>▪ Plans to acquire more flight simulators</li></ul>





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# Appendix

## 1Q12

### Financials and Operating Statistics

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# 1Q12 - Financial Results - Malaysia



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Average Fare (RM)	177	164	7%
RASK (sen)	16.92	16.53	2%
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CASK ex-fuel (sen)	7.04	6.83	3%



# 1Q12 - CASK - Malaysia



Cost / ASK (US cents)	1Q12	1Q11
Staff Costs	(0.72)	(0.61)
Depreciation	(0.62)	(0.73)
Aircraft Fuel Expense	(2.11)	(1.95)
Aircraft Operating lease expense	(0.19)	(0.08)
Maintenance, Overhaul	(0.13)	(0.13)
User Charges and other related expense	(0.52)	(0.65)
Travel and tour operations expenses	-	(0.09)
Others Operating Expenses	(0.21)	(0.17)
Other losses / (gains )-net	(0.05)	0.07
Other Income	0.12	0.15
<b>Total Cost / ASK</b>	<b>4.43</b>	<b>4.20</b>



# 1Q12 - Financial Results - Thailand



<u>THB'000</u>	Financial performance		
	1Q12	1Q11	Change
Revenue	4,868,109	4,137,102	18%
EBITDAR	1,399,609	1,516,302	-8%
Operating Profit	628,832	845,256	-26%
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EBITDAR margin	29%	37%	-8 ppt
Operating profit margin (EBIT)	13%	20%	-7 ppt

	Operational performance		
	1Q12	1Q11	Change
Passengers Carried	2,131,397	1,817,485	17%
Capacity	2,459,160	2,154,780	14%
Load Factor	87%	84%	3 ppt
RPK (million)	2,174	1,906	14%
ASK (million)	2,540	2,261	12%
Average Fare (THB)	1,904	1,885	1%
RASK (THB)	1.92	1.83	5%
CASK (THB)	1.67	1.46	15%
CASK ex-fuel (THB)	0.93	0.82	14%



# 1Q12 - CASK - Thailand



Cost / ASK (US cents)	1Q12	1Q11
Staff Costs	(0.59)	(0.49)
Depreciation	(0.02)	(0.02)
Aircraft Fuel Expense	(2.40)	(2.08)
Aircraft Operating lease expense	(0.97)	(0.95)
Maintenance, Overhaul	(0.46)	(0.39)
User Charges and other related expense	(0.81)	(0.78)
Travel and tour operations expenses	-	-
Others Operating Expenses	(0.31)	(0.18)
Other Income	0.12	0.13
<b>Total Cost / ASK</b>	<b>5.44</b>	<b>4.75</b>



# 1Q12 - Financial Results - Indonesia



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Revenue	911,345	779,048	17%
EBITDAR	165,795	171,375	-3%
Operating Profit	15,452	8,809	75%
Profit after tax	(36,654)	31,943	-215%
EBITDAR margin	18%	22%	- 4ppt
Operating profit margin (EBIT)	2%	1%	1 ppt

	Operational performance		
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Passengers Carried	1,273,362	1,093,643	16%
Capacity	1,655,280	1,388,588	19%
Load Factor	77%	79%	- 2 ppt
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Average Fare (IDR)	572,316	556,448	3%
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CASK (IDR)	423.24	394.35	7%
CASK ex-fuel (IDR)	211.51	222.30	-5%



# 1Q12 - CASK - Indonesia



Cost / ASK (US cents)	1Q12	1Q11
Staff Costs	(0.50)	(0.50)
Depreciation	(0.12)	(0.03)
Aircraft Fuel Expense	(2.34)	(1.90)
Aircraft Operating lease expense	(0.67)	(0.89)
Maintenance, Overhaul	(0.40)	(0.43)
User Charges and other related expense	(0.52)	(0.53)
Travel and tour operations expenses	-	-
Others Operating Expenses	(0.19)	(0.12)
Other Income	0.07	0.04
<b>Total Cost / ASK</b>	<b>4.67</b>	<b>4.36</b>



# 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 ("IFRS")
- ❑ 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 (cont')



## 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 IAA have exceeded the cost of investment in the entity, AirAsia has in prior years fully provided for the cost of investment for IAA (RM4 million), 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.

