



AIRASIA GROUP BERHAD

ANALYST PRESENTATION
SECOND QUARTER 2018
FINANCIAL RESULTS

10 YEARS IN A ROW –
WORLD'S BEST LOW-COST AIRLINE

LEGAL DISCLAIMER

Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the Company. Neither we nor our advisors make any representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

This presentation is strictly not to be distributed without the explicit consent of Company's management under any circumstances.





2Q2018 HIGHLIGHTS

COMMENDABLE PERFORMANCE DESPITE FUEL, CURRENCY & INDONESIA

1. Financial Performance

	2Q18	2Q17	Change
Revenue (RM million)	2,624	2,378	+10%
Net Operating Profit (RM million)	325	395	-18%
Net Profit (RM million)	315	140	+125%

Revenue up 10% YoY to RM2.62 billion, as a result of:

- Passengers carried +13% YoY to 10.88mil
- Passenger seat sales +10% YoY to RM1.87bil
- Ancillary revenue +4% YoY to RM492.6mil
- Profitable despite average fuel price up 29% to USD89 bbl in 2Q2018 vs USD69 bbl in 2Q2017. Fuel cost up 28% YoY
- Malaysia operations recorded net operating profit of RM205mil down 8% YoY, PBT up 19% to RM246mil, PAT up 180% to RM272mil from gain on deferred tax
- Philippines operations recorded net operating profit of PHP51mil despite higher fuel, aircraft depreciation and 4.8% weakening of PHP vs USD YoY
- Indonesia reported net operating loss of IDR186mil, as a result of Mt. Agung's eruption and prolonged volcanic activities which disrupted Denpasar's (Bali) overall performance since 13 Aug 2017. IDR has also weakened by 5.4% against USD YoY
- Under the umbrella of RedBeat Ventures (RBV), Big Loyalty reported loss after tax (LAT) of RM5.8mil, BigPay reported LAT of RM4.7mil, Rokki reported LAT RM1.2mil



2Q2018 HIGHLIGHTS

COMMENDABLE PERFORMANCE DESPITE FUEL, CURRENCY & INDONESIA

2. Operating Statistics

	2Q18	2Q17	Change
ASK Growth (million)	15,962	14,202	+12%
Passengers Carried	10,878,146	9,611,814	+13%
Load Factor	86%	89%	-3ppts
RASK (sen)	14.83	15.35	-3%
CASK (sen)	13.77	13.22	+4%
CASK ex. fuel (sen)	8.05	8.21	-2%

- Overall, performance in 2Q2018 was largely affected by the 29% increase in fuel price, coupled with it being a seasonally lesser travelled period. Domestic fares faced compression leading up to the 14th General Elections in Malaysia during the same quarter
- **Load and RASK** dipped slightly as result of 12% ASK growth
- **CASK** up by 4% YoY to 13.77 sen in higher fuel prices, maintenance & overhaul and operating lease expenses as a result of 22 additional operating lease aircraft this quarter as compared to 2Q2017
- **CASK ex-fuel** decreased by 2% YoY to 8.05 sen from reduced aircraft depreciation resulting from BBAM's transaction and overall reduction in staff costs

2Q2018 HIGHLIGHTS

COMMENDABLE PERFORMANCE



3. Monetising of assets

- AAC – BBAM transaction of USD1.185 billion announced on 1 March 2018. As at 8 Aug 2018, received USD501.6mil (39 aircraft transferred, 45 more aircraft to transfer by Nov 2018)
- Expedia – remaining 25% stake sold and announced on 14 Aug 2018 for USD60 mil. Total gains on sale of the 50% stake was USD131mil (initial investment USD10mil)

4. Competition weakening

- Malaysia: Malindo reduced 385 weekly flights from 1,056 to 671 in 2Q18 and terminated 3 domestic routes; MAS -189 weekly from 2,118 to 1,929 flights and terminated 3 international routes
- Indonesia: Garuda reduced 76 weekly flights from 25,755 to 25,679
- Philippines: Cebu reduced 929 weekly flights from 16,601 to 15,672

2Q2018 HIGHLIGHTS

FLEET OPTIMISATION



5. Aircraft utilisation across AirAsia Group increased by 2% to 13 hours a day in 1H18 vs 12.7 hours in 1H17

6. Group Fleet by 31 December 2018

Full Year	Malaysia	Thailand	Indonesia	Philippines	India	Japan	Group's Net Addition/Total
Jan 2018	84	56	23	17	14	2	196
Net Addition	10	6	1	4	6	-	28
Total	94	62	24	21	20	2	223

* 223 excluding 2 leased to third party

* Jan 2018 fleet for Malaysia excludes aircraft grounded for reallocation to other AOCs



2Q2018 HIGHLIGHTS

GAINING TRACTION

7. Digital Group Wide Traction & Projects

All AOCs	1H2018	1H2017	Change
Unique Users:			
Mobile App (million)	95	50	+89%
Website (million)	184	162	+14%
Mobile Device penetration:			
Flight search	58.8%	51.1%	+15%
Bookings	40.6%	31.7%	+28%
Check-in	8.6%	8.1%	+6%
BIG Loyalty New Member Registration	2,994,123	1,572,599	+90%

Cost Saving Initiatives:

- F.A.C.E.S (February 2018) - Facial recognition to board. 55k enrolled and tried (Senai), eg. East-West Malaysia travelling, Avalon in Melbourne, Kuching (December 2018)
- Automated Real Time Alerts (May 2018) - To monitor Business KPIs to take immediate actions through work automation
- Reporting Chatbot (May 2018) – Automated Management reporting to AirAsia’s Management Team via Workchat
- Palantir (July 2018) - On Time Performance: OTP360 (reducing delays); Employee360 - optimised roster, talent management

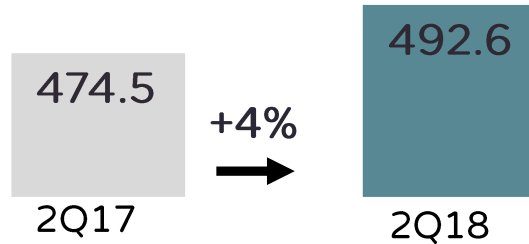
Revenue Generation Initiatives:

- Mobile penetration for bookings up 28%
- Big Points e-Payments (April 2018) - Paying with points. Points utilisation up 99%
- Global Search Engines Optimised (Google, Bing, Yahoo) (April 2018) - Incremental: revenue USD1.3 mil, seat sold 19,678; New users from Search Engines : Google > 370,000
- Dolly ePOS (data collection, contactless payment) (July 2018) - Duty Free: Malaysia international flights revenue +7% to RM3.6mil. F&B by 4Q2018

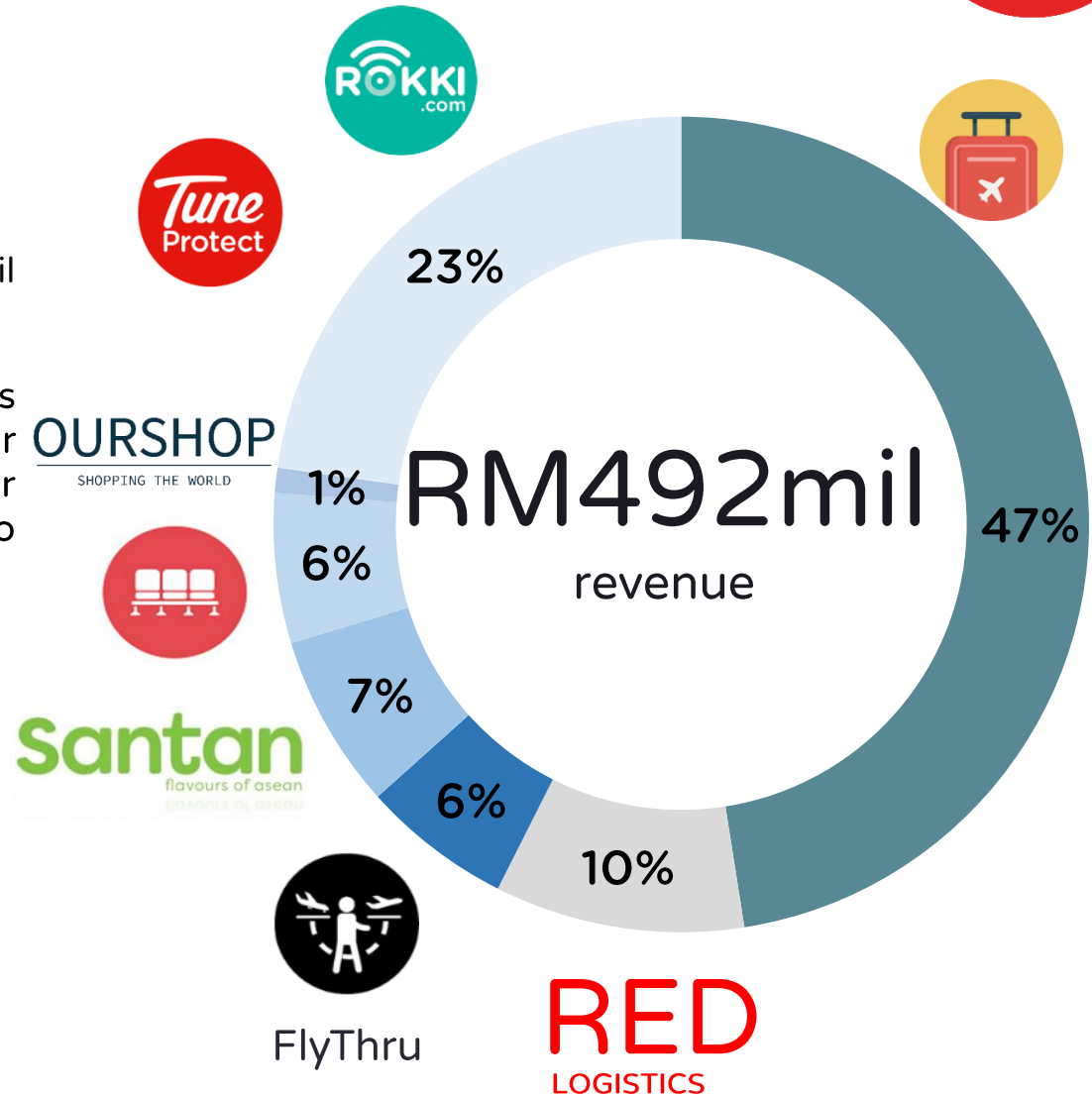
2Q2018 HIGHLIGHTS

ANCILLARY GROWING STEADILY AT 19% OF THE TOTAL REVENUE

8. Ancillary Revenue (RM million)



- AirAsia Group Berhad's^[1] ancillary revenue increased 4% YoY from RM474.5 mil in 2Q17 to RM492.6 mil in 2Q18 attributed from 13% increase in pax carried.
- Reporting total ancillary revenue instead of per pax going forward as several businesses ie. Red Logistics (encompassing cargo and courier businesses are not a part passengers carried but generates profits for AirAsia. Ourshop selling duty free products will expand to online retail to everyone and not just passengers
- Dynamic pricing & ancillary personalisation resulting in revenue growth:
 - Baggage Fees up 2% YoY to RM236.3 mil
 - Inflight F&B up 6% YoY to RM34.9 mil
 - Fly-Thru up 8% to RM31.1 mil
 - Seat selection up 14% to RM31.2 mil
 - Duty Free unchanged at RM6.8 mil
- FlyThru pax growth in 2Q18 across all short haul AOCs
 - FlyThru pax of 537,602 in 2Q18 (+10% YoY)
- Rokki WiFi enabled aircraft: MAA 45; PAA 6, IAA 2



FlyThru



[1] AirAsia Group Berhad refers to AirAsia Malaysia, AirAsia Indonesia & AirAsia Philippines only

ASSOCIATES' PERFORMANCE HIGHLIGHTS



AIRASIA THAILAND

	2Q18	2Q17	Change
Passengers Carried	5,310,361	4,694,374	+13%
ASK (million)	6,147	5,373	+14%
Load factor (%)	85	86	-1ppt
Average Fares (THB)	1,402	1,476	-5%
Revenue (THB mil)	9,060	8,349	+9%
Net Operating (Loss) /(THB mil)	(654)	238	>-100%
CASK ex-fuel (THB)	1.01	1.02	-2%

- Frequency increased on 5 routes originating from Bangkok (4) and Chiang Mai (1) in 2Q18
- Grew fleet to 59 in 2Q18 from 54 in 2Q17
- Net operating loss of THB654million due to the increase in fuel prices and competition, resulting in fare compression
- Total ancillary revenue grew by 13% amounting to THB1.63bil on the back of increased pax
- CASK ex-fuel well controlled, reported 2% lower YoY
- Tourism Authority of Thailand's 3Q forecast: international arrivals up by 8% to 9.5 mil pax and domestic up by 3% to 39 mil pax YoY. To launch international flights from Chiang Mai to Yangon, Taipei, Hanoi

ASSOCIATES' PERFORMANCE HIGHLIGHTS



AIRASIA INDIA

	2Q18	2Q17	Change
Passengers Carried	1,827,805	1,005,341	+82%
ASK (million)	2,136	1,184	+80%
Load Factor (%)	87	90	-3ppts
Average Fares (INR)	3,260	3,214	+1%
Number of Flights	11,643	6,222	+87%
Net Operating (Loss) (INR million)	(516)	(242)	-112%
Revenue (INR million)	6,497	3,488	+86%

- Revenue up by 86% YoY in 2Q18 YoY
- 6 new routes originating from Kolkata (4), Bengaluru (1), New Delhi (1) & frequency increase on 4 routes in 2Q18
- Net operating loss of INR516 mil due to rapid capacity added and plans to fly international
- Grew fleet to 18 aircraft in 2Q18, target to end with 20 aircraft by December 2018. International connectivity in the very near future
- RASK up 3% to INR304.10; Ancillary per pax up 18% to INR427 YoY
- CASK ex-fuel at INR173.57 down by 10% YoY
- Target to breakeven by FY2019

STRATEGY

EVERY CRISIS LIES AN OPPORTUNITY



1. Seizing opportunities

Domestic Market Share	AirAsia		2Q2018 vs 2Q2017	
	2Q2018	2Q2017		
Malaysia	57%	52%	MAS -3%	Malindo -3%
Thailand	35%	31%	Nok Air -1%	Thai Lion -3%
Indonesia	2%	2%	Lion -1%	Garuda -3%
Philippines	22%	15%	Cebu -7%	PAL FLAT
India	5%	4%	IndiGo -2%	SpiceJet FLAT

- Airlines operating in the regions of Thailand, Indonesia and India have reported net losses eg. SpiceJet , Nok Air, Garuda, Thai Airways
- Opportunity for AirAsia to further grow market share

STRATEGY

2018 & BEYOND



2. Cost reduction measures

- All AOCs & centralised procurement have achieved 46% of our cost savings target as of June 2018
- Headcount rationalisation - Non-airline operating workforce reduction by 5% from June 2018 to December 2019. Staff cost has reduced by 2% in 2Q2018 YoY
- Airports - Automation at airports to reduce ground staff
- Route rationalisation - Suspended non-profitable routes, and focusing on profitable top routes

AOCs	Initiatives	Savings (US\$)
Malaysia	Route termination, flight operations and engineering cost savings initiatives	12.7
Thailand	Fuel and capacity management, engineering, cutting of Branding, Marketing and PR spending	10.1
Indonesia	Local vendors for maintenance & overhaul, fuel saving initiatives, headcount rationalisation, customs expense savings on engineering rotables and consumables.	14.2
Philippines	Fuel saving initiatives	1.0
Japan	Procurement for engine parts and other fixed assets, headcount rationalisation	3.5

Airports & Low Cost Carrier Terminals (LCCTs) to reduce costs further

- New SLA with MAHB in the process. Re-negotiating PSC rates for ex-Asean routes
- Moving to LCCTs: Kota Kinabalu T2, Jakarta T2, Clark (Manila), U-Tapao (Pattaya), Penang

Partnership with Airbus (Skywise) & Palantir

- Integrated Big Data platform to improve airline operations, preventive maintenance to save costs, reduce aircraft on ground (FOMAX installation started in Aug 2018)
- Forecast of predictive maintenance, efficient scheduling of parts/ rotatable replacements (potential savings – USD40,000 per aircraft per year)



3. Maximise revenue

- Full year load target of 85%
- Fares revised upwards as of 1 June 2018
- Average fares for AirAsia Malaysia, Indonesia and Philippines are trending upwards for 2H2018

4. Ancillary revenue to grow with ASK

- RedCargo – Target : RM200mil by December 2018
- Ourshop – online retail & duty free – launched in July 2018
- Baggage – Strict enforcement of 7kg carry on for all airports
- Big Loyalty – Inflight points redemption in October 2018
- Santan – Target take up rate to increase by 35% by December 2018

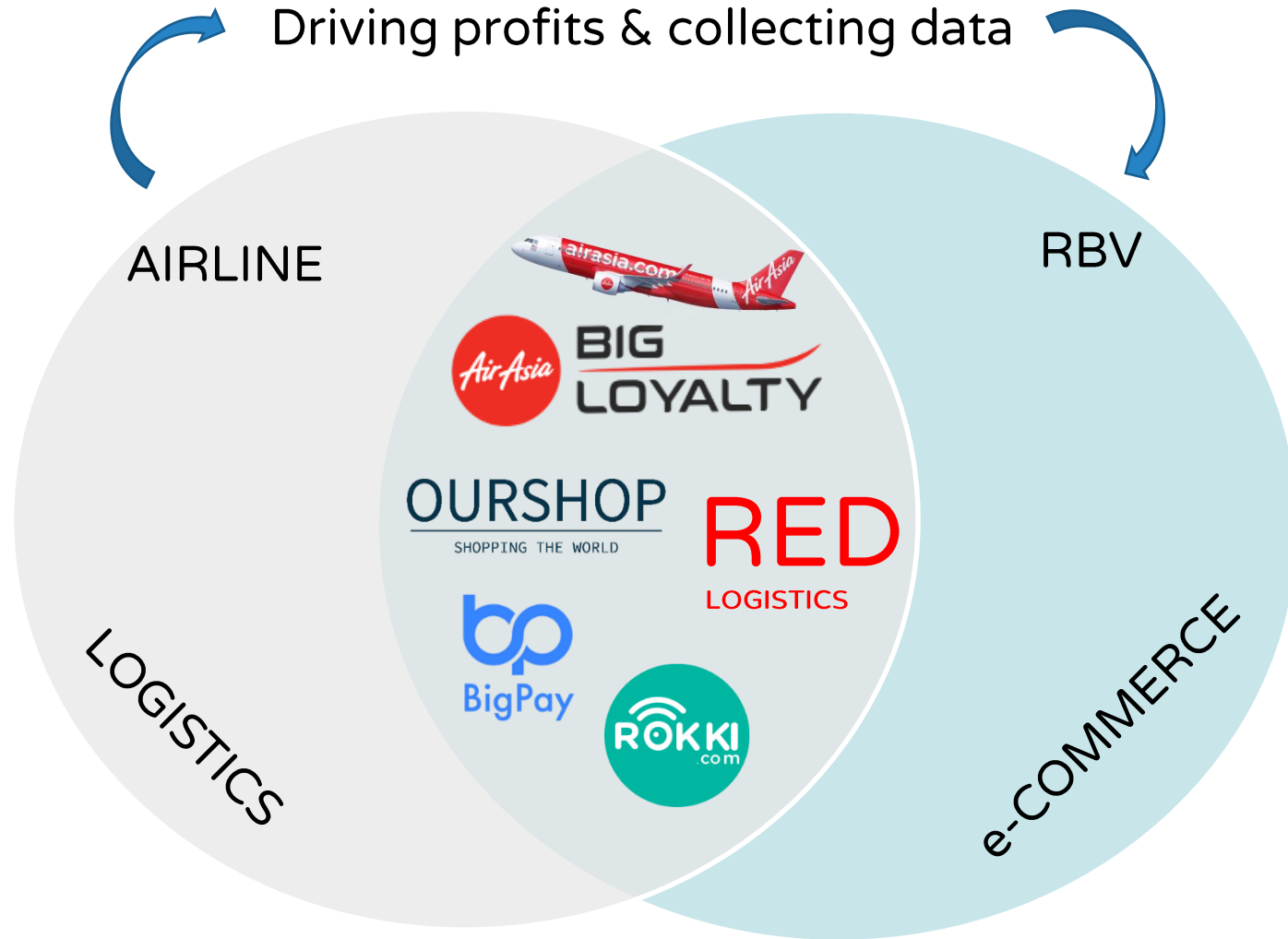
5. Focusing on improving Customer Happiness

Live Net Promoter Score (NPS) Dashboard; Customer Happiness

- Real time guests feedback dashboard to assist AOCs and operations' team to monitor and improve service performance and customer experience
- Group NPS target score of 46
- Collection of guest feedback from 3rd party sales channel by 4Q2018

THE NEW AIRASIA GROUP

A DIGITAL AIRLINE





THANK YOU
&
APPENDIX

APPENDIX

MALAYSIA 2Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 June RM'000	Apr – Jun 2018	Apr - Jun 2017	Change YoY
Revenue	1,750,998	1,544,520	13%
Operating expenses:			
- Staff costs	(267,312)	(275,322)	-3%
- Depreciation of PPE	(98,420)	(144,469)	-32%
- Aircraft fuel expenses	(658,901)	(501,759)	31%
- Maintenance & overhaul	(107,394)	(42,236)	154%
- User charges and other related expenses	(237,687)	(219,286)	8%
- Aircraft operating lease expenses	(102,113)	(28,915)	253%
- Other operating expenses	(84,236)	(63,349)	33%
Other income	77,780	39,359	98%
Operating profit	272,715	308,543	-12%
Finance Income	9,295	19,238	-52%
Finance Costs	(76,828)	(104,885)	-27%
Net operating profit	205,182	222,896	-8%
Foreign exchange gains	55,777	53,607	4%
Fair value losses on derivatives	(14,698)	(69,156)	-79%
Profit before tax	246,261	207,347	19%
Taxation	(4,018)	(4,282)	-6%
Deferred taxation	29,440	(106,012)	-128%
Net profit	271,683	97,053	180%
EBITDAR	473,248	481,927	-2%
EBITDAR Margin	27%	31%	-4 ppt
EBIT Margin	16%	20%	-4 ppt

Quarter Ended: 30 June	Apr - Jun 2018	Apr - Jun 2017	Change YoY
Passengers Carried	7,904,740	7,100,277	11%
Capacity	9,208,542	7,910,066	16%
Seat Load Factor	86%	90%	-4 ppt
RPK (million)	10,127	9,299	9%
ASK (million)	11,816	10,438	13%
Average Fare (RM)	172	161	6%
Ancillary Income Per Pax (RM)	45	49	-7%
Unit Passenger Revenue (RM)	217	210	3%
Revenue / ASK (sen)	14.17	14.36	-1%
Revenue / ASK (US cents)	3.56	3.61	-1%
Cost / ASK (sen)	12.41	12.22	2%
Cost / ASK (US cents)	3.12	3.07	2%
Cost / ASK-ex Fuel (sen)	6.83	7.41	-8%
Cost / ASK-ex Fuel (US cents)	1.72	1.86	-8%
Aircraft (end of period)	88	77	14%
Average Stage Length (km)	1,281	1,313	-2%
Number of Flights	50,845	43,777	16%
Fuel Consumed (Barrels)	1,870,735	1,761,275	6%
Average Fuel Price (US\$ / Barrel)	89	66	34%

APPENDIX

INDONESIA 2Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 June IDR million	Apr – Jun 2018	Apr - Jun 2017	Change YoY
Revenue	982,475	1,016,954	-3%
Operating expenses:			
- Staff costs	(192,205)	(181,318)	6%
- Depreciation	(46,747)	(40,444)	16%
- Aircraft fuel expenses	(385,284)	(311,605)	24%
- Aircraft operating lease expense	(158,599)	(141,718)	12%
- Maintenance & overhaul	(162,020)	(131,391)	23%
- User charges and other related expenses	(243,303)	(195,116)	25%
- Other operating expenses	(99,217)	(51,250)	94%
Other income	137,967	215,456	-36%
Operating (loss)/profit	(166,933)	179,568	-193%
Finance Income	865	1,217	-29%
Finance Costs	(19,537)	(22,777)	-14%
Net operating (loss)/profit	(185,605)	158,008	-217%
Foreign exchange gains	(108,815)	7,348	-1581%
(Loss)/Profit before tax	(294,421)	165,356	-278%
Taxation	64,587	(417,671)	-115%
Net loss	(229,834)	(252,315)	-9%
EBITDAR	38,413	361,730	-89%
EBITDAR Margin	4%	36%	-32 ppt
EBIT Margin	-17%	18%	-35 ppt

Quarter Ended: 30 June	Apr - Jun 2018	Apr - Jun 2017	Change YoY
Passengers Carried	1,155,444	1,205,210	-4%
Capacity	1,424,880	1,414,260	1%
Seat Load Factor	81%	85%	-4ppt
RPK (million)	1,593	1,761	-10%
ASK (million)	1,948	2,047	-5%
Average Fare (IDR)	650,574	673,695	-3%
Ancillary Income Per Pax (IDR)	178,112	183,320	-3%
Unit Passenger Revenue (IDR)	828,685	857,015	-3%
Revenue / ASK (IDR)	504.44	496.74	2%
Revenue / ASK (US cents)	3.59	3.54	2%
Cost / ASK (IDR)	599.74	419.56	43%
Cost / ASK (US cents)	4.27	2.99	43%
Cost / ASK-ex Fuel (IDR)	401.92	267.35	50%
Cost / ASK-ex Fuel (US cents)	2.86	1.90	50%
Aircraft (end of period)	15	14	7%
Average Stage Length (km)	1,331	1,327	<1%
Number of Flights	7,916	7,857	1%
Fuel Consumed (Barrels)	311,786	337,485	-8%
Average Fuel Price (US\$ / Barrel)	88	69	28%

APPENDIX

PHILIPPINES 2Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 June PHP'000	Apr - Jun 2018	Apr - Jun 2017	Change YoY
Revenue	5,461,260	4,095,460	33%
Operating expenses:			
- Staff costs	(632,548)	(459,687)	38%
- Depreciation of property, plant and equipment	(108,690)	(25,092)	333%
- Aircraft fuel expenses	(1,928,915)	(1,270,515)	52%
- Maintenance & overhaul	(791,933)	(524,890)	51%
- User charges and other related expenses	(981,880)	(816,395)	20%
- Aircraft operating lease expenses	(724,193)	(511,409)	42%
- Other operating expenses	(190,667)	(210,354)	-9%
Other income	36,992	63,912	-42%
Operating profit	139,426	341,030	-59%
Finance Income	138	187	-26%
Finance Costs	(88,515)	(28,518)	210%
Net operating profit	51,049	312,699	-84%
Foreign exchange (loss)/gain	(389,968)	12,360	-3255%
(Loss)/Profit before tax	(338,919)	325,059	-204%
Taxation	-	-	-
Net (loss)/profit	(338,919)	325,059	-204%
EBITDAR	972,309	877,531	11%
EBITDAR Margin	18%	21%	-3 ppt
EBIT Margin	3%	8%	-5 ppt

Quarter Ended: 30 June	Apr - Jun 2018	Apr - Jun 2017	Change YoY
Passengers Carried	1,817,962	1,306,327	39%
Capacity	2,089,260	1,506,420	39%
Seat Load Factor	87%	87%	-
RPK (million)	1,891	1,468	29%
ASK (million)	2,198	1,716	28%
Average Fare (PHP)	2,487	2,651	-6%
Ancillary Income Per Pax (PHP)	517	513	1%
Unit Passenger Revenue (PHP)	3,004	3,164	-5%
Revenue / ASK (PHP)	2.48	2.39	4%
Revenue / ASK (US cents)	4.73	4.54	4%
Cost / ASK (PHP)	2.46	2.20	12%
Cost / ASK (US cents)	4.68	4.19	12%
Cost / ASK-ex Fuel (PHP)	1.58	1.46	8%
Cost / ASK-ex Fuel (US cents)	3.01	2.79	8%
Aircraft (end of period)	21	15	40%
Average Stage Length (km)	1,052	1,139	-8%
Number of Flights	11,607	8,369	39%
Fuel Consumed (Barrels)	404,818	302,295	34%
Average Fuel Price (US\$ / Barrel)	91	84	8%

A GLIMPSE OF 2H2018

FORWARD BOOKINGS



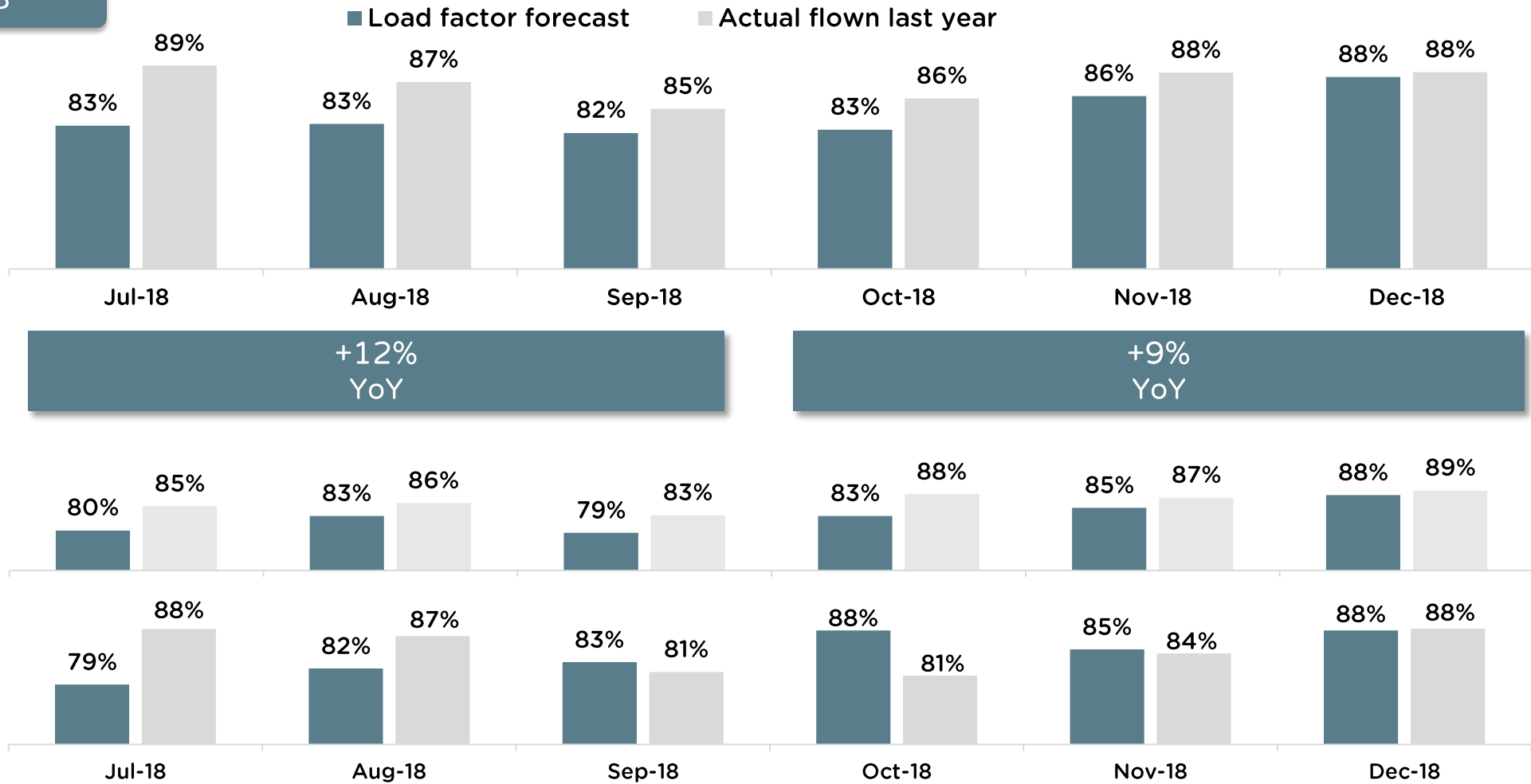
3Q & 4Q2018

AirAsia Group Berhad Consolidated AOCs

Average Base Fare (RM) MAA Forecast

AirAsia Thai

AirAsia India



AirAsia Group Berhad consolidated refers to AirAsia Malaysia, Indonesia & Philippines