



AirAsia Berhad

Third Quarter 2012
Analyst Presentation



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3Q12

Key Financial Highlights

3Q12 Results - Key Highlights



ALL THREE OPERATIONS POST REVENUES, OPERATING PROFIT AND NET PROFIT GROWTH

- ❑ **Revenue**
 - Malaysia - RM 1.23 billion up 14% y-o-y
 - Thailand - THB 4.43 billion up 17% y-o-y
 - Indonesia - IDR 1,200.40 billion up 9% y-o-y

- ❑ **Operating profit**
 - Malaysia - RM 281.18 million up 12% y-o-y
 - Thailand - THB 230.70 million up 18% y-o-y
 - Indonesia - IDR 138.27 billion up 715% y-o-y

- ❑ **Net Profit performance**
 - Malaysia - RM 157.81 million up 4% y-o-y
 - Thailand - THB 199.05 million up 3% y-o-y
 - Indonesia - IDR 74.48 billion up 390% y-o-y

- ❑ **AirAsia Berhad recognises more profits in its joint ventures:-**
 - TAA - RM9 million
 - AirAsia/CAE (AACOE) - RM1.1 million
 - AirAsia Expedia - RM2.5 million

- ❑ **Maintaining High Margins through continuous cost discipline**
 - Malaysia - EBIT Margin : 23% ; EBITDAR margin : 38%
 - Thailand - EBIT Margin : 5% ; EBITDAR margin : 24%
 - Indonesia - EBIT Margin :12% ; EBITDAR margin : 25%

YTD12 Results - Key Highlights



❑ Revenue

- Malaysia - RM 3.59 billion up 12% y-o-y
- Thailand - THB 13.78 billion up 17% y-o-y
- Indonesia - IDR 3,098.26 billion up 12% y-o-y

❑ Operating profit

- Malaysia - RM 727.08 million up 3% y-o-y
- Thailand - THB 1.10 billion down 20% y-o-y
- Indonesia - IDR 231.37 billion up 226% y-o-y

❑ Net Profit

- Malaysia - RM 1.53 billion up 257% y-o-y (including fair value gain)
- Thailand - THB 1.07 million down 25% y-o-y
- Indonesia - IDR 67.78 billion down 46% y-o-y

❑ Highest margins in the industry

- Malaysia - EBIT Margin : 20% ; EBITDAR margin : 37%
- Thailand - EBIT Margin : 8% ; EBITDAR margin : 25%
- Indonesia - EBIT Margin : 7% ; EBITDAR margin : 22%

3Q12 - Financial Results - Malaysia



- ❑ Load factor 77% despite capacity up 10%
- ❑ RASK up 5% due to increase in average fare and ancillary income
- ❑ CASK up 6% y-o-y whilst CASK ex fuel up 8% y-o-y
 - Maintenance- increase of aircraft in for routine maintenance and checks
 - User Charges - Last year in 3Q11 had incentives credit from MAHB of around RM22 million
 - Other Operating Expense - Investment in brand
- ❑ EBIT Margin & EBITDAR margin maintained
 - ❑ EBIT Margin : 20%
 - ❑ EBITDAR margin : 37%

3Q12 - Financial Results - Thailand



- ❑ Revenue up 17% y-o-y in line with passenger growth of 22% y-o-y
- ❑ Load factor of 82% up 2ppt YoY
- ❑ RASK up 4% YoY
- ❑ CASK up 4% y-o-y mainly due to:-
 - Maintenance up due to more C'check and engine refurbishment
 - User Charges - One off charges for move to Don Mueang
 - Operating expense up due to higher marketing cost and advertising of the Don Mueang move
 - Staff cost up mainly from flight operations due to increased capacity

3Q12 - Financial Results - Indonesia



- ❑ Revenue up 12% y-o-y due to increase in fare and higher passenger growth
- ❑ Operating profit improves posting 715% increase due to discipline cost control
- ❑ RASK up 13% due to increase in average fare and ancillary income
- ❑ CASK up 1% mainly due to:-
 - User charges a flight operational and airport charges mainly from new route
 - Depreciation capitalisation of the 5 new owned aircraft
 - Fuel expense per ASK up 8% due to more flights over the year
- ❑ Turnaround story due to:-
 - New management team
 - All Airbus fleet
 - Market share improvement YoY:-
 - Domestic from 2% - 3%
 - International from 38% to 41%



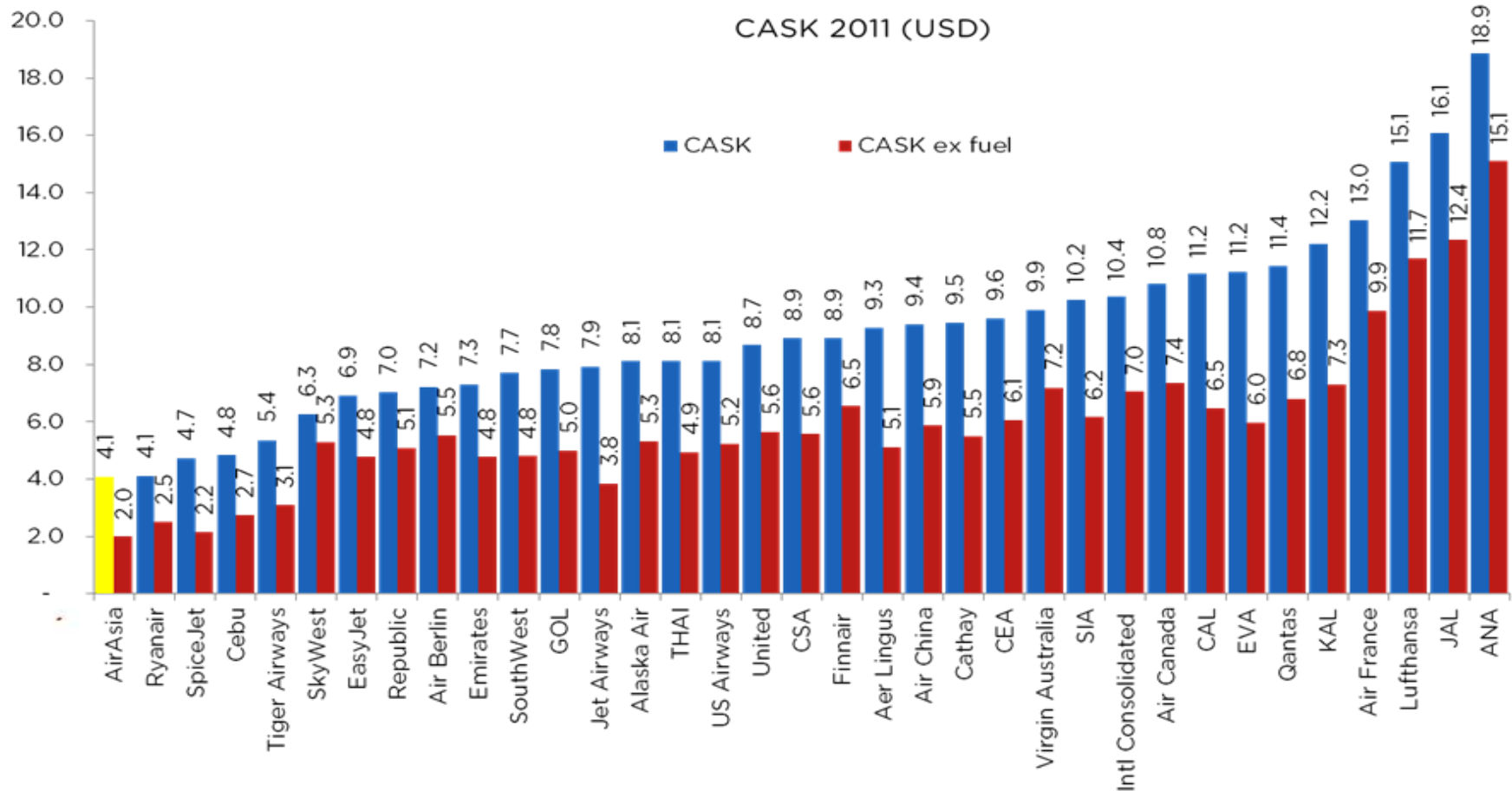
Looking Ahead: Strategy and Issues

Strategy



1. Maintain Cost Leadership

- Continue to be disciplined and to offer the lowest cost
- World lowest cost airline in the world



Strategy



1. Maintain Cost Leadership

- Further improvement of cost reduction:
 - ❑ Future growth at lowest cost
 - ❑ Sharklets on Aircraft
 - Fuel Savings of approximately 3%
 - ❑ A320neo
 - Fuel Savings of approximately 16% (Engine & Sharklets)
 - ❑ Pushing for LCC Terminal
 - TAA - moved to Don Mueang on 1st October 2012
 - Savings:
 - Airport charges paid to AOT based on discounts offered (charges include landing,
 - Improved in efficiency, expecting to reflect through 1%-2% of fuel costs
 - ❑ Aircraft Financing
 - ❑ Aircraft financing was secured last year at competitive rates for aircraft being delivered in 2012 & 2013
 - ❑ Attractive financing options with low rates
 - ❑ Airport Charges (LCCT Airport)
 - In negotiations with airport authority on airport incentives

Strategy



2. Leveraging on the strong AirAsia brand to Build Market Share

MALAYSIA

- Adding 10 aircraft in 2013
- Total new capacity in 2013 will be 89% of frequency addition and 11% growth of new routes
- To grow load factors to approximately 85%
- To continue to grow domestic market, Indonesia, and China

THAILAND

- Adding 9 aircraft in 2013
- Total new capacity in 2013 will be 90% of frequency addition and 10% growth of new routes
- To maximise capacity in Don Mueang - “Goldmine”
- Remove Chiang Mai as hub
- To dominate domestic market, Indochina and China

Strategy



2. Leveraging on the strong AirAsia brand to Build Market Share

INDONESIA

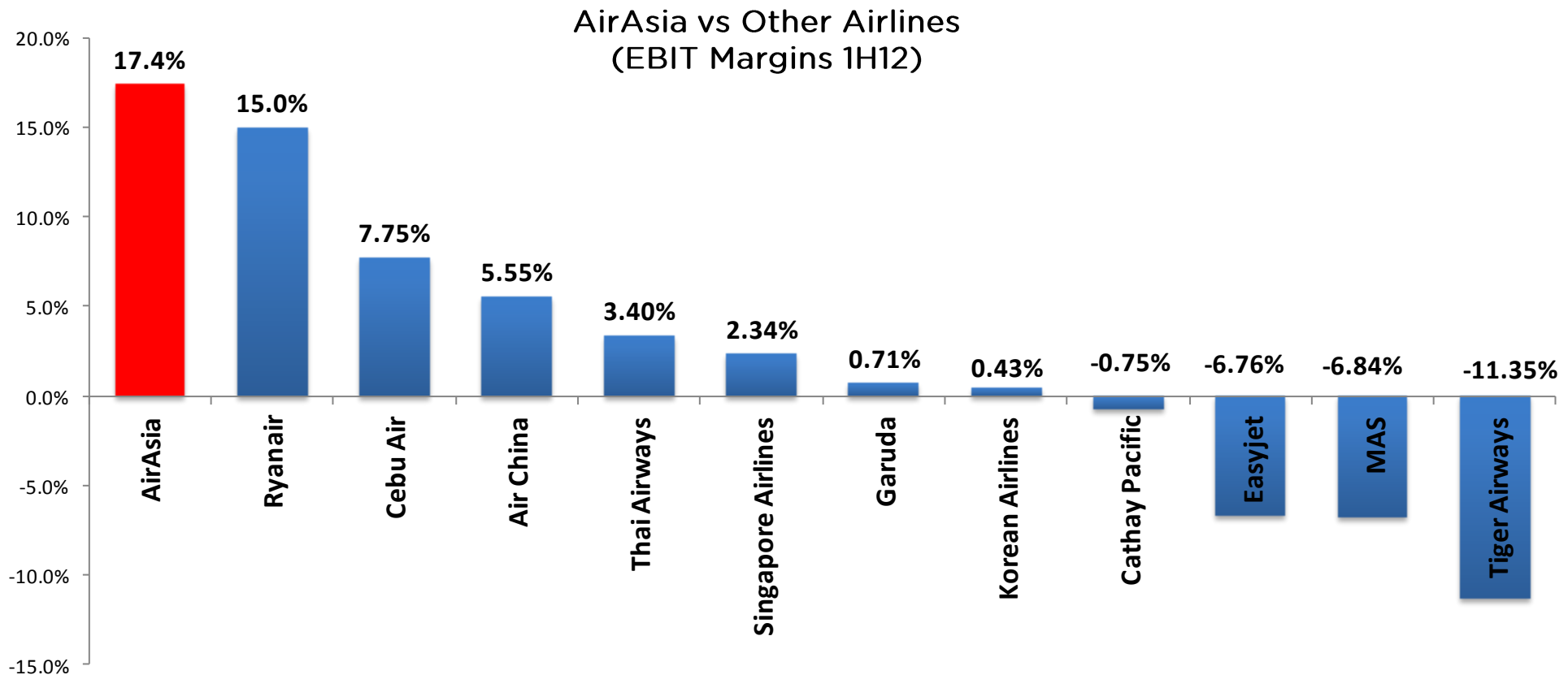
- Adding 9 aircraft in 2013
- Total new capacity in 2013 will be 50% of frequency addition and 50% growth of new routes
- Re-focus on domestic market and growing organically
- Aggressively grow distribution channel in the short term to 3000 agents
- To use AirAsia brand to capture market share

Strategy



3. Maintaining Margins

- Despite high fuel prices, strong competition – MARGINS has maintained
- Other competitors has seen margins erosion



Strategy



4. Defending our position

a) Huge Market

UNITED STATES	
Population	Fleet
	Southwest
311.59 million	574
	Passengers Flown in 2011 (million)
	103.97

EUROPE			
Population	Fleet		
	Ryanair	easyJet	Total
491.2 million	298	194	492
	Passengers Flown in 2011 (million)		
	76.4	55.5	131.9

ASEAN + CHINA + INDIA			
Population	Fleet		
	AirAsia	Lion Air	Total
3,202.81 million	111	89	198
	Passengers Flown in 2011 (million)		
	18.0	25.9	43.9

Southwest main LCC in United States

- Total Fleet of 574
- Total Fleet/Total population is :

0.0002%

Ryanair & Easyjet main LCC in Europe

- Total Fleet of 492
- Total Fleet/Total population is :

0.0001%

AirAsia and Lionair main LCC in Asia

- Total Fleet of 200
- Total Fleet/Total population is :

0.00001%

Strategy



4. Defending our position

b) Strong Balance Sheet

- Net Gearing of 1.03 times
- Cash position of RM2.2 billion
- In position to provide dividend; dividend policy being explored
- Free Cash Flow of RM557.51 million to date

Strategy

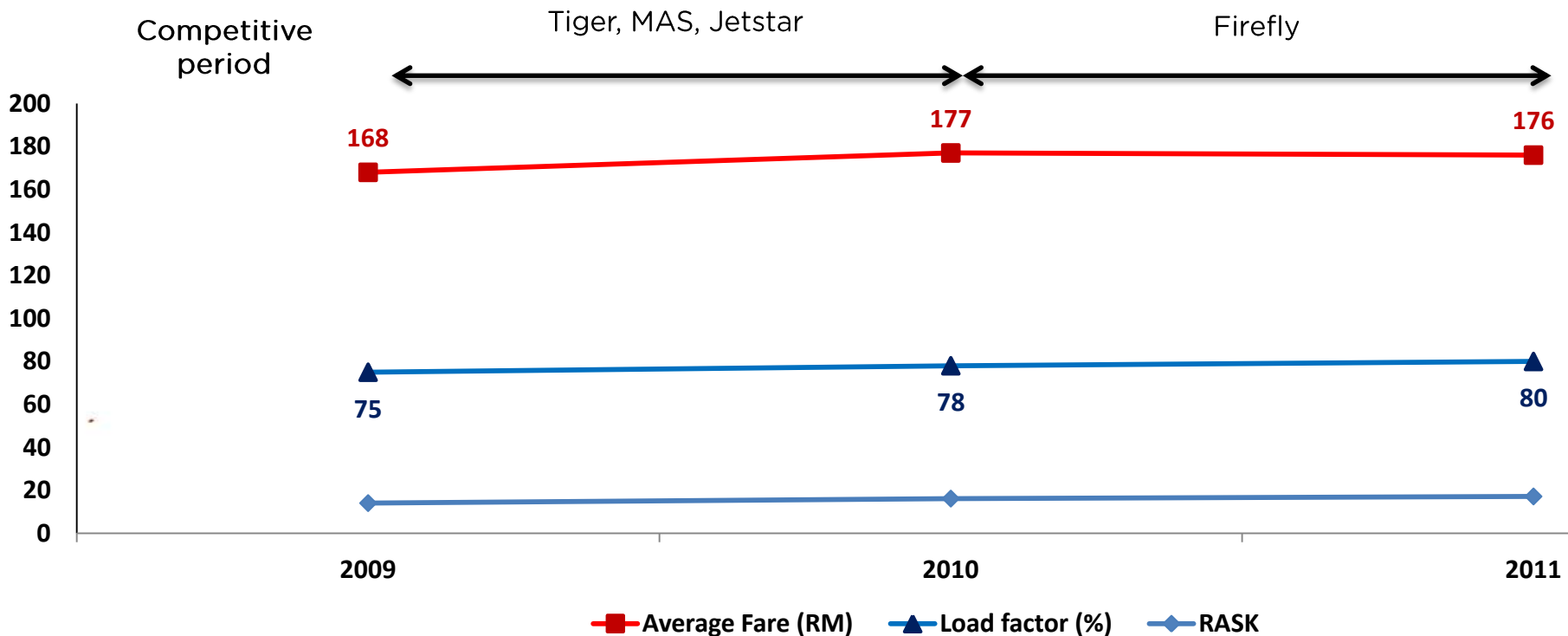


4. Defending our position

c) RASK factor

Ability to push load factor despite competition - Target 85%

- RASK continue to grow from larger revenue and ancillary pool contributed from massive network
- Higher ratio of unique routes contributes higher margins



Strategy



4. Defending our position

d) Ancillary Income & Adjacency Business - Defense against competition

Ancillary income

- Medium term target of 23-25% of revenue
- To target RM50 per pax in 1-2 years
- Introduce Wifi and recamping Duty Free business

Adjacency Business - AirAsia Expedia

- Profit of RM5 million in 3Q12
- Profit reinvested for expansion phase
- High revenue growth expected in the next five years
- To see incremental contributions 2H13

Adjacency Business - AirAsia/CAE Academy

- Training of in-house and external pilots, cabin crews
- Acquiring 7 more simulators to support AirAsia Group's growth
- Increased third party training from 10%-30%
- To be Asia regional training centre for third party pilots

Adjacency Business - BIG Loyalty

- Over 270,000 people signed up
- Long term contribution - expected core uplift of RM500million (within 5 years period)
- New customers gained from other merchants
- Expect load factor to increase 2% from redemption in near term

Strategy



4. Defending our position

e) AirAsia X - Connectivity

- Adding 7 aircraft in 2013
- To rely on massive medium haul feeder traffic
- Key core markets is Australia, China, Korea, Taiwan & Japan

f) Grown market share against competitors

- AirAsia had 2 aircraft in 2001 whilst another local carrier had 98
- Grown domestic market share from 9.8% in 2001 to 58% in 2011
- Grown international market share from 0.1% in 2011 to 39% in 2011
- Dealt with Firefly

Issues



Dealing with Competition

Margins impact similar to Europe LCC Shakeouts

- Minimal impact
- Europe was a mature market with Open Skies whereby airlines could fly anywhere
- Asean is partly open skies (between capital cities only)
- Every route approvals is still subject to Government and regulators
- Asia still lacks secondary Airport
- Lack of infrastructure to support additional capacity via new entrant

Yields impact

- AirAsia Group been in operations 10 years
- Greater frequencies and economies of scale in terms of routes and network
- Strong support from other associate Thai AirAsia, Indonesia Air Asia, Philippines AirAsia and AirAsia Japan

Repeat of Skymark and Cebu Pacific declining stock prices

- Skymark share price decline due to its shift from traditional LCC to Long Haul Business operations
- Strong support from ANA & JAL in new LCCs
- Ordered widebody A380s to support - no longer one fleet type
- Cebu Pacific share decline due to management message to the market that Philippines will not see any new entrant
- Loss of confidence as Philippines AirAsia announced its operations in Clark

The image features a dense, overlapping pattern of black and white concentric circles of various sizes, creating a hypnotic, optical illusion effect. In the center, a solid red circle contains the text "Air Asia" in a white, cursive script font.

Air Asia



Appendix

CASK breakdown

3Q12 - CASK - Malaysia



Cost / ASK (US cents)	3Q12	3Q11
Staff Costs	(0.63)	(0.62)
Depreciation	(0.66)	(0.71)
Aircraft Fuel Expense	(2.15)	(2.09)
Aircraft Operating lease expense	(0.18)	(0.10)
Maintenance, Overhaul	(0.18)	(0.08)
User Charges and other related expense	(0.50)	(0.50)
Travel and tour operations expenses	0.00	0.00
Others Operating Expenses	(0.23)	(0.10)
Other losses / (gains)-net	0.15	(0.34)
Other Income	0.03	0.43
Total Cost / ASK	(4.35)	(4.12)

3Q12 - CASK - Thailand



Cost / ASK (US cents)	3Q12	3Q11
Staff Costs	(0.55)	(0.52)
Depreciation	(0.02)	(0.02)
Aircraft Fuel Expense	(2.28)	(2.25)
Aircraft Operating lease expense	(0.99)	(0.98)
Maintenance, Overhaul	(0.44)	(0.39)
User Charges and other related expense	(0.78)	(0.78)
Travel and tour operations expenses	0.00	0.00
Others Operating Expenses	(0.29)	(0.22)
Other Income	0.11	0.13
Total Cost / ASK	(5.24)	(5.05)

3Q12 - CASK - Indonesia



Cost / ASK (US cents)	3Q12	3Q11
Staff Costs	(0.50)	(0.47)
Depreciation	(0.10)	(0.02)
Aircraft Fuel Expense	(2.50)	(2.32)
Aircraft Operating lease expense	(0.64)	(0.72)
Maintenance, Overhaul	(0.29)	(0.35)
User Charges and other related expense	(0.55)	(0.47)
Travel and tour operations expenses	0.00	0.00
Others Operating Expenses	(0.04)	(0.23)
Provision for Early Return of Aircraft	(0.18)	(0.12)
Other Income	0.05	0.02
Total Cost / ASK	(4.75)	(4.68)