



**WORLD'S BEST
LOW-COST AIRLINE
7 YEARS RUNNING**

AIRASIA BERHAD

**3Q15
EARNINGS BRIEFING**

26 NOVEMBER 2015



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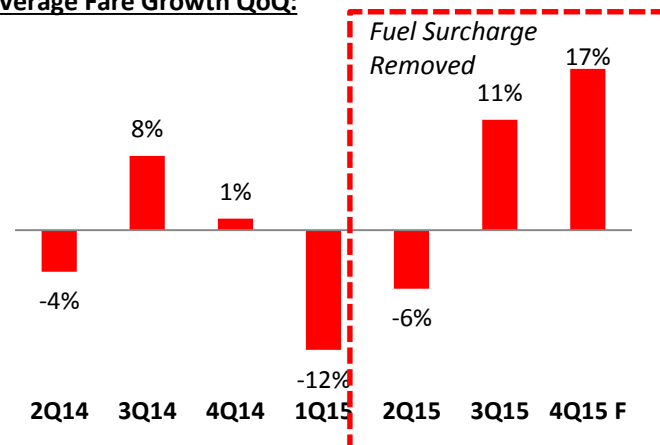
3Q15 KEY HIGHLIGHTS



MALAYSIA

- Revenue: ➤ **RM1.52 bil (+15% YoY)** due to **19% increase in pax volume**
- Load factor: ➤ **82% (+5ppts YoY)** due to increased demand as competitors cut capacity and routes. Chinese arrivals improved 22% YoY in 3Q15. Strong demand continues towards the end of the year and we are targeting to end Q4 with load factor of 84%
- Average fare: ➤ **+11% QoQ to RM157** but **-7% YoY** due to removal of fuel surcharge in mid 1Q15. If fuel surcharge excluded, average fare is actually up 12% YoY. The positive trend in fare continues into Q4
- Operating profit: ➤ **RM316.00 mil (+58% YoY)**
- Net operating profit: ➤ **RM166.06 mil (+61% YoY)**
- EBIT & EBITDAR Margins: ➤ **20% (+5ppt) , 38% (+5ppt)**
- Cash: ➤ **+31% QoQ to RM2.4 bil**

Average Fare Growth QoQ:

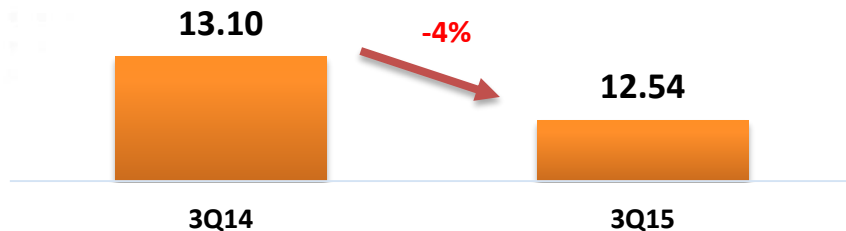


3Q15 KEY HIGHLIGHTS

MALAYSIA

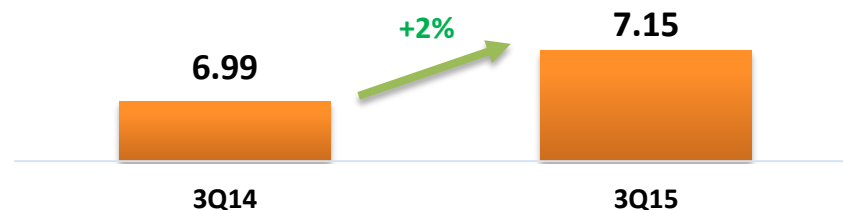


CASK (sen)



- -14% in average fuel price to USD77 per barrel as compared to USD90 in 3Q14
- Result in 1% reduction in aircraft fuel expenses despite 16% increase in fuel consumption due to the 11% increase in the number of flights

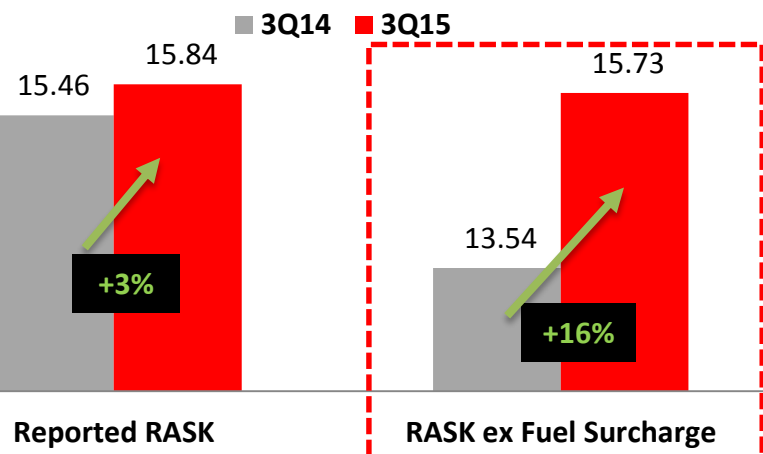
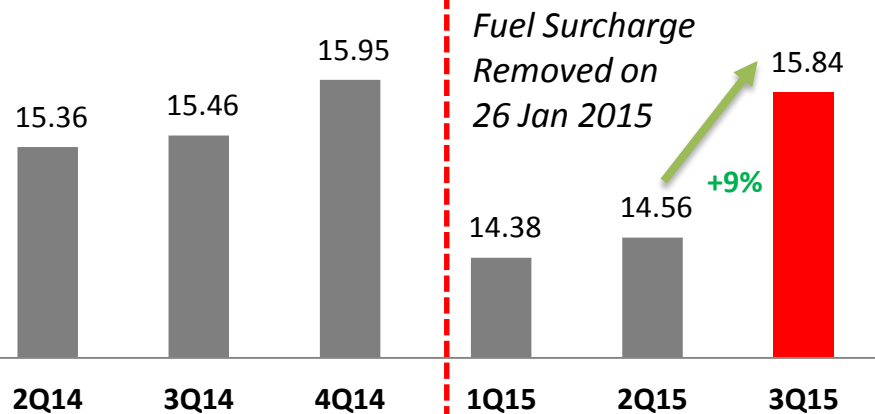
CASK – ex Fuel (sen)



- +93% in acft lease exp due to additional 13 SLBs YoY
- +29% in user charges (increased routes & fluctuation in USDMYR)
- +13% in staff cost (in line with increase in ASK)
- Increase in USD related costs

RASK: 15.84 sen (+9% QoQ, +3% YoY)

RASK ex-fuel surcharge (+16% YoY)



3Q15 KEY HIGHLIGHTS

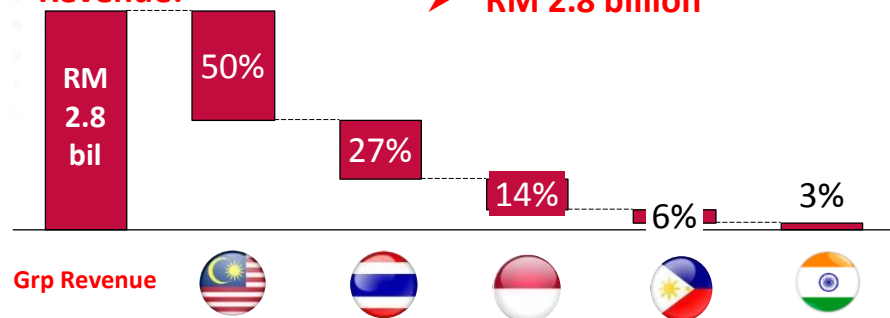


AIRASIA GROUP – CONSOLIDATED RESULTS OF AAB AND AOCs

- Included for the first time in the Company's Bursa Announcement (Note 9)

• Revenue:

➤ RM 2.8 billion



• Group Operating Profit:

➤ RM 332.15 million

• Net Operating Profit:

➤ RM 160.36 million

• Net Profit:

➤ RM64.91 million

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Income Statement for the Quarter ended 30 Sept 2015								
Revenue	1,515,671	829,763	435,748	184,826	82,981	-	(244,845)	2,804,144
Operating expenses								-
- Staff costs	(178,722)	(95,470)	(51,960)	(30,906)	(18,297)	(13,256)	-	(388,611)
- Depreciation of property, plant and equipment	(168,590)	(31,559)	(7,375)	(20,449)	(710)	(269)	-	(228,952)
- Aircraft fuel expenses	(515,547)	(270,104)	(164,234)	(92,888)	(44,037)	-	-	(1,086,810)
- Maintenance and overhaul	(50,241)	(69,642)	(58,149)	(55,153)	(9,556)	(37)	107,134	(135,644)
- User charges and other related expenses	(179,900)	(149,973)	(59,552)	(28,816)	(15,416)	(122)	-	(433,780)
- Aircraft operating lease expenses	(96,126)	(124,030)	(91,353)	(37,669)	(19,235)	-	244,845	(123,567)
- Other operating expenses	(76,896)	(55,445)	(23,753)	(9,573)	(14,962)	(2,006)	8,737	(173,899)
Other income	66,352	25,014	3,143	12,945	555	-	(8,737)	99,272
Operating profit/(loss)	316,001	58,555	(17,485)	(77,683)	(38,678)	(15,690)	107,134	332,154
Finance income	19,147	2,755	132	13	338	-	(42,048)	(19,664)
Finance costs	(169,091)	(10,805)	(8,672)	(5,600)	(0)	(8)	42,048	(152,128)
Net operating (loss)/profit	166,057	50,505	(26,026)	(83,270)	(38,341)	(15,697)	107,134	160,363
Foreign exchange (losses)/gains	3,881	(26,741)	(50,978)	(37,681)	(2,930)	-	-	(114,448)
Costs related to the sale and leaseback of aircraft	(6,705)	-	-	-	-	-	-	(6,705)
Share of results of joint ventures	12,429	-	-	-	-	-	-	12,429
Share of results of associates	(637,363)	-	-	-	-	-	650,634	13,271
(Loss)/Profit before taxation	(461,701)	23,764	(77,004)	(120,950)	(41,270)	(15,697)	757,768	64,910

3Q15 KEY HIGHLIGHTS

ASSOCIATES



- **Thailand** – **Revenue up 31%** due to 26% increase in pax volume, operating profit up 221%, profit after tax up 146% to THB174.43mil (USD4.85mil). Equity accounted RM9.7mil. RASK increased 5% and CASK decreased 10%
- **Indonesia** – **Revenue down 14%** due to 7% reduction in capacity, 12% drop in pax carried and lower average fare due to demand being affected by the negative publicity around the negative equity ruling. Loss after tax recorded at IDR(262.14)bil or USD(19.96)mil
- **Philippines** – **Revenue up 30%** due to 46% increase in pax carried. Load factor recorded 19ppts increase to 84%. Operating loss narrowed by 33%. Loss after tax reduced by 22% at PHP(1.36)bil or USD(29.12)mil. RASK increased substantially by 27% to PHP1.85 (US\$3.96) and CASK reduced 1% to PHP2.61 (US\$5.61)
- **India** – **Revenue up 114%** to INR1.31 bil (USD19.85mil) on 225% increase in pax volume, 79% increase in average fare and 253% increase in ancillary income per pax. Load factor increased 1ppt to 76%. Loss after tax is INR(652.64)mil or USD(9.89)mil. CASK and CASK-ex Fuel reduced by 50% and 49% respectively.
- **Japan** – **AOC granted on 6 October 2015.** Target to commence operation in 1H16

Load factor across the Group improved YoY in 2H15 due to improving demand and disciplined capacity management.

Group LF for 3Q15 was up 3ppts to 81% and Q4 load is trending very well with improved demand from China for Malaysia and Thailand, upward QoQ trend for Indonesia, and Philippines and India are expected to close the last quarter with loads of 80% and above.

ANCILLARY REVENUE +15%

- **Total ancillary revenue increased 15%** yoy, with **ancillary income per pax** of RM46
- Biggest contributors:
Baggage (44% of total ancillary revenue) and cargo (10% of total ancillary revenue)
- Highest growth:
AA insurance (+36%) and connecting fee / Flythru (+34%)
- **Core ancillary - 3Q15 achievements:**

F&B

Revenue +7% YoY. Launched new menu (Santan), Asean and Hari Raya meals

Insurance

Revenue +36% YoY. Offline market activation across sales channel and enhancement on online insurance premium

Flythru

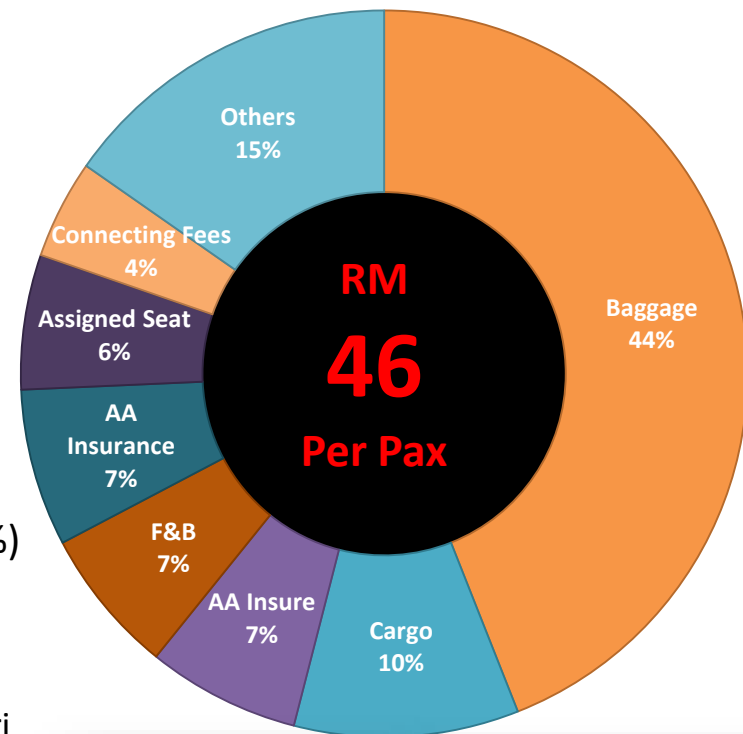
Connecting fee +34% YoY. AA Grp recorded 1.33mil FT traffic for YTD Oct'15 (+6% YoY), with 43% from MAA. KUL remains the largest hub (83%)

Premium Flex

Seat sold +201% YoY to 173k, Sales +222% YoY to RM61.8mil

Cargo

Cargo load +48% YoY, Revenue up 83% YoY



BALANCE SHEET

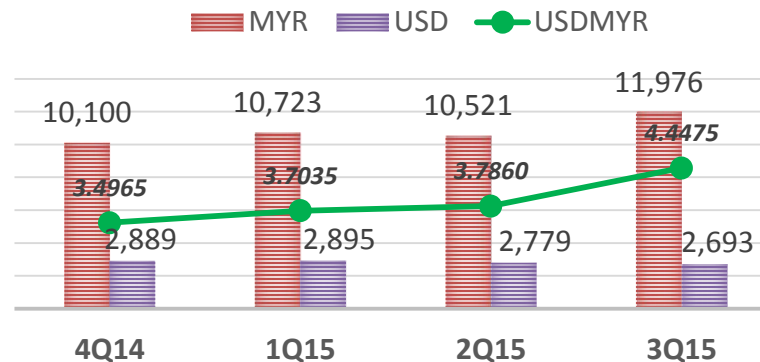
- NET GEARING

- Net gearing increased to **2.98x** due to (i) USDMYR fluctuation (ii) Recognition of IAA's current and past losses, affecting Retained Earnings
- Cash up **31% QoQ** to **RM2.4 bil**



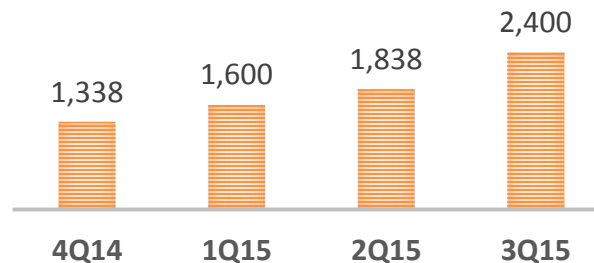
USD BORROWINGS REDUCED

- Increased due to fluctuation in USDMYR
- In absolute USD terms, USD borrowings reduced by USD86mil or 3% QoQ due to 3 additional SLB executed in Q3 (15 SLB YTD Sep)



GROWING CASH

- Increased by RM562mil or 31% QoQ on SLB exercise and better cash generated from operations.
- After servicing debts, cash is still growing at ave of USD300m per quarter



RETAINED EARNINGS (NO IMPLICATION TO OPERATIONS)

- Reduced due to the YTD net loss recorded for the period of RM13mil due to recognition of IAA's current and prior year losses of RM628.9mil following AAB's subscription to IDR2,058bil nominal value perpetual capital securities in IAA

Taking out the effect of recognition of losses from IAA's perp bond, net gearing would be

2.56x

And if USDMYR remained constant QoQ:

1.83x

(down 17% QoQ)

HEDGING UPDATES

FUEL HEDGING

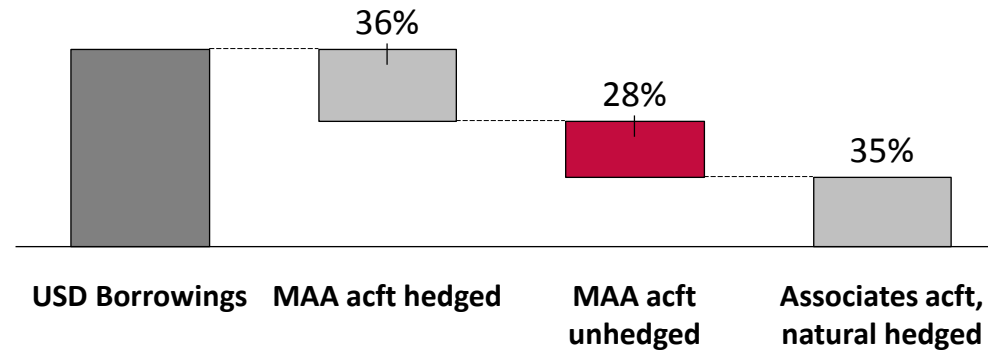
- 2015: AA Grp is 50% hedged at ave of USD88 per barrel. Current effective cost is USD80.
- Current jet fuel price is USD58 per barrel

AA Group	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Current Hedge Ratio	50%	50%	51%	51%	30%	30%	30%	30%
Ave Hedge Cost (USD – jet kero)	98	88	84	84	63	64	65	66
Average FY Hedge Cost	88				65			
Ave Effective Cost (USD – jet kero)	86	82	72	71	56	58	59	61
Average FY Effective Cost	80				59			

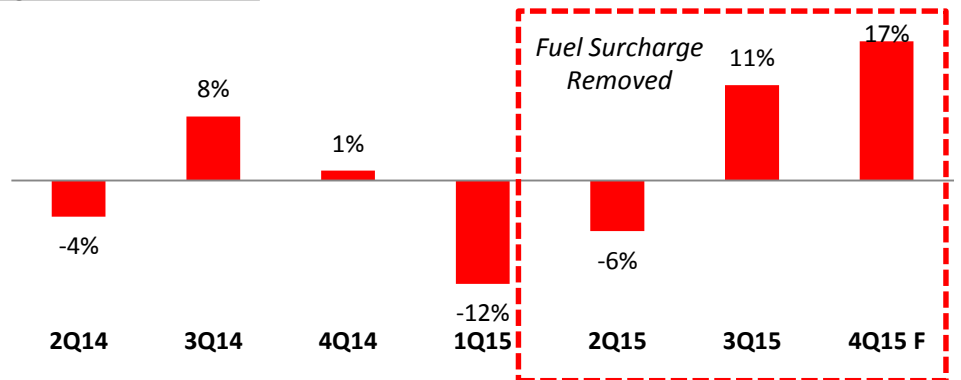
CURRENCY HEDGING

- Loans: USD (84%), MYR (14%), SGD (2%)
- USD loans:
 - 36% - MAA acft hedged at 3.2348
 - 28% - MAA acft unhedged
 - 35% - Associates acft, natural hedged as they pay in USD
- AA is also able to pass on currency risk to passengers via increasing average fare and ancillary income

Only 28% of USD borrowings is totally unhedged:



Average Fare Growth QoQ:



INTEREST RATE HEDGING

- All USD liabilities are 100% hedged via interest rate swap, cap and cross currency swap

INDONESIA AIRASIA

- TURNAROUND UPDATE



	Q3 Forecast	Q3 Actual	Deviation
Revenue (IDR mil)	1,645,216	1,483,651	-10%
Operating profit/loss (IDR mil)	214,261	(59,533)	-128%
Profit/loss after tax (IDR mil)	165,605	(262,184)	-258%
Load Factor	77%	75%	-2ppt
Average fare (IDR)	794,090	615,027	-23%
Revenue / ASK (IDR)	578	502	-13%
Cost / ASK (IDR)	507	522	3%

REVENUE:

- Load came off short by 2ppt and average fare off by 23%
- Demand slackened due to negative equity requirement which was widely covered by media, creating uncertainty over IAA's future operations, prompted travel agents to divert bookings to alternative carriers
- However, **negative equity issue has been resolved**. There are plans to recover offline sales by motivating agents with better incentives and fares
- **40% price floor on domestic routes have been revised back to the original 30%**, which is favourable to IAA as we can roll out promotion to stimulate demand
- **Ancillary per pax has shown promising rising trend** especially on core products (baggage and pick-a-seat)
- The **loss after tax was mainly due to the unrealised FOREX of IDR182.56 bil during the quarter**

COST:

- **CASK and CASK-ex fuel came down by 13% and 5% respectively YoY** though missed our internal target due to increase in USDIDR and slight delay on original plan to remove 4 acft

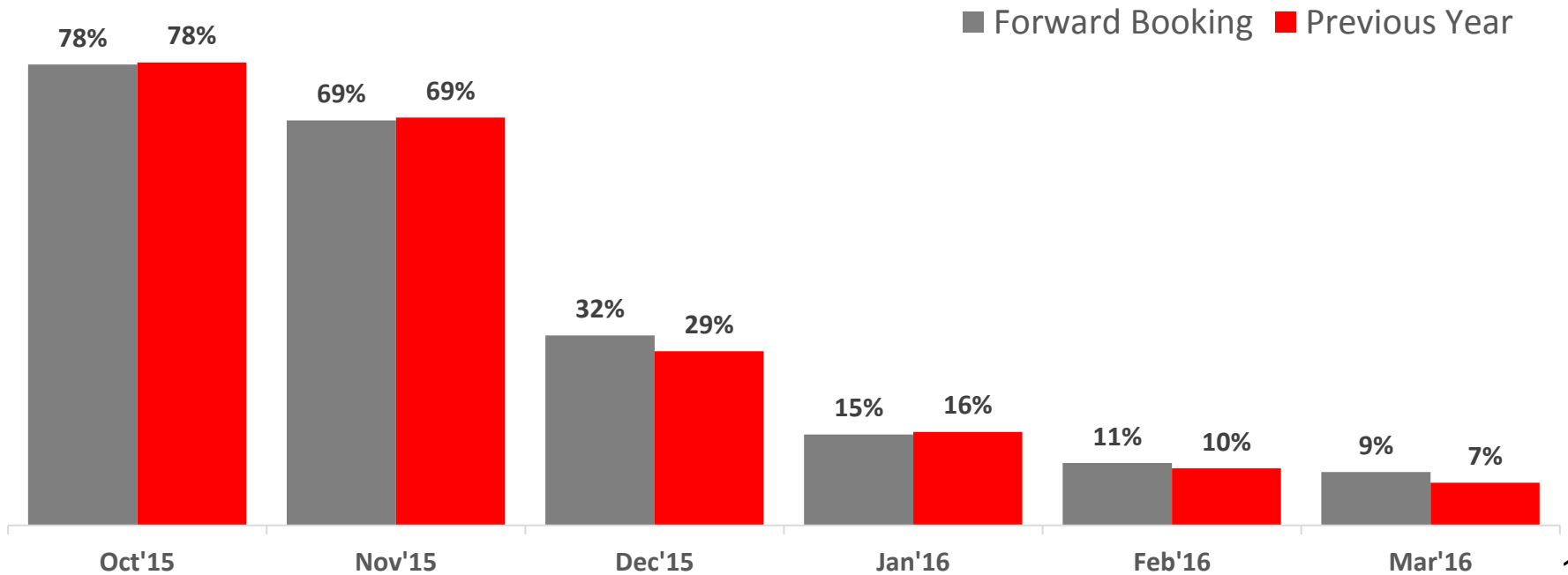
INDONESIA AIRASIA

- TURNAROUND UPDATE



FORWARD TREND

- On track to reach 80% load factor in 4Q15
- Domestic market showing good improvement with ongoing promo
- 1Q16 target to achieve 8ppt increase in load to 78% with increased average fare of approx 2% leading to an increase in RASK



PHILIPPINES' AIRASIA

- TURNAROUND UPDATE



	Q3 Forecast	Q3 Actual	Deviation
Revenue (PHP '000)	2,447,303	2,074,154	-15%
Operating profit/loss	(325,491)	(871,773)	-168%
Profit/loss after tax	(392,837)	(1,357,325)	-246%
Load Factor	79%	84%	+5ppt
Average fare (PHP)	2,261	1,851	-18%
Revenue / ASK (PHP)	2.08	1.85	-11%
Cost / ASK (PHP)	2.35	2.61	11%

REVENUE:

- Lower than target due to **lower average fare (-18%)**. However, **load improved by +5ppt to 84%**
- Ave fare did not meet target due to **unplanned maintenance check extensions** which led PAA having to perform capacity management resulting in route mergers
- This **has since been resolved and for Q4**, PAA will have full operational fleet to cater to peak season demand
- The **loss after tax was mainly due to the unrealised FOREX of PHP389.51mil during the quarter**

COST:

- **Operating costs came in line with expectations.** Operating losses mainly driven by lower revenue
- **Costs remained relatively stable**, with slight increase of ex-fuel costs due to:
 - Higher maintenance cost
 - Higher depreciation costs due to delay in sale of 2 owned acft as part of PAA's refueling plan. These acft are currently on ground and awaiting final completion of sale by year end

PHILIPPINES' AIRASIA

- TURNAROUND UPDATE



FORWARD TREND

- Forecast 80% load in 4Q15 (+8ppt YoY) with double digit increase in pax RASK
- Although average fare is forecasted to be down YoY, overall pax revenue is expected to increase with 30% additional capacity
- Forecast 82% load (+4ppt) in 1Q16 with average fare to improve 7% leading to double digit increase in pax revenue
- Revenue upside is driven by Group commitments from Korea but domestic demand on DVO & CEB remains challenging
- Significant disruption across the network last week due to APEC Summit in Manila, caused further cancellations

