

# 10 YEARS IN THE MAKING



**AirAsia Berhad**  
**Analyst Presentation**  
**- 4Q2011 and FYE 2011 -**



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# 2011 Highlights

# 2011 Results – Key Snapshot

- ❑ **Disciplined Cost Management excluding fuel**
  - ❑ Malaysia - CASK, ex-fuel (sen) down 13% from 6.86 to 5.99 y-o-y
  - ❑ Thailand - CASK, ex-fuel (THB) up 1% from 0.81 to 0.82 y-o-y
  - ❑ Indonesia - CASK, ex-fuel (IDR) up 1% from 211.59 to 212.52
  
- ❑ **Revenue growth in all three operations**
  - ❑ Malaysia - RM 4.47 billion up 13% y-o-y
  - ❑ Thailand - THB 15.87 billion up 33% y-o-y
  - ❑ Indonesia - IDR 3,705 billion up 34% y-o-y
  
- ❑ **Core net income performance for the group**
  - ❑ Malaysia - RM 880.78 million up 18% y-o-y
  - ❑ Thailand - THB 1,908.69 million up 14% y-o-y
  - ❑ Indonesia - IDR 94,905 million down 61% y-o-y
  
- ❑ **Strong Operating Profit performance**
  - ❑ Malaysia - RM 1,199 million up 12% y-o-y
  - ❑ Thailand - THB 1,943 million up 5% y-o-y
  - ❑ Indonesia - IDR 149.654 million down 52% y-o-y
  
- ❑ **Healthy cash balance**
  - ❑ Malaysia - RM 2,020 million (up 34% y-o-y)
  - ❑ Thailand - THB 1,211 million (up 105% y-o-y)
  - ❑ Indonesia - IDR 136,191 million (down 20% y-o-y)
  
- ❑ **Ancillary income per pax in all three operations up**
  - ❑ Malaysia - RM 45 up 2% y-o-y
  - ❑ Thailand - THB 383 up 29% y-o-y
  - ❑ Indonesia - IDR 136,650 up 11% y-o-y

# 4Q11 Results – Key Snapshot

## ❑ Disciplined Cost Management excluding fuel

- ❑ Malaysia - CASK, ex-fuel (sen) down 34% from 6.82 to 4.53 y-o-y
- ❑ Thailand - CASK, ex-fuel (THB) up 5% from 0.77 to 0.81 y-o-y
- ❑ Indonesia - CASK, ex-fuel (IDR) down 19% from 262.30 to 211.97

## ❑ Revenue growth in all three operations

- ❑ Malaysia - RM 1.27 billion up 9% y-o-y
- ❑ Thailand - THB 4.31 billion up 23% y-o-y
- ❑ Indonesia - IDR 966 billion up 28% y-o-y

## ❑ Strong Operating Profit performance

- ❑ Malaysia - RM 491 million up 13% y-o-y
- ❑ Thailand - THB 587 million down 34% y-o-y
- ❑ Indonesia - IDR 78,650 million up 218% y-o-y

## ❑ Core net income performance

- ❑ Malaysia - RM 410 million up 18% y-o-y
- ❑ Thailand - THB 589 million down 30% y-o-y
- ❑ Indonesia - IDR 59,606 million up 188% y-o-y

## ❑ Ancillary income per pax in all three operations up

- ❑ Malaysia - RM 40 down 19% y-o-y
- ❑ Thailand - THB 376 up 38% y-o-y
- ❑ Indonesia - IDR 134,978 down 10% y-o-y

## Key points – Setting the stage for 2012

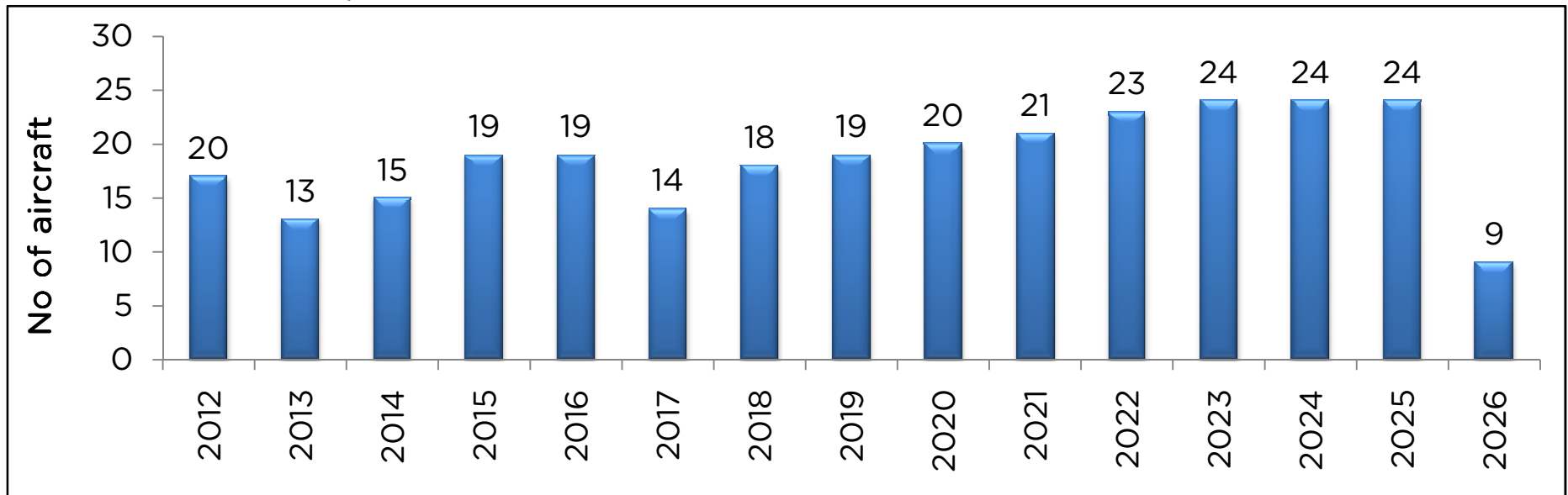
- ❑ **Associates turned around and recording profit plus strong growth**
  - Amount due from associate reduced to RM 230 million
- ❑ **Proposed IPO**
  - Future aircraft on balance sheet
  - Own balance for future growth
- ❑ **2 sources of ancillary income**
  - Core ancillary income (i.e. Baggage, Cargo, In-flight meals, duty free)
  - Non-core ancillary via joint venture (i.e. AirAsia Expedia, AirAsia BIG Loyalty, AirAsia CAE, i-Ventures (monetising database))
- ❑ **Fleet for the next 30 years**
  - New Airbus orders of 200 A320 Neo on top of existing order of 175 A320 Classics
  - Indonesia returned the remaining B737s and now operating fully Airbus fleet
- ❑ **Strong balance sheet**
  - Cash balance growing to RM2.02 billion despite tough economic environment
  - Net gearing reducing to 1.43 times from 1.74 times y-o-y
- ❑ **Maintaining margins**
  - AirAsia's robust model via ancillary and higher load factor able to maintain margins
- ❑ **New joint ventures come to life**
  - AirAsia Japan and AirAsia Philippines received the AOCs to begin operations
- ❑ **AirAsia Asean office**
  - Regionalisation of the AirAsia Group to maximise sales

# Joint Ventures Update and growth upside

Joint ventures	Details
AirAsia Philippines	<ul style="list-style-type: none"><li>▪ Received AOC early February 2012</li><li>▪ Target launch in March 2012</li><li>▪ To operate out of Clark</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>▪ Received AOC early February 2012</li><li>▪ Target launch earliest August 2012</li><li>▪ To operate out of Narita</li><li>▪ To operate the underpenetrated LCC market in Japan</li></ul>
AirAsia Go/Expedia	<ul style="list-style-type: none"><li>▪ Launched in July 2011</li><li>▪ Currently operating in Expedia Japan, India, Singapore, Korea, Malaysia</li><li>▪ To merge inventories of hotel of AirAsiaGo and Expedia</li><li>▪ To reinvest profits for expansion</li></ul>
BIG (Loyalty programme)	<ul style="list-style-type: none"><li>▪ Launched in October 2011</li><li>▪ 110,000 members signed up</li><li>▪ Indonesia launched and Thailand will be launched in Feb 2012</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 three more flight simulators</li></ul>

# Fleet Strategy

## ❑ Fleet rollout next 15 years



## ❑ Aircraft delivered in 4Q11

- 2 aircraft on Sale and Leaseback - 1 for IAA & 1 for TAA
- 2 aircraft on Commercial financing - 2 for MAA
- 1 aircraft on Operating Lease for MAA

## ❑ Expected aircraft in 1Q12

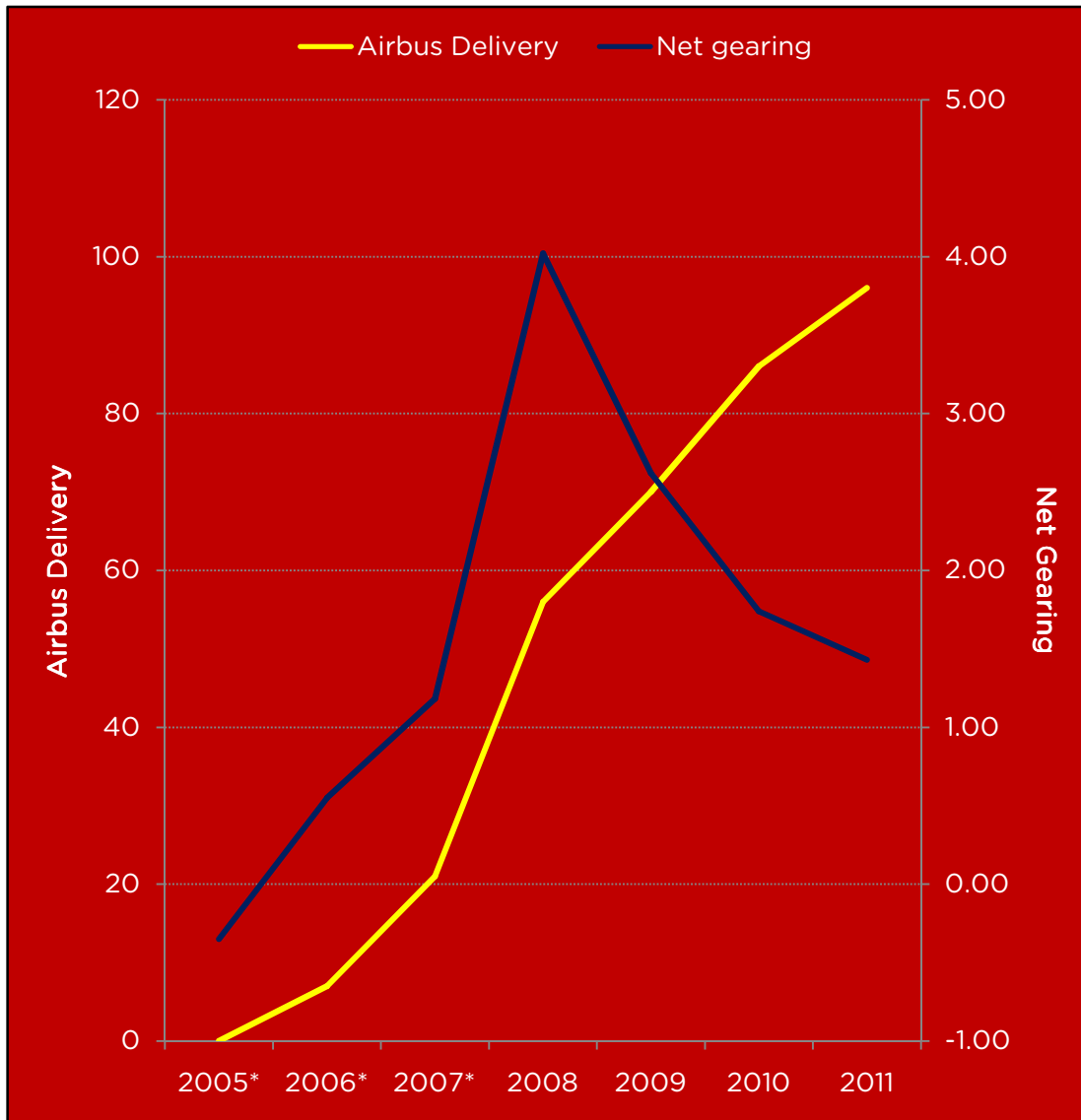
- 1 aircraft on Sale and Leaseback for TAA
- 1 aircraft on Commercial financing for PAA
- 1 aircraft on Operating Lease for TAA

## ❑ Aircraft delivery in 2012 - 17 firm orders from Airbus orders & 3 from third party lessor

- ❑ To bring forward more aircraft to 2013 and 2014
- ❑ Financing secured up to 2013



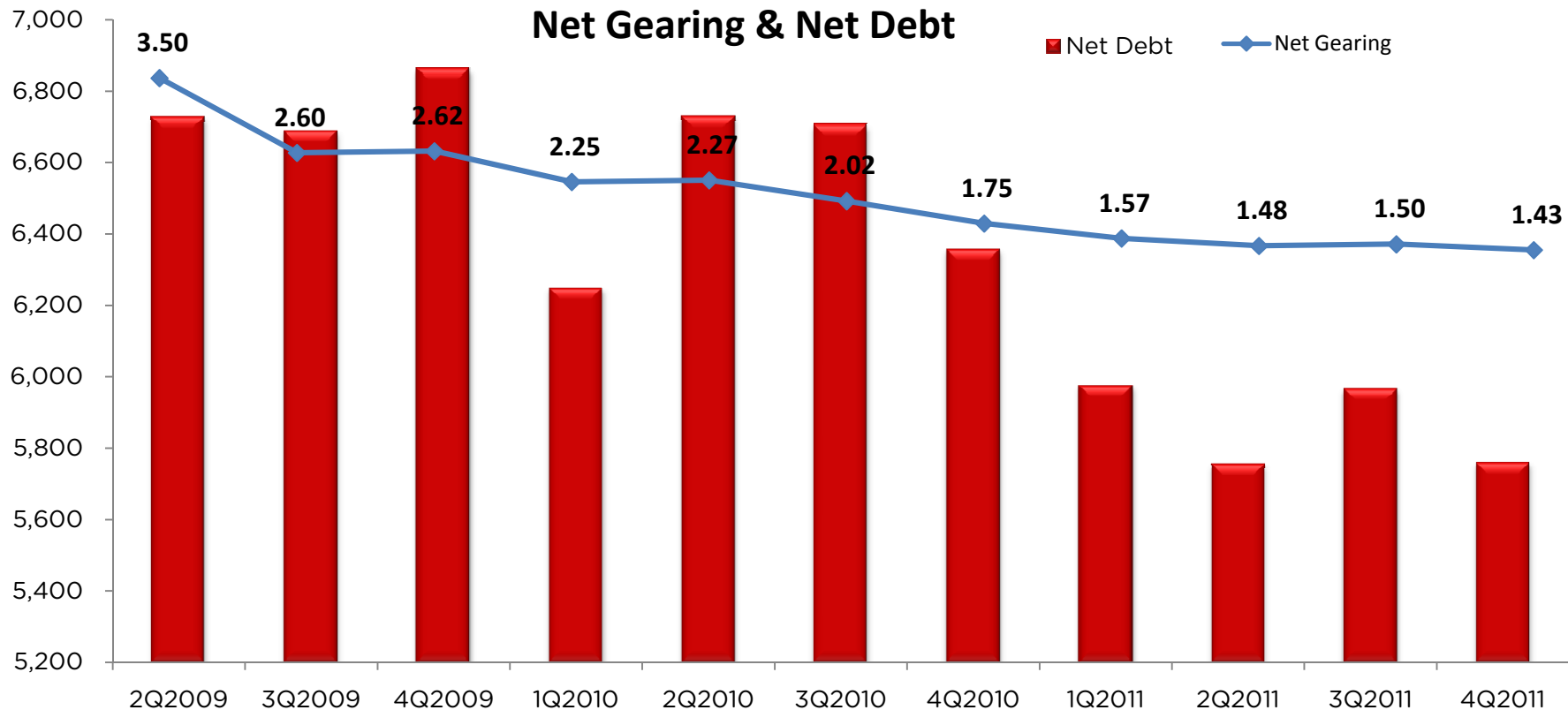
# Key success story – Efficient fleet management



## New Capacity/Capex vs Net Gearing

- ❑ AirAsia has seen aggressive capex requirements for aircraft acquisition to support high growth for the Group.
- ❑ Despite high capex, gearing levels has been reducing due to efficient fleet management exercise

# 4Q11 - Net Gearing

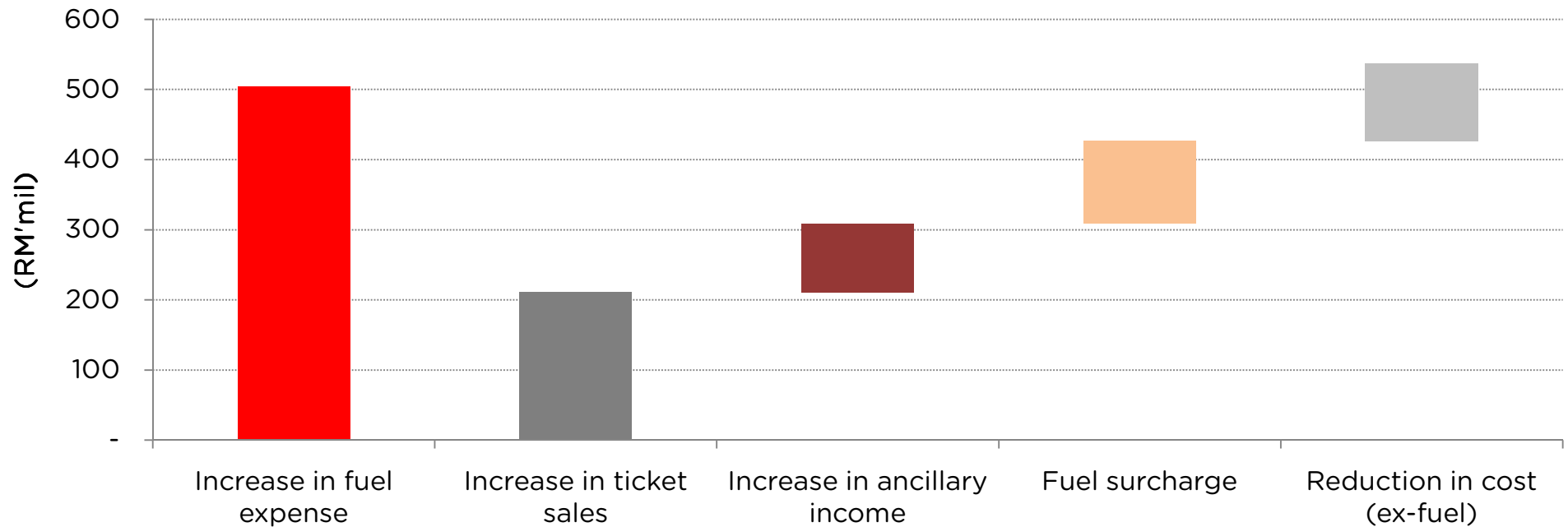


- ❑ Gearing down to 1.43 times from 1.50 q-o-q
- ❑ Achieved free Cash flow positive in 2011 compared to 2010
- ❑ Cash up to RM2.4 billion including aircraft deposits
- ❑ Gearing to reduce in the future as associates look to finance own aircraft after the respective IPO

## Hedging updates

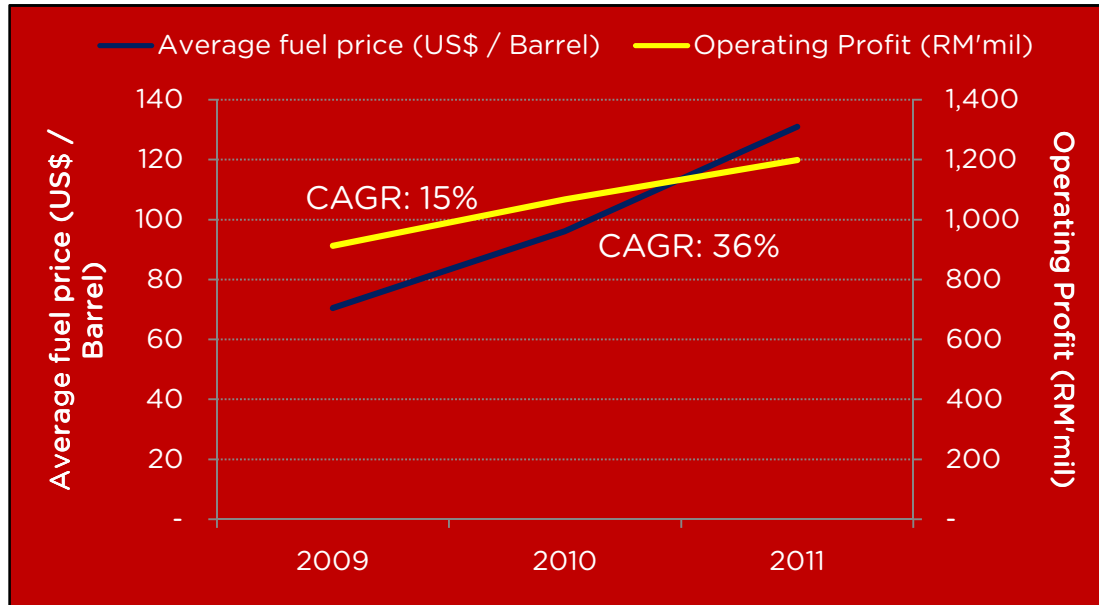
- ❑ Fuel hedged up to 27% for 1H12 :-
  - Jet Kero @US\$119.6/bbl
  - Brent @US104.95/bbl
  
- ❑ Foreign currency hedged up to 67% with a weighted average of USD/RM3.2299 (based on loans pertaining to aircraft being deployed to Malaysia)
  
- ❑ Interest rate expense fully hedged (12 years tenure) for 2012 ranging from 2.05% to 2.40% and some hedged at 2.00% for 2013

## Key success story – Robust model



- ❑ Ability to absorb hike in fuel prices via:
  - Ticket fares
  - Ancillary revenues
  - Fuel surcharge, which was imposed since May 2011
  - Reduction in operating cost (ex-fuel) such as user charges & maintenance
- ❑ Operating profit up 12% YoY
- ❑ Sensitivity: Increase in US\$1/barrel in fuel prices can be offsetted by ancillary income per pax increase by approximately RM0.77 and load factor increase by 0.4%

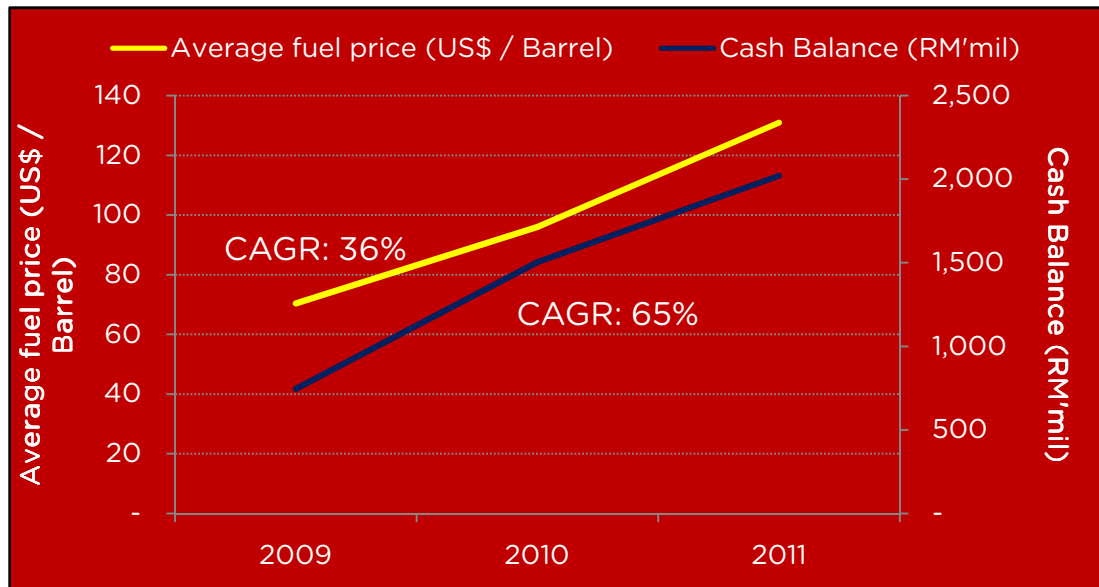
# Key success story – Strong financials despite high fuel prices



## Average fuel price vs Operating profit

- ❑ Despite rise in average fuel price, operating profit has posted growth to show the strong AirAsia model
- ❑ EBIT margins sustained last three years:-
 

- 2011	- 27%
- 2010	- 27%
- 2009	- 29%



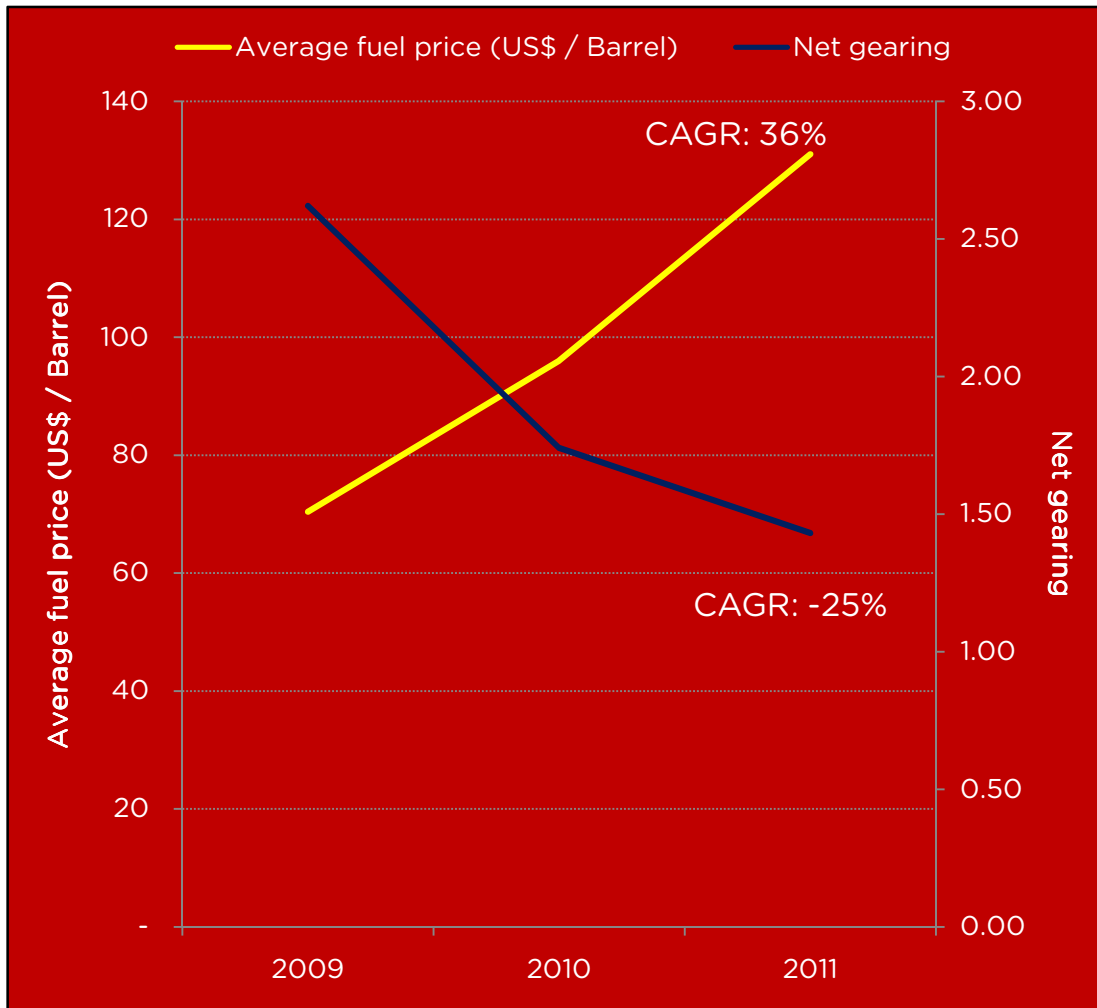
## Average fuel price vs Cash

- ❑ Ability to generate cash in a high fuel environment illustrates prudent cash management
- ❑ Strong operational health compared to other carriers in the region

### Historical Cash balance:-

- |        |                   |
|--------|-------------------|
| - 2011 | - RM 2.02 billion |
| - 2010 | - RM 1.50 billion |
| - 2009 | - RM 746 million  |

# Key success story – Strong financials despite high fuel prices



## Average fuel price vs Net Gearing

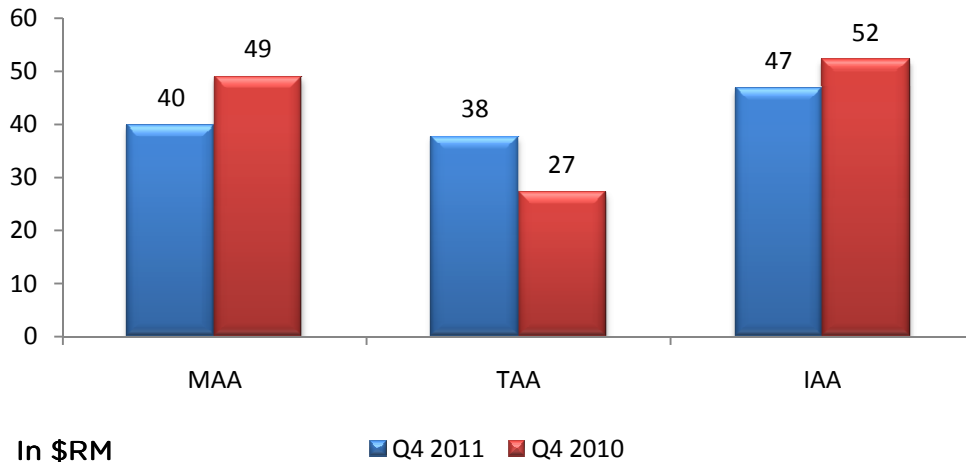
- Gearing levels decreasing depicts healthy cash position via strong revenue generation :--

### Historical gearing

- 2011 - 1.43 times
- 2010 - 1.74 times
- 2009 - 2.62 times

# Ancillary Income – Strong upside

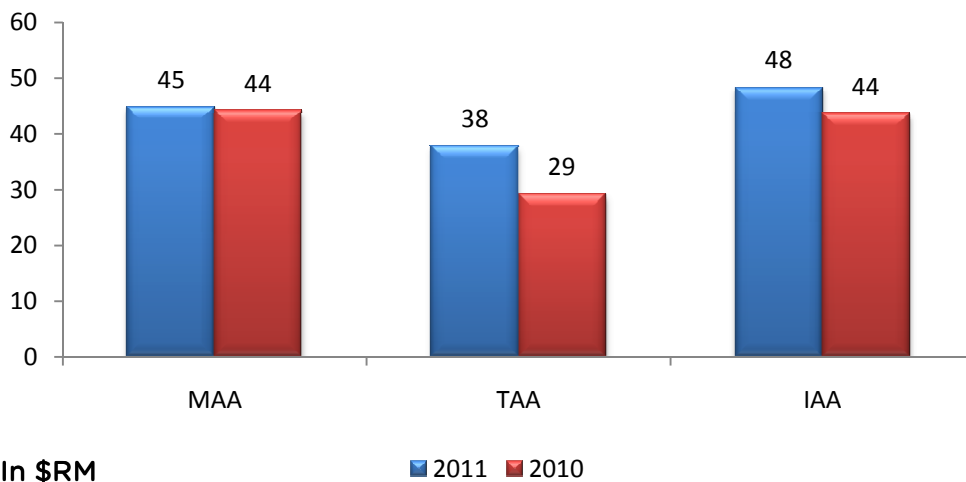
### 4Q11 v 4Q10



### 4Q11 Ancillary Income

- ❑ In MAA, ancillary income per pax reduce by 19% to RM40 per pax y-o-y due to reclassification of AirAsiaGo & Cargo commissions
- ❑ Stripping out AirAsia Go & Cargo commission from 2010, below is like to like comparison:-
  - 2011 ancillary income per pax = RM42.7
  - 2010 ancillary income per pax = RM35.5

### 2011 v 2010



### YTD Ancillary income

- ❑ All three operations still ahead y-o-y on based on ancillary income per pax
- ❑ Existing items posted strong revenue growth YTD for each entity includes:-
  - Assigned seats - up on avg 81%
  - Baggage Supersize - up on avg 52%
  - In-flight meals - up on avg 33%



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## 2011 - Financial Results - Malaysia

RM'000	Financial performance		
	2011	2010	Change
Revenue	4,473,818	3,948,095	13%
EBITDAR	1,849,396	1,652,637	12%
Operating Profit	1,198,696	1,066,961	12%
Core net income	880,784	749,319	18%
Profit after tax	564,147	1,061,411	-47%
EBITDAR margin	41%	42%	-1 ppt
Operating profit margin (EBIT)	27%	27%	--

	Operational performance		
	2011	2010	Change
Passengers Carried	17,986,558	16,054,738	12%
Capacity	22,474,620	20,616,120	9%
Load Factor	80%	78%	2 ppt
RPK (million)	21,037	18,499	14%
ASK (million)	26,074	24,362	7%
Average Fare (RM)	176	177	-
RASK (sen)	17.16	16.21	6%
CASK (sen)	12.56	11.83	6%
CASK ex-fuel (sen)	5.99	6.86	- 13%

## 2011 – CASK - Malaysia

Cost / ASK (US cents)	2011	2010
Staff Costs	(0.60)	(0.48)
Depreciation	(0.72)	(0.70)
Aircraft Fuel Expense	(2.15)	(1.62)
Aircraft Operating lease expense	(0.10)	(0.09)
Maintenance, Overhaul	(0.11)	(0.12)
User Charges and other related expense	(0.46)	(0.51)
Travel and tour operations expenses	(0.05)	(0.09)
Others Operating Expenses	(0.23)	(0.26)
Other losses / (gains )-net	(0.07)	(0.03)
Other Income	0.38	0.05
<b>Total Cost / ASK</b>	<b>4.11</b>	<b>3.87</b>

## 2011 - Financial Results - Thailand

THB'000	Financial performance		
	2011	2010	Change
Revenue	15,873,810	11,979,571	33%
EBITDAR	4,742,569	4,170,597	14%
Operating Profit	1,943,328	1,857,019	5%
Profit after tax	2,032,755	2,011,037	1%
EBITDAR margin	30%	35%	-5 ppt
Operating profit margin (EBIT)	12%	16%	-4 ppt

	Operational performance		
	2011	2010	Change
Passengers Carried	6,863,467	5,704,832	20%
Capacity	8,564,220	7,303,692	17%
Load Factor	80%	78%	2 ppt
RPK (million)	7,389	5,923	25%
ASK (million)	9,199	7,605	21%
Average Fare (THB)	1,930	1,804	7%
RASK (THB)	1.73	1.58	10%
CASK (THB)	1.51	1.33	14%
CASK ex-fuel (THB)	0.82	0.81	1%

## 2011 – CASK- Thailand

Cost / ASK (US cents)	2011	2010
Staff Costs	(0.52)	(0.49)
Depreciation	(0.03)	(0.05)
Aircraft Fuel Expense	(2.27)	(1.71)
Aircraft Operating lease expense	(0.97)	(0.95)
Maintenance, Overhaul	(0.39)	(0.37)
User Charges and other related expense	(0.71)	(0.73)
Travel and tour operations expenses	-	-
Others Operating Expenses	(0.20)	(0.20)
Other Income	0.14	0.13
<b>Total Cost / ASK</b>	<b>4.95</b>	<b>4.35</b>

## 2011 - Financial Results - Indonesia

IDR' million	Financial performance		
	2011	2010	Change
Revenue	3,705,295	2,756,219	34%
EBITDAR	812,147	821,408	-1%
Operating Profit	149,654	312,616	-52%
Profit after tax	62,089	474,409	-87%
EBITDAR margin	22%	30%	-8 ppt
Operating profit margin (EBIT)	4%	11%	-7 ppt

	Operational performance		
	2011	2010	Change
Passengers Carried	5,009,924	3,921,039	28%
Capacity	6,466,852	5,124,508	26%
Load Factor	77%	77%	-
RPK (million)	6,664	5,190	28%
ASK (million)	8,667	6,737	29%
Average Fare (IDR)	602,941	579,623	4%
RASK (THB)	427.52	409.09	5%
CASK (THB)	410.25	363.43	13%
CASK ex-fuel (THB)	212.84	211.59	1%

## 2011 - CASK - Indonesia

Cost / ASK (US cents)	2011	2010
Staff Costs	(0.51)	(0.49)
Depreciation	(0.05)	(0.03)
Aircraft Fuel Expense	(2.25)	(1.73)
Aircraft Operating lease expense	(0.83)	(0.83)
Maintenance, Overhaul	(0.43)	(0.46)
User Charges and other related expense	(0.47)	(0.51)
Travel and tour operations expenses	-	-
Provision of early return of aircraft	(0.07)	-
Others Operating Expenses	(0.14)	(0.11)
Other Income	0.06	0.02
<b>Total Cost / ASK</b>	<b>4.68</b>	<b>4.14</b>

**4Q11**  
**Financials and Operational**  
**Statistics**

## 4Q11 – Financial Results - Malaysia

RM'000	Financial performance		
	4Q11	4Q10	Change
Revenue	1,272,722	1,164,358	9%
EBITDAR	662,561	590,691	12%
Operating Profit	490,781	432,607	13%
Core net income	410,266	346,821	18%
Profit after tax	135,662	311,082	-56%
EBITDAR margin	52%	51%	-2 ppt
Operating profit margin (EBIT)	39%	37%	2 ppt

	Operational performance		
	4Q11	4Q11	Change
Passengers Carried	4,854,674	4,440,327	9%
Capacity	5,946,120	5,393,880	10%
Load Factor	82%	82%	-
RPK (million)	5,620	5,319	6%
ASK (million)	6,775	6,434	5%
Average Fare (RM)	196	188	4%
RASK (sen)	18.79	18.10	4%
CASK (sen)	11.54	11.36	2%
CASK ex-fuel (sen)	4.53	6.82	- 34%



## 4Q11 – CASK - Malaysia

Cost / ASK (US cents)	4Q11	4Q10
Staff Costs	(0.60)	(0.47)
Depreciation	(0.67)	(0.76)
Aircraft Fuel Expense	(2.23)	(1.45)
Aircraft Operating lease expense	(0.14)	(0.06)
Maintenance, Overhaul	(0.13)	(0.20)
User Charges and other related expense	(0.41)	(0.57)
Travel and tour operations expenses	-	(0.10)
Others Operating Expenses	(0.40)	(0.44)
Other losses / (gains )-net	0.11	0.36
Other Income	0.78	0.07
<b>Total Cost / ASK</b>	<b>3.68</b>	<b>3.62</b>

## 4Q11 – Financial Results - Thailand

THB'000	Financial performance		
	4Q11	4Q10	Change
Revenue	4,308,642	3,504,720	23%
EBITDAR	1,327,149	1,509,696	-12%
Operating Profit	587,265	885,228	-34%
Profit after tax	619,435	944,519	-34%
EBITDAR margin	31%	43%	-12 ppt
Operating profit margin (EBIT)	14%	25%	-11 ppt

	Operational performance		
	4Q11	4Q11	Change
Passengers Carried	1,820,827	1,621,771	12%
Capacity	2,325,240	2,035,260	14%
Load Factor	78%	80%	-2 ppt
RPK (million)	1,895	1,638	16%
ASK (million)	2,433	2,043	19%
Average Fare (THB)	1,990	1,889	5%
RASK (THB)	1.77	1.72	3%
CASK (THB)	1.53	1.28	19%
CASK ex-fuel (THB)	0.81	0.77	5%

## 4Q11 – CASK - Thailand

Cost / ASK (US cents)	4Q11	4Q10
Staff Costs	(0.52)	(0.53)
Depreciation	(0.02)	(0.03)
Aircraft Fuel Expense	(2.30)	(1.63)
Aircraft Operating lease expense	(0.95)	(0.95)
Maintenance, Overhaul	(0.37)	(0.30)
User Charges and other related expense	(0.68)	(0.62)
Travel and tour operations expenses	-	-
Others Operating Expenses	(0.21)	(0.26)
Other Income	0.15	0.22
<b>Total Cost / ASK</b>	<b>4.90</b>	<b>4.11</b>

## 4Q11 – Financial Results - Indonesia

IDR' million	Financial performance		
	4Q11	4Q10	Change
Revenue	965,631	757,068	28%
EBITDAR	245,141	171,095	43%
Operating Profit	78,650	24,711	218%
Profit after tax	15,787	166,934	-91%
EBITDAR margin	25%	23%	2 ppt
Operating profit margin (EBIT)	8%	3%	5 ppt

	Operational performance		
	4Q11	4Q11	Change
Passengers Carried	1,255,019	1,000,864	25%
Capacity	1,629,304	1,286,648	27%
Load Factor	77%	78%	- 1 ppt
RPK (million)	1,650	1,380	20%
ASK (million)	2,134	1,771	21%
Average Fare (IDR)	634,438	606,142	5%
RASK (THB)	452.54	427.56	6%
CASK (THB)	415.68	413.60	1%
CASK ex-fuel (THB)	211.97	262.30	-19%

## 4Q11 – CASK - Indonesia

Cost / ASK (US cents)	4Q11	4Q10
Staff Costs	(0.49)	(0.53)
Depreciation	(0.10)	(0.04)
Aircraft Fuel Expense	(2.26)	(1.68)
Aircraft Operating lease expense	(0.76)	(0.88)
Maintenance, Overhaul	(0.47)	(1.02)
User Charges and other related expense	(0.48)	(0.50)
Travel and tour operations expenses	-	-
Others Operating Expenses	(0.17)	(0.12)
Other Income	0.12	0.19
<b>Total Cost / ASK</b>	<b>4.61</b>	<b>4.58</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 ("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 (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 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.