



Second Quarter 2011 Results

23 August 2011



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AirAsia

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2Q11 Results – Key Highlights

❑ Malaysia – Higher Passengers growth drives up revenue

- ❑ Profit before tax of RM145 mil up 1% y-o-y
- ❑ Operating profit of RM215 million down 3 % y-o-y
- ❑ Passenger volume grew by 15% y-o-y, achieving 81% load factor
- ❑ RASK (RM sen) up 6% despite tough fuel environment of average fuel price of US\$140 per barrel in 2Q11 compared to US\$106 per barrel in 2Q10

❑ Thailand – Exceeding expectations - strong y-o-y performance

- ❑ Profit before tax of THB386 mil, up 862% y-o-y
- ❑ Operating profit of THB315 million recording 123% y-o-y growth
- ❑ Balance of RM70 million unrecognised share of net profit before it can be equity accounted
- ❑ Passenger volume grew by 30% y-o-y, achieving 78% load factor
- ❑ RASK (THB) up 14% contributed from stronger ancillary income per pax

❑ Indonesia – Managing capacity in line with growth

- ❑ Profit before tax of IDR41,690, down 48%
- ❑ Operating profit of IDR45,254 million down 54% y-o-y due to higher fuel cost
- ❑ Passenger volume grew by 33 y-o-y, achieving 76% load factor
- ❑ RASK (IDR) up 2% y-o-y due to high ancillary income contribution

❑ Ancillary Income per pax increase for all three operations

MAA – up 15%

TAA – up 30%

IAA – up 10%

- ❑ Further reduction in gearing to 1.48 times from 2.27 times y-o-y; TAA paid off intercompany dues
- ❑ Largest aircraft orders of 200 A320 Neo to support the vast Asia region
- ❑ AirAsia and ANA forms joint venture Japan AirAsia
- ❑ Hedged up to 26% via Jet Kerosene (~US\$120 / barrel) and Brent fixed swap (~US\$112 / barrel) up to 4Q11

2Q11 Results – Financial Results

	MAA RM'000			TAA THB'000			IAA IDR million		
	2Q11	2Q10	Change	2Q11	2Q10	Change	2Q11	2Q10	Change
Revenue	1,075,622	933,402	15%	3,760,162	2,620,044	44%	895,254	653,988	37%
EBITDAR	372,842	362,565	3%	990,591	678,650	46%	211,569	217,355	- 3%
Operating Profit	214,803	222,557	- 3%	315,328	141,294	123%	45,254	98,630	- 54%
Profit after tax	104,258	198,930	- 48%	384,444	39,420	875%	41,690	80,409	- 48%
EBITDAR margin	35%	39%	- 4 ppt	26%	26%	-	24%	33%	- 9 ppt
Operating profit margin (EBIT)	20%	24%	- 4 ppt	8%	5%	3 ppt	5%	15%	- 10 ppt

MAA

- Revenue up 15% y-o-y driven by strong contributions from ancillary income
- Net Income down 48% y-o-y due to Deferred tax cost as no aircraft was delivered in 2Q11

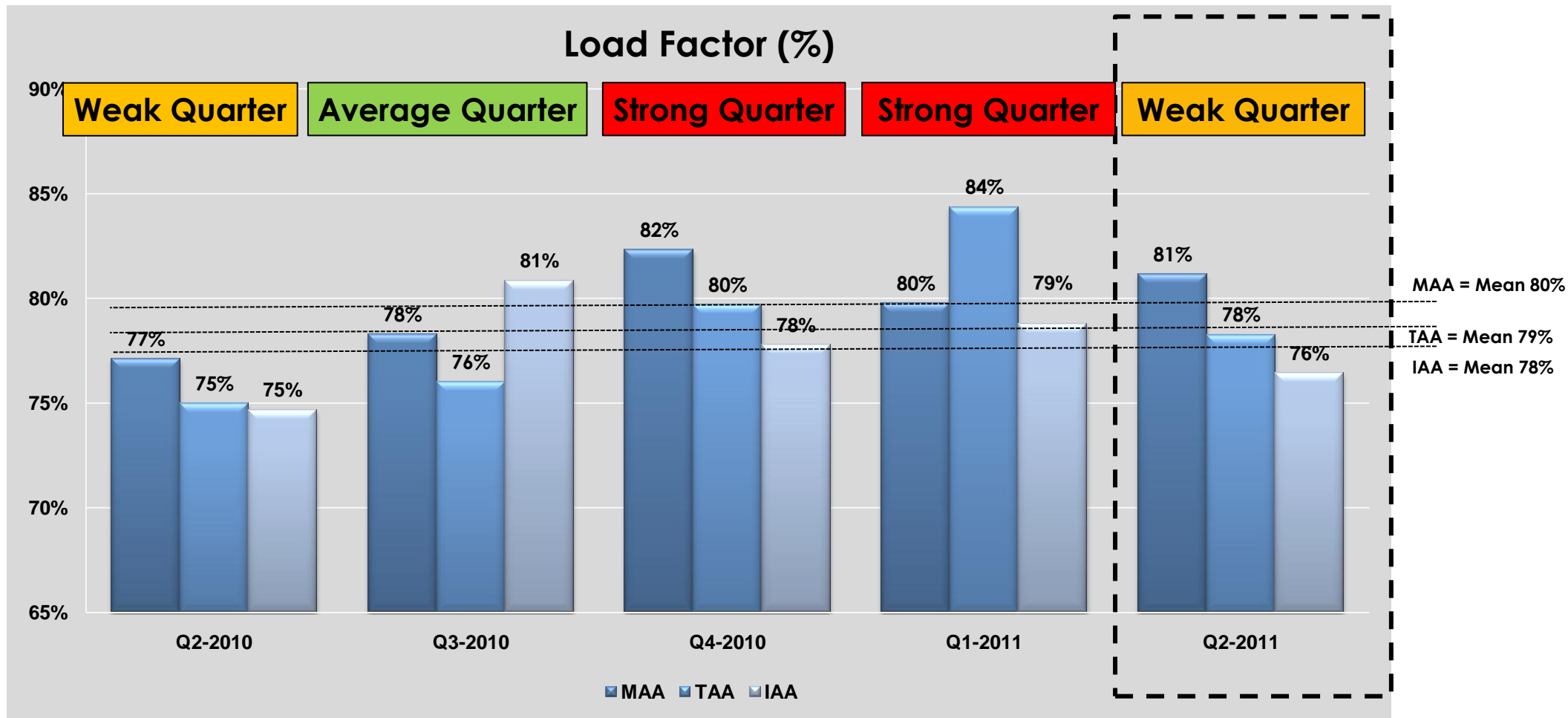
TAA

- Revenue grew 44% y-o-y driven by increased fares and ancillary income per pax
- EBIT margins up 3 ppt respectively despite high fuel cost

IAA

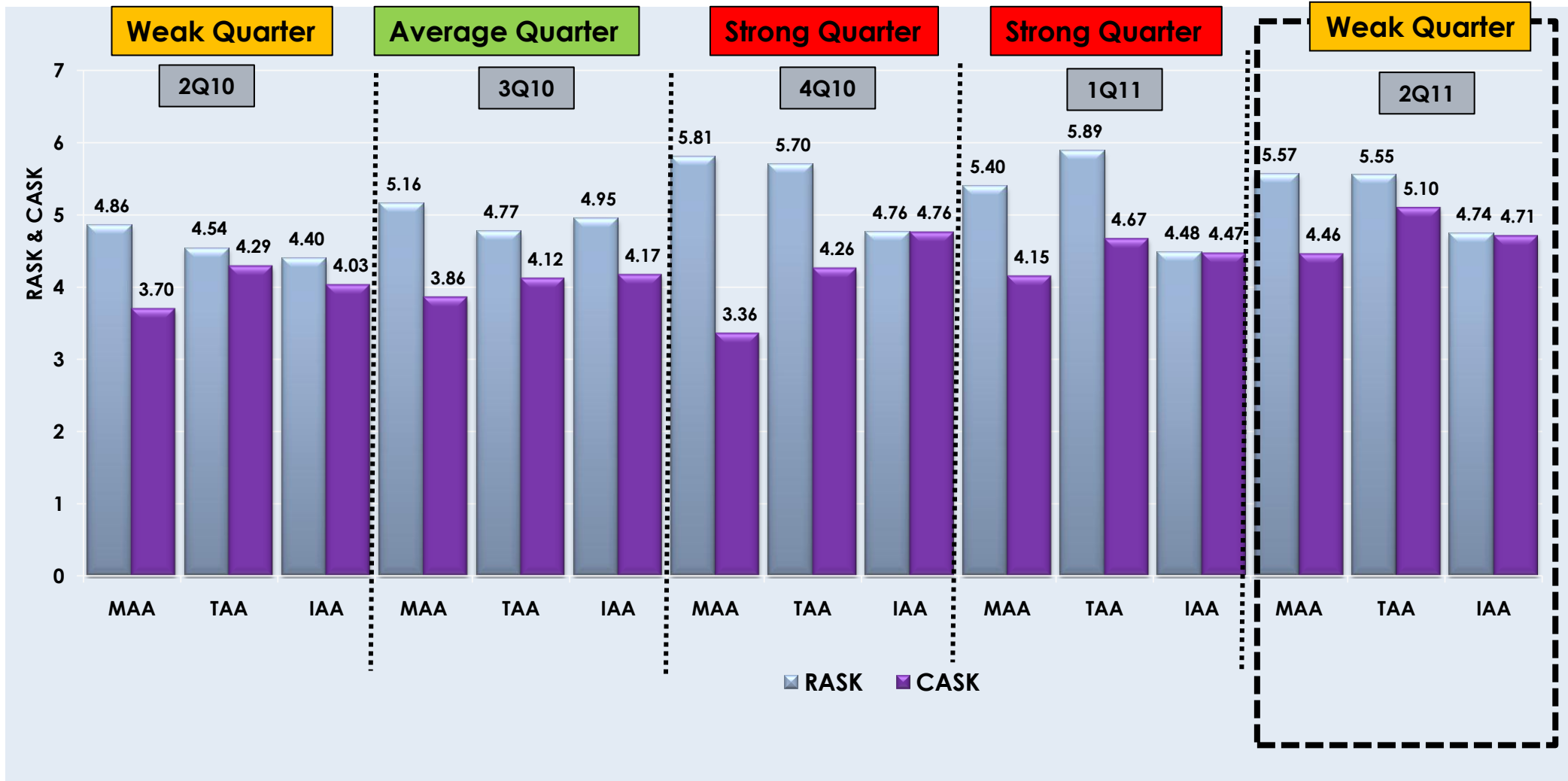
- Revenue up 37% contributing from higher passenger growth
- Operating profit margins down 10 ppt due to increase in fuel expense

2Q11 Results – Operational Statistics



- ❑ Fuel Surcharge imposed in 2 May 2011, 1H11 load factor remains strong in line with its load active yield passive strategy
- ❑ Seasonally weaker quarter for Malaysia and Thailand but Load factor remains strong at 81% and 78% respectively but Indonesia moving heading its strongest 3Q11.

2Q11 Results – Operational Statistics (RASK vs CASK)



- ❑ RASK for the all three operations in 2Q11 has outperform 2Q10 and 3Q10 contributed from ancillary income & increased passengers.
- ❑ CASK for 2Q11 has increased y-o-y due to average price of per barrel of fuel increased from US\$106 to US\$140 y-o-y

2Q11 Results – Operating Statistics (Highlights)

	MAA			TAA			IAA		
	2Q11	2Q10	Change	2Q11	2Q10	Change	2Q11	2Q10	Change
Passengers Carried	4,472,498	3,893,476	15%	1,614,853	1,237,952	30%	1,259,737	947,786	33%
Capacity	5,511,780	5,050,440	9%	2,063,160	1,651,192	25%	1,647,904	1,269,112	30%
Load Factor	81%	77%	4 ppt	78%	75%	3 ppt	76%	75%	1 ppt
RPK (million)	5,250	4,317	22%	1,774	1,301	36%	1,664	1,228	35%
ASK (million)	6,436	5,943	8%	2,235	1,780	26%	2,205	1,637	35%
Average Fare (RM/THB/IDR)	164	173	-5%	1,924	1,804	7%	570,987	563,219	1%
RASK (sen/THB/IDR)	16.71	15.71	6%	1.68	1.47	14%	405.98	399.41	2%
CASK (sen/THB/IDR)	13.38	11.96	12%	1.54	1.39	-11%	385.46	339.17	14%
CASK Ex-fuel (sen/THB/IDR)	6.51	6.60	-1%	0.81	0.85	-4%	196.86	187.42	5%

YTD' 11 Results – Financial Results & Operating Statistics

	MAA RM'000			TAA THB'000			IAA IDR million		
	YTD'11	YTD'10	Change	YTD'Q11	YTD'Q10	Change	YTD'Q11	YTD'10	Change
Revenue	2,123,564	1,804,007	18%	7,846,494	5,685,653	38%	1,670,099	1,217,490	37%
EBITDAR	771,497	666,189	16%	2,506,893	1,662,072	51%	382,914	354,592	8%
Operating Profit	456,522	387,612	18%	1,160,584	593,036	96%	54,034	113,255	-52%
Profit after tax	276,188	423,041	-35%	1,193	582,899	105%	72,000	74,950	-4%
Passenger Carried	8,790,832	7,578,865	16%	3,432,338	2,719,063	26%	2,353,380	1,841,167	28%
Capacity	10,926,900	10,067,220	9%	4,217,940	3,473,888	21%	3,036,492	2,503,132	21%
Load Factor	80%	75%	5 ppt	81%	78%	3 ppt	78%	74%	4 ppt

YTD'Summary

- ❑ For MAA, PAT is down 35% y-o-y mainly due to deferred tax in 1H11 being recognised as cost due to minimal aircraft delivered compared to 1H10
- ❑ Load factor of 80% within the company's target for 2011.
- ❑ Phenomenal performance for TAA with 103% growth y-o-y

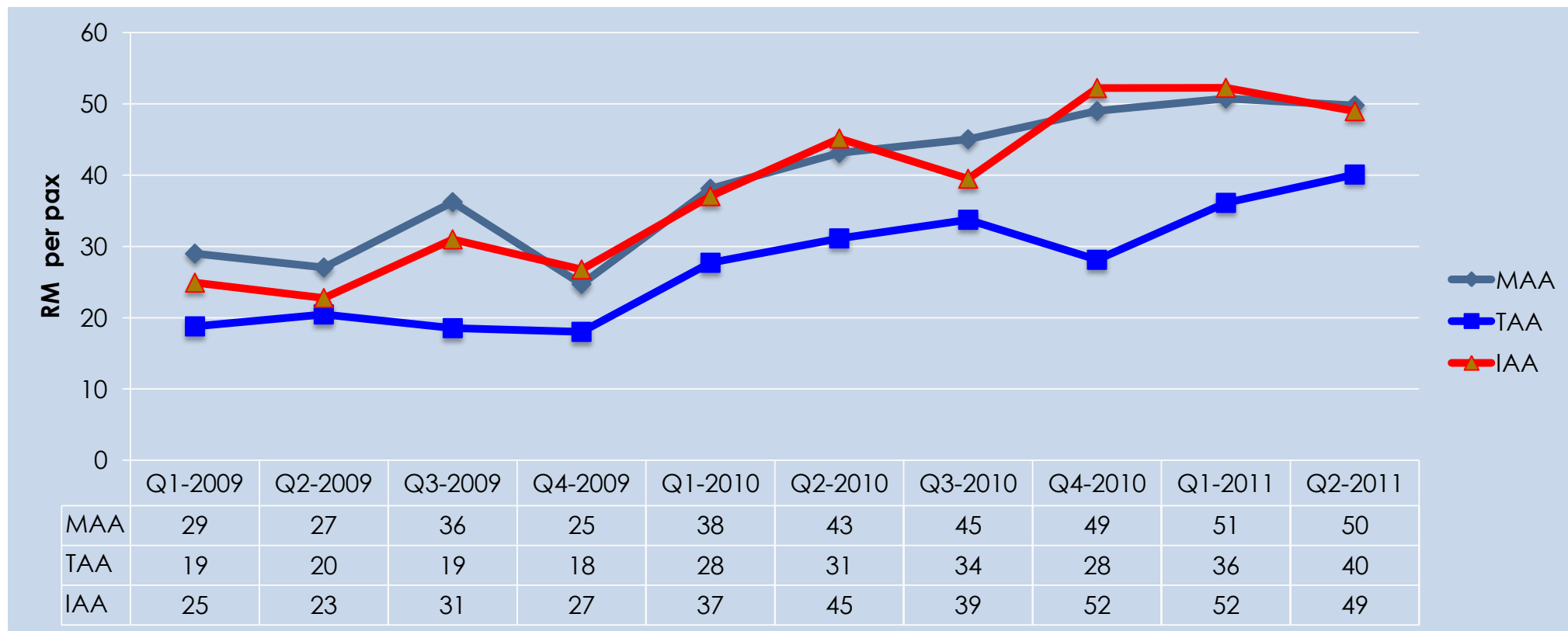
CASK Breakdown

Cost / ASK (US cents)	MAA		TAA		IAA	
	2Q11	2Q10	2Q11	2Q10	2Q11	2Q10
Staff Costs	0.57	0.47	0.55	0.50	0.51	0.36
Depreciation	0.74	0.68	0.03	0.05	0.03	0.03
Aircraft Fuel Expense	2.29	1.78	2.40	1.79	2.20	1.77
Aircraft Operating lease expense	0.08	0.10	0.97	0.94	0.85	0.82
Maintenance, Overhaul, User Charges and other related expense	0.41	0.55	1.11	1.20	0.83	0.86
Travel and tour operations expenses	0.10	0.09	-	-	-	-
Others Operating Expenses	0.24	0.21	0.16	0.21	0.13	0.13
Other (losses)/ gains -net	0.13	0.14	-	-	-	-
Other Income	(0.09)	(0.04)	(0.13)	(0.08)	(0.05)	(0.01)
Total Cost / ASK	4.46	3.98	5.09	4.60	4.50	3.96

MYR :USD – 3.00
THB: USD – 30.30
IDR :USD – 8,569

- ❑ Fuel expense MAA, TAA, IAA increased to 51.3%, 47.1% and 48.9% of total cost respectively due to high average fuel prices in 2Q11.
- ❑ Staff cost in all operations rose an average of 12% of total cost mainly due to increase payroll in flight operations and cabin crew
- ❑ All three operations saw maintenance, overhaul, user charges and other related expense reduce due to:-
MAA – Airport incentives and lower routes charges
TAA and IAA – Lower maintenance from new A320's compared to B737s

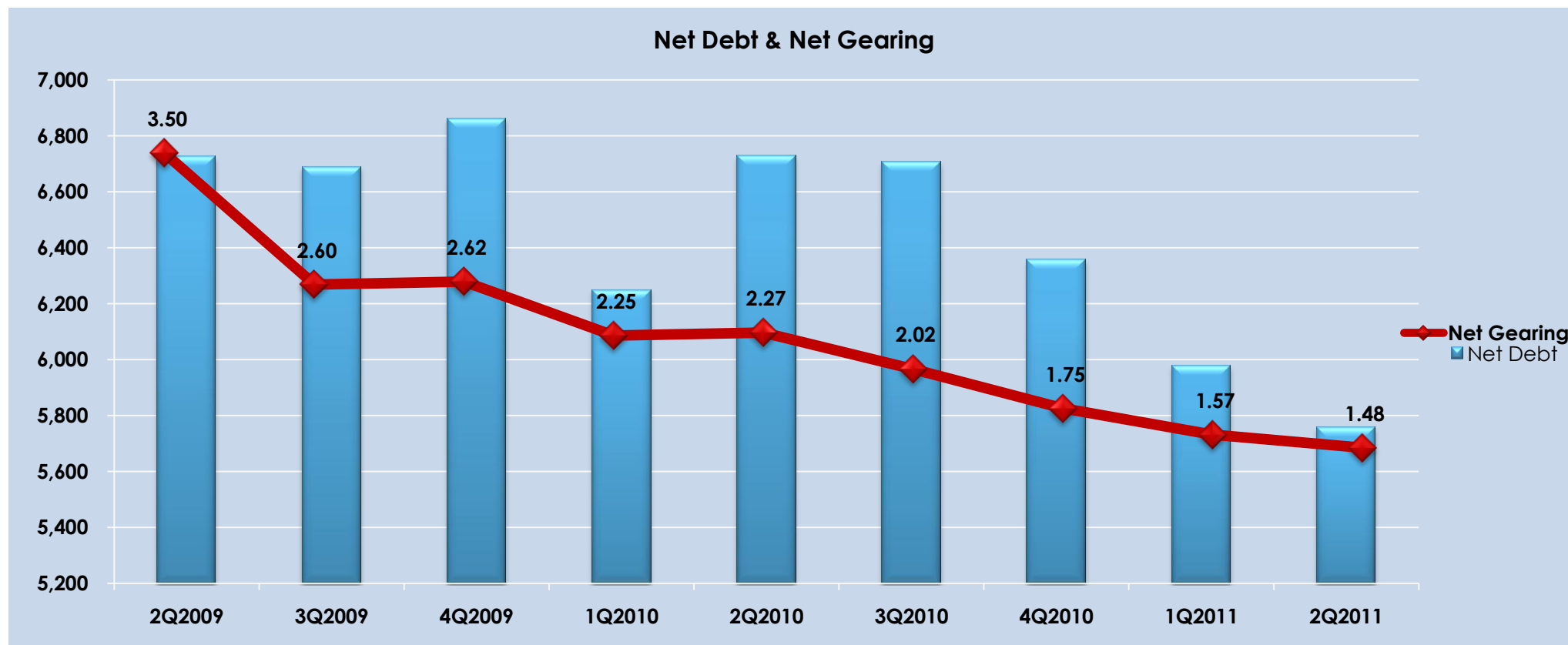
2Q11 Results – Ancillary Income



Ancillary per pax growing in terms of revenue!

- ❑ **ASSIGNED SEATING** : MAA = up 77% y-o-y, TAA = up 106% y-o-y, IAA = up 47.9% y-o-y (More Take-up rates from business passengers)
- ❑ **BAGGAGE SUPERSIZE** : MAA = up 14% y-o-y, TAA = up 41% y-o-y, IAA = up 13% y-o-y (Due to higher take-up)
- ❑ **INFLIGHT MEALS** : MAA = up 68% y-o-y, TAA = up 32% y-o-y, IAA = up 19% y-o-y (Stronger demand due to more variety of food and more discounted pre-booked food)
- ❑ **CARGO** : MAA up 13% y-o-y (Gaining market share)

2Q11 Results – Gearing Level

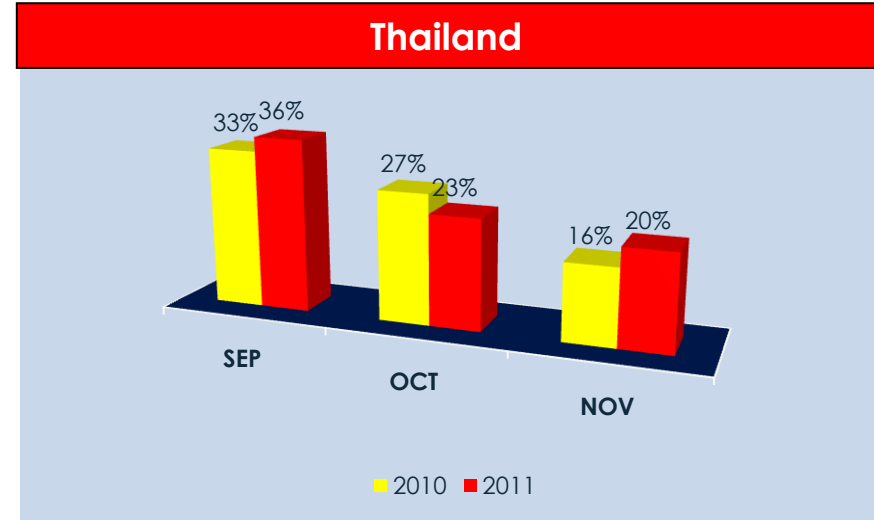
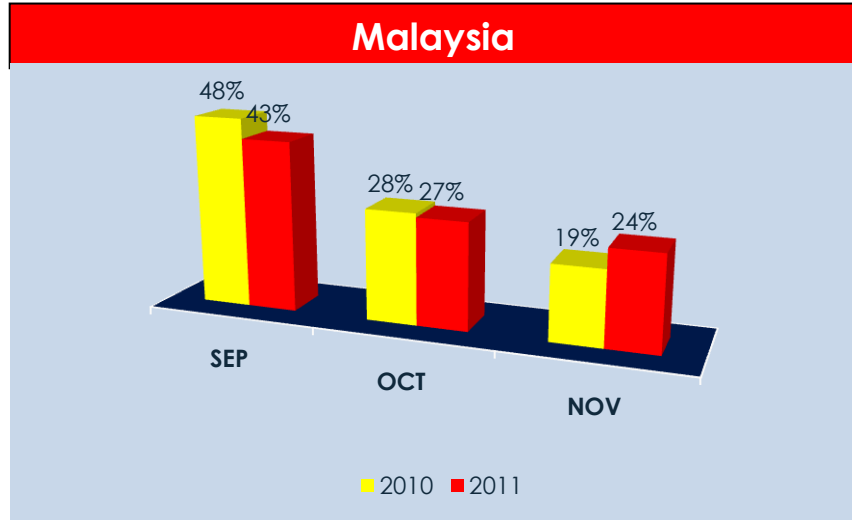


- ❑ **Gearing level reduced to 1.48 times from 2.27 times y-o-y**
- ❑ **Achieved cash up to RM2.1billion**
 - Cash balance of RM1.86 billion as at end 2Q11
 - Including deposits on aircraft purchases, total cash is close to **RM2.1 billion**
- ❑ **Affiliates paying down amount due**
 - TAA **PAID OFF** all their outstanding debt
 - Only amount due from IAA remaining at **RM238 million**

AIRASIA GROWTH STORY

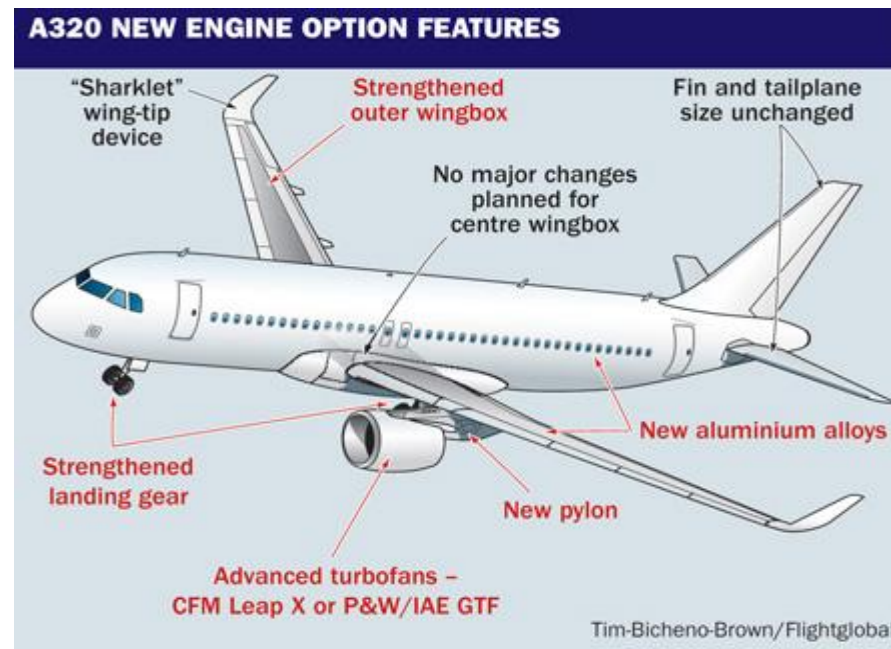
Forward Bookings

- Forward bookings in 2Q2011 remains strong. In September for MAA and IAA, slightly down y-o-y mainly due to Hari Raya holidays starting end August instead.
- Focus on optimizing load factor via revenue management (High peak, low peak, promotional fares)



AirAsia's biggest order with Airbus

- ❑ AirAsia Group has recently signed the biggest aircraft order with Airbus with an expected 200 Airbus A320 Neo



- ❑ A320 Neo is expected to deliver the following improvements:-

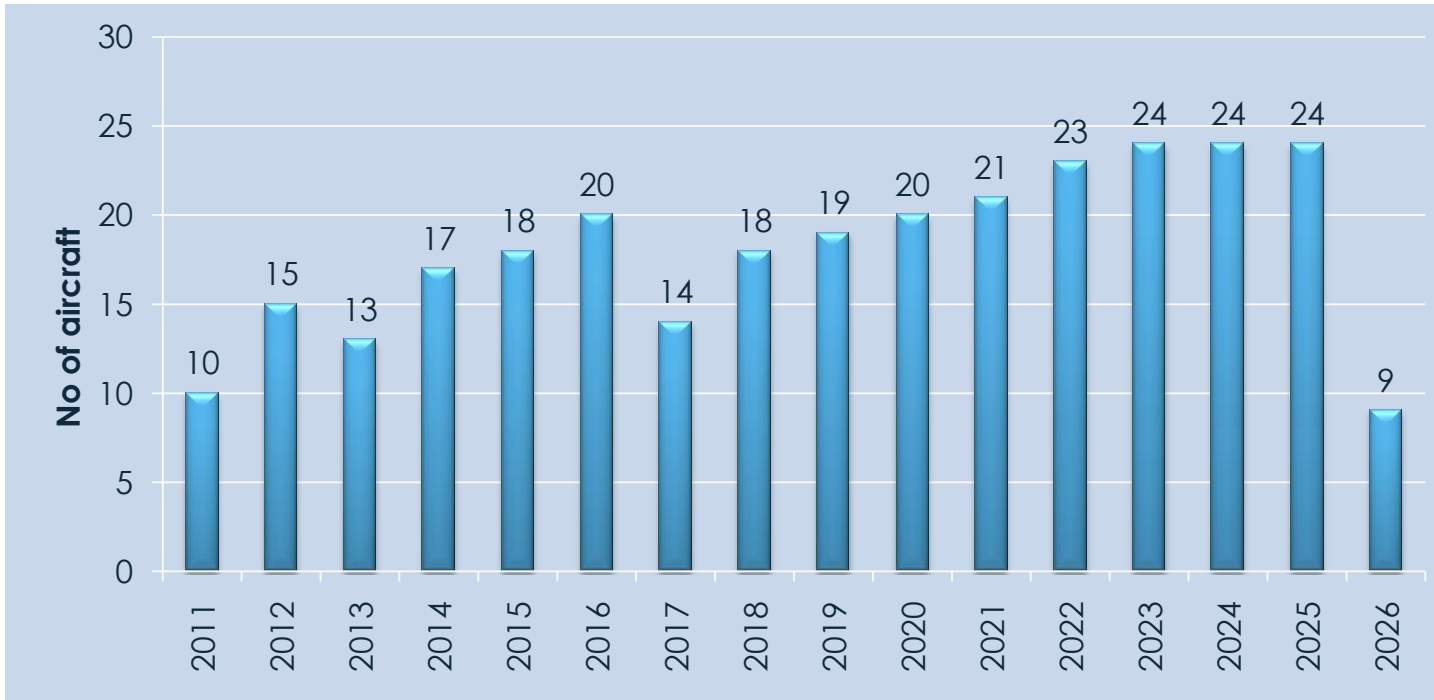
- 15% reduction in fuel consumption per aircraft
- Additional range of up to 500 nautical miles (approx 950 km) or 2 tonnes more payload
- Lower operating costs
- Reduction in engine noise and emissions

- ❑ A320 Neo to be powered by CFM LEAP – X1A26

- CFM provides more comprehensive engine service and saving solutions

Fleet Strategy

AirAsia Group has the biggest and youngest fleet among the LCC's in the region of below 3 years



- ❑ AirAsia Group has 95 aircraft spread across 12 hubs
- ❑ **284 (84 A320 & 200 A320 Neo)** more undelivered aircraft to feed into all the AirAsia operations in Asia
- ❑ Some aircraft deliveries has been **accelerated** forward to 2012 to cater for high demand

❑ 10 Aircraft deliveries 2011

- Allocation:- MAA – 3 aircraft ; TAA – 3 aircraft; IAA - 2 aircraft ; PAA – 2 aircraft
- Financing all secured for 2011

❑ 15 Aircraft deliveries in 2012

- Proposed Allocation:- MAA – 4 aircraft ; TAA – 4 aircraft; IAA - 5 aircraft ; PAA – 2 aircraft
- Financing secured for 2012

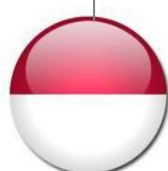
AirAsia Joint Ventures – Recognised model



49%

AirAsia Thailand

- Bangkok, Phuket, Chiang Mai as Hub
- Key passengers - 55% domestic 45 % International
- 20 A320 aircraft
- IPO scheduled for 4Q11



49%

AirAsia Indonesia

- Jakarta, Bandung, Surabaya, Medan, and Bali as Hub
- Key markets - 65% domestic 35 % International
- 20 A320 aircraft & 4 B737
- IPO scheduled for 1Q12



40%

AirAsia Philippines

- Start Operations 4Q11
- Clark as Hub
- Target international market first with connecting to existing network
- Just received its first A320 in August to begin test flights



40%

AirAsia Vietnam

- Start Operations 1Q12
- Ho Chi Minh as Hub
- Target international market first with connecting to existing network and few domestics routes
- Looking to acquire/lease third party aircraft in 2012



49%

AirAsia Japan

- Start Operations 3Q12
- Narita as Hub
- Target mainly domestic market and connecting into new and existing international destination
- Working with ANA to acquire aircraft

AirAsia will continue to explore other potential for JV globally

NEW Joint Venture - AirAsia Japan

Japan JV

☐ Target Launch March 2012

☐ Narita, Tokyo as its first hub

☐ Partnering All Nippon Airways

- Flies to 76 domestic and international routes
- Network of 164 routes
- 228 aircraft
- 42 million passengers carried in 2010
- USD 272 million Net income in 2010
- USD 8.73 billion Market Capitalisation

☐ Key investment consideration

- ANA and AirAsia to have unparallel network domestic and international
- Further brand creation into North Asia
- Accessing a population of over 128 million people
- Partial open skies policy with South Korea, Japan and China
- Execution of AirAsia strong LCC model
- ANA to assist getting routes and operations

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ANA

Monetising Ancillary business



Overview of AirAsia Go / Expedia JV

- ❑ Launch in August
- ❑ JV will combine AirAsiaGo with Expedia-branded storefronts in Japan, India, and ASEAN
 - AirAsia will contribute AA and AAX inventory and commission from ancillary sales
 - Expedia, Inc. will also contribute: hotel inventory at cost, technology solution
- ❑ Capex requirements for the JV expected to be minimal

Overview of AirAsia Loyalty programme

- ❑ Launch 4Q11
- ❑ A programme in which members can earn points to redeem for flights and other awards
- ❑ BIG will partner with merchants to allow members to earn at many places
- ❑ BIG card will have a pre-paid debit card function where available (only Malaysia today), powered by a partner



Overview of AirAsia Academy JV with CAE

- ❑ JV has begun strategising its expansion plans
- ❑ Satisfy AirAsia's training needs but also capitalize on regional 3rd party training upside
- ❑ Preferential training rates for AirAsia driven by JV's higher asset utilization and lower maintenance spend



AirAsia an ASEAN Airline – Asean office



- Regional branding
- Truly ASEAN airline and company
- Home grown, world class

Key Strategies of ASEAN office

- ❑ Team to position AirAsia as more than an ASEAN airline but also as an ASEAN company
- ❑ Team to spearhead ASEAN initiatives in AirAsia and promote the airline as a regional brand and huge economic contributor to the region
- ❑ Liaison arm to work with governments, civic organizations, interest groups and communities for issues concerning aviation and tourism as well as CSR projects
- ❑ Team to closely monitor economic and socio-political developments in ASEAN

Our Vision

- ❑ Inculcate the ASEAN ethos more deeply throughout the Group
- ❑ Nurture an ASEAN “sensitivity” in all affiliates in their strategy and operations
- ❑ Enhance AirAsia's commitment to the communities of the region
- ❑ Set regional direction for growth
- ❑ Strategize and plan regional policies

Malaysia – Regional leader in aviation Industry

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AirAsia & MAS Collaboration

malaysia
AIRLINES



KEY BENEFITS from collaboration for AirAsia

- AirAsia to continue focusing on its core competencies of its LCC business with the Tony Fernandes as Group CEO and Kamarudin Meranun as Deputy Group CEO
- Support from Government corridors such as Khazanah and Malaysian Airports
- Open routes rights – no barriers
- Less time negotiating with government and more focused on business operations
- Yields to normalise which will improve top line as unrealistic price war is eliminated
- Airport infrastructure upside – more LCC Airports
- Fulfilling its vision to be the main LCC carrier in Malaysia

KEY BENEFITS from collaboration for both airlines

- Full potential to maximise brand
- Synergies to further streamline or reduce operating cost
- Service synergies between two airlines with regards to Training, Cargo, MRO, Catering
- Routes synergies
- Joint Procurement

Key Strategies for AirAsia Group

MALAYSIA

- ❑ Focus on building domestic market and strengthen other hubs
- ❑ Add more frequencies on key domestic east Malaysia and trunk international routes
- ❑ Focus on shorter routes – less than 3 hours

THAILAND

- ❑ Building domestic market which is very profitable for Thai AirAsia
- ❑ Build North Indian market from Thailand – attractive yields
- ❑ Optimising fleet management to compete with other competitors

INDONESIA

- ❑ Main focus on international routes; but also looking at unique domestics routes and routes underserved by other airlines.
- ❑ Focus on yield management in line with growth of domestic competitors
- ❑ Plan to return all Boeing B737s by year end which will reduce cost structure

Our Vision

❑ **AirAsia is already a regional leader in the LCC space**

- Expanding the AirAsia Brand and model to other regions
- To have unparalleled network via JV model and hubs structure

❑ **AirAsia will continue to be an independent run airline in Malaysia and the region**

❑ **The management and the team at AirAsia will continue to strive to make AirAsia become one of the world's largest airlines**

- Tony and Kamarudin to remain focus on AirAsia's vision despite its other business ventures like Formula 1, Moto GP, Soccer, Basketball and other business ventures
- 284 aircraft to be delivered to feed into the ASEAN and Asia region
- Potential to explore further aircraft acquisition in line with growth

❑ **Forming synergistic alliances and monetising AirAsia's business**

- Synergies with other strategic airlines
- Additional partnerships for new markets; M&A
- Monetising ancillary business with strategic partners which allows management to focus on the core business

Thank You



Appendix

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 (continued)

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.