

AirAsia.com



Third Quarter 2010 Results

25 November 2010

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3rd Quarter 2010

Outstanding Performance Group wide

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❑ Exceeding Expectations

- ❑ Revenue of RM988 million y-o-y recording 34% y-o-y growth
- ❑ Profit after tax of RM327 million, up 152% y-o-y
- ❑ Passenger volume up 12% y-o-y, load factor hitting 78%

❑ Thailand on track

- ❑ Revenue of THB2,874 million recording 46% y-o-y growth
- ❑ Posted profit after tax of THB530 million with a growth of 231% y-o-y
- ❑ Passenger volume up 9% y-o-y and with load factor hitting 76%

❑ Phenomenal performance in Indonesia

- ❑ Revenue of IDR784,174 million recording 31% y-o-y growth
- ❑ Posted profit after tax y-o-y of IDR191,408 million with a growth of 226%
- ❑ Passenger volume grew by 8% y-o-y and with load factor hitting 81%

❑ Ever rising numbers for ancillary income per pax y-o-y

Malaysia = ↑ 23%, Thailand = ↑81% , Indonesia = ↑ 31%

❑ Debt repayment by associates within 2 years

❑ Full transparency despite not required

3rd Quarter 2010

- AirAsia Group

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Quarter Ended: 30 September 2010 RM'000 unless otherwise stated	Malaysia AirAsia	Thai AirAsia	Indonesia AirAsia	Total
Revenue	987,558	286,777	274,956	1,549,291
EBITDAR	444,207	99,594	102,515	646,316
EBITDA	430,850	41,116	61,608	533,574
EBIT	295,894	37,690	60,368	393,952
Profit before tax	309,858	52,870	67,114	429,842
Profit after tax	327,286	52,870	67,114	447,270

	Malaysia AirAsia	Thai AirAsia	Indonesia AirAsia	TOTAL
<u>Operating Statistics</u>				
Passengers Carried (3Q10)	4,035,546	1,363,998	1,079,008	6,478,552
Passenger Carried (YTD)	11,614,411	4,083,061	2,920,175	18,617,647

Exchange rate
 RM1 : THB 10.02
 RM1 : IDR 2,852

Financial Results

- MAA, TAA and IAA

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Quarter Ended: 30 September 2010	MAA			TAA			IAA		
	3Q2010 (RM'000)	3Q2009 (RM'000)	Change y-o-y	3Q2010 (THB'000)	3Q2009 (THB'000)	Change y-o-y	3Q2010 (IDR mil)	3Q2009 (IDR mil)	Change y-o-y
Revenue	987,558	739,668	34%	2,873,505	1,973,768	46%	784,174	600,216	31%
EBITDAR	444,207	234,611	89%	997,936	21,804	4477%	292,373	130,476	124%
EBITDA	430,850	206,508	109%	411,979	(387,826)	206%	175,706	36,082	387%
EBIT	295,894	98,266	201%	377,658	(417,464)	190%	172,169	31,321	450%
Profit before tax	309,858	136,260	127%	529,755	(402,877)	231%	191,408	58,745	226%
Profit after tax	327,286	130,072	152%	529,755	(402,877)	231%	191,408	58,745	226%
EBITDAR margin	45%	32%	13 ppt	35%	1%	34 ppt	37%	22%	15 ppt
Core Operating Profit / (Loss)	216,119	33,834	539%	-	-	-	-	-	-

MAA – Outstanding quarter

- ❑ Revenue and profit after tax grew 34% and 23% respectively y-o-y
- ❑ Passenger ticket sales up 38% y-o-y in-line with increased passenger volumes of 12%
- ❑ Core operating profit up 539% y-o-y

TAA - Year on Year excellence!

- ❑ From loss making to 231% growth in profit after tax y-o-y
- ❑ EBITDA of THB412million up 206% y-o-y due to increased capacity
- ❑ Benefiting from their first full quarter of an all A320 fleet

IAA- Phenomenal upswing!

- ❑ Revenue up 31% growth y-o-y due to high season in Indonesia
- ❑ Operational excellence with EBITDA growth of 387% y-o-y
- ❑ Focusing on International routes paying huge dividends for Indonesia

Financial Results

- MAA, TAA and IAA (9 months ending)

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9 Months Ended: 30 September 2010	MAA			TAA			IAA		
	9 Months 2010 (RM'000)	9 Months 2009 (RM'000)	Change y-o-y	9 Months 2010 (THB'000)	9 Months 2009 (THB'000)	Change y-o-y	9 Months 2010 (IDR'mil)	9 Months 2009 (IDR'mil)	Change y-o-y
Revenue	2,806,255	2,284,795	23%	8,646,271	6,418,641	35%	1,968,298	1,439,409	37%
EBITDAR	1,150,894	977,331	18%	2,665,414	1,130,564	136%	647,445	259,875	149%
EBITDA	1,097,684	887,872	24%	1,069,913	116,547	818%	300,990	(51,919)	680%
EBIT	724,979	579,640	25%	969,331	(205,157)	572%	290,709	(60,689)	580%
Profit before tax	709,078	398,540	78%	1,201,504	(185,819)	746%	307,474	(70,523)	536%
Profit after tax	750,326	472,398	59%	1,201,504	(185,819)	746%	307,474	(70,523)	536%
EBITDAR margin	41%	43%	-2 ppt	31%	18%	13ppt	33%	18%	15 ppt
Core Operating Profit / (Loss)	495,045	328,223	51%	-	-	-	-	-	-

Exchange rate

RM1 : THB 10.02 RM1 : IDR 2,852

Associates gaining pace

❑ Combined PAT of associates of RM228 million for 9 months 2010 is 30% of MAA

Operating Statistics

- MAA, TAA and IAA

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Quarter Ended: 30 September 2010	MAA			TAA			IAA		
	3Q2010	3Q2009	Change y-o-y	3Q2010	3Q2009	Change y-o-y	3Q2010	3Q2009	Change y-o-y
ASK	6,056	5,449	11%	1,868	1,598	17%	1,760	1,568	12%
RPK	4,773	3,769	27%	1,440	1,237	16%	1,433	1,205	19%
Rev/ASK (sen/THB/IDR)	16.31	12.19	34%	1.49	1.22	22%	444.09	379.16	17%
Rev/ASK (US Cents)	5.17	3.46	49%	4.72	3.40	39%	4.94	4.01	23%
CASK (sen/THB/IDR)	11.42	11.30	1%	1.34	1.49	-10%	347.70	362.79	-4%
CASK (US cents)	3.62	3.21	13%	4.23	4.13	2%	3.87	3.84	1%
CASK (ex-fuel) (US cents)	2.10	1.84	14%	2.63	2.58	2%	2.21	2.02	9%
Average Fare	173	142	22%	1,708	1,373	24%	611,604	509,192	20%

MAA

- ❑ Average fare up 22% y-o-y due to increased demand
- ❑ CASK maintained q-o-q but increase y-o-y due to increase in average fuel price

TAA

- ❑ CASK (THB) down 10% mainly due to decrease of maintenance cost as B737 was phased out in 2Q10
- ❑ Average fare still up 24% despite political unrest in the past

IAA

- ❑ Average fare up 20% due to longer average sector length and profitable international routes
- ❑ Returning of B737 contributes to lower CASK (IDR) by 4%
- ❑ Strong 3Q10 statistics due to school holiday season in July and Hari Raya Festival in September

Group Ancillary Income

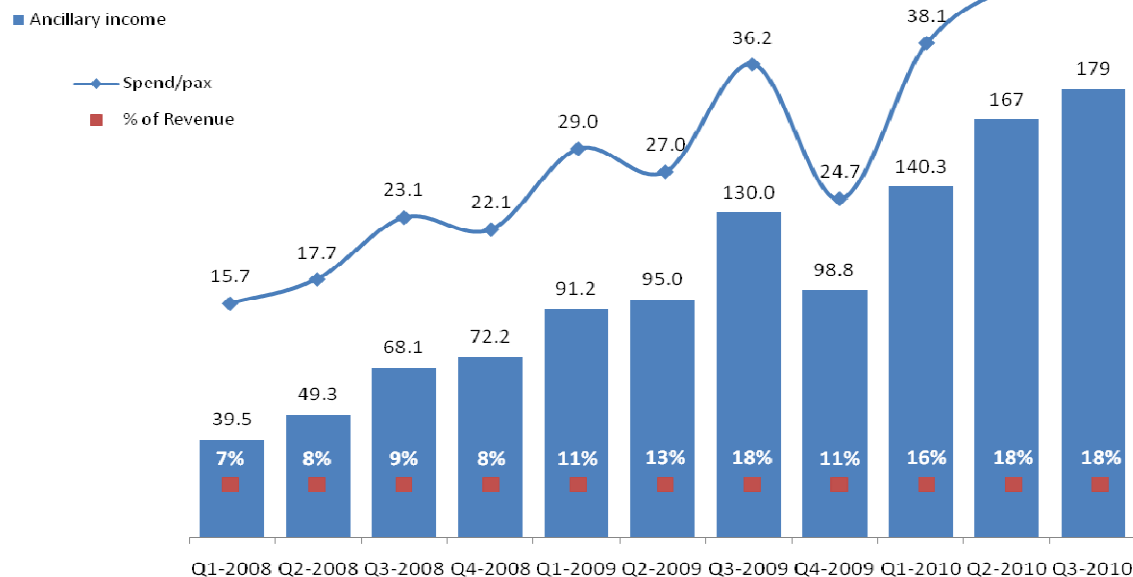


Ancillary Income per pax up y-o-y across the Group:

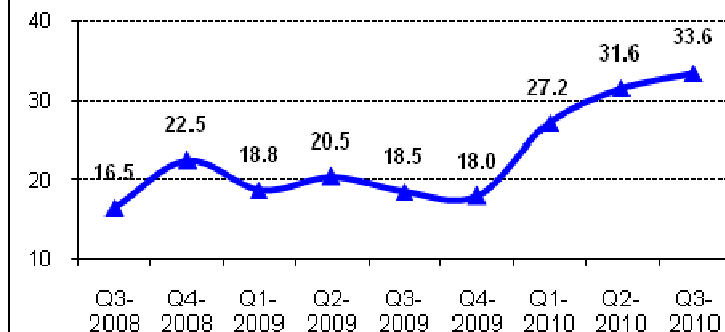
Malaysia : ↑23%
 Thailand : ↑ 81%
 Indonesia: ↑ 31%

Malaysia (RM)

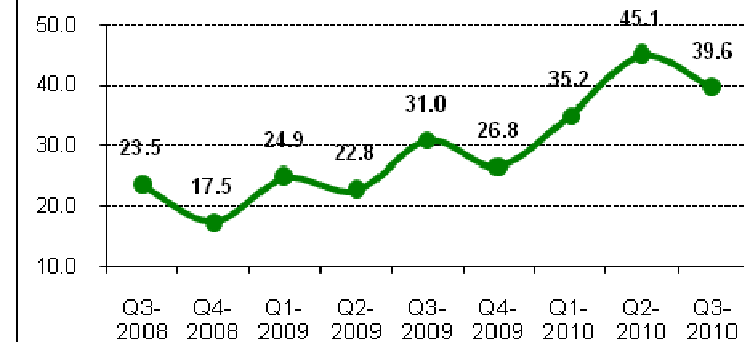
Ancillary income



Thailand Ancillary Income (RM)



Indonesia Ancillary Income (RM)



- ❑ Baggage fees and AirAsia Cargo significant contributors to Ancillary income
- ❑ New addition of AirAsia Megastore contributes to top line revenue growth

Gearing & Cash Balances

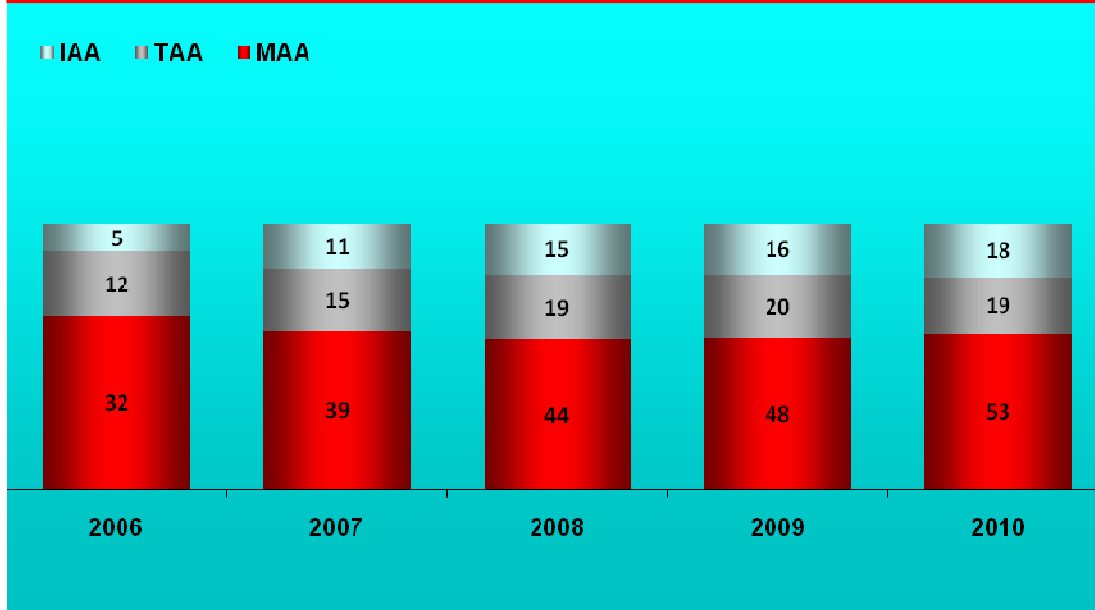


AirAsia Berhad	2Q2009	3Q2009	4Q2009	1Q2010	2Q2010	3Q2010
Net Debt (RM'mil)	6,726	6,688	6,862	6,248	6,728	6,705
Net Gearing	3.50	2.60	2.62	2.25	2.27	2.02

- ❑ **Further reduction in gearing to 2.02 times**
- ❑ **Achieved cash and cash equivalents close to RM1 billion**
 - ❑ Cash balance of RM935 million as at end 3Q10
 - ❑ Including deposit on aircraft purchases, total cash is close to RM1.2 billion
- ❑ **Cash balance to further increase with expected payments from associates**
 - ❑ Strong quarter from Thailand and Indonesia to off-set projected payment of inter-company borrowings
 - ❑ Full Payment expected within 2 years
- ❑ **To accelerate repayment of amount due from associates from proposed listing of associates**
 - ❑ With the listing of associates, amount due from associates can potentially be converted to new shares to maintain shareholding in TAA and IAA

Fleet Development

AirAsia Group Net Fleet Size (calendar year)



AirAsia's Group Delivery Schedule

Delivery Month	No. of planes	Deployments
2011 (Announced)	8	4 – Malaysia 2 – Thailand 2 – Indonesia
2012 (In-discussions)	12-16	5 – Malaysia 3 – Thailand 4 – Indonesia

- ❑ Total delivery of 16 Airbus A320 aircraft in 2010
- ❑ The financing for all the aircraft in 2011 is secured
- ❑ To continue growing associates fleets from 2011 onwards
- ❑ 175 firm orders
 - ❑ Current fleet age below 2 years
 - ❑ To phase out remaining 4 Boeings based in Indonesia by end 2010

Attractive Valuations among airlines

(as at 23 November 2010)

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	Market Capitalisation (USD) (in billion)	Latest 9 months Profit after tax(USD) (in million)	Cash Equivalent Latest filing (USD) (in million)	P/E	EV/EBITDA
Low Cost Carriers					
AirAsia	2.27	276.5	296.8	10.04	12.49
Ryanair Holdings	7.81	612.2	2,369.2	55.60	8.02
Southwest	10.19	328.0	1,031.0	20.06	9.70
Cebu Pacific	1.77	110.2	89.5	N/A	N/A
AirArabia	1.01	64.2	590.0	10.69	10.69
Easyjet PLC	3.05	57.9	580.2	15.66	7.53
Tiger Airways	0.87	29.1	146.9	27.57	23.46
Legacy Carriers					
Air China	20.32	1,532.3	738.9	16.02	18.27
Singapore Airlines	14.31	726.8	466.0	14.44	4.90
Malaysia Airlines (1H10)	2.25	71.3	720.6	21.76	28.25
Thai Airways	3.35	4.9	912.2	3.67	6.95

Source : Company data, Bloomberg

Lowest P/E ratio among regional and international LCCs peers

Attractive Valuations among Malaysian companies

(as at 23 November 2010)

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	Market Capitalisation (RM) (in billion)	Latest 6 months Net Income (RM) (in million)	Cash Equivalent Latest filing (RM) (in million)	P/E	EV/EBITDA
AirAsia	2.27	400,400	858.09	10.04	12.49
IJM Corporation	7.62	1,852.56	1,352.75	19.72	N/A
MMC Corporation	8.68	122.30	3,989.00	27.62	N/A
UMW Holdings	7.83	344.56	1,822.95	12.88	N/A
Berjaya Sports Toto	5.59	144.86	299.84	16.20	N/A
SP Setia	5.34	115.17	685.23	22.42	N/A
Tan Chong Holdings	3.67	128.33	205.27	16.66	N/A
Sapura Crest	3.41	104.27	704.48	17.38	N/A
Kencana Petroleum	3.42	72.48	222.61	22.57	18.12
Malaysia Airports	6.51	-224.68	2,270.32	19.85	11.02

Source : Company data, Bloomberg

- ❑ P/E lower against Malaysian companies in the Property, Gaming, Automotive, Construction and Oil & Gas sector

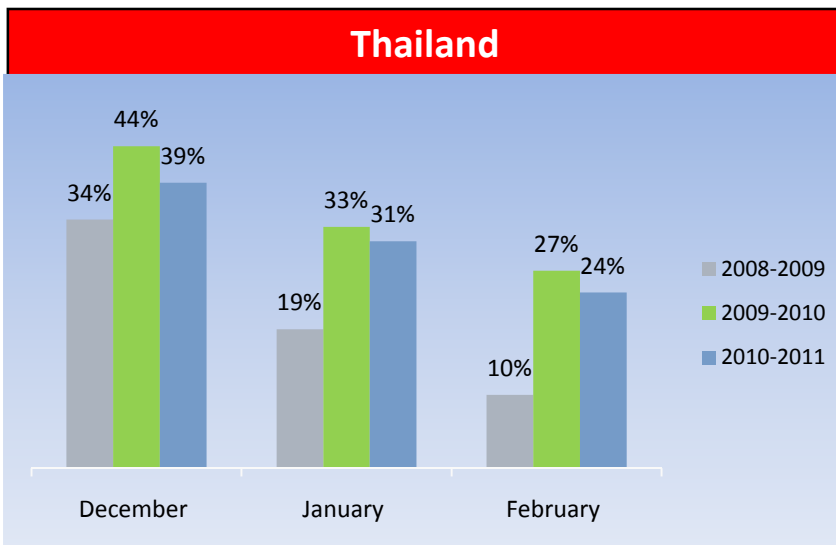
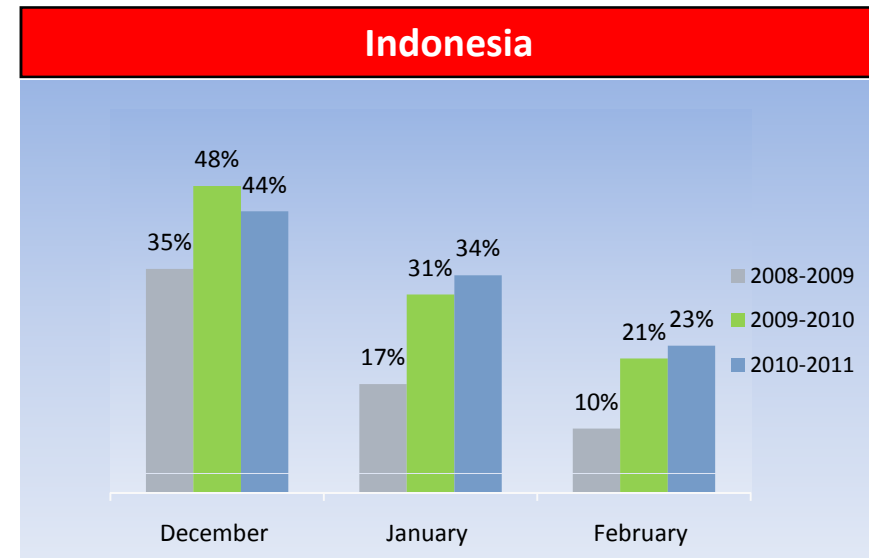
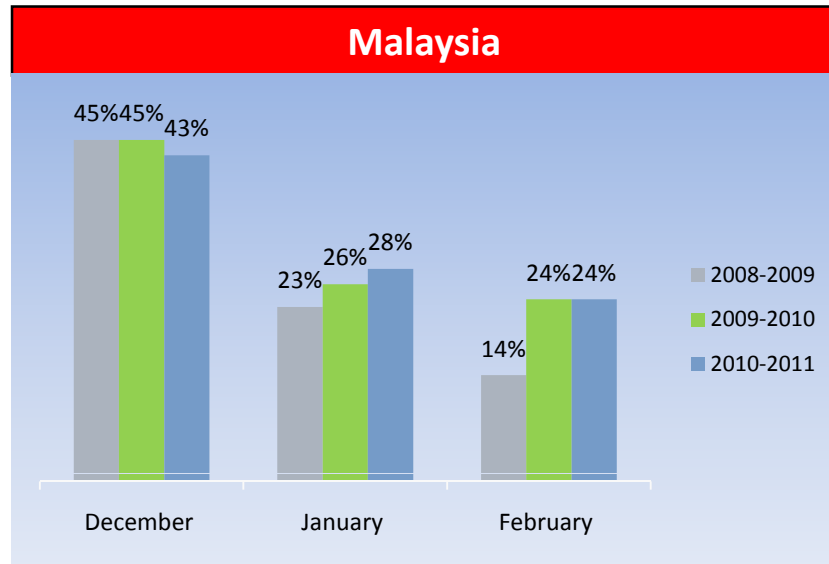
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Moving into 2011

Forward Bookings

Load factor as at 23 November 2010

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Increase in demand on air travel

- ❑ Forward booking seasonally strong in December for Malaysia and Thailand
- ❑ Booking trends for LCC tickets shorter compared to legacy carriers
- ❑ Continuous promotional campaigns by route management for new routes and frequencies

Moving into 2011

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MALAYSIA

Strengthening Domestic Operations

- Introduction of Kuching as the second hub in East Malaysia
- Increasing frequencies as key East Malaysian routes performing well
- Adding capacity from KUL to Kota Kinabalu, Kuching, Miri and Sibul
- Dominating market share

Increased frequencies on profitable international routes

- Increased frequencies on routes that is popular with AAX traffic. AAX acts as a feeder for AirAsia network.

THAILAND

Heading into India

Introduction of new routes and connecting hubs

- Connecting paradise to paradise from Phuket to Bali

Introduction of Chiang Mai as Thailand 3rd hub to strengthen group network

Strengthen Domestic market

- increasing frequencies on key routes from Bangkok to be operated by upcoming competitors

Moving into 2011

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INDONESIA

- ❑ **Continue focusing on International routes**
- ❑ **Strengthen existing hub like Bali and Surabaya**
 - Increasing frequencies on profitable routes from Bali
 - Launch of second Australian destination from Bali – Darwin in December
- ❑ **Opening of Medan as Indonesia's 5th hub**
 - To launch international routes by connecting existing destinations
- **To complete B737 substitution by year end or 1Q2011 subject to Bandung runway upgrade**

Moving into 2011 - Groupwide

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- ❑ **Continue to breed in-house pilots via AirAsia Academy to match future capacity needs**
 - no pilot shortages
- ❑ **Value creation via new joint ventures**
- ❑ **Monetising other AirAsia business units**
 - AirAsia Go – to benefit from AirAsia brand and IT penetration rate
 - Academy – to be centre for excellence
 - AirAsia Cargo – to ride on existing infrastructure and network
 - AirAsia X - symbiotic feeder relationship
- ❑ **Expected listing for TAA, IAA and AAX**
- ❑ **Further lowering of net gearing by managing fleet expansion**
- ❑ **Introduction of new products to boost ancillary income**
 - Medium Term target of RM50 per pax
- ❑ **Managing oil prices –**
 - To push Ancillary income further as it is a natural hedge in oil price
 - Continue not to charge fuel surcharge (fare free of surcharge)

- MALAYSIA POSTED 34% Y-O-Y GROWTH IN REVENUE TO RM988 MILLION
- THAILAND'S REVENUE GROWTH UP 46% Y-O-Y AS IT GEARS UP FOR ITS STRONGEST QUARTER
- INDONESIA'S COMING OFF A PHENOMENAL PERFORMANCE WITH 31% Y-O-Y REVENUE GROWTH
- NET GEARING DECREASED BY 11% TO 2.02 TIMES
- DISCLOSURE OF BALANCE SHEET FOR ASSOCIATES
- AIRCRAFT FINANCING FOR 2011 IS SECURED
- DEBT REDUCTION BY ASSOCIATES AS THEY CONTINUE TO REPAY
- COMBINED PROFIT AFTER TAX FOR 9 MONTHS 2010 BY ASSOCIATES IS 30% OF AIRASIA BERHAD'S PROFIT AFTER TAX

Thank you



Appendix

Appendix

- 3Q10 Cost Breakdown for AirAsia Group

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Quarter ended: 30 September 2010 Cost / ASK (US cents)	MAA	TAA	IAA
Staff Costs	0.44	0.41	0.46
Fuel and Oil	1.52	1.59	1.66
User Charges and Station Expenses	0.31	0.52	0.25
Maintenance and Overhaul	0.10	0.29	0.41
Aircraft related cost	0.07	0.99	0.74
Depreciation & Amortisation	0.71	0.06	0.02
Others	0.31	0.20	0.16
Sales & Marketing	0.16	0.16	0.16
Total Cost / ASK	3.62	4.23	3.87

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.