

SUBJECT: FINANCE LEASE TRANSACTIONS WITH PT INDONESIA AIRASIA

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1. INTRODUCTION

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) wishes to announce that the Company had on 27th October 2011 entered into the first of a series of finance lease transactions (“Transaction”) with PT Indonesia AirAsia (“IAA”) where as an integral part of the Transaction, the Company transfers to IAA the title of five (5) aircraft owned by the Company. Simultaneous to the transfer, the Company and IAA have entered into a leasing transaction in respect of the aircraft under commercial terms.

2. DETAILS OF THE TRANSACTION

The assets which are the subject matter of the Transaction are five (5) Airbus A320 aircraft bearing msn 2881, msn 2885, msn 3182, msn 3486 and msn 3549 (“the Aircraft”). AirAsia’s acquisition of the Aircraft from Airbus SAS was financed by certain financiers where under those financing structures, the title to the Aircraft is held by AirAsia.

Under the Transaction, AirAsia with the consent of the financiers, will transfer the registered ownership of the Aircraft to IAA. The financing facilities shall also be restructured to reflect the transfer of the Aircraft to IAA.

3. THE PURCHASER

The Purchaser, PT Indonesia AirAsia is an affiliate airline of AirAsia. It was incorporated under the laws of Indonesia on 6 December 1999. Its registered address is Jln. Panglima Polim Raya No. 105B. Kramat Pela, Kebayoran Baru, Jakarta 12130, Indonesia.

IAA was previously known as PT. Awair Internasional and its name was changed to PT Indonesia AirAsia on 9 September 2005.

AirAsia holds a 49% shareholding in IAA and the remaining 51% is held by Indonesian nationals. AirAsia became a shareholder of IAA through a Shareholders Agreement dated 22nd November 2004.

IAA has an authorized capital: IDR 200,000,000,000 with an issued and paid up capital: IDR 180,000,000,000.

4. DESCRIPTION OF THE BUSINESS CARRIED ON

Both AirAsia and IAA are in the business of providing low cost carrier services and are part of the AirAsia airline group which as a group serves 132 routes and has flown more than 100 million passengers.

5. TOTAL CONSIDERATION

The total consideration for the transfer of the five (5) Aircraft is RM550,847,925.00

- (a) The basis of arriving at the consideration is by benchmarking it against a valuation by a third party valuer and the consideration is agreed on a willing buyer-willing seller basis.
- (b) The justification for the consideration is that it is based on market practice in the aviation industry namely the determination of aircraft price is commonly based on a valuation made on the aircraft.
- (c) The arrangement for which the consideration will be satisfied is that the payment will be made on a deferred basis to match against the current financing terms for the Aircraft.

6. FINANCIAL INFORMATION ON THE AIRCRAFT

The net profit attributable to the Aircraft is RM49.7 million.

The net book value of each of the Aircraft is as follows:

MSN 2881 – RM99,637,690.65
MSN 2885 – RM99,800,253.22
MSN 3182 – RM101,476,498.19
MSN 3486 – RM98,240,209.00
MSN 3549 – RM101,945,472.00

7. EFFECT OF THE TRANSACTION ON AIRASIA

- a) Earnings per Share: The Transaction is expected to result in a gain of approximately RM49.7 million which in turn is expected to increase the net earnings per share by RM0.02 for the financial year ending 31 December 2011.
- b) Net Asset per share: The Transaction is expected to increase the net asset of the Company by RM49.7 million which translates to approximately RM0.02 per share.
- c) Gearing: the Transaction is not expected to have material impact to the gearing ratio for the financial year ending 31 December 2011.
- d) Share Capital and Substantial Shareholders' shareholdings: the Transaction is not expected to have impact to the Company's share capital and Substantial Shareholders' shareholdings.

8. EXPECTED GAINS OR LOSSES TO THE GROUP

- (a) The expected gain from the Transaction is approximately RM49.7 million.
- (b) IAA shall assume a liability of equivalent of approximately RM560 million as a result of the Transaction.

(c) The original cost of investments for each of the Aircraft together with the respective dates of each acquisition are as follows:

MSN2881: RM132,412,774.76	18 th Sept 2006
MSN2885: RM132,628,811.92	27 th Sept 2006
MSN3182: RM127,451,357.76	12 th July 2007
MSN3486 – RM118,422,895.02	6 th May 2008
MSN3549 – RM122,270,857.21	10 th July 2008

9 RATIONALE FOR THE TRANSACTION

The Government of Indonesia has in 2009 passed article 118 under Law No 1/2009, Aviation Act (“the Act”) requiring all scheduled airlines holding a license in Indonesia to operate ten (10) aircraft. Of the ten (10) aircraft each airline in Indonesia shall evidence that it has legal ownership of at least five (5) aircraft in the form of a Bill of Sale before the cut-off date of 12th January 2012.

Under existing leasing arrangements, IAA leases all of its aircraft fleet from AirAsia under operating leases. However to be in compliance with the Act where IAA is required to evidence ownership, the Company has decided to restructure certain financing facilities to enable the title to its aircraft to be transferred to IAA with the consent of the financiers.

The Transaction is deemed as a necessity to ensure that IAA is able to continue to maintain its Air Operator’s Certificate under Indonesian regulations. As a member of the AirAsia airline group, the continued existence of IAA is critical to the business of AirAsia and the Group where all airlines within the Group are inter-dependent on routes and passengers from each airline within the Group.

10. SALIENT FEATURES OF THE TRANSACTION

One of the key documents under the Transaction is Title Transfer Agreement between AirAsia and IAA which transfers the legal title to the Aircraft to IAA. Under the Transaction, AirAsia and the financiers simultaneously enter into several financing transactions in order to re-structures the existing facility to reflect that the title to Aircraft is being held by IAA.

AirAsia and IAA also have entered into a leasing agreement in respect of the Aircraft whereby IAA among others agrees to pay lease instalments to AirAsia over the term of the lease. The lease agreement also provides for maintenance and insurance obligations as well as subleasing conditions.

11. BOARD OF DIRECTORS APPROVAL

Having regard to the rationale and the relevant factors, the Board has approved the Transaction and is of the opinion that entering into the Agreement is in the best interest of the Company.

12. ESTIMATED TIME FRAME FOR COMPLETION

The documentation including the transfer of msn 2881 was completed on 27th October 2011. The transfer for four (4) other aircraft will occur on the dates of each transaction is entered into, which are expected to be between November and December 2011 and in any event not later than 12th January 2012.

The lease term for each Aircraft is for a period of between seven (7) to eight (8) years.

13. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest Percentage Ratio applicable pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 15.132%.

14. INTEREST OF DIRECTORS' AND/OR MAJOR SHAREHOLDERS' AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of AirAsia and/or persons connected with them have any direct or indirect interest in the Transaction.

15. RISKS

As the Transaction is in principle a contract for aircraft leasing to IAA, the risks related to the Transaction are typical to any commercial contract and these include breaches or non-performance of payment or maintenance obligations under the contract. Such risks are mitigated by provisions which enable AirAsia to repossess the Aircraft or seek re-delivery of the Aircraft in an event of default.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The Title Transfer Agreement, the Intermediate Lease Agreement and the Sub-Lease Agreement are available for inspection at the registered office of AirAsia at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

Note: Figures are based on Bank Negara Malaysia US Dollar to Ringgit mid-rate conversion as at 5 p.m., 27th October 2011 of RM3.1095 to US\$1.00

Dated: 28th October 2011