

Subject : PURCHASE OF 200 AIRBUS A320 NEO AIRCRAFT BY AIRASIA BERHAD

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## INTRODUCTION

AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce that it has signed a Purchase Agreement with Airbus S.A.S ("Airbus") to purchase two hundred (200) Airbus A320 NEO aircraft ("A320 NEO Aircraft").

With the purchase of the A320 NEO Aircraft, the aggregate total of AirAsia's aircraft order for the AirAsia Group including the current A320 aircraft will be three hundred and seventy five (375) aircraft orders comprising one hundred and seventy five (175) firm orders of the current A320 aircraft and two hundred (200) firm orders of the A320 NEO Aircraft.

The A320 NEO Aircraft shall be equipped with set of a new engine type developed by CFM International called the LEAP-X1A26 engine ("the LEAP-X Engine"). In respect of the LEAP-X Engine, the Company has also signed a Purchase Agreement together with the Rate per Flight Hour Agreement for engine maintenance services (collectively "the LEAP-X Engine Agreements").

The A320 NEO Aircraft Purchase Agreement and the LEAP-X Engine Agreements were signed in Paris on 23<sup>rd</sup> June 2011.

## DETAILS OF THE A320 NEO AIRCRAFT PURCHASE AGREEMENT

The value of the A320 NEO Aircraft Purchase based on list price is approximately US\$18.2 billion for 200 aircraft.

Under the A320 NEO Aircraft Purchase Agreement, the aircraft delivery schedule is to commence from 2016 through 2026. Subject to mutually agreed variations, the parties have agreed for the delivery schedule for the remaining balance of eighty six (86) firm orders of the current A320 and the A320 NEO Aircraft Purchase to be in accordance with the table below. To date, eighty nine (89) of the one hundred and seventy five (175) firm orders of the current A320 aircraft have been delivered. A balance of eighty six (86) of the current A320 aircraft will be delivered from August 2011 until 2016.

Aircraft Order	Number of Aircraft	Year	A320 Aircraft Type
Aircraft N° 90 - 96	7	2011	Current A320
Aircraft N° 97 – 110	14	2012	Current A320
Aircraft N° 111 – 123	13	2013	Current A320

Aircraft N° 124 – 141	18	2014	<b>Current A320</b>
Aircraft N° 142 – 160	19	2015	<b>Current A320</b>
Aircraft N° 161 - 175	15	2016	<b>Current A320</b>
Aircraft N° 176 – 179	4	2016	<b>A320 NEO Aircraft</b>
Aircraft N° 180 – 193	14	2017	<b>A320 NEO Aircraft</b>
Aircraft N° 194 – 211	18	2018	<b>A320 NEO Aircraft</b>
Aircraft N° 212 – 230	19	2019	<b>A320 NEO Aircraft</b>
Aircraft N° 231 – 250	20	2020	<b>A320 NEO Aircraft</b>
Aircraft N° 251 – 271	21	2021	<b>A320 NEO Aircraft</b>
Aircraft N° 272 – 294	23	2022	<b>A320 NEO Aircraft</b>
Aircraft N° 295 – 318	24	2023	<b>A320 NEO Aircraft</b>
Aircraft N° 319 – 342	24	2024	<b>A320 NEO Aircraft</b>
Aircraft N° 343 – 366	24	2025	<b>A320 NEO Aircraft</b>
Aircraft N° 367 – 375	9	2026	<b>A320 NEO Aircraft</b>

As is common in transactions of this volume and size, Airbus has agreed to commit extensive support functions to AirAsia. These include pre-delivery support, training for pilots, cabin crew, engineers and maintenance personnel.

#### RATIONALE FOR THE A320 NEO AIRCRAFT PURCHASE

The A320 NEO Aircraft is expected to deliver the following improvements:

- approximately 15% reduction in fuel consumption per aircraft per annum
- an additional range of up to 500 nautical miles (approx. 950km) or 2 tonnes more payload
- lower operating costs
- reductions in engine noise and emissions

The purchase has been made in view of the benefits which the A320 NEO Aircraft can offer and the AirAsia Group's long term expansion plan in this region including its future joint ventures such as the Philippines and Vietnam.

In essence, the rationale of ordering 200 more aircraft in addition to the existing current A320 order is to enable the AirAsia Group to remain well positioned in meeting its high organic growth expected in the medium to long term, while achieving reduced operational costs, maintain reliability and offset unpredictable used aircraft market.

Part of the medium to long term growth programme also is to replace some of the existing A320 as it ages throughout the years as it will become costlier to operate when maintenance cost increases and fuel consumption increases as the engine de-rates throughout time.

The A320 NEO Aircraft will act as a natural fuel hedge and help maintain a young and modern fleet portfolio for the AirAsia Group which will be an advantage in high fuel price environment. Thus, lower unit cost can be achieved.

The A320 NEO Aircraft shall be manufactured in accordance with the current A320 specifications with its required airframe structural adaptations as well as the aircraft systems and software adaptations required to operate the LEAP-X engine. Although the A320 NEO Aircraft will incorporate fuel saving designs such as the sharklet wingtip device the A320 NEO Aircraft shall have commonalities of more than ninety five percent (95%) with the Company's existing A320 fleet thus allowing seamless operations of both types of aircraft with minimal operational changes but greater savings on fuel burn.

#### FUNDING FOR THE A320 NEO AIRCRAFT PURCHASE

Similar to the eighty nine (89) aircraft that AirAsia has taken delivery of to date, future deliveries will be funded by a combination of borrowings, Company's internal reserves and cash generated by its operations. The external sources of funding include but not limited to export credit guaranteed borrowings, conventional and Islamic commercial loans and sale and leaseback transactions.

AirAsia will continue to explore financing structures that are cost efficient and will not deteriorate its balance sheet and cash flow. It is also important to note that with the pending initial public offering ("IPO") of Thai AirAsia and Indonesia AirAsia, future aircraft purchases for aircraft to be deployed to these entities will be mostly through financing transactions directly with Thai AirAsia and Indonesia AirAsia after their respective IPOs.

#### FINANCIAL EFFECTS OF THE AIRCRAFT PURCHASE

There are no immediate term financial effects. The A320 NEO Aircraft Purchase is expected to contribute positively for the financial year immediately following the first year of its delivery i.e. in 2016 and to the future earnings of the AirAsia Group.

The A320 NEO Aircraft Purchase is not expected to have an adverse effect on the net tangible assets and the issued and paid-up share capital of AirAsia.

This transaction is a transaction in the ordinary course of business of AirAsia.

#### DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders of the Company and persons connected to them, insofar as the existing directors and major shareholders are able to ascertain and are aware, has any interest, direct or indirect, in the proposed A320 NEO Aircraft Acquisition as mentioned above.

This announcement is dated 23<sup>rd</sup> June 2011.