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AirAsia Realigns Proposed Acquisition Plans in Indonesia

AirAsia and PT Fersindo Nusaperkasa to immediately collaborate with Batavia Air

JAKARTA, 15 October 2012 -AirAsia Berhad ("AAB") announces a strategic realignment to the Conditional Share Sale Agreement ("CSSA") it had entered into on July 26th 2012, together with its partner PT Fersindo Nusaperkasa ("Fersindo") to acquire PT Metro Batavia which operates the Indonesian airline, Batavia Air ("Metro Batavia") and Aero Flyer Institute ("AFI"), an aviation training school (together "Metro Batavia Group").

After extensive study and discussion, the diverse nature of the two businesses has prompted an alteration to the initial agreement. The precise scale of integration, including a re-fleeting exercise as well as streamlining an amalgamation of cultures is expected to take up considerable time and effort, joint resources which can be more efficiently utilised in a targeted manner.

Commenting on the decision, Group CEO Tony Fernandes said, "We always knew it was not going to be an easy transaction. It has been a very good experience and we come out of it feeling more confident of what we need to do to grow the market in Indonesia. Our aggressive focus in Indonesia remains and we will push our Indonesian IPO plans while still maintaining close co-operation with Batavia Air. The company's decision was based on a thorough evaluation by many parties into Batavia Air. In our minds, the timing was perhaps not appropriate as it would have induced too many risks and would ultimately be earnings dilutive to our shareholders."

Fersindo shareholder Muhamad Riza Chalid added, "As an Indonesian company our interest was to find the best solution for all parties, including the Indonesian consumer. The acquisition at this time would not have achieved these objectives. We continue to be fully supportive of AirAsia's growth in Indonesia."

Dharmadi, CEO of AirAsia Indonesia said the airline will accelerate its fleet expansion starting from 2013 onwards. "We are looking to more than triple our fleet size in the next 5 years to accommodate an average annual passenger growth rate of 24% and 28% in international and domestic markets respectively. We will continue to strengthen our network by adding more hubs and developing our services to Eastern Indonesia."

In an effort to stay ahead of the curve, AirAsia Indonesia will also upgrade its sales and distribution system, provide differentiated services while implementing dynamic pricing strategies.



Batavia Air Managing Director, Ibu Alice Tansari commented, "All parties worked very hard to realize this transaction. Ultimately what matters is for both airlines to continue to provide the best service and choices for the Indonesian traveller and our collaboration agreement will help to support that."

The proposed tie-up between the parties has been reorganized as a multilateral, multi-phase collaboration agreement encompassing ground handling, distribution and inventory systems. A separate aviation training joint venture with classroom, fixed-wing and simulation training facilities will be immediately established between Batavia Air and PT. AirAsia Indonesia to address an expected skilled pilot shortage in Indonesia.

The new collaboration agreement is expected to deliver many of the intended benefits of an acquisition and AirAsia, Fersindo and Metro Batavia Group are unanimously aligned to deliver the identified operational alliances, which will mutually grow AirAsia Indonesia and Batavia Air's businesses.

All parties are fully committed to ensuring that the proposed collaboration will be in compliance of all relevant local competitions regulations.

Both airlines will continue to operate as normal and focused, accelerated fleet growth in Indonesia remains a key priority for AirAsia.

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About AirAsia & AirAsia X

AirAsia, the leading and largest low-cost carrier in Asia, services the most extensive network with 150 routes. Within 10 years of operations, AirAsia has carried over 140 million guests and grown its fleet from just two aircraft to approximately 106. The airline today is proud to be a truly ASEAN (Association of Southeast Asian Nations) airline with established operations based in Malaysia, Indonesia, Thailand and Philippines servicing a network stretching across all ASEAN countries, China, India, Sri Lanka and Australia. This is further complemented by AirAsia X, its low-cost long-haul affiliate carrier that currently flies to destinations in China, Australia, Taiwan, Iran, Korea and Japan. AirAsia was named the World's Best Low Cost Airline in the annual World Airline Survey by Skytrax for four consecutive years (2009, 2010, 2011, 2012).

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