

Bursa Announcement

Subject : Leasing of Aircraft to AirAsia (India) Private Limited

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1. Introduction

AirAsia Berhad (“**AirAsia**” or “**the Company**”) is pleased to announce that it has today commenced with a leasing arrangement in relation to an Airbus A320-200 aircraft bearing manufacturers serial number 6034 (the “**Aircraft**”) to be operated by AirAsia (India) Private Limited (“**AirAsia India**”) (the “**Agreement**”).

2. Details of AirAsia India

AirAsia India is a joint venture company incorporated and operating in India providing low cost carrier services, with the Company holding 49% (through the Company’s wholly-owned subsidiary AirAsia Investment Limited), Tata Sons Limited holding 30% and Telestra Tradeplace Pvt. Ltd. holding 21% in its paid-up share capital.

Mr. Amit Bhatia, an Independent Non-Executive Director of the Company, is the son of Mr. Arun Bhatia, who holds an indirect stake in AirAsia India via his 99% owned company Telestra Tradeplace Pvt. Ltd., which owns 21% of AirAsia India.

Mr. Amit Bhatia is referred to as “**Related Party**”.

3. Salient terms of the Agreement

- i) AirAsia India will pay a total consideration of RM 142,888,400 for the term of the Agreement, whereby:
 - a) The consideration is in the form of monthly lease payments payable in advance by AirAsia India for the term of the Agreement;
 - b) The consideration has been derived from averaging the cost of acquisition of aircraft and credit risk of AirAsia India.
- ii) The term of the Agreement shall be for 144 months.
- iii) AirAsia India shall pay a security deposit in the form of cash or a letter of credit, which is customary in aircraft lease agreements of a similar nature.
- iv) AirAsia India shall pay maintenance reserve contributions in relation to the Airframe, Engines, Landing Gear and Auxiliary Power Unit at the same rates as paid by the other joint venture airlines in the AirAsia Group.
- v) The Agreement contains other standard terms found in aircraft lease agreements of a similar nature.

4. Rationale for entering into the Agreement

The Company currently leases aircraft to the other joint venture airlines within the AirAsia Group in its ordinary course of business. In line with AirAsia's growth strategies, the fleet expansion of AirAsia India would help to maximise route opportunities in the South Asia. The growth of AirAsia India would provide the following benefits to the Company and the AirAsia Group:

- i. Extended leverage on AirAsia brand and distribution presence;
- ii. Strengthen the AirAsia Group commercial and operational economies of scale; and
- iii. Ability to feed traffic between South East Asia and AirAsia India domestic network and vice versa.

5. Financial Risks

The financial risks to the Company in relation to the Agreement is not expected to be material as the Company has the right to terminate the lease and repossess the Aircraft in the event AirAsia India fails to make the necessary lease and maintenance reserve payments or fulfil any of its other obligations under the Agreement.

6. Directors' and major shareholders' interests

The Related Party is deemed interested in the Agreement and he has abstained from all Board and management deliberations in respect of the Agreement.

As at 5 September 2014, the Related Party did not have any direct and indirect shareholdings in AirAsia.

Save as disclosed above, no other directors and/or major shareholders of AirAsia and/or persons connected with them have any interest, whether directly or indirectly, in the Agreement.

7. Audit Committee's Opinion

The Audit Committee having considered all the relevant factors in respect of the Agreement is of the opinion that entering into the Agreement is in the best interest of the Company as the Agreement is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders, due to the reasons stated in the rationale and considering the limited level of risk exposure mentioned above.

8. Statement by Board of Directors

Save for the Related Party (who has abstained), the Board having considered all the relevant factors in respect of the Agreement is of the opinion that entering into the Agreement is in the best interest of the Company.

9. Financial effect of the Agreement

This Agreement will not have any material financial impact in the current financial year nor will it have any effect on the share capital and substantial shareholders' shareholdings of AirAsia. It is also not expected to have a material effect on the net assets per share, earnings per share and gearing of AirAsia for this financial year ending 31 December 2014.

10. Approval required

AirAsia does not require the approval of its shareholders or any government authorities to enter into the Agreement.

11. Highest Percentage Ratio

The highest percentage ratio applicable to this Agreement is 2.86%.

12. Total amount transacted for the preceding twelve months

Since the appointment of Mr. Amit Bhatia as a Director of the Company on 9 June 2014 and deemed a Related Party to the transaction between the Company and AirAsia India, there have been no transactions between the Company and the Related Party and/or persons connected with him.

This announcement is dated 5 September 2014.