

## BURSA ANNOUNCEMENT

### AirAsia Japan Joint Venture

Date: 1 July 2014

AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce that the Company has on 1 July 2014 entered into a Shareholders' Agreement ("the Agreement") with Octave Japan Infrastructure Fund I GK ("Octave"), Rakuten, Inc. ("Rakuten"), Noevir Holdings Co. Ltd. ("Noevir") and Alpen Co. Ltd. ("Alpen") (collectively the "Investors").

The Agreement is formalised for the purpose of forging a joint venture cooperation between AirAsia and the Investors to establish a low cost airline in Japan based on the successful AirAsia business model ("the Joint Venture"). The Joint Venture shall be operated through a special purpose vehicle, namely AirAsia Japan Co., Ltd. ("AirAsia Japan").

#### 1) The rationale and prospects of the Joint Venture:

The Low Cost Carrier ("LCC") business model practiced by AirAsia enables the airline to offer affordable fares to passengers. The business model keeps operating costs low by encouraging travelers to make Internet bookings where its lowest fares are offered. Overall operating efficiency further enhances the affordability of the LCC model.

The presence of AirAsia Japan is to serve the highly lucrative travel market in Japan. Air travel is deeply entrenched in the social and business life of the Japanese even under high cost environment. The Investors and AirAsia firmly believe that AirAsia Japan will be a success as the Japanese market possesses the necessary ingredients for growth such as the population's strong propensity to travel, its high per capita income coupled with deep and significant internet penetration.

The AirAsia brand is already accepted in the Japanese market and it has been further enhanced since AirAsia X Berhad's flights have been flying to Japan since early 2011.

Upon commencement of operations AirAsia Japan will serve the Japanese domestic market and the North East Asia countries such as South Korea, Taiwan and China. AirAsia Japan will also be able to connect to the extensive ASEAN market through the existing AirAsia route network operated by the AirAsia group.

AirAsia and the Investors (the "Parties") are optimistic that the LCC market which is currently underserved in Japan will be as well received in Japan as has been in ASEAN.

The rationale for the Joint Venture is therefore to bring low cost airline travel to Japan to make it affordable to the average Japanese national to travel both domestically and regionally. The low cost airline will also help to stimulate greater access to Japan through its affordable fares which in turn will help the economic growth of the country as evidenced in other regions where AirAsia is currently serving.

#### 2) Feasibility Study

AirAsia has conducted a feasibility study prior to entering into the Joint Venture and based on the study AirAsia is confident that the Joint Venture will further strengthen AirAsia's distribution capacity across its existing network.

The Joint Venture will leverage on AirAsia's experience in its previous airline joint venture in Japan and by replicating its low cost business model it will be able to offer truly affordable travel to serve the markets of Japan and North East Asia countries.

AirAsia's study forecasts that the Joint Venture will be operationally feasible and commercially viable, and is expected to contribute positively to AirAsia's financials both directly and indirectly in the future.

#### 3) Salient terms of the Agreement

a) In compliance with Japanese Aviation laws on foreign shareholding AirAsia through its wholly-owned subsidiary AirAsia Investment Ltd ("AAIL") will hold 49% economic ownership and 33% voting ownership, Octave will hold 19%

economic ownership and 28.2% voting ownership, Rakuten will hold 18% economic ownership and 18% voting ownership, Noevir will hold 9% economic ownership and 13.4% voting ownership and Alpen will hold 5% economic ownership and 7.4% voting ownership in AirAsia Japan.

b) Under a Brand License Agreement signed together with the Agreement, AirAsia grants the rights for the use of the AirAsia brand to AirAsia Japan.

c) The initial office of AirAsia Japan will be in Minato-ku, Tokyo. Under the Joint Venture AirAsia will provide technical, operational and commercial support on an arms length basis to AirAsia Japan to ensure commercial, operational, branding and service level uniformity throughout existing AirAsia's operations.

d) The Parties agree to provide a covenant not to compete against AirAsia Japan.

e) AirAsia Japan shall apply for the Air Operators' Certificate ("AOC") from Japan Civil Aviation Bureau ("JCAB") to operate aircraft in its fleet.

The Agreement contains terms which are common to agreements between shareholders such as reserved matters, board composition, deadlock events, termination and so forth.

#### 4) Capital Injection

The Joint Venture will require an initial capitalisation of Japanese Yen 1,000,000,000 of which 49% will be injected by AirAsia. AirAsia Japan will have an authorised capital of Japanese Yen 7,000,000,000 and the Joint Venture will be further capitalised gradually over time as the board of AirAsia Japan may in its discretion decide. AirAsia will raise internal funding for its portion of the equity.

#### 5) Financial Impact

It is forecast that the Joint Venture will not make any material contribution in the short term but will contribute positively in the long-term to the results of AirAsia.

#### 6) Risk Factors

The parties have considered the risk factors relating to the Joint Venture which are as follows:

a) There are a number of active commercial airlines currently operating in Japan where a number are low fare carriers which may give a stiff competition on pricing to AirAsia Japan; and

b) Natural disasters: Geographically Japan is prone to natural disasters in particular earthquakes which may adversely affect air travel.

#### 7) Commencement of Operations

Subject to obtaining the relevant regulatory approvals, the Joint Venture is expected to commence operations in summer 2015 (July – August 2015). The Parties shall undertake various steps to ensure that all operational, engineering, commercial and administrative aspects of the Joint Venture are in place and ready for the launch.

#### 8) Approvals

The Joint Venture is not subject to the approval of the Company's shareholders. It is however subject to the approval of the relevant government authorities in Japan for the AOC.

#### 9) Directors and Major 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 above-mentioned Joint Venture.

#### 10) Brief Information on the Investors

a) Octave was incorporated in Japan on May 2014 with its principal office address at Midtown Tower 22F, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, Japan. Its major business is to acquire, own, manage, hold, sell, and dispose of the shares of AirAsia Japan and make collections from the shares of AirAsia Japan.

b) Rakuten was incorporated in Japan on February 1997 with its principal office address at Shinagawa Seaside Rakuten Tower, 4-12-3 Higashi-shinagawa, Shinagawa-ku, Tokyo. Its major business includes Internet services (ecom, travel), financial services (bank, credit card, securities. etc), telecommunications and professional sports.

c) Noevir was incorporated in Japan on March 2011 with its principal office address at 6-13-1 Minatojima-Nakamachi, Chuo-ku, Kobe, Japan. Its major business includes business management of its entire group in cosmetics, pharmaceuticals and health food.

d) Alpen was incorporated in Japan on July 1972 with its principal office address at Alpen Marunouchi Tower, 2-9-40 Marunouchi, Naka-ku, Nagoya-shi, Aichi, Japan. Its major business includes manufacturing and retail of ski equipment, other sporting goods equipment including golf, tennis, marine sports, baseball, etc. and leisure goods; management of ski resorts, golf courses and fitness clubs.

#### 11) Documents available for inspection

The Agreement and Brand License Agreement are available for inspection at the registered office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, 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.

This announcement is dated 1 July 2014.