

Bursa Announcement

Subject: AIRCRAFT WET LEASE AGREEMENT BETWEEN AIRASIA BERHAD AND PT INDONESIA AIRASIA EXTRA DUE TO OPERATIONAL REQUIREMENTS

Content:

1.0 Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), AirAsia Berhad (“**AAB**” or the “**Company**”) is pleased to announce that due to operational requirements, it has today entered into a Wet Lease Agreement (“**Agreement**”) with PT Indonesia AirAsia Extra (Registration No.: 09.03.1.51.89121) (“**IAAX**”) for the lease of two (2) A330 widebody aircraft (“**Aircraft**”) below:

- (a) PK-XRA (MSN 716) commencing from 16 September 2016 till 15 March 2017 for a contract value of USD 9.8 million; and
- (b) PK-XRC (MSN 654) commencing from 1 October 2016 till 30 November 2016 for a contract value of USD 3.1 million,

which hereinafter shall be referred to as “**Transaction**”.

2.0 Details of IAAX

IAAX was incorporated on 12 March 2013 in Jakarta, Indonesia as a joint venture between AirAsia X Berhad (“**AAX**”) (49%) and PT Kirana Anugerah Perkasa (51%). IAAX is providing low-cost, long-haul air transportation services under the AAX brand with an operational base in Bali, Indonesia.

Both Tan Sri (Dr.) Anthony Francis Fernandes (“**Tan Sri (Dr.) Tony Fernandes**”) and Datuk Kamarudin Bin Meranun (“**Datuk Kamarudin**”) are the Directors and major shareholders of AAX. Tan Sri (Dr.) Tony Fernandes’ shareholding in AAX is 2.11% (Direct) and 31.59% (Indirect) and Datuk Kamarudin’s shareholding in AAX is 8.14% (Direct) and 31.59% (Indirect).

3.0 Salient Terms of the Agreement

- (a) The lease of the Aircraft from IAAX to AAB is in the form contained in the Agreement which shall include the flight crew, all maintenance of the Aircraft, and insurance.
- (b) PK-XRA (MSN 716) shall be leased for a period of six (6) months from 16 September 2016 till 1 March 2017 with a total contract value of USD 9.8 million.
- (c) PK-XRC (MSN 654) shall be leased for a period of two (2) months from 1 October 2016 till 30 November 2016 with a total contract value of USD 3.1 million.
- (d) The Transaction is based on minimum guaranteed block hours. Any additional hours to be utilised above the guaranteed minimum block hours will be charged according to the agreed hourly rate.
- (e) Payment shall be invoiced on a monthly basis, to be paid no later than ten (10) days before the scheduled departure date and late payment is subject to 4.5% interest per annum.
- (f) IAAX may terminate the Agreement due to a breach by providing an immediate notice to AAB and the Agreement may be extended based on mutual agreement between IAAX and AAB.

- (g) The Agreement shall be governed and construed in accordance with the laws of Singapore. All disputes arising out of or in connection with the Agreement shall be finally settled by binding arbitration in Singapore, under the Rules of Arbitration of the International Chamber of Commerce.

4.0 Transaction Rationale

Leasing the Aircraft will confer onto AAB the following benefits:

- (a) The Agreement provides up to additional six (6) crew sets daily to AAB's manpower supply. Additionally, extra capacity from the A330s allows AAB to rationalise its network by reducing flight frequencies, which results in lesser crew requirement.
- (b) Additional capacity from A330s will allow for AAB to overcome slot constraints in some airports. It also enables AAB to better manage its network. For routes with low load factor, AAB could reduce frequency, thus reducing fixed costs required to operate the route. Whereas additional capacity could be added for routes with high load factor to capitalise on the high demand.

5.0 Basis of Consideration

The consideration of the Transaction which amounts to USD 12.9 million was arrived at an arm's length basis after taking into account the previous wet lease arrangement between the Company and AAX, as well as market quoted rates.

6.0 Financial Risks

The financial risks associated with the Agreement are expected to be limited to the contract value.

7.0 Directors' and Major Shareholder Interest

Tan Sri (Dr.) Tony Fernandes and Datuk Kamarudin ("**Related Parties**") are deemed related parties by virtue of the fact that they are the major shareholders and Directors of AAB and are also indirect shareholders of IAAX by virtue of their indirect interest in AAX.

The Related Parties are deemed interested in the Transaction and they have abstained from all Board and management deliberations in respect of the Transaction. The Related Parties' direct and indirect shareholdings in AAB as at 6 September 2016 are as set out in the table below:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri (Dr.) Tony Fernandes	1,600,000	0.06%	516,485,082	18.56
Datuk Kamarudin	2,000,000	0.07%	516,485,082	18.56

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

8.0 Audit Committee's Opinion

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

9.0 Statement by the Board

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

10.0 Financial Effect of the Transaction

The Transaction 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 AAB. It is also not expected to have material effect on the net assets per share, earnings per share and gearing of AAB for the financial year ending 31 December 2016.

11.0 Highest Percentage Ratio

The highest percentage ratio applicable to the Transaction is 1.2% and the highest aggregated percentage ratio for all transactions between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the MMLR of Bursa Securities is 4.5%.

12.0 Approval Required

The Transaction does not breach the 5% percentage ratio prescribed under the MMLR of Bursa Securities. As such, AAB does not require the approval of its shareholders or any authorities to enter into the Transaction.

13.0 Total Amount Transacted For the Preceding Twelve (12) Months

The total amount transacted between AAB and the Related Parties and/or persons connected with them for the preceding twelve (12) months is RM 121.491 million.

14.0 Document Available For Inspection

The Agreement is available for inspection by the members 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 three (3) months from the date of this announcement.

This announcement is dated **6 September 2016**.