

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 had on 23 April 2015 entered into a leasing transaction in relation to an Airbus A320-200 aircraft bearing manufacturers serial number (“MSN”) 4070 (the “Aircraft”) to be operated by AirAsia (India) Private Limited (“AirAsia India”) (the “Lease Agreement”).

The Company had also entered into 2 other leasing transactions with AirAsia India in relation to aircraft bearing MSN 5824 on 11 December 2014, and MSN 3448 on 23 January 2015 respectively (the “Other Agreements”).

The Lease Agreement and the Other Agreements are collectively referred to herein as the “Agreements”.

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.

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

3. Salient terms of the Agreements

The Lease Agreement:

- i. AirAsia India will pay a total consideration of USD 1,920,000 for the term of the Agreement, whereby:
 - (a) the consideration is in the form of monthly lease payments of USD320,000 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 the credit risk of AirAsia India, with comparisons to third party leases of a similar aircraft vintage and term.
- ii. The term of the Agreement shall be for 6 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 Gera and Auxiliary Power Unit at the same rates as paid by the other joint ventures airlines in the AirAsia Group.
- v. The Agreement contains other standard terms found in aircraft lease agreements of a similar nature.

The Other Agreements:

- i. MSN 5824 - AirAsia India will pay a total consideration of USD19,849,500, consisting of monthly lease payments of USD330,825 for the term of the Agreement, which shall be for 60 months.
- ii. MSN 3448 - AirAsia India will pay a total consideration of USD10,032,750, consisting of monthly lease payments of USD278,687.50 for the term of the Agreement, which shall be for 36 months.
- iii. The Other Agreements contain other standard terms found in the Lease Agreement and other aircraft lease agreements of a similar nature.

4. Rationale for entering into the Agreements

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 the route opportunities in 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.

With India entering into its high season for air travel, AirAsia India has requested to urgently lease an additional aircraft to meet its current operational requirements, and as the Aircraft is at present surplus to the Company's requirements for its daily operations, the Company has agreed to a short term lease of the Aircraft to AirAsia India for a duration of 6 months.

5. Financial Risks

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

6. Directors' and major shareholders' interests

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

As at 23 April 2015, 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 Agreements.

7. Audit Committee's Opinion

The Audit Committee having considered all the relevant factors in respect of the Agreements is of the opinion that entering into the Agreements is in the best interest of the Company as the Agreements are 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 Agreements is of the opinion that entering into the Agreements is in the best interest of the Company.

9. Financial effect of the Agreements

The Agreements 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 2015.

10. Approval required

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

11. Highest Percentage Ratio

The highest percentage ratio applicable to the Lease Agreement is 0.3% and the aggregated highest percentage ratio for the Other Agreements is 1.87%.

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 being deemed a Related Party to transactions between the Company and AirAsia India, the total transaction amount between the Company and the Related Party and/or persons connected with him is USD 5,295,175.

This announcement is dated 23 April 2015.