

Bursa Announcement

Subject : Sponsorship of Caterham Moto Racing Team

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1. Introduction

AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into a sponsorship agreement (the “Agreement”) for the sponsorship of Caterham Moto Racing Limited (“Caterham”) for one season of the MotoGP series in 2014, the salient terms thereof are set out in Section 3 below.

2. Details of Caterham Moto Racing Limited

Caterham is a company incorporated under the laws of England and Wales and is primarily engaged in running a motor bike racing team and all activities incidental to that. It is deemed a related party to AirAsia by virtue of the fact that two of Caterham’s shareholders and Directors (i.e. Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun) are also the shareholders (directly and via Tune Air Sdn Bhd) and Directors in AirAsia (“Related Parties”). Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun each indirectly holds a 44% shareholding in Caterham.

3. Salient terms of the Agreement

Under the Agreement, AirAsia will sponsor a team with two (2) riders competing in the Moto2 World Championship (“Moto2”) and one (1) rider competing in the Moto3 World Championship (“Moto3”) for one (1) season of the MotoGP series in 2014 for the sum of €1,500,000.00 (“Sponsorship Fee”) commencing from today and expiring on 30 November 2014.

The terms which are salient to the Agreement are common to agreements of a similar nature including:

- a) AirAsia will be named the Team Partner.
- b) No other airline shall have the sponsorship rights.
- c) AirAsia will have the rights to image of the Moto2 and Moto3 teams.
- d) Payments are to be made in 2 tranches of €750,000 each upon execution of the Agreement and in July 2014.

The Sponsorship Fee was determined based on comparative fees sourced from 2 other teams.

4. **Rationale for entering into the Agreement**

AirAsia has been involved in motorsports sponsorship and more specifically the MotoGP world since 2009 through the support of an Asian talent – Zulfahmi Khairuddin (“Fahmi”).

- **New team, new category, new market**

The sponsorship of Caterham will mark AirAsia’s brand growth and expansion in the world of MotoGP through significant exposure in what will be Caterham’s maiden season in Moto2.

- **Extended brand visibility**

In addition to the sponsorship of Caterham, AirAsia will also benefit from additional exposure in Moto3 through the continued support of Fahmi of whom Caterham manages and will place in a Moto3 team for competition.

- **Sustaining brand recall & visibility**

As a sponsorship strategy, it is ideal for a brand to maintain exposure and grow within an industry for sustained visibility through maximising on-going reach and association through a sport such as MotoGP.

- **Global sport with high viewership**

MotoGP is a global sport that garners significant coverage in Europe that is a market of interest in growth for AirAsia’s brand awareness. As a sport in general, MotoGP receives a high number of TV viewership globally.

- **Extended brand activation, engagement & marketing opportunities**

The sponsorship of a Moto2 team and exposure in Moto3 via Fahmi will in essence provide AirAsia double the exposure time throughout the race calendar. The Company will have the opportunity to significantly increase engagement through entitlements received in both Moto2 and Moto3 categories.

There will also be marketing opportunities for AirAsia to create ‘MotoGP network’ campaigns that cover race destinations which are within the AirAsia network, thus providing a platform to increase awareness of AirAsia’s destinations to a wider audience across the globe.

With the support of Fahmi, AirAsia will continue to be known as a brand that is highly supportive of local Asian talent, making dreams come true from a grassroots level right up to the world stage.

5. **Financial Risks**

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

6. Directors' and major shareholders' interests

The Related Parties are deemed interested in the Agreement and they have abstained from all Board and management deliberations in respect of the Agreement.

The Interested Parties' direct and indirect shareholdings in AirAsia as at 5 March 2014 are as set out in the table below:-

	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	0.06	640,608,382	23.03
Datuk Kamarudin Bin Meranun	2,000,000	0.07	640,608,382	23.03

Note:

** deemed interested by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in Tune Air Sdn Bhd.*

Save as disclosed, 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 and 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 Parties (who have 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 and any Government authorities to enter into the Agreement.

11. Highest percentage ratio

The highest percentage ratio applicable to this transaction is 0.12% and the highest aggregated percentage ratio for all the transactions between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 2.05%.

12. Total amount transacted for the preceding twelve months

The total amount transacted between the Company and the Related Parties and/or persons connected with them for the preceding twelve (12) months was RM17.6 million.

13. Document available for inspection

The Agreement is 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 5 March 2014.