BURSA ANNOUNCEMENT
AirAsia India Joint Venture

Further to the announcement of AirAsia Berhad ("**AirAsia**" or "**the Company**") on 5th April 2013, the Company is pleased to announce that the Company through its wholly-owned subsidiary AirAsia Investment Limited ("**AAIL**") has today executed a Shareholders Agreement and a Share Subscription Agreement with local Indian partners, Tata Sons Limited ("**TSL**") and Telestra Tradeplace Private Limited ("**Telestra**").

The Shareholders and Share Subscription Agreements are formalised for the purpose of forging a joint venture cooperation between AirAsia, TSL and Telestra to establish a low cost airline in India based on the successful AirAsia business model ("**the Joint Venture**").

TSL and Telestra have incorporated a company in India for the Joint Venture under the name of AirAsia (India) Private Limited ("**AirAsia India**"). Currently, AirAsia India has an authorised share capital of INR 500,500,000/- divided into 50,050,000 equity shares of INR 10 each.

The Company is pleased to announce that today it has through AAIL signed:

a) a Share Subscription Agreement to subscribe for 24,500,000 ordinary shares representing forty-nine percent (49%) of the paid-up capital in AirAsia India; and

b) a Shareholders Agreement with TSL (which holds 30%) and Telestra (which holds 21%) to govern the relationship between the parties.

The Company has also today signed a Brand License Agreement with AirAsia India where the Company grants AirAsia India a non-transferable, non-assignable, exclusive license to use the AirAsia brand in India for the period of the Shareholders Agreement in consideration for a fee as agreed between the Company and AirAsia India.

1) <u>The rationale and prospects of the Joint Venture</u>

The rationale for the Joint Venture is to offer affordable but high quality domestic airline service to Indian guests by leveraging the best-in-class low cost carrier ("**LCC**") business model pioneered by AirAsia.

AirAsia India plans to operate from Chennai, Tamil Nadu with an emphasis on providing hitherto underserved domestic Southern India connectivity to Indian travelers. A new Indian low cost carrier that is safe, reliable and of international-standard service in the form of AirAsia India will provide a more diverse choice for Indian customers which in turn is expected to spur overall economic growth.

AirAsia has conducted a feasibility study prior to entering into the Joint Venture and based on the study, it is forecasted that the Joint Venture will be operationally feasible and commercially viable.

2) Salient terms of the Shareholders Agreement

a) In compliance with Indian Aviation laws on foreign shareholding AirAsia will hold a 49% shares in AirAsia India through AAIL while TSL will hold 30% and Telestra will hold 21%.
b) Under the Brand License Agreement, AirAsia grants the rights for the use of the AirAsia brand to AirAsia India.
c) Under the Joint Venture, AirAsia will provide technical, operational and commercial support on an arm's length basis to AirAsia India to ensure commercial, operational, branding and service level uniformity throughout existing AirAsia's operations.
d) Subject to receipt of requisite No-Objection Certificate ("**NOC**") approval from the India Ministry of Civil Aviation, AirAsia India shall apply for the Air Operators Permit ("**AOP**") from the Directorate General of Civil Aviation of India ("**DGCA**") to operate aircraft in its fleet.

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

3) Capital Injection

The Joint Venture will require capitalisation in two tranches of the total authorised capital in AirAsia India with capitalisation by AAIL amounting to a total of USD 14.7 million.

a) First Tranche
As explained above AAIL shall subscribe an initial capitalisation of INR 245 million (approximately USD 4.4 million) in AirAsia India upon signing of the Shareholders Agreement.

b) Second Tranche
AAIL shall subscribe a second capitalisation of approximately USD 10.3 million immediately following granting of the AOP.

Each of the capitalisation by AAIL above represents forty-nine percent (49%) of the paid-up capital in AirAsia India. The issued and paid up share capital of AirAsia India after the First Tranche subscription of shares by AAIL, TSL and Telestra is INR 500,500,000 (approximately USD 9.17 million).

AirAsia will use internal funds for its share of the equity investment.

4) <u>Information on AirAsia India</u>

AirAsia India is a private limited company incorporated by TSL and Telestra in India on 28 March 2013. Prior to the signing of the Shareholders Agreement and Share Subscription Agreement, the issued and paid up share capital of AirAsia India by TSL and Telestra was INR 5 lakhs (approximately USD9,200).

Following the Second Tranche subscription of shares by AAIL, TSL and Telestra, the paid up share capital of AirAsia India shall be increased to USD 30 million.

5) <u>Financial Impact</u>

It is forecasted that the Joint Venture will not make any material contribution in the short term but will contribute substantially in the medium to long-term horizon.

6) <u>Risk Factors</u>

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

a) The domestic low cost carrier landscape in India is competitive which could adversely affect profitability of the Joint Venture.
b) High operating costs: Fuel and airport related charges are higher in India than other regions and this provides a cost challenge to the Joint Venture.
c) Natural disasters: India is prone to floods and droughts which could adversely affect air travel.

7) <u>Commencement of Operations</u>

Subject to obtaining the relevant regulatory approvals, the Joint Venture is expected to commence operations in September 2013. The shareholders 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) <u>Approvals</u>

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

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) Documents available for inspection

The Shareholders Agreement, Share Subscription 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 18th day of April 2013.