

BURSA ANNOUNCEMENT
AirAsia Japan Joint Venture

Date: 21st July 2011

AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that the Company will today be executing a Shareholders Agreement (“the Agreement”) with All Nippon Airways Co., Ltd (“ANA”) of Japan.

The Agreement is formalised for the purpose of forging a joint venture cooperation between AirAsia and ANA to establish a low cost airline in Japan based on the successful AirAsia business model (“the Joint Venture”). The company to be incorporated in Japan for the Joint Venture is named 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. Both ANA 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 Sdn Bhd had been flying to Japan from early this year.

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 existing AirAsia route network operated by the AirAsia group.

AirAsia and ANA 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 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 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 JV 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 will hold a 33% voting shares and 16% non-voting shares in AirAsia Japan through its wholly owned subsidiary AA International Ltd ("AAIL") while ANA will hold the balance 51%.
- b) Under a Brand License Agreement to be signed together with the Agreement, AirAsia grants the rights for the use of the AirAsia brand to AirAsia Japan.
- c) The initial base of AirAsia Japan will be Terminal 2 of Narita International Airport whereas ANA will operate from Terminal 1. 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) Both parties agree to provide a covenant not to compete against AirAsia Japan save for an airline known as Peach Aviation Limited ("Peach") which is an existing low cost carrier subsidiary of ANA. However the parties agree that Peach is subject to a non-competition provision whereby Peach is not permitted to locate its base at the Narita International Airport
- 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 capitalization of Japanese Yen 1 billion of the authorised capital of Japanese Yen 5 billion 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 however will contribute positively in the long-term.

6) Risk Factors

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

- a) ANA has an existing LCC known as Peach which operates from Kansai International Airport. The Agreement however provides for non-competition between Peach and AirAsia Japan whereby Peach is not permitted to locate its base at the Narita International Airport;
- b) There are 20 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
- c) 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 August 2012. 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) 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 ANA

ANA is the eight largest airline in the world by revenue and the largest in Japan by passengers numbers. Founded in 1952, it flies today to 76 domestic and international cities in a fleet of 228 aircraft serving a network of 164 routes. ANA has 33,000 employees and operates more than 1,000 flights a day. In 2009 it carried 44 million passengers and generated revenues of USD\$13.7 billion. ANA has been a core member of Star Alliance since 1999 and more than 20 million members belong to its Frequent Flyer Program (ANA mileage Club).

ANA returned to profit in 2010 with USD\$280 million from the 2009 Net Loss of USD\$689 million after recovering from the global recession and implementing tight cost control and introducing new services and higher capacity.

11. Documents available for inspection

The Agreement and Brand License Agreement are available for inspection at the registered office of the Company at 25-5, Block H, Jalan PJU 1/37, 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 21st July 2011.