

AirAsia Berhad

ANNOUNCEMENT TO BURSA MALAYSIA

Subject : Joint Venture between AirAsia and CAE International Holdings Ltd. on an Aviation Academy

Contents:

1. INTRODUCTION

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that the Company had on 20 June 2011 entered into a joint venture (“JV”) with CAE International Holdings Ltd. (“CAE”) for the purpose of setting up an Aviation Academy providing training services for pilots, cabin crew, engineers, ramp handlers, guest services and aviation management (“Academy”). The JV shall operate through a joint venture company (“JV Company”) under the name of Asian Aviation Centre of Excellence Sdn. Bhd equally owned by AirAsia and CAE.

The JV shall address AirAsia’s training requirements and also pursue and develop business opportunities for the provision of training to 3rd parties primarily in the ASEAN region. The JV aspires to be the largest aviation academy in ASEAN where any individual or company can find training in any aviation-related subject.

2. DETAILS OF THE CONTRACTING PARTIES

2.1 Information on AirAsia

AirAsia was incorporated in Malaysia as a private limited company under the Companies Act, 1965, on 20 December 1993. AirAsia provides low-cost air carrier services and operates primarily in Southeast Asia. The Company focuses on providing high-frequency services on short-haul, point-to-point domestic and international routes.

AirAsia is publicly listed on the Main Market of Bursa Malaysia Securities Berhad.

2.2 Information on CAE International Holdings Ltd.

CAE is a wholly owned subsidiary of CAE Inc., a world leader in providing simulation and modeling technologies and integrated training solutions for the civil aviation industry and defense forces. CAE Inc. has more than 30 civil aviation and military training centres around the globe and trains more than 80,000 crew members yearly.

CAE Inc. was founded in 1947 with its headquarters in Canada and is listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE).

3. RATIONALE FOR ENTERING INTO THE JV

The Company views a JV between AirAsia and CAE as beneficial for the following reasons:

- (a) The JV Company shall satisfy all of AirAsia's training needs. In addition, there is a unique opportunity to address and capture a material share of the expanding aviation training market resulting from the strong regional growth in commercial aviation within the ASEAN market.
- (b) The JV Company shall leverage on AirAsia and CAE's complementary capabilities to successfully operate a commercial aviation academy and capitalize on regional 3rd party training opportunities.
- (c) The JV Company shall provide profit-sharing upside from 3rd party training that will lower AirAsia's effective training cost, driven by higher asset utilization, improved operational efficiencies and lower maintenance spend.

4. SALIENT TERMS OF THE JV

Under the JV, AirAsia shall contribute three Airbus A320 aircraft simulators and the existing AirAsia Academy training premises and facilities. In addition, AirAsia shall train exclusively at the JV Company where it shall obtain preferential training rates and also obtain favourable scheduling privileges and access to training activities as the anchor customer.

CAE shall transfer three of its existing aircraft simulators and assign to the JV Company its existing training service agreements with 3rd parties in the ASEAN region. CAE will also provide support to the JV Company in terms of marketing of the training services at the Academy to potential 3rd party customers, particularly outside Malaysia.

In connection with the JV, AirAsia has executed a Shareholders' Agreement dated 20 June 2011 with CAE governing their relationship as shareholders of the JV Company.

The JV Company shall have a paid-up capital of RM165,560,000.00 of which AirAsia's fifty percent (50%) share, being its capital and investment outlay in the JV shall be satisfied through its assets contribution. Dividends will be paid out based on the equity stakes of the shareholders.

5. EFFECTS OF THE JOINT VENTURE

5.1 On Share Capital and Substantial Shareholders' Shareholding

The JV will not have any effect on the share capital and substantial shareholders' shareholding of AirAsia.

5.2 Financial Effect of the JV

The JV shall not have any material financial impact on AirAsia's earnings in the current financial year but is expected to contribute positively in the long term.

5.3 Commencement of Operations

The JV Company shall commence the pilot training operation on 1 July 2011, while the non-pilot training is targeted to start operating 90 days later.

6. FEASIBILITY STUDY

AirAsia has appointed Messrs Bain & Co., an external consultancy firm, to conduct a feasibility study on the JV and is satisfied that the JV will contribute positively to the profitability of the Company.

7. FINANCIAL RISKS

The financial risks to AirAsia associated with the JV are as follows:

- (a) The JV may not be profitable in the event the JV Company fails to achieve its business projections especially in securing the ASEAN 3rd party training market.
- (b) The cost for pilot and non-pilot training for AirAsia may increase over time as the training rates are subject to a review every 5 years.

8. APPROVALS REQUIRED

The JV does not require the approval of any government authorities in Malaysia nor does it require the approval of the shareholders of AirAsia.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of AirAsia and/or persons connected with them have any direct or indirect interest in the JV and the JV Company.

10. DIRECTORS' OPINION

The Board of Directors of AirAsia, having considered all the relevant factors in respect of the JV is of the opinion that entering into the Shareholders' Agreement is in the best interest of the Company and will be beneficial to the business of the AirAsia Group.

11. DOCUMENT AVAILABLE FOR INSPECTION

The Shareholders' Agreement is available for inspection at the registered office of AirAsia 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 20 June, 2011.