

**AirAsia Berhad**

**ANNOUNCEMENT TO BURSA MALAYSIA**

**Subject: Joint Venture between AirAsia Berhad and Expedia Inc on Online Travel Agency (“OTA”)**

**CONTENTS:**

**1. INTRODUCTION**

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that the Company had on 29 March 2011 entered into a joint venture agreement (“JV Agreement”) with Expedia Inc (“Expedia”) for the purpose of establishing an Online Travel Agency with three main brands namely, AirAsiaGo, GoRooms and Expedia (the “JV”).

The JV shall be operated through a joint venture company (“JV Company”) to be equally owned by AirAsia and Expedia. The number of shares, type and par value of such shares shall be announced upon the incorporation of the JV Company.

**2. DETAILS ON 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 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 Expedia Inc**

Expedia is the largest online travel company in the world with an extensive brand portfolio. Expedia’s headquarters is in Bellevue, WA (USA). Expedia is listed on NASDAQ, mainly in America and Europe; Australia and Japan are their strongest Asian markets.

**3. SALIENT TERMS OF THE JV**

Under the JV, Expedia will contribute the current and future Expedia-branded OTA storefronts in the ASEAN region, Taiwan, South Korea, Macau and Hong Kong plus existing Expedia-branded website storefronts in Japan and India. Expedia will also

provide the JV Company with Expedia's technology platform and make available its global hotel inventory at cost for all JV points of sale.

AirAsia will transfer to the JV Company its AirAsiaGo and GoRooms businesses as consideration for its equity stake in the JV Company. AirAsia will also contribute to the JV and other Expedia OTA storefronts outside the JV exclusive access to its flight inventory, the level and duration of such exclusivity predicated based on the region of sale. The JV Company and Expedia shall earn a commission on pre-booked, flight-related ancillary sales on the OTA storefronts.

The Expedia, AirAsiaGo and GoRooms storefronts will continue to be marketed as separate businesses to customers as they fulfill different customer needs, and allow the JV to capture a broader range of the market than if they are combined.

The JV Company shall have an initial paid-up capital of SGD100,000.00 and AirAsia's initial capital and investment outlay in the JV shall be a cash amount of up to US\$10,000,000 from internal generated funds. Dividends will be paid out based on the equity stakes of the shareholders.

#### **4. RATIONALE AND PROSPECTS FOR THE JOINT VENTURE**

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

- (a) The JV has the opportunity to become the market leading distributor of hotels and flight+hotel packages in Asia.
- (b) Drive AirAsia powered flight+hotel packages through a leading network of AirAsia and Expedia-branded storefronts via a jointly owned entity which receives hotel content from Expedia and flight content from AirAsia.
- (c) Jointly market a stand-alone hotel-only brand, GoRooms to address that market segment in Asia.
- (d) Achieve cost synergies through reduced cost of inventory via superior Expedia sourcing team and agreement, and reduced technology spend by adopting Expedia's in-house solutions.

#### **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 On Earnings Per Share, Net Assets Per Share and Gearing**

The JV is expected to contribute positively to AirAsia's future profitability and hence future earnings per share. It is not expected to have any material impact on AirAsia's net assets per share or its gearing.

## **5.3 Financial effect of the Agreement**

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

## **5.4 Commencement of Operations**

Several online storefronts which are to be transferred to the JV are already in operation today and will continue operating without interruption. The new storefronts will start operating periodically over a period of two years.

## **6. FEASIBILITY STUDY**

AirAsia has appointed 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:

- 1) The investment in the JV may not be profitable in the event that the JV Company fails to achieve its business projections.
- 2) The JV OTA storefronts are unable to make inroads into the market which is already dominated by more established OTAs in the region.

## **8. APPROVALS REQUIRED**

The JV does not require approval from any government authorities in Malaysia; neither does it require the approval of the shareholders of AirAsia.

**9. INTEREST OF DIRECTORS' AND/OR MAJOR SHAREHOLDERS' AND/OR PERSONS CONNECTED WITH THEM**

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 Agreement is of the opinion that entering into the JV Agreement is in the best interest of the Company and the close co-operation will be beneficial to the business of the AirAsia Group.

**11. DOCUMENT AVAILABLE FOR INSPECTION**

The JV 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 days from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 29 March, 2011.