

## AIRASIA BERHAD (“AIRASIA” OR “COMPANY”)

### PROPOSED SHARE BUY-BACK

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#### 1. INTRODUCTION

The Board of Directors of AirAsia (“**Board**”) is pleased to announce that AirAsia is proposing to purchase up to ten percent (10%) of its issued and paid-up share capital at any point in time (“**Proposed Share Buy-Back**”).

Further details of the Proposed Share Buy-Back are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED SHARE BUY-BACK

The Board proposes to seek the shareholders' approval for the authority to purchase the Company's own ordinary share(s) of RM0.10 each (“**AirAsia Share(s)**” or “**Share(s)**”) of up to ten percent (10%) of the issued and paid-up share capital of the Company as at the point of purchase.

The Proposed Share Buy-Back is subject to Section 67A of the Companies Act, 1965 (“**Act**”), the Main Market Listing Requirements (“**Listing Requirements**”) and any prevailing laws, guidelines, rules and regulations issued by the relevant authorities at the time of purchase. The Proposed Share Buy-Back would be effective immediately upon the passing of the ordinary resolution relating to the Proposed Share Buy-Back at an extraordinary general meeting (“**EGM**”) of the Company to be convened and shall be valid until:

- (a) the conclusion of the next annual general meeting (“**AGM**”) of the Company; or
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held,

whichever is earlier, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event in accordance with the provision of the Act, the Listing Requirements and other prevailing laws, guidelines, rules and regulations issued by the relevant authorities.

The funding of the Proposed Share Buy-Back will be from internally generated funds and/or external bank borrowings, and the amount allocated for the Shares purchased by AirAsia pursuant to the Proposed Share Buy-Back (“**Purchased Share(s)**”) will not exceed the aggregate amount of the Company's share premium and retained earnings. All Purchased Shares may be cancelled or retained as treasury shares or a combination of both. Treasury shares may be distributed as share dividends, resold on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and/or subsequently cancelled. The Company is required to make an immediate announcement to Bursa Securities of any purchase/resale or cancellation of the Shares pertaining to the Proposed Share Buy-Back.

**3. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (“CODE”)**

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Code by any of the Company’s substantial shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares are purchased, retained as treasury shares, cancelled or distributed such that the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its substantial shareholders and/or parties acting in concert with them. In this connection, the Board is mindful of the requirements when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

**4. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back, if implemented, will enable AirAsia and its subsidiaries (“**Group**”) to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the market. The Proposed Share Buy-Back is expected to stabilise the market price of AirAsia Shares and to prevent against speculation of AirAsia Shares, when undervalued, to enhance investors’ confidence.

Other things being equal, the Proposed Share Buy-Back, regardless of whether the Purchased Shares are maintained as treasury shares or cancelled, will result in a lower number of AirAsia Shares being used for the purposes of computing the earnings per Share (“**EPS**”). Therefore, the Proposed Share Buy-Back will improve the EPS of AirAsia, which in turn is expected to have a positive impact on the market price of AirAsia.

The Purchased Shares may be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

The Proposed Share Buy-Back is not expected to cause any potential material disadvantage to the Company and its shareholders, and it will be implemented only after due consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company. The Board, in undertaking the Proposed Share Buy-Back, will be mindful of the interests of the Company and its shareholders.

## 5. EFFECTS OF THE PROPOSED SHARE BUY-BACK

### 5.1 Share capital

The proforma effects of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company are as follows:

	<sup>(1)</sup> Minimum Scenario		<sup>(2)</sup> Maximum Scenario	
	No. of AirAsia Shares	Share capital	No. of AirAsia Shares	Share capital
	(000)	(RM'000)	(000)	(RM'000)
Issued and paid-up share capital as at 25 February 2014	2,781,097	278,110	2,781,097	278,110
Assuming full exercise of the Existing Options (as defined in Note 1 below)	-	-	2,554	255
Enlarged issued and paid-up share capital	2,781,097	278,110	2,783,651	278,365
Assuming the Purchased Shares are cancelled <sup>(3)</sup>	(278,110)	(27,811)	(278,365)	27,836
<b>Resultant issued and paid-up share capital</b>	<b>2,502,987</b>	<b>250,299</b>	<b>2,505,286</b>	<b>250,529</b>

#### Notes:

(1) Assuming that none of the options, which have been granted and are exercisable up to 25 February 2014 to subscribe for a maximum of 2.554 million new AirAsia Shares at RM1.08 per AirAsia Share ("**Existing Options**") pursuant to AirAsia's Employees Share Option Scheme, are exercised into new AirAsia Shares.

(2) Assuming that all of the Existing Options are exercised into new AirAsia Shares.

(3) Assuming up to ten percent (10%) of the issued and paid-up share capital is purchased under the Proposed Share Buy-Back and subsequently cancelled.

The proforma effects of the Proposed Share Buy-Back on the resultant issued and paid-up share capital of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares. The above illustration assumes that the Purchased Shares are cancelled. Nevertheless, if the Purchased Shares are retained as treasury shares, resold or distributed to its shareholders, the Proposed Share Buy-Back will have no effect on the existing issued and paid-up share capital of the Company.

## 5.2 Substantial shareholders' shareholdings

The proforma effects of the Proposed Share Buy-Back on the substantial shareholders' shareholdings of AirAsia are as follows:

### Minimum Scenario

	Existing as at 25 February 2014				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of AirAsia Shares	%	No. of AirAsia Shares	%	No. of AirAsia Shares	%	No. of AirAsia Shares	%
	000		000		000		000	
Tune Air Sdn Bhd ("Tune Air")	640,608	23.03	-	-	640,608	25.59	-	-
Tan Sri Dr. Anthony Francis Fernandes	1,600	0.06	<sup>(1)</sup> 640,608	23.03	1,600	0.06	<sup>(1)</sup> 640,608	25.59
Datuk Kamarudin bin Meranun	2,000	0.07	<sup>(1)</sup> 640,608	23.03	2,000	0.08	<sup>(1)</sup> 640,608	25.59
Employees Provident Fund	195,037	7.01	<sup>(2)</sup> 28,867	1.04	195,037	7.79	<sup>(2)</sup> 28,867	1.15
Wellington Management Company, LLP	213,288	7.67	-	-	213,288	8.52	-	-

#### Notes:

Minimum Scenario assumes that none of the Existing Options are exercised into new AirAsia Shares.

(1) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Air.

(2) Shares held under Citigroup Nominees (Tempatan) Sdn Bhd.

## Maximum Scenario

	Existing as at 25 February 2014				Assuming full exercise of the Existing Options and after the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of AirAsia Shares 000	%	No. of AirAsia Shares 000	%	No. of AirAsia Shares 000	%	No. of AirAsia Shares 000	%
Tune Air	640,608	23.03	-	-	640,608	25.57	-	-
Tan Sri Dr. Anthony Francis Fernandes	1,600	0.06	<sup>(1)</sup> 640,608	23.03	1,600	0.06	<sup>(1)</sup> 640,608	25.57
Datuk Kamarudin bin Meranun	2,000	0.07	<sup>(1)</sup> 640,608	23.03	2,000	0.08	<sup>(1)</sup> 640,608	25.57
Employees Provident Fund	195,037	7.01	<sup>(2)</sup> 28,867	1.04	195,037	7.79	<sup>(2)</sup> 28,867	1.15
Wellington Management Company, LLP	213,288	7.67	-	-	213,288	8.51	-	-

### Notes:

Maximum Scenario assumes that all of the Existing Options are exercised into new AirAsia Shares.

(1) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Air.

(2) Shares held under Citigroup Nominees (Tempatan) Sdn Bhd.

## 5.3 Net asset ("NA")

The effect of the Proposed Share Buy-Back on the NA of the Group will depend on the actual number of and prices paid for the Purchased Shares, the effective funding cost to the Group to finance the purchase of such Shares, or any loss in interest income to the Group, and whether the Purchased Shares are cancelled, retained as treasury shares, resold on Bursa Securities or distributed as share dividends to shareholders of the Company.

If all Purchased Shares are cancelled, the NA of the Group would decrease if the purchase price per Purchased Share exceeds the NA per Share at the relevant point in time, and vice versa.

The NA of the Group would decrease if the Purchased Shares are retained as treasury shares, due to the requirement for treasury shares to be carried at cost and be offset against equity.

If the treasury shares are resold on Bursa Securities, the NA of the Group would increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA of the Group would decrease by the cost of the treasury shares.

The Proposed Share Buy-Back, as and when implemented, will reduce the working capital of the Company, the quantum of which will depend on, amongst others, the number and the purchase price(s) of the Purchased Shares.

#### **5.4 Gearing**

The effects of the Proposed Share Buy-Back on the gearing of AirAsia Group will depend on the proportion of borrowing utilised to fund any purchase of the Purchased Shares. At this juncture, AirAsia has not determined whether to use any form of borrowings for purposes of the Proposed Share Buy-Back.

#### **5.5 EPS**

The Proposed Share Buy-Back may increase or reduce the EPS of the Group, depending on the number of and prices paid for the Purchased Shares, the effective funding cost to AirAsia to finance the purchase of such Shares, or any loss in interest income to AirAsia or opportunity cost in relation to other investment opportunities.

Assuming that the Purchased Shares are retained as treasury shares and subsequently resold, the extent of the effects on the earnings of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or the interest savings arising from the exercise.

If the Purchased Shares are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group provided the income forgone and interest expense incurred on the Purchased Shares are less than the EPS before the share purchase.

#### **6. APPROVALS REQUIRED**

The Proposed Share Buy-Back is conditional upon the approval from shareholders of the Company at an EGM to be convened.

The Proposed Share Buy-Back is not conditional or inter-conditional upon any other corporate exercise being or proposed to be undertaken by the Company.

#### **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the Directors, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back or resale of treasury shares, if any.

#### **8. DIRECTORS' STATEMENT**

After having considered all aspects of the Proposed Share Buy-Back (including but not limited to the rationale and financial effects of the Proposed Share Buy-Back), the Board is of the opinion that the Proposed Share Buy-Back is in the best interests of the Company.

This announcement is dated 26 February 2014.