

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

### SALE OF 32.67% EQUITY SHARES IN AIRASIA (INDIA) LIMITED (“AAI”) BY AIRASIA INVESTMENT LIMITED (“AAIL”), A WHOLLY OWNED SUBSIDIARY OF AIRASIA (hereinafter referred to as the “TRANSACTION”)

*For the purpose of this announcement, “USD” refers to United States Dollar and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of 4.0515, which is the rate quoted by Bank Negara Malaysia as at 11:00 a.m. on 29 December 2020, being the latest practicable date of this announcement, has been applied to the figures included in this announcement.*

## 1 INTRODUCTION

The Board of Directors of AirAsia (“**Directors**”), wishes to announce that its wholly owned subsidiary, AAIL, has on 29 December 2020 executed a Share Purchase Agreement (“**SPA**”) with Tata Sons Private Limited (“**TSL**”) to sell AAIL’s equity interest of 32.67% in AAI comprising 490,000,000 ordinary shares of INR 10 each, which is equivalent to 32.67% of the issued and outstanding shares of AAI, to TSL for a total consideration sum (“**Purchase Consideration**”) of USD37,660,000 (or MYR152.58 million).

## 2 DETAILS OF THE TRANSACTION

### 2.1 Background on AAI

AirAsia via AAIL holds 735,000,000 ordinary shares in AAI of INR10 each. AAI is a joint venture (“**JV**”) between AAIL and TSL for the purpose of engaging in the business of running and operating an airline and its allied activity. The JV is a 51:49 percent partnership between TSL and AAIL respectively with a paid up capital of INR15,000,000,000.

### 2.2 Background on TSL

TSL is an Indian owned and controlled company and is the principal investment company and promoter of the Tata Group of companies with investment undertakings in various industry sectors including information systems and communications, engineering, materials, services, energy, consumer products and chemicals.

TSL’s 66% equity share capital is held by philanthropic trusts. The Sir Dorabji Tata Trust holds 27.98% shareholding and Sir Ratan Tata Trust holds 23.56% shareholding in TSL. The directors of TSL are:

1. Mr. N Chandrasekaran, Executive Chairman
2. Ms. Farida Khambata
3. Mr. Venu Srinivasan
4. Mr. Ajay Piramal

5. Dr. Ralf Speth
6. Mr. Bhaskar Bhat
7. Mr. Harish Manwani
8. Mr. Saurabh Agrawal

### 2.3 Other details on the Transaction

As part of the Transaction, there will be a Call Option in respect of AAIL's remaining 16.33% stake in AAI, exercisable by TSL at any time after the Transaction is completed.

In addition, there will also be a Put Option exercisable by AAIL in two tranches, with the first tranche being exercisable from 1 March 2022 until 30 May 2022, and the second tranche being exercisable from 1 October 2022 to 31 December 2022.

The total consideration in respect of the Options granted for AAIL's remaining 16.33% stake shall be USD18,830,000 (equivalent to approximately MYR76.29 million).

### 2.4 Basis of the Transaction

The Disposal Price was arrived at after an arm's length negotiation between AAIL and TSL based on a willing buyer, willing seller basis, taking into account the assets and future prospects of the ongoing business.

### 2.5 Salient Terms of the SPA

<b>Items</b>	<b>Details</b>
<b>Date of Agreement</b>	<ul style="list-style-type: none"> <li>● 29 December 2020</li> </ul>
<b>Sale and Purchase</b>	<ul style="list-style-type: none"> <li>● TSL shall purchase 490,000,000 shares, representing 32.67% of the Share Capital in AAI, from AAIL for a consideration of USD37,660,000.</li> </ul>
<b>Term and Termination</b>	<ul style="list-style-type: none"> <li>● The SPA may be terminated i) by TSL if the Closing does not occur prior to the Long Stop Date of 31 March 2021 ii) if mutually agreed in writing by all Parties.</li> </ul>

## 3 UTILISATION OF PURCHASE CONSIDERATION

The cash received as Purchase Consideration will be utilised as working capital in Q1 2021.

#### **4 RATIONALE AND BENEFITS OF THE TRANSACTION**

Since the start of the COVID-19 pandemic, the aviation industry has been one of the hardest hit industries. Airlines around the world have cancelled flights and grounded planes and AAI is no exception. Due to this, the Directors expect further capital requirements for AAI. As India is a non-core market for AirAsia (being a non-ASEAN country), the Company will continue to regularly re-assess its business strategies and dispose of non-core investments to augment its liquidity.

This Transaction will reduce cash burn of the Company in the short term and allow AirAsia to concentrate on recovery of its key ASEAN markets in Malaysia, Thailand, Indonesia and the Philippines in the long run.

#### **5 FINANCIAL EFFECTS AND RISKS FACTORS OF THE TRANSACTION**

The investment in AAI, an associate company, has been accounted using the equity method under which the original cost of the investment is adjusted for our share of profit or loss in subsequent years. The share of losses over the years have resulted in the carrying value of the investment at the date of transaction to be Nil. The Proposed Disposal will therefore result in a gain on disposal of USD37,660,000 (equivalent to approximately MYR152.58 million) in Q4 2020 at both AAIL and consolidated group level. The net assets and cash balance of AAIL will also increase by the same amount immediately after this cash disposal exercise.

The Directors do not foresee any material risk in relation to the Proposed Disposal.

#### **6 LIABILITIES TO BE ASSUMED**

No additional liabilities are expected to be assumed as a result of this Transaction.

#### **7 APPROVAL REQUIRED**

The value of the Transaction would not breach the 25% percentage ratio as prescribed under Paragraph 10.07 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"). As such, the Company does not require the approval of its shareholders on the Transaction.

#### **8 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and/or major shareholders of AirAsia and/or persons connected with them have any interest, whether directly or indirectly, in the Transaction.

#### **9 STATEMENT BY THE DIRECTORS**

The Directors having considered the rationale for the Transaction and after careful consideration, are of the opinion unanimously that the Transaction is in the best interest of AirAsia and its shareholders.

**10 HIGHEST PERCENTAGE RATIO APPLICABLE TO THE TRANSACTION**

The highest percentage ratio applicable to the Transaction pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia is 5.19%.

**11 COMPLETION OF THE TRANSACTION**

The transaction is expected to be completed by the end of March 2021.

**12 DOCUMENT AVAILABLE FOR INSPECTION**

The SPA is available for inspection at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 29 December 2020.