



KHAZANAH
NASIONAL

Rebuilding A National Icon

The MAS Recovery Plan

29 AUGUST 2014



In loving memory of those still missing and those departed on **MH370** and **MH17**.

Al-Fatihah and our prayers are with you.



MAS is more than just a company;
it is a **critical enabler of national development**
and a **national icon**.

...

However, it must be anchored on **operational excellence, financial sustainability**, and the **prudent use of public funds**.

...

We owe this to MAS' **customers** and **staff**, our **shareholder** and **stakeholders**,
and to the **Rakyat** of Malaysia.

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MESSAGE FROM THE PRIME MINISTER

On 8th August, I called on all parties to work together in support of a comprehensive and holistic restructuring plan for Malaysia Airlines – the first step needed to return our national carrier to profitability.

I believed then – as I do today – that MAS is part of Malaysia's history. It is a symbol of national pride, of our ambitions and our place in the world. In short, it is more than just a company to us.

So as we prepare for our 57th Merdeka Day, I welcome the unveiling of "Rebuilding a National Icon – The MAS Recovery Plan".

Today's announcement marks the next step towards ensuring that our national carrier is part of Malaysia's future. Only wholesale change will deliver a genuinely strong and sustainable Malaysia Airlines. If we seek a different outcome from past experiences, we must have the courage to choose a different method. Piecemeal change will not work.

The complete overhaul of the company set out in this plan will ask much of everyone at Malaysia Airlines. But we will look to all those who work with Malaysia's flag-carrier – and all Malaysians – to play their part in ensuring MAS' future success.

For MAS to survive and thrive, we need a new national compact for our national airline. Everyone has a role to play, and I give you my assurance that the Government is wholehearted in its commitment to supporting that compact.

As we turn our minds to celebrating our independence, I ask that each of you consider how you can support this national effort. More than an airline, MAS is a national icon; much-loved, and steeped in our history. The plan before you today will ensure it has a bright future.

Dato' Sri Mohd Najib bin Tun Abdul Razak
29 August 2014



"MAS is part of Malaysia's history. It is a symbol of national pride, of our ambitions and our place in the world. In short, it is more than just a company to us."

MESSAGE FROM THE **CHAIRMAN OF MAS,**
THE **NOMINATED REPRESENTATIVE OF**
THE **SPECIAL SHAREHOLDER, MINISTER OF**
FINANCE, INCORPORATED

In my role as Chairman of Malaysia Airlines, I have spent much time over recent weeks leading *Turun Padang* meetings across the airline. In total, we have talked to some 2,500 colleagues. And I have, of course, been engaging with many others who interact with our national airline – from trade unions and Parliamentarians to vendors and suppliers.

Two things have stood out from these conversations – uncertainty and determination. That uncertainty is entirely understandable. After many years of persistent difficulties and financial losses at MAS – and, of course, the tragic events of MH370 and MH17 – it has been clear that things could not go on as they were. Indeed, at the airline's Annual General Meeting in June, I indicated that radical change was the only way in which our national carrier could survive and thrive.

To be clear, there are many elements of MAS which, as Chairman, make me truly proud every day – in particular the warmth, pride and humility with which we serve. But those evergreen strengths, on their own, are not enough. Change, of course, brings with it uncertainty. But change we must. There is, put simply, no alternative. And you will see that deep-seated, fundamental change shines out from every page of "Rebuilding a National Icon – The MAS Recovery Plan".

Certainly, there will be changes to every facet of the airline – structural, financial, operational, procedural and cultural – because we must put the airline on an organisational footing on which success will be built. However, those organisational changes alone – though critical to achievement of today's plan – will not unlock a secure and prosperous future for MAS. Successful change always starts with ourselves. As you read the plan unveiled today, I ask every individual within MAS – and working with the airline – to consider how you can support this crucial endeavour. And as you do so, to draw on the proud, dogged determination I see and hear in every conversation I have about MAS, to help set the airline on a path to sustained success.

The Prime Minister has spoken about a new national compact for our national carrier. It is by starting with ourselves – our mindset, our attitudes and our behaviours – that we will ensure everyone involved plays their role and enables us – together – to rebuild our much-loved national icon.



"...there are many elements of MAS which, as Chairman, make me truly proud every day – in particular the warmth, pride and humility with which we serve."

Tan Sri Md. Nor bin Md. Yusof
29 August 2014

MESSAGE FROM THE **MANAGING DIRECTOR, KHAZANAH NASIONAL BERHAD**

MAS is much more than just a company.

Its proud 77-year history is intertwined not just with our collective history as a nation, but also with many a citizen's personal history. I am no exception. Like many, I boarded my first ever flight, on MAS, to Sarawak to join my parents who were stationed there in 1978 at the age of 17. A year later, as a scholarship student, I left for the United Kingdom on my first flight overseas. Of course it was on MAS.

And again and again, over the many years since, as we grew older together, as our careers progressed, as we took our families and children on their first holidays, rushed back to attend weddings and, sometimes, funerals too, MAS was always there – just as MAS has been there for every customer, on so many flights, for the last 77 years. MAS has brought us to the world and the world to us. The heartbreaking twin tragedies of this year have only served to remind us of our deep affection for our national carrier.

Like the great majority of Malaysians, I too strongly believe that MAS needs to be turned around and set on a path to recovery. But we also know that we cannot do so at any cost. For MAS to be sustained, its future must be anchored in operational excellence, financial competitiveness, and ultimately, the prudent and proper use of public funds.

We have put together the MAS Recovery Plan over the last six months with a view to addressing the many structural impediments and constraints that, ultimately, hampered earlier restructurings. Terms like “complete overhaul”, “hard reset”, and “tough but fair” have been repeated in the national discussion and debate and it is no coincidence that these principles are indeed present in these accompanying pages. As you read further you may agree that there are many critical aspects that are significantly different this time.



“...this is an enabling plan by Khazanah, as MAS’ major shareholder and the strategic investment fund of the Government of Malaysia. It provides the necessary enabling framework for change.”

To be clear, this is an enabling plan by Khazanah, as MAS' major shareholder and the strategic investment fund of the Government of Malaysia. It provides the necessary enabling framework for change. To execute this enabling plan, MAS – or more precisely the New MAS – will be tasked with preparing and then executing its own detailed Business and Operational Turnaround Plan in the months and years ahead.

We thank the many people and organisations who have contributed to this endeavour. There will, no doubt, be many challenges ahead. But we sincerely believe that we now have a genuine chance to deliver lasting and sustainable change. We also have no doubt that in spite of our best efforts, the plan can and will be improved as we move it forward over the five-year horizon that will take us to 2020. In that regard, we ask for both your patience and your contributions to help make it better. InshaAllah, God willing, if we persevere and do this together, we have every chance of succeeding in reviving our national icon.

Tan Sri Dato' Azman Hj. Mokhtar
29 August 2014

Preamble

The Government of Malaysia (“the Government”), through the Minister of Finance, Incorporated took over 29.1% of Malaysian Airline System Berhad (“MAS”) on 13 February 2001 from Naluri Berhad. MAS’ ownership was subsequently transferred to Khazanah Nasional Berhad (“Khazanah”) in December 2004 as part of the Government-Linked Companies Transformation (“GLCT”) Programme.

The purchase of MAS by the Government after the Asian Financial Crisis, coincided with the start of a particularly difficult period for the global aviation industry. This period witnessed multiple adverse events such as the September 11 attacks, the SARS pandemic, fuel-price escalation, a sharp increase in industry capacity, the rise of new low-cost carriers (“LCCs”) and new full-service carriers (“FSCs”), and the Global Financial Crisis of 2008.

As a measure of the financial and operational stress at the point of takeover in 2001, the indebtedness of MAS, as measured by its net gearing (net debt over shareholders’ funds), stood at nearly 700%. Today, after several rounds of capital injections and restructurings, the equivalent number is 290%, albeit worsening rapidly.

Given its importance as a national carrier, it is against this backdrop that the Government, and subsequently Khazanah, undertook several major restructurings over the 13 years between 2001 and today. For the record, in spite of the multiple challenges, in seven out of the 13 years MAS actually recorded audited net profits. Nonetheless, the quantity and quality of the profits were modest at best, far outweighed by the quantum of losses in the other years, including a RM750 million loss in the first half of 2014, resulting in cumulative net adjusted losses of RM8.4 billion from 2001 to June 2014 (based on company fillings and current accounting standards).

While the GLCT Programme and the Khazanah revamp programme that started in 2004 have been successful in delivering multiple financial and strategic objectives, MAS remains unresolved. Over the 10-year period since it began, the GLCT Programme saw total shareholder returns of the G20 grow at a compound annual growth rate of 13.4% from a market capitalisation of RM140 billion in May 2004 to RM425 billion in May 2014, closely tracking the FTSE Bursa Malaysia Kuala Lumpur Composite Index (“FBMKLCI”). Khazanah’s net worth adjusted (“NWA”) portfolio has more than trebled from RM33.3 billion in December 2004 to RM106.5 billion in July 2014. This is in spite of MAS’ total shareholder returns declining by 18.9%, and a negative contribution of RM8.5 billion to Khazanah’s NWA portfolio over the same period.

In spite of the various restructuring attempts, each of which had various structural or market-imposed constraints, losses over the last two years continue to be alarming. It is against the context of on-going MAS restructuring work that the Government and Khazanah undertook the development of this recovery plan, which commenced in earnest in February 2014. The terms of reference for the MAS Recovery Plan, as mandated by the Cabinet in February 2014, were to undertake a comprehensive and unconstrained review of all options in order to understand and overcome all previous structural impediments.

The tragic events of MH370 and MH17 in March and July 2014 have, sadly, intensified and accelerated this case for change.

The context, limitations and applicability of the plan

The MAS Recovery Plan is from Khazanah, as the major shareholder of MAS and as the strategic investment fund of the Government of Malaysia, which in turn is the Special Shareholder of MAS.

While the MAS Recovery Plan is comprehensive and holistic in nature, and will employ detailed, and where applicable, independent analysis and benchmarking, it is not, and is not intended to be, a business operating plan or a business restructuring plan. The latter is in the domain of MAS as the operating company.

The MAS Recovery Plan as issued by Khazanah, mainly covers the enabling environment to effect comprehensive change. It principally covers the major levers of a controlling and special shareholder, inter alia, the strategic, regulatory and industry environment; funding; leadership; and performance management. This will both shape and complement the Business and Operational Turnaround Plan that MAS, and the New MAS operating company, will build further at the operational level.

Khazanah conducted the exercise drawing on multiple sources, including previous and updated strategy work conducted by MAS and independent views from industry specialists. It involved consultation with current and former MAS management, MAS staff, the Government, and industry stakeholders. It also included the views of the *Rakyat* from a specially commissioned public sentiment survey.

This plan was approved by the Khazanah Board of Directors at its meeting on 26 August 2014 and by the Malaysian Cabinet at its meeting on 27 August 2014. Subsequently, Khazanah received on 28 August 2014, a letter of commitment from the Government on various aspects of support from the Government, including the required regulatory and legal measures, as well as other relevant areas.

It must be noted, however, that MAS is a separate legal entity and hence, the MAS Board of Directors will have to adopt the MAS Recovery Plan in order for it to be implemented. The funding made available under this plan is conditional upon achieving the milestones laid out in the plan.

Executive Summary

The case for a complete overhaul

In spite of various intense efforts, MAS has been unable to establish itself as a sustainably profitable and financially self-sufficient airline. It has seen RM8.4 billion¹ in cumulative net adjusted losses from 2001 to June 2014.

MAS' core problem is simply that its unit cost has remained persistently higher than unit revenue². Its small cost advantage versus its FSC competitors is dwarfed by a large revenue disadvantage. Furthermore, its revenue per employee is only 51% of Cathay Pacific and 38% of Singapore Airlines³. Its small revenue advantage versus its LCC competitors, is dwarfed by a large cost disadvantage of approximately 40% (Analysis based on Airlineanalyst.com, OAG, company annual reports and OANDA exchange rates).

Many issues have contributed to MAS' historical financial difficulties. These include the fact that MAS fulfils national developmental obligations, such as investing in socially important, but unprofitable, routes to develop tourism for Malaysia. MAS operates with a workforce that is about 30% larger than comparable airlines (Analysis based on OAG, ACAS3, company annual reports and company websites). There are also gaps in leadership across the airline and capability gaps in several core functions. This remains the case even though the airline has some excellent, internationally-recognised talent.

MAS has little margin for error. The airline industry is notoriously difficult. A total of USD390 billion³ in global industry losses have been experienced over the last 30 years (or an average of USD13 billion a year). The Malaysian market is particularly competitive, with between three and six carriers on most major routes and airline capacity growing at 10% a year, outstripping demand growth of 8%⁴.

Despite its challenges, MAS can draw on several distinctive strengths

Despite its challenges and the recent tragic events, MAS at its core has some distinct inherent strengths. It has a long and proud history of a product and brand synonymous with outstanding, warm hospitality. It has an impeccable track record of contributing to national development and is a talent factory for skilled employees, especially its pilots and cabin crew.

¹ Based on company filings and current accounting standards

² Unit cost is defined as passenger costs per available seat-kilometre. Unit revenue is defined as passenger revenue per available seat-kilometre

³ *Profitability and the air transport value chain*, International Air Transport Association ("IATA"), 2013. Economic loss/ profit is the difference between revenue and the opportunity cost of the inputs used. Opportunity costs are the alternative returns foregone (with the weighted average cost of capital used as a proxy)

⁴ Company annual reports, Official Airline Guide ("OAG"), IATA World Air Transport Statistics ("WATS")

With an average active fleet age of 4.2 years, it has one of the youngest fleets in the industry (Analysis based on data from the FlightGlobal ACAS database). This is partly a function of the capital injected by the Government over the last decade. It also has the natural advantage of a home location in a prime tourism market and arguably one of the most economically dynamic regions in the world.

Rebuilding MAS is a vital task for the nation

From its first commercial flight in 1947, MAS has served as a critical enabler to connect Malaysia to the world, while simultaneously integrating the nation. But the MAS story is much more than just its network. It is one of product and service excellence, presenting the face of Malaysia to the world, and bringing the world to Malaysia – an embassy on wings. It is how people from across the globe have been introduced to Malaysian hospitality, and it has helped millions of international tourists and business people take advantage of Malaysia's natural beauty, rich culture, and dynamic economy.

MAS plays a critical role in Malaysia's development, and driving it towards its goal of becoming a high-income nation. Studies have shown that MAS contributes an estimated RM6.9 billion toward Malaysia's annual gross domestic product ("GDP")⁵. The aviation industry has one of the highest economic multipliers of any sector – 12x, versus the typical 1-3x of most other industries⁶. For every person employed by the company, another four jobs are supported elsewhere in the economy⁵.

This unique combination of attributes – MAS as a national icon, economic enabler, domestic bond, and link to the world – makes the success of the national airline an imperative for the Government and the *Rakyat*.

In the absence of any credible private sector interest, and in view of the need for comprehensive, multi-disciplinary collective actions, Khazanah has been entrusted with the role of driving the MAS Recovery Plan, a role to which it brings its significant strengths.

⁵ *Malaysia Airlines contribution to the Malaysian economy*, Oxford Economics, 2014

⁶ Bain & Company study commissioned in 2005

MAS requires a complete overhaul, defined by 12 distinctive features

The Prime Minister, in his statement on 8 August 2014, defined the principles for recovery as : “complete overhaul”, “piecemeal changes will not work”, “painful steps and sacrifices from all parties”, “principle of fairness, transparency, compassion”, and “close ranks and work closely together”. Previous attempts at restructuring were all constrained and ultimately unsustainable.

Piecemeal changes will not enable this restructuring to succeed. Only a complete overhaul can renew the airline. This entails the transformation of MAS’ corporate structure, financial position, operating performance, and human capital management. The approach to the overhaul will be guided by the principles of transparency, fairness, and compassion.

In this regard, there are 12 principal actions to be taken together, which we believe will make this effort unprecedented:

A. Governance and Financial Framework

- 1. Creation of a new legal entity to house New MAS (“NewCo”), delist and relist**
 - a. Delist MAS (“OldCo”) by the end of 2014. This process has already commenced with the delisting announcement on 8 August 2014;
 - b. Migrate the relevant operations, assets and liabilities of OldCo to NewCo by 1 July 2015;
 - c. NewCo will critically involve a significantly corrected cost and operational structure and workforce, properly benchmarked to competitive industry practices and norms;
 - d. NewCo is targeted to return to profitability within three years of delisting, and to relist within 3-5 years, that is, between the end of 2017 and the end of 2019; and
 - e. If certain conditions are met, Khazanah will consider a sell-down or partial sell-down of its stake to appropriate strategic buyers from the private sector.
- 2. Funding of up to RM6 billion on a strict conditional basis, and reduction of net gearing to approximately 120%**
 - a. Total restructuring and investment funding of up to RM6 billion to be disbursed on a staggered basis, subject to fulfilment of strict restructuring conditions; and
 - b. Reduce net gearing (net debt over shareholders’ funds) from the current 290% to a target range of 100-125% through, inter alia, debt to equity swaps.

B. Operating Business Model

- 3. Reset the operating business model through a more regionally-focused network, lower cost structure, and greater focus on revenue yield management**
 - a. MAS (both OldCo and subsequently NewCo), as the operating airline entity, will continue to rationalise the network. The network will be principally regionally-focused, with strong global connectivity through the **oneworld** alliance and other partners;
 - b. The migration to NewCo, with strong funding conditionality imposed, is envisaged to result in a lower cost structure based on work practices benchmarked to competitive industry standards, and further savings from improved supply contracts and labour practices; and
 - c. A renewed focus on revenue yield management.
- 4. Consolidate core operations and the corporate headquarters at KLIA**
 - a. MAS is currently an exception among airlines in having its HQ and operations away from its principal home airport;
 - b. One of the conditions of the MAS Recovery Plan is for MAS to move its HQ and principal operations from Subang to KLIA; and
 - c. This will allow MAS to consolidate its operations, improve working conditions and signify a new beginning under New MAS.
- 5. Strengthen assurance, integrity and safety functions**
 - a. Another condition of the MAS Recovery Plan will be the strengthening of key control and operational systems; and
 - b. These include, inter alia, the creation of a Governance and Ethics Board Committee and the voluntary adoption of the Enhanced IATA Operational Safety Audit (“Enhanced IOSA”).
- 6. Review, and where appropriate, renegotiate supply contracts**
 - a. It is intended that NewCo will honour all properly benchmarked contracts under OldCo; and
 - b. The migration to NewCo will nonetheless give New MAS the opportunity to reset and renegotiate supply and other contracts based on market norms and benchmarks.

C. Leadership and Human Capital

- 7. Strengthen Leadership**
 - a. The transition period between OldCo and NewCo over the next 10 months to 1 July 2015 will see significant changes to leadership that will be executed in an orderly fashion;
 - b. The Board of OldCo will also continue over the same period until further notice; and

- c. The search process involves reviewing both local Malaysian leadership talent, as well as from global aviation industry executives. The final decision on the CEO of NewCo will be made in consultation with the Special Shareholder, the Minister of Finance, Incorporated.

8. Right-size the workforce to an estimated 14,000 employees at NewCo

- a. It is a critical requirement that NewCo starts on the right footing in terms of its staff size and work practices;
- b. It is estimated that NewCo will require a workforce of approximately 14,000;
- c. This is a net reduction of 6,000 (or 30%) from the approximately 20,000 employees currently at OldCo; and
- d. Khazanah is nonetheless committed to ensuring that the process of transfer, migration, and separation is conducted with utmost care, fairness and due process.

9. Strengthen industrial relations and internal alignment

- a. A critical component of the MAS Recovery Plan involves significantly improved industrial relations; and
- b. New measures and practices, including an enhanced Employee Consultative Panel (“ECP”) to better align staff, unions, and management, are critical conditions of the MAS Recovery Plan.

10. Reskilling, job creation, and redeployment

- a. Khazanah will invest in a Corporate Reskilling Centre (“CRC”), to be located in the Subang area, to specifically address the reskilling of appropriate MAS staff who do not migrate to NewCo; and
- b. Khazanah envisages that this will involve a reskilling and redeployment programme and the active creation of new jobs.

D. Regulatory and Enabling Environment

11. Appropriate Government support on key initiatives

- a. Subject to Parliamentary approval, the enactment of appropriate enabling legislation including a standalone Act specific to MAS, with a finite period, to facilitate the restructuring in a comprehensive and timely manner; and
- b. The establishment of an Aviation Commission.

12. Continuous communication and stakeholder engagement

- a. Regular communications and engagement with key external stakeholders; and
- b. Periodic public accountability briefings.

Closing ranks: the restructuring will require a new national compact and collective action

Given the nature of the challenge and scope of the restructuring, MAS cannot do this alone. Success will require the nation to close ranks, and that each stakeholder honours a set of specific responsibilities. Continuing a blame culture of finger-pointing across multiple players or a narrow entitlement culture will be both useless and irresponsible, especially at this time. We envisage the objectives of each partner in this noble collective action to be as follows:

- ▶ **MAS management** to lead the airline to return to profitability by the end of 2017, and to demonstrate sustained profitability and financial self-sufficiency by 2020;
- ▶ **MAS employees and unions** to continue to perform their jobs at the highest levels, while supporting the restructuring;
- ▶ **Khazanah** to develop and drive the overall enabling the MAS Recovery Plan, monitor progress, prepare an enabling environment and provide progressive, contingent funding;
- ▶ **The Government of Malaysia** to accelerate progress on legal and regulatory enablers (including establishing an Aviation Commission);
- ▶ **Suppliers, contractors, and financiers** to deliver services and terms consistent with market norms; and
- ▶ **The Rakyat** to provide appropriate support for the airline during the restructuring.

The success of this plan will depend on thorough individual and collective action, as well as on execution by each and every stakeholder – if any one fails, the whole plan will fail. While this is an outcome that the Government and Khazanah are determined to avoid, it is one that they could ultimately, reluctantly have to accept. It would be irresponsible to commit the *Rakyat* to further supporting MAS if it is not on a clear path to sustainable profitability and self-sufficiency.

The restructuring will be staged across five years with clear milestones

By the end of 2014, Khazanah will have completed the delisting, taking complete ownership of MAS, and MAS will have launched key performance improvement initiatives.

By 1 July 2015, MAS will complete migration to the new legal entity – the New MAS. The new CEO and management team will have taken on the leadership mantle.

By the end of 2017, the New MAS is targeted to return to profitability.

By 2020, Khazanah hopes to have the option of relisting (or selling) MAS for a positive return, and for the New MAS@2020 to be an unequivocal source of pride for Malaysia.

The migration to New MAS and New MAS@2020 begins today

Today, 29 August 2014, two days before the 57th anniversary of Merdeka, we embark on this noble and solemn duty to revive our national icon. We are humbled to be tasked with this most challenging and important endeavour, and we ask all Malaysians and friends of Malaysia, and the Malaysia Airlines family around the world to join us in undertaking this journey to recovery. Thank you for your great support and indeed for your previous, current and future contributions, and indeed constructive criticism. May we be rightly guided by the Almighty in this endeavour. The MAS Recovery Plan has a five year horizon that will take us to 31 December 2019, indeed on the eve of when New MAS@2020 will be rebuilt as a National Icon, Insyallah.

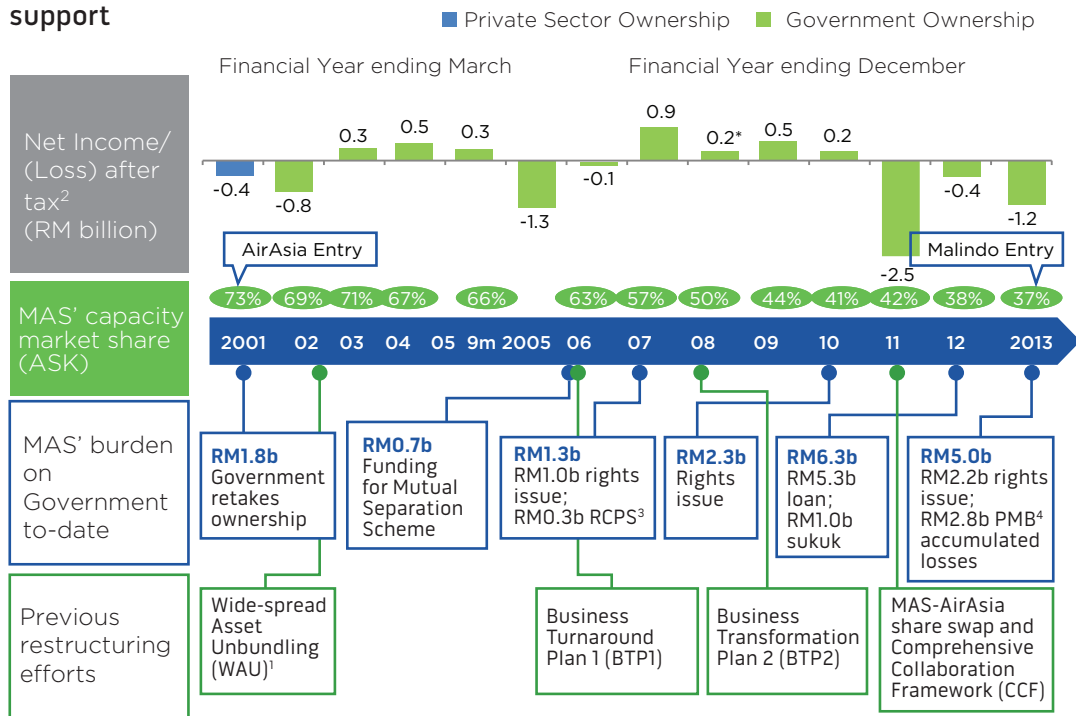
The Context: Challenges and Strengths

In spite of various intense efforts, MAS has been unable to establish itself as a sustainably profitable, financially self-sufficient airline. It has seen RM8.4 billion⁷ in cumulative net adjusted losses from 2001 to June 2014. A total of RM17.4 billion has been funded by the Government during a similar time period.

At its core, today's challenge is that unit operating costs (passenger costs per available seat-kilometre) have remained persistently higher than unit revenue (revenue per available seat-kilometre). The tragic events of MH370 and MH17 have exacerbated these difficulties. On its current course, investment analysts estimate that MAS could lose between RM3.0 and RM4.5 billion between 2014 and 2016, and run out of cash before the end of 2015.

EXHIBIT 1

MAS has, in the last 14 years, faced financial difficulties which required funding support



1 Penerbangan Malaysia Berhad (“PMB”) became MAS’ parent company with 69.4% of MAS shares, in exchange for assuming the airline’s aircraft assets and aircraft related liabilities in 2002. KNB acquired PMB from the Ministry of Finance in 2004

2 Based on published annual reports

3 Redeemable Convertible Preference Shares (“RCPS”)

4 From 2002 until 2013, PMB accumulated RM2.8b in net accounting losses

Source: Analysis using Airlineanayst.com, OAG, company annual reports and OANDA exchange rates

*If adjusted for derivative losses in 2008 due to FRS139, this leads to a loss after tax of RM3.6b

7 Based on company filings and current accounting standards

Every ringgit spent on MAS either takes spending away from other national priorities or affects the country's fiscal position. Based on Khazanah's analysis, the RM17.4 billion that MAS has cost the Government could have funded the operation of 1,700 Trust Schools or linked over 200,000 rural households to running water and electricity.

The Government cannot continue to financially support the airline without a clear path to sustainable profitability and financial self-sufficiency, despite MAS' importance to the broader economy.

MAS' problems result from business model and execution challenges

MAS' financial difficulties are a direct reflection of a business model that has not adapted to an increasingly difficult market environment, for example:

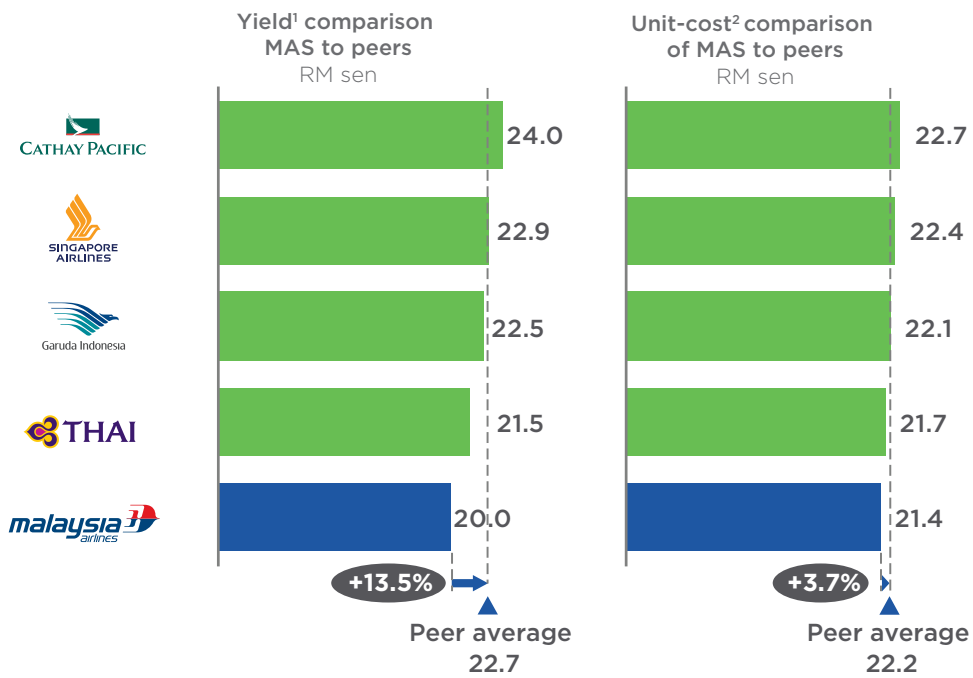
- ▶ Revenue performance trails that of its FSC competitors;
- ▶ The cost gap to LCCs is greater than the revenue premium; and
- ▶ Workforce productivity lags the competition, at only 50% that of its FSC competitors.

This is further illustrated on the following page.

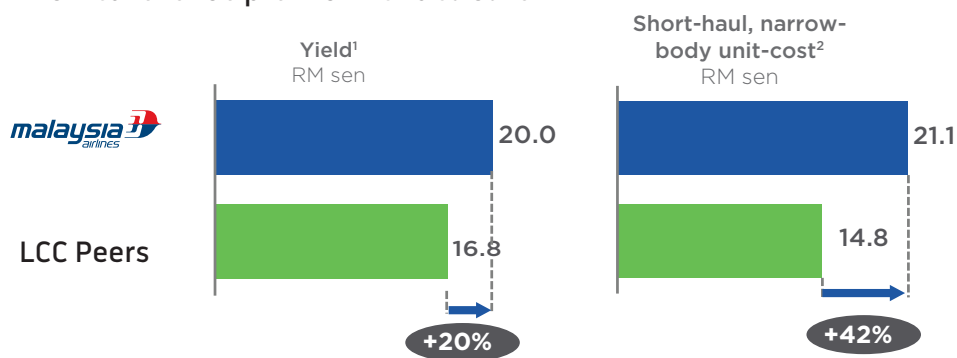
EXHIBIT 2

MAS has a revenue disadvantage to its FSC peers, which eliminates its slight cost advantage

OUTSIDE-IN ESTIMATES



MAS has a significant cost disadvantage to its LCC competition, which its revenue premium fails to cover

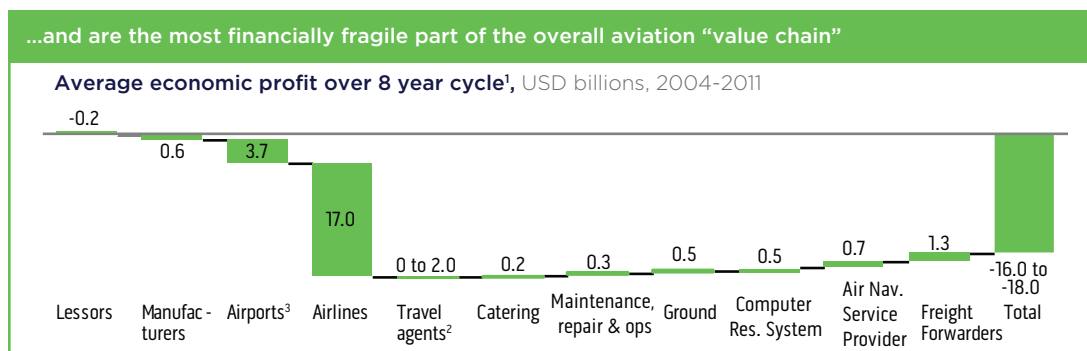
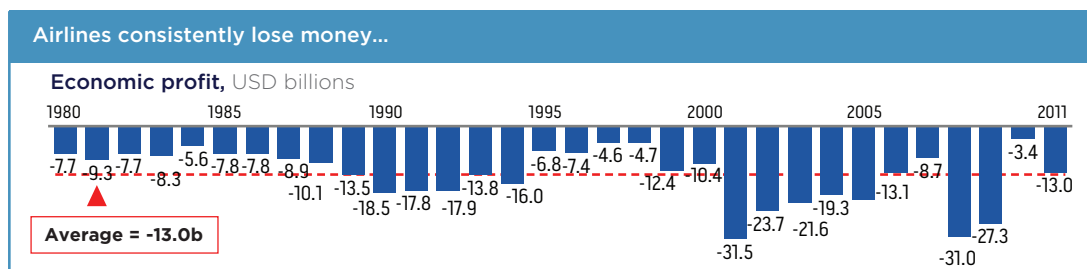


- 1 Yield adjusted for load factor differences or RASK = passenger revenue per available seat-kilometre, assuming cargo business is breakeven only
- 2 CASK = passenger operating cost per available seat-kilometre, assuming cargo business is breakeven only

Source: Analysis using Airlineanalyst.com, OAG, company annual reports and OANDA exchange rates

The airline industry is notoriously difficult and the Malaysian market is particularly competitive

EXHIBIT 3



1 Based on invested capital excluding goodwill, extrapolated to total industry

2 Sample too small to give meaningful estimate

3 Economic profit for airport sector extrapolated based on weighted average of sample excluding AENA. AENA subsequently added back to sector estimate

Source: *Profitability and the air transport value chain*, IATA, 2013

MAS has little margin for error. The overall airline industry is extremely challenging, having experienced a total of USD390 billion in global losses over the last 30 years (an average of USD13 billion a year⁸). This challenge is compounded by a particularly competitive market in Malaysia, with between three and six carriers on most major routes. Airline capacity in the Malaysian market is growing at 10% a year⁹. While this increase has certainly induced more passengers to fly, demand is not growing as fast (8% a year¹⁰). As a result, fares are expected to decline by 8% over the next five years¹¹.

8 *Profitability and the air transport value chain*, IATA, 2013. Economic loss/ profit is the difference between revenue and the opportunity cost of the inputs used. Opportunity costs are the alternative returns foregone (with the weighted average cost of capital used as a proxy)

9 Based on composite analysis using data from Economist Intelligence Unit (EIU), FlightGlobal ACAS database, ICAOdata.com, Malaysia Airports Holdings Berhad (MAHB), OAG

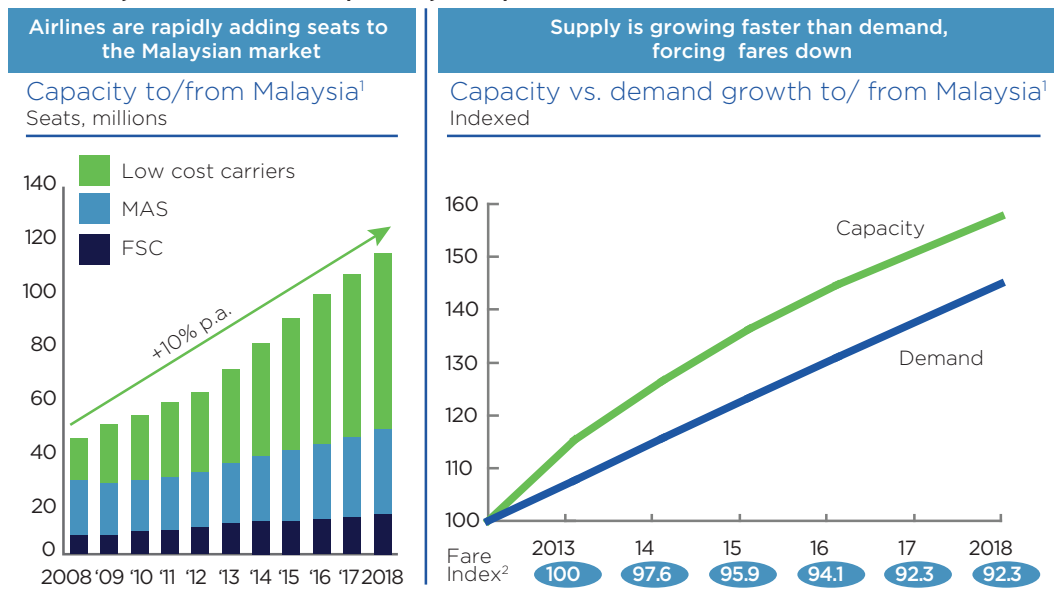
10 Ibid

11 Using yield as a proxy for fares, where yield denotes revenue per passenger-kilometre, where one passenger-kilometre equals one passenger traveling one kilometre

LCCs, Middle East carriers, and other FSCs are looking to continue their aggressive expansion (together buying hundreds of new aircraft). LCCs are also improving their product, effectively encroaching on traditional FSC “turf” – supplementing their new aircraft with flat seats, wi-fi connectivity, and more.

EXHIBIT 4

The Malaysian market is especially competitive



- 1 Capacity growth derived based on current airline orders allocated based off of historical pattern, public announcements, and assumed growth
- 2 Fare index is based off of change in yield

Source: Analysis based on data from EIU, FlightGlobal ACAS database, ICAOdata.com, Malaysia Airports Holdings Berhad, OAG

Despite its challenges, MAS can draw on several distinctive strengths

Despite its challenges, MAS has, at its core, some distinct strengths:

- ▶ World-renowned pilots and cabin crew, distinctively warm service, and a high-quality premium product (including signature cuisine), with industry awards to prove it. Skytrax¹² recognised the airline for having the world’s best cabin crew in seven of 12 years between 2001 and 2012. The World Travel Awards judged MAS to be “Asia’s Leading Airline” and the “World’s Leading Airline to Asia” in 2010 and 2011, and again as “Asia’s Leading Airline” in 2013;

¹² A UK-based consultancy which runs a review and ranking site for airlines and airports

- ▶ A large pool of skilled workers available at competitive wages. On average, Malaysia's salary and wage costs for engineers, service professionals, and accountants are lower than in the home markets of most of MAS' main competitors (e.g., Thailand, Singapore, Hong Kong, Qatar, and UAE)¹³;
- ▶ A relatively modern and efficient fleet, with an average age of 4.2 years (compared with 7.1 for Singapore Airlines and 9.3 for Cathay Pacific)¹⁴;
- ▶ High-quality engineering services, used extensively by the rest of the industry, having provided maintenance services to more than 100 global customers; and
- ▶ The natural endowment of a home base in one of the world's largest tourism markets, and arguably one of the most economically dynamic regions in the world. By 2025, more than half of the world's consuming class will live within a six-hour flight of Malaysia¹⁵. Growth in intra-regional trade – and therefore business travel – is likely to accelerate with the implementation of the ASEAN Economic Community integration plan, which will promote freer movement of skilled labour and capital.

¹³ 2013 Gemini Salary Survey, Government sources, Salaryexplorer.com

¹⁴ Based on data from FlightGlobal ACAS database

¹⁵ Those able to buy goods and services other than those that satisfy their basic needs. Analysis based on data from Comtrade, IHS Economic & Country Risks, World Trade Organisation, Telegeography, World Development Indicators and the World Bank

The Task: A Complete Overhaul

Despite MAS' difficulties, Malaysia wants and needs a national airline

From its first commercial flight in 1947, MAS has helped integrate the nation, while also connecting Malaysia to the world. Within two decades, the airline had grown from a single aircraft into a company with 2,400 employees operating the latest aircraft. By 1972, MAS was flying to more than 34 regional and six international destinations. By the end of the 1990s, the MAS network included 68 international destinations including London, Sydney, Los Angeles, Honolulu and Buenos Aires. Today, MAS flies to 30 Malaysian destinations, and connects Malaysia to some 850 destinations in 150 countries as a member of the **oneworld** alliance. Its MASWings subsidiary provides rural connectivity, flying to 22 destinations in Sabah and Sarawak.

But the MAS story is more than one of growth. It is one of product and service excellence, presenting the face of Malaysia to the world, and bringing the world to Malaysia – an embassy on wings. It is how people from across the globe have been introduced to Malaysian hospitality, and it has helped millions of international tourists and business people take advantage of Malaysia's natural beauty, rich culture, and dynamic economy.

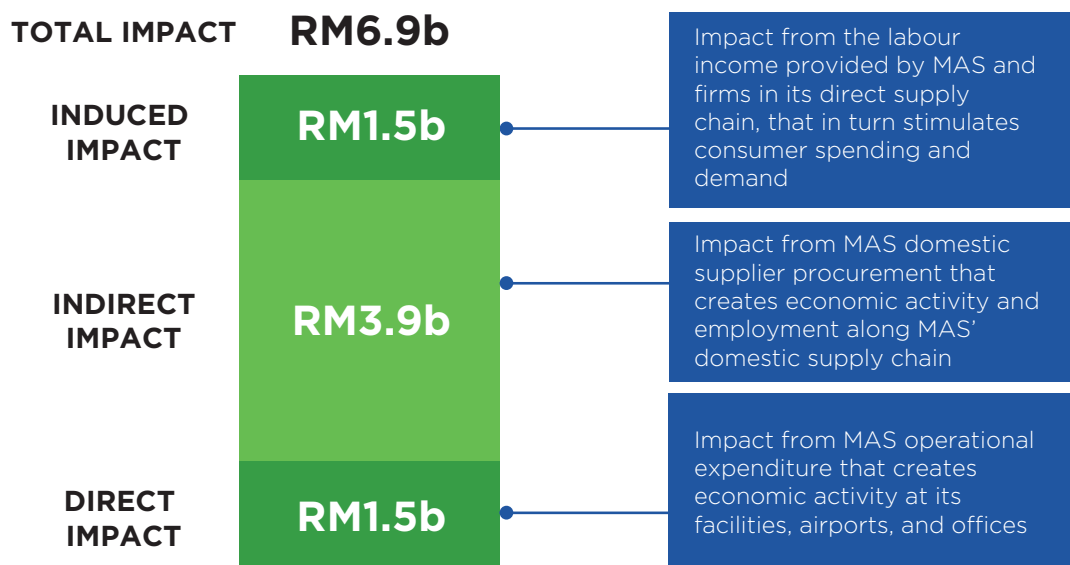
MAS plays a crucial role in Malaysia's development, and in driving it toward its goal of becoming a high-income nation. It contributes an estimated RM6.9 billion to Malaysia's GDP¹⁶. For every person employed by the company, another four jobs are supported elsewhere in the economy¹⁷. The aviation industry has one of the highest economic multipliers of any sector – 12x, versus the typical 1-3x of most other industries¹⁷.

¹⁶ *Malaysia Airlines contribution to the Malaysian economy*, Oxford Economics, 2014

¹⁷ Bain & Company study commissioned in 2005

EXHIBIT 5

MAS plays a major role in the Malaysian economy, contributing RM6.9b in direct, indirect and induced GDP impact (0.7% of total GDP)



Source: *Malaysia Airlines contribution to the Malaysian economy*, Oxford Economics, 2014

The Government is determined to rebuild the airline, and has set clear parameters for this restructuring

MAS' unique combination of attributes – as national icon, economic enabler, domestic bond, and link to the world – makes the success of the national airline an imperative for the Government.

After careful consideration, the Government has also laid down clear parameters for the restructuring effort:

- ▶ MAS will adopt a principally commercial model as the best antidote against inefficiency and the best guarantee for sustainability. The Government will expect MAS to achieve profitability by the end of 2017;
- ▶ MAS will undergo a complete overhaul, involving the creation of a new legal entity, coupled with a complete transformation of MAS' corporate structure, financial position, operating performance, and human capital management.

The MAS Recovery Plan: 12 Distinctive Features

Since 2001, MAS has also seen four, ultimately unsuccessful, restructuring efforts. Though some have provided temporary relief to the business, none were able to achieve the comprehensive changes that MAS required to be consistently profitable and competitive. Previous “piecemeal changes” involved MAS cancelling unprofitable routes and selling non-core assets, but these ultimately failed to resolve the core challenge: an inflated cost structure without the revenue to offset it.

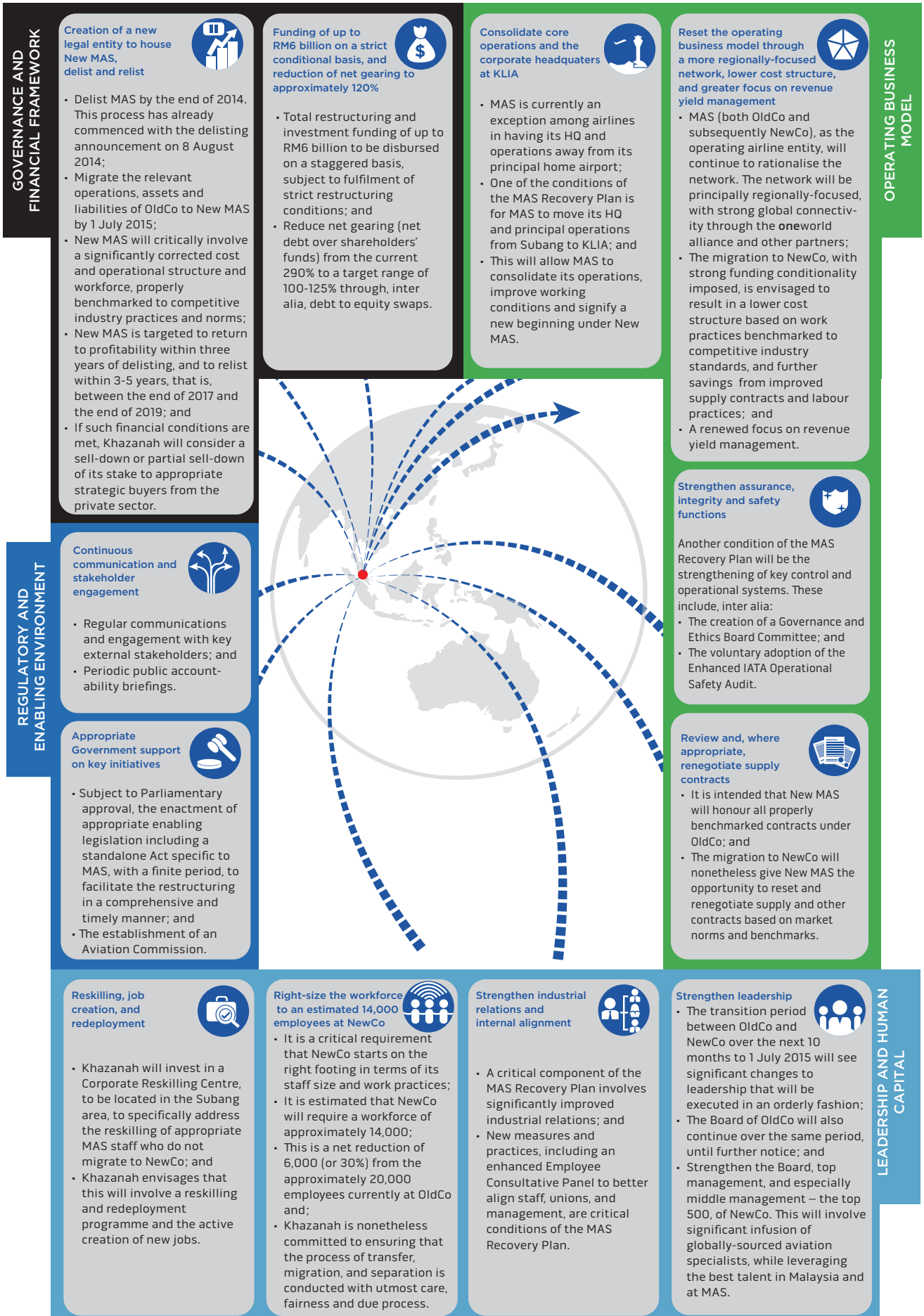
Full ownership by Khazanah will enable the complete overhaul called for by the Government – i.e., transformation of MAS’ corporate structure, financial position, operating performance, and human capital management.

In contrast to private ownership, typically focused only on financial outcomes, the Khazanah approach to rebuilding MAS will be guided by the principles of transparency, fairness, and compassion.

Listed below are the defining features of this complete overhaul. In no previous restructuring attempt were all 12 actions implemented, or even, attempted together.

EXHIBIT 6

12 key elements in four categories



Further detail on the 12 distinguishing features is provided below:

A. Governance and Financial Framework

1. Creation of a new legal entity to house NewCo, delist and relist

Currently, MAS is jointly owned by Khazanah (69.4%) and a fragmented group of minority-interest shareholders (30.6%). Delisting the OldCo with Khazanah taking 100% ownership is a necessary first step for the complete overhaul, for the following reasons:

- ▶ It will protect minority shareholders from execution risk, placing responsibility squarely on the shoulders of MAS, Khazanah, and the Government; and
- ▶ Delisting will allow Khazanah and MAS to make the necessary hard decisions quickly and effectively.

The delisting process is targeted to be completed by the end of 2014. A new legal entity will be created – a “NewCo” into which the relevant operations, assets, and liabilities of OldCo would migrate by 1 July 2015. NewCo will critically involve a significantly corrected cost and operational structure and workforce, properly benchmarked to competitive industry practices and norms. NewCo will also enable the airline to function as a commercial enterprise. Creating NewCo will serve both practical (e.g., reset of work rules) and symbolic (transition from old to new) purposes.

The new business model, outlined in the section below, is designed to achieve profitability by the end of 2017, and potentially relist by 2020. If these conditions are met, Khazanah will consider a sell-down or partial sell-down of its stake to appropriate strategic buyers from the private sector.

2. Funding of up to RM6 billion on a strict conditional basis, and reduction of net gearing to approximately 120%

The Government and Khazanah recognise that MAS will not be able to achieve this complete overhaul without significant funding support. An amount up to RM6 billion will be made available over the next three years.

This funding will be disbursed on a staggered basis, subject to fulfilment of strict restructuring conditions.

As a capital-intensive enterprise, MAS will also need to put in place a capital structure that is easy to manage over time. Where appropriate and necessary, MAS will examine options for financial restructuring and negotiation – including debt-equity swaps and debt term-outs. These efforts will reduce net gearing (net debt over shareholders' funds) from the current 290% to a target range of 100-125%.

B. Operating Business Model

3. Reset the operating business model through a more regionally-focused network, lower cost structure, and greater focus on revenue yield management

MAS has a very constrained “solution space” in order to become a profitable, financially self-sufficient airline with a sustainable competitive advantage. The New MAS business model gives MAS Management a set of firm guidelines that it can use to create a detailed and actionable business plan. Key areas include:

- ▶ **Reset to a competitive cost position.** Bring short-haul costs within 15% of the LCC competition, at parity with Middle-East FSCs, and below those of the regional FSC competition. Cost-competitiveness is the foundation upon which the rest of the business will be built.

Resetting the cost structure is particularly important given the Malaysian market context, especially for short-haul travel. The importance of price-sensitive leisure travellers is growing (they make up the majority of MAS' current customer base). There is increasing emphasis on the short-haul business traveller's preference for efficiency and convenience versus a premium product, and MAS' premium advantages are eroding as LCCs move upmarket (e.g., LCCs moving to the state-of-the-art new terminal at klia2 and bringing new aircraft on line).

MAS can draw on a range of initiatives to help it achieve its target cost structure, including, but not limited to: increasing seat capacity, raising utilisation of short-haul aircraft, redesigning the short-haul product and service model, reducing fuel costs, improving labour productivity, and increasing direct sales.

- ▶ **Focus the network on where MAS can win.** The New MAS will apply principally commercial criteria to its route decisions; only flying profitable routes while securing global connectivity through **oneworld** and other alliances. It will focus and build scale on routes which have a high proportion of customers for whom Malaysia is primarily an origin or destination (versus a transit point), i.e., the ASEAN region; and improve the design and scheduling of its hub to increase operational efficiency and network connectivity. MAS will also re-configure its fleet to better fit MAS' network and markets, which could include moving to smaller aircraft, retiring specific aircraft types, and/ or adding seats to aircraft to reduce unit costs.
- ▶ **A renewed focus on revenue management to increase unit revenue by 10-15%.** MAS has a significant revenue disadvantage to its full-service peers. It can close this revenue performance gap through improved pricing and revenue management capabilities, marketing and sales force excellence, and other initiatives (e.g., a revamped loyalty programme, unbundling ancillary products and services). While they will not improve performance in isolation, these initiatives represent the most immediate cash-generation opportunity and are also critical to the long-term sustainability of the business.

4. Consolidate core operations and the corporate headquarters at KLIA

MAS will streamline its operations, break down siloes, and bring management closer to the front line by consolidating its operations at KLIA. This will entail relocating its corporate headquarters from Subang, and placing them under the same roof as the core airport, aircraft, and flight functions. Firefly would continue to run its turboprop related operations out of Sultan Abdul Aziz Shah Airport in Subang.

5. Strengthen assurance, integrity and safety functions

Another condition of the MAS Recovery Plan will be the strengthening of key control and operational systems. These include, inter alia:

- ▶ The creation of a Governance and Ethics Board Committee; and
- ▶ The voluntary adoption of the Enhanced IOSA.

6. Review and, where appropriate, renegotiate supply contracts

It is intended that NewCo will honour all properly benchmarked contracts under OldCo. The migration to NewCo will nonetheless give it the opportunity to reset and renegotiate supply and other contracts based on market norms and benchmarks.

C. Leadership and Human Capital

7. Strengthen Leadership

The transition period between OldCo and NewCo over the next 10 months, to 1 July 2015, will see significant changes to leadership that will be executed in an orderly fashion. The Board of OldCo will also continue over the same period, until further notice. Khazanah will strengthen the NewCo Board, top management, and especially middle management – the top 500. This will involve significant infusion of globally-sourced aviation specialists, while leveraging the best talent in Malaysia and at MAS. The final decision on the CEO of NewCo will be made in consultation with the Special Shareholder, the Minister of Finance, Incorporated.

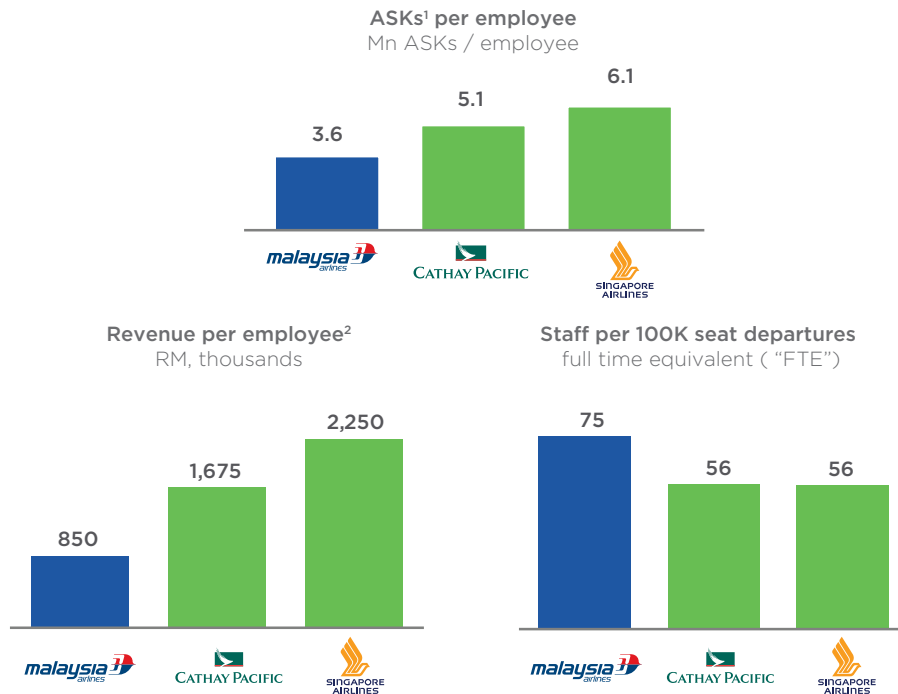
8. Right-size the workforce to an estimated 14,000 employees at NewCo

It is a critical requirement that NewCo starts on the right footing in terms of its staff size and work practices. It is estimated that NewCo will require a workforce of approximately 14,000. This represents a net reduction of 6,000 (or 30%) from the approximately 20,000 employees currently at OldCo (See Exhibit 7 and 8). Khazanah is committed to ensuring that this process of transfer, migration, and separation is conducted with utmost care, fairness, and due process.

Every effort will be made to retain high-performers in key positions, with tailored retention packages developed for these employees.

EXHIBIT 7

MAS lags the industry in terms of workforce productivity



1 Available Seat Kilometre

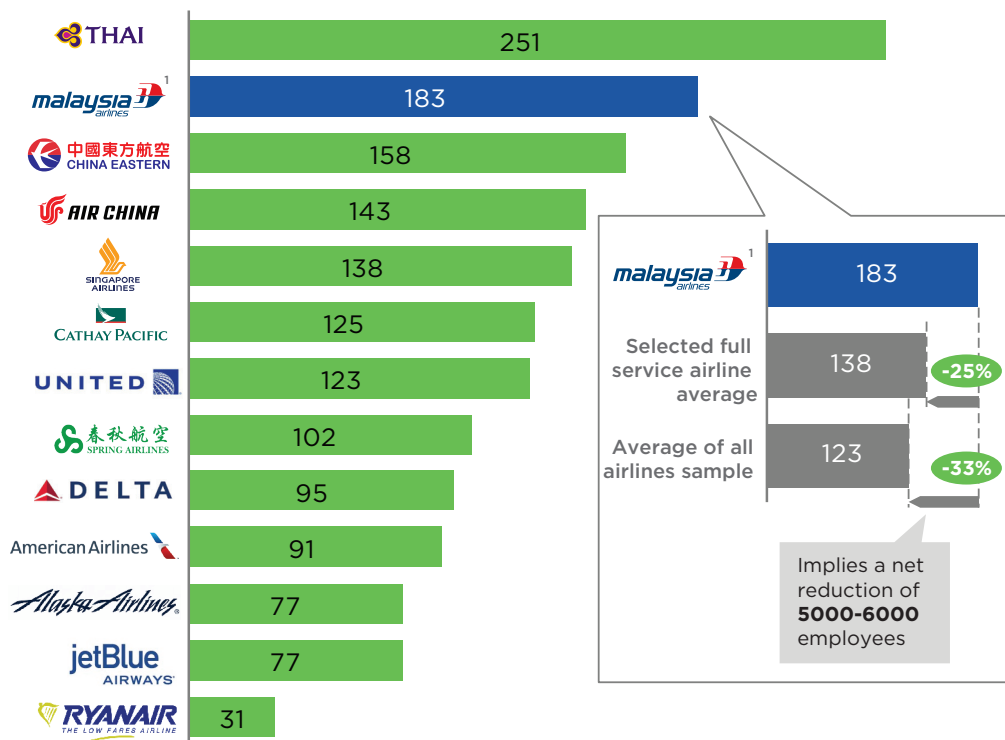
2 In addition to labour productivity, comparison will also be impacted by network shape and size, level of premium traffic, and services in-house vs. outsourced

Source: Company annual reports, OAG, IATA WATS

EXHIBIT 8

High level industry benchmarks from a sample of global airlines suggest that the MAS workforce could be reduced by approximately 30%

Employees per aircraft
Number of FTE



¹ Does not include MAS Kargo, MASWings, Firefly, 2014 numbers

Note : High level benchmark does not account for differences in airline operating model which can drive differences in headcount

Source: OAG, FlightGlobal ACAS database, company annual reports, company websites

9. Strengthen industrial relations and internal alignment

A critical component of the MAS Recovery Plan involves significantly improved industrial relations. MAS will achieve this through increased dialogue and collaboration between management and the unions on critical issues (e.g., the reconfiguration of work rules). The consolidation of operations at KLIA will help foster this closer collaboration.

An Employee Consultative Panel (“ECP”) will work with the MAS Board to address employee-related concerns and align the mind-sets of MAS staff with the new business model and recovery plan. The ECP is designed to enable a genuine exchange of views and ideas between the CEO, management, and staff, allowing all parties to take ownership of the right-sizing process and productivity improvement initiative.

10. Reskilling, job creation, and redeployment

MAS and Khazanah are committed to helping each exiting employee – minimising the negative impact to their livelihoods and quality of life. In addition to appropriate financial compensation, Khazanah is also undertaking an active programme of sourcing positions from its business partners and the creation of new jobs.

Khazanah will invest in a Corporate Reskilling Centre (“CRC”), to be located in the Subang area, to specifically address the reskilling of appropriate MAS staff who do not migrate to NewCo.

D. Regulatory and Enabling Environment

11. Appropriate Government support on key initiatives

The Government is wholeheartedly committed to the restructuring and is prepared to support key areas, including:

- ▶ The enactment of a standalone Act specific to MAS, with a finite period – the “MAS Act” – to facilitate the restructuring in a comprehensive, timely and holistic manner;
- ▶ The establishment of an Aviation Commission with regulatory capabilities to develop the aviation industry, which, in Khazanah’s view, would benefit consumers and industry players. An Aviation Commission, when established, would bring Malaysia in line with international best practices, found in countries such as Australia, Ireland, the UK and the U.S., where their key features include some of the following:

- Promoting the development of the sector through a more regulated structure, where growth of tourism and business is appropriately balanced;
- Protecting consumers through transparent, easily comprehensible reporting of fares, service levels, and passenger rights;
- Arbitrating disputes between industry players; and
- Managing developmental air routes (i.e., those that are not commercially viable) through a competitive bidding process similar to the “Essential Air Services” programme in the U.S. or similar arrangements in China and Indonesia.

12. Continuous communication and stakeholder engagement

Given the scale and scope of the restructuring, it will be critical for MAS to have the right enablers in place – primarily in the form of public support and engagement. As a result, MAS will be proactive in communicating to its stakeholders through means including, but not limited to, public accountability sessions, detailed reports (e.g., releasing an annual report despite delisting), and continuous engagement with the press and public.

Closing Ranks: A National Compact

Success will require commitment to a national compact

The challenge facing MAS is daunting, and the deep, comprehensive nature of the restructuring means that MAS cannot do it alone. Success will require that the nation closes ranks, a commitment to a fair and even-handed approach, and that each stakeholder honours a set of specific responsibilities.

Should this national compact hold, MAS will have a fighting chance. Conversely, if any one fails, the whole plan fails. We envisage the responsibility of each stakeholder to be as follows:

MAS management: Develop and deliver an operational plan that leads to a successful new Malaysia Airlines

- ▶ Develop a detailed operational restructuring plan (approved by Khazanah) and regularly report on progress relative to the plan;
- ▶ Implement a new business model and return to profitability by the end of 2017. Key operational targets will include:
 - Achieving a cost advantage versus Asian FSCs¹⁸, cost parity with Middle East FSCs¹⁹, and short-haul costs within 15% of the LCC competition; and
 - Improving unit revenue by 10-15%, with an advantage over FSCs in comparable markets.
- ▶ Implement a right-sizing exercise that brings the workforce in line with industry standards for successful airlines – approximately 14,000 people, via a professional, transparent, fair and compassionate process;
- ▶ Reset work rules, processes, and employment terms to industry standards, following independent review;
- ▶ Upgrade the top 500 leadership with global aviation specialists while leveraging the best talent in Malaysia and MAS;
- ▶ Renegotiate contracts with suppliers, lessors and creditors to industry benchmarks;
- ▶ Strengthen integrity including the set-up of a Governance and Ethics Board Committee;
- ▶ Improve internal alignment, including through increased dialogue and collaboration with unions, and by setting up an Employee Consultative Panel (“ECP”); and
- ▶ Consolidate core operations and the corporate headquarters at KLIA.

¹⁸ Specifically: Cathay Pacific, Garuda Indonesia, Singapore Airlines, Thai Airways

¹⁹ Specifically: Emirates Airline, Etihad Airways, Qatar Airways

MAS employees and unions: Continue to perform their jobs at the highest levels, while supporting the restructuring

- ▶ Continue to perform their jobs with the highest levels of professionalism and service quality;
- ▶ Collaborate with MAS management on the review and reset of work rules, processes, and employment terms, helping reset them to industry standards;
- ▶ Commit to the new business model and stay the course through the restructuring; and
- ▶ Actively participate in the ECP to ensure that their voice is heard on major decisions.

Khazanah: Develop and drive the overall enabling recovery plan, monitor progress, prepare an enabling environment, and provide progressive, contingent funding

- ▶ Delist MAS, and then relist, sell or enter a strategic partnership once MAS has established sustainable profitability and financial self-sufficiency;
- ▶ Appoint new Board members and a top management leadership bench with an optimal mix of turnaround, functional, and aviation industry experience, following a global search;
- ▶ Actively guide the overall restructuring plan, setting high-level objectives and transaction parameters;
- ▶ Provide contingent funding: Capital injection of up to RM6 billion to support the recovery plan; and
- ▶ Facilitate the appropriate transition for exiting MAS staff through a mix of placement in pre-identified jobs, reskilling and deployment, new job creation, start-up assistance, and retirement.

The Government: Maintain resolve in support of the restructuring

- ▶ Allow MAS to operate on a principally commercial business model;
- ▶ Support the enactment of a standalone Act specific to MAS;
- ▶ Support the establishment of the Aviation Commission to promote a fair and progressive industry playing field;
- ▶ Provide the specific approvals required for the restructuring, including the transfer of operating licenses and the preservation of tax status; and
- ▶ Transfer of MAS' Subang headquarters land from the Federal Land Commissioner to Khazanah or MAS as trustee to be used for a one-stop centre for reskilling, redeployment, start-up assistance, and retirement planning.

Suppliers, contractors, and financiers: Deliver services and terms consistent with market norms

- ▶ Reset contracts, where appropriate, to service levels and terms in line with market norms and industry standards.

The *Rakyat*: Provide appropriate support for the airline during the restructuring

- ▶ Offer sustained support for the complete overhaul; and
- ▶ Continue to fly MAS.

Despite the comprehensiveness of the plan, success is not assured

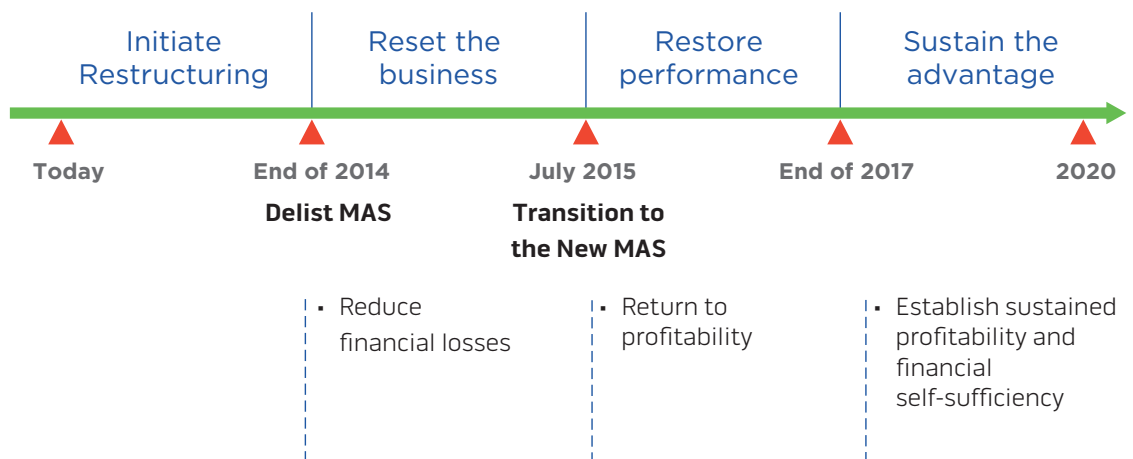
The plan outlined in this document is just that – a plan. Success will depend on thorough individual and collective action, as well as on execution by each and every stakeholder – if any one fails, the whole plan will fail. While this is an outcome that the Government and Khazanah are determined to avoid, it is one that they could ultimately, reluctantly have to accept. It would be irresponsible to commit the *Rakyat* to further supporting MAS if it is not on a clear path to sustainable profitability and self-sufficiency.

The restructuring will be staged across five years, with clear milestones along the way

The overhaul is anticipated to span five years.

EXHIBIT 9

The overhaul will span five years, with clear milestones along the way



Source : Khazanah

By the end of 2014, Khazanah plans to delist MAS. While the OldCo continues to operate the airline, the NewCo will be set up as a new legal entity. A Business and Operational Turnaround Plan will be developed and core restructuring initiatives will be launched (e.g., defining network changes, reconfiguring work rules and processes, and building commercial capabilities).

By 1 July 2015, MAS will formally migrate relevant operations, liabilities and assets to the NewCo and phase out OldCo. The leadership team of the New MAS will then drive core restructuring initiatives.

By the end of 2017, the New MAS is targeted to achieve profitability.

By 2020, MAS should have established a clear competitive advantage, achieved sustainable profitability and financial self-sufficiency, and earned recognition as an industry leader. It should be in position for a relisting, sale, or strategic partnership that generates a positive return for the *Rakyat* (i.e., allows the Government to at least cover the cost of the planned funding support).

Governance during the migration to the New MAS

The governance has been designed to keep the airline operating, while restructuring and migrating to the New MAS.

1. Khazanah will create the enabling environment, and provide contingent funding;
2. The MAS leadership team will continue to run the current business;
3. The Board Restructuring Committee, reporting to the MAS Board, will be responsible for developing the Business and Operational Turnaround Plan, driving restructuring initiatives, setting up the New MAS, and migrating the current MAS to the New MAS; and
4. The leadership of the New MAS will complete the restructuring and running of the airline with a new business model.

The Future: MAS@2020

Today, 29 August 2014, two days before the 57th anniversary of Merdeka, we embark on this noble and solemn duty to revive our national icon. We are humbled to be tasked with this most challenging and important endeavour, and we ask all Malaysians and friends of Malaysia, and the Malaysia Airlines family around the world to join us in undertaking this journey to recovery. Thank you for your great support and indeed for your previous, current and future contributions, and indeed constructive criticism. May we be rightly guided by the Almighty in this endeavour. The MAS Recovery Plan has a five year horizon that will take us to 31 December 2019, indeed on the eve of when New MAS @2020 will be rebuilt as a National Icon, InsyaAllah.

Glossary

AENA	Aeropuertos Españoles y Navegación Aérea	G20:	G20 is a selection of large GLCs controlled by Government-Linked Investment Companies under the GLCT Programme. This list originally comprised 20 GLCs. It currently consists of 17 GLCs due to various mergers, demergers and other corporate exercises over the years
ASEAN	Association of Southeast Asian Nations	GDP:	Gross Domestic Product
BTP1:	Business Turnaround Plan 1, that MAS used to restructure in 2006	GLC:	Government-Linked Company
BTP2:	Business Transformation Plan 2, that MAS used as a follow-on to build off the success of BTP 1 in 2008	GLCT:	Government-Linked Companies Transformation programme
CASK:	Cost per Available Seat-Kilometre is a common airline metric that gives the average unit cost for an airline	HQ:	Headquarters for MAS; currently at Subang
CEO:	Chief Executive Officer	IATA:	International Air Transport Association
ECP:	Employee Consultative Panel	ICAO:	International Civil Aviation Organization
Enhanced	Enhanced IATA Operational	IOSA:	IATA Operational Safety Audit
IOSA:	Safety Audit	Khazanah:	Khazanah Nasional Berhad
EIU:	Economist Intelligence Unit	KLIA:	Kuala Lumpur International Airport
FBMKLCI:	FTSE Bursa Malaysia Kuala Lumpur Composite Index	LCC:	Low-Cost Carrier
Firefly:	A MAS subsidiary that offers full service point to point service primarily from Subang to points in Malaysia, Indonesia, Singapore, and Thailand with turboprop aircraft	MAS:	Malaysian Airline System Berhad
FSC:	Full Service Carriers are airlines that offer expanded amenities and services; these include airlines like Malaysia Airlines, Thai Airways, Singapore Airlines, Garuda Indonesia, British Airways, and Qantas	MH:	Airline code for Malaysia Airlines
		MH17:	Malaysia Airlines flight #17 that was brought down over Ukraine on 17 July 2014 while en route from Amsterdam to Kuala Lumpur
		MH370:	Malaysia Airlines flight #370 that lost contact on 8 March 2014 while en route from Kuala Lumpur to Beijing

NewCo:	New holding company that will assume the MAS business including its assets and liabilities	SARS:	Severe Acute Respiratory Syndrome
NWA:	Net Worth Adjusted	Skytrax:	A UK based consultancy which runs reviews and ranking sites for airlines and airports
OAG:	Official Airline Guide	Sukuk:	Islamic financial instrument similar to a bond
OANDA:	Financial Services provider of currency conversion, online retail foreign exchange trading, online foreign currency transfers, and forex information	UAE:	United Arab Emirates
OldCo:	The existing MAS legal entity	WAU:	Widespread Asset Unbundling exercise undertaken in 2002
oneworld:	Global airline alliance that Malaysia Airlines is a member of along with other international airlines including American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, JAL, LAN, Qantas, Royal Jordanian, S7, and TAM		
PMB:	Penerbangan Malaysia Berhad, a wholly owned subsidiary of Khazanah engaged in the acquisition, sale and lease of aircraft and aircraft engines, and investment holding		
Rakyat:	Citizens of Malaysia		
RASK:	Revenue per Available Seat-Kilometre is a common airline metric that gives the average unit revenue for an airline		
RCPS	Redeemable Convertible Preference Shares		
RM:	Ringgit Malaysia		

Notes

