

MEDIA STATEMENT
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Khazanah to Undertake Strategic Divestment of Its Stake in Pos Malaysia

Background

Khazanah Nasional Berhad (“Khazanah”) is pleased to announce a two-stage strategic divestment process of its controlling 32.2% stake in Pos Malaysia Berhad (“Pos Malaysia”), in line with one of the aspirations of the recently announced New Economic Model (“NEM”). Khazanah has been executing a gradual and orderly divestment of non-core holdings and non-competitive assets since mid-2004, divesting a total of RM18.4 billion over 30 transactions, generating gains of RM8.4 billion.

In selecting Pos Malaysia as a candidate for strategic divestment, due consideration was given that while some parts of Pos Malaysia's activities remains an essential public service, a large part of its activities are now deemed less core in view of the advances in modern communications and media services. Pos Malaysia's unique advantages of location and network also offers strong value creation opportunities in logistics and retail that may be better suited under a different ownership structure provided public and stakeholder interests are properly safeguarded. In this regard, an integral part of the proposed strategic divestment will involve ensuring regulatory framework is strengthened to ensure both public and commercial interests are properly balanced.

It is also important to reiterate that Khazanah's strategic divestment policy of controlling stakes will be restricted to only non-core and non-competitive assets. Hence, core assets and holdings in various strategic industries such as infrastructure, telecommunications, banking, aviation and utilities, among others, will remain under Khazanah's holdings in line with our core mandate to drive GLC Transformation and to create regional champions.

Two-stage process and outline transaction parameters

The proposed strategic divestment will be undertaken through a two-stage process. In the first stage, key aspects of Pos Malaysia's macro business environment will be addressed in order to ensure both public and commercial interests are properly balanced. As indicated by the Government, this is expected to include, *inter alia*, its regulatory structure, use of Government owned land currently allocated for postal infrastructure and the welfare of the company's employees. In the second stage, Khazanah will conduct a bidding process to select a new controlling shareholder based on both financial and strategic considerations.

The full set of financial and strategic evaluation criterion will be outlined in an Information Memorandum in due course. The process will be conducted in a transparent and merit-based manner and the criterion for selection is envisaged to *inter alia* include the proposed business and value creation plan, a fit and proper test of the bidders and the terms, price and condition of its financial offer. A key requirement is that qualifying bids should be majority controlled by

Malaysian parties, with appropriate consideration and due merit to be given to the quality of strategic and technical partners that may include foreign parties.

The first stage will commence with immediate effect, while Stage 2 will proceed officially upon the satisfaction of these key precursors being put in place under Stage 1. Both stages will be done through proper corporate governance and regulatory processes, and in consultation with all relevant stakeholder groups.

The “Time dotCom divestment template” and the next stage of Pos Malaysia’s value creation journey.

This proposed strategic divestment of Pos Malaysia is building upon the template of strategic divestment first executed in the conditional divestment of Time dotCom Berhad (“TdC”) in 2008, a transaction that won The Edge’s “Deal of the Year” for 2008. In this case, Khazanah implemented a strategic divestment by way of a restricted tender process, whereby an entrepreneurial owner-management team has taken control through a combined purchase and “earn-out” structure, the latter of which is subject to the achievement of pre-determined performance targets. While still early, results have been encouraging thus far with TdC posting a net profit of RM33 million in FY2009, the first recorded in nine years.

Since 2005, Khazanah has been working closely with and through the board of Pos Malaysia in its ongoing revamp and business transformation as part of the broader GLC Transformation Program. Over this period, Pos Malaysia has delivered several significant operating and business improvements and is at present executing its Transformation Master Plan that was launched in August 2009. Since, Khazanah’s entry as a shareholder in 2005, Pos Malaysia has delivered a holding period return of capital gains and distribution in excess of 20%.

As part of the ongoing journey of business transformation, Khazanah’s Managing Director, Tan Sri Dato’ Azman Hj. Mokhtar said: *“To realize the economic transformation of Malaysia under the NEM, Khazanah remains committed to the creation of value in its holdings through the GLCT Programme and at the appropriate time, the orderly reduction of its non-core holdings. This proposed strategic divestment of Khazanah’s controlling stake in Pos Malaysia will be executed with that in mind, whereby the mantle of value creation will be passed to new controlling shareholders that will be selected in a transparent and merit-based manner. It will be an exciting development, and Khazanah with the support of the Government will ensure that all required safeguards from a regulatory and staff welfare standpoint will be put in place”.*

Khazanah will announce further details of the proposed strategic divestment in due course, in full consultation with and with due process working with the board of Pos Malaysia and with the respective Government regulatory authorities.

End

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