



## **MEDIA STATEMENT**

**Kuala Lumpur, 2 May 2012**

### **Khazanah Strengthens Support for MAS Turnaround Plan and Collaboration, Reverses Share Swap with Tune Air**

Khazanah Nasional Berhad (“Khazanah”) today announced the reversal of the share swap with Tune Air Sdn. Bhd. (“Tune Air”) while reemphasising its support for greater collaboration between Malaysia Airline System Berhad (“MAS”), AirAsia Berhad (“AirAsia”) and AirAsia X Sdn. Bhd. (“AirAsia X”) as part of a broader turnaround plan for MAS.

Khazanah Managing Director, Tan Sri Dato’ Azman Haji Mokhtar said: “Aviation remains a highly critical sector for national development, especially for an open and growing economy such as ours. A healthy aviation sector is not possible without a strong national airline and it was in this context that collaboration between MAS and AirAsia was undertaken as part of a broader turnaround plan for our national carrier.

“Khazanah remains supportive of the compelling logic of proper collaboration between airlines so long as it complies with anti-competition laws, but we also acknowledge the unintended and unfortunate confusion and distraction of the share swap arrangement that has become an impediment to the more important task of turning around the national carrier. As such, the share swap reversal to reinstate the original shareholding positions is done simultaneously with strengthening proper collaboration areas between the competing airlines. In addition, MAS will be further strengthened with, among others, a fleet renewal programme.”

“Further, in reviewing the previous arrangements, Khazanah has initiated discussions with the Government of Malaysia to request for the mutual establishment of a more clearly defined regulatory, policy and coordination environment for the aviation industry with sufficient safeguards for public and consumer interests. As the major shareholder, Khazanah will continue to play its required role in support of MAS as the national carrier and the national aviation industry.”

“In return for the substantial public funds that has been expended, we will need all parties including the Board, management, staff, unions and other stakeholders of MAS to close ranks, improve productivity and turnaround the airline together. With this reset, we hope and believe that it will give all parties renewed impetus to refocus and move forward together in the interest of MAS and in the interest of the nation.”

In August 2011, a Comprehensive Collaboration Framework (“CCF”) was established to enable MAS, AirAsia and AirAsia X to explore opportunities to co-operate on a broad range of areas so as to leverage on their respective core competencies and optimise efficiencies. As part of the CCF, Khazanah and Tune Air entered into a share swap agreement to align the interests of the primary shareholders of MAS and AirAsia, thereby strengthening the potential for collaboration.

“The cross-holding of shares was well-intended to simply better align the economic interests on the part of the major shareholders, Khazanah and Tune Air. After eight months however, our assessment now is that the cross-holding of shares has become a distraction to management’s



efforts to turnaround MAS and win stakeholders' support for collaboration. We have therefore agreed to unwind the cross-holding of shares and revert to the original structure of major shareholdings of the two companies.

“To be clear, it is also worth noting that contrary to some reports, the CCF did not cause or contribute to the recent losses that were announced by MAS as this was incurred well before the CCF was in place. Neither did the Government at any time cede control of MAS by virtue of its 49% shareholding and the golden share,” added Tan Sri Azman.

The unwinding of the share swap will see Khazanah transfer its 10% or 277,650,600 ordinary shares in AirAsia back to Tune Air, while Tune Air will transfer its 20.5% or 685,142,000 ordinary shares in MAS back to Khazanah. This transaction will be conducted based on the same swap ratio of 2.05 based on the prices at the time the share swap was announced in August 2011, where MAS was valued at RM1.60 per share and AirAsia’s share at RM3.95. No cash will change hands.

Given that Khazanah had met the criteria under paragraph 21.1(d) of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010, Khazanah had applied for and obtained from the Securities Commission an exemption from the obligation to undertake a mandatory general offer for the remaining shares in MAS.

Pursuant to the unwinding of the share swap, the nominee director of Khazanah on AirAsia’s Board of Directors and Tune Air’s nominee directors on MAS’ Board will resign immediately.

“Our focus continues to be one of supporting MAS in its efforts to improve its financial and operational performance. The collaboration remains a key instrument of MAS’ turnaround plan. After this extended period working closely together under the original CCF, the companies believe that the economic rationale for collaboration in their mutual interests is strong enough for them to move ahead without the cross-holding of shares. I am pleased to see that MAS, AirAsia and AirAsia X are now in a position to move forward on the collaboration,” said Tan Sri Azman.

**End**

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#### **About Khazanah Nasional Berhad**

Khazanah is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, banking, airport management, infrastructure, property development, broadcasting, semiconductor, steel production, electronics, investment holding, technology and venture capital. Some of the key listed companies in Khazanah’s investment portfolio include Telekom Malaysia Berhad, Tenaga Nasional Berhad, CIMB Group, PLUS Expressway Berhad, Malaysia Airlines System Berhad, Malaysia Airport Berhad, UEM Land Holdings Berhad, Axiata Group Berhad and Time dotCom Berhad.

For further information on Khazanah, please visit [www.khazanah.com.my](http://www.khazanah.com.my).