



Press Release

MALAYSIAN AIRLINE SYSTEM BERHAD, AIRASIA BERHAD AND AIRASIA X SDN BHD ENTER INTO COMPREHENSIVE COLLABORATION FRAMEWORK TO LEVERAGE ON RESPECTIVE CORE STRENGTHS

Kuala Lumpur, 9 August 2011

Malaysian Airline System Berhad (“MAS”), AirAsia Berhad and AirAsia X Sdn Bhd today entered into a Comprehensive Collaboration Framework (“CCF”) which includes a Collaboration Agreement to explore opportunities to co-operate on a broad range of areas. Under the CCF, all parties will strive to complement each other’s businesses so as to leverage on their respective core competencies and optimise efficiency for the benefit of consumers.

To strengthen the collaboration and to establish a mutuality of interest, MAS and AirAsia are issuing free warrants to each other’s shareholders. Independent advisers will be appointed to advise minority shareholders on the proposed warrants. A MAS shareholder will be granted approximately one warrant in AirAsia for every 30 MAS shares held. An AirAsia shareholder will be granted approximately one MAS warrant for every 10 AirAsia shares held. In addition, Tune Air Sdn Bhd (“Tune Air”) and Khazanah Nasional Berhad (“Khazanah”), the major shareholders of AirAsia and MAS respectively, have agreed to acquire from each other existing shares of both companies. As a result, Tune will hold 20.5% of shares in MAS and Khazanah will hold 10% of shares in AirAsia. Khazanah will continue to be the single largest and major shareholder of MAS, the national flag carrier. In addition, Khazanah proposes to acquire 10% of shares in AirAsia X on terms and at a price to be mutually agreed later.

Broadly, the Collaboration Agreement enables MAS, AirAsia and AirAsia X to respectively focus on business segments in which they are capable of developing the most value. Under the Collaboration Agreement, the parties shall assess and review their network services to enhance their offering of services and customer experience. This will include partial interlining and flights to new destinations currently not served by any of the airlines.

The early phase for collaboration shall focus on immediate synergy opportunities which can be realised without significant effect on any party’s operations. This means the companies will potentially be able to realize savings and increase revenues in the areas of aircraft purchasing, engineering, ground support services, cargo services, catering and training.

The agreement envisages more detailed terms of collaboration following completion of a full anti-trust review by all three companies.

The Collaboration Agreement will come into effect immediately upon its execution, and shall remain in effect for a period of five years from the date of the Collaboration Agreement with an option for a further five-year renewal.

In addition, a Joint Collaboration Committee (“JCC”) has been formed to implement the Collaboration Agreement which will be chaired by MAS board member Datuk Mohamed Azman Yahya with other members including MAS Executive Director Mohammed Rashdan Mohd Yusof, AirAsia Group Chief Executive Officer Tan Sri Tony Fernandes and AirAsia Deputy Group CEO Dato’ Kamarudin Meranun.

MAS Chairman Tan Sri Md Nor Yusof said: “The signing of the Collaboration Agreement heralds an exciting new era of cooperation whereby the airlines involved will stand to gain significantly by tapping the benefits of working together. We believe that the joint collaboration will help MAS focus on our strengths in our core markets and work towards deriving higher loads and more efficient resource utilization. We will also be able to offer services in engineering and other areas to both AirAsia and AirAsia X. Firefly’s resources would be refocused to launch a new regional full service airline operation.”

AirAsia Chief Executive Officer and AirAsia X Director, Tan Sri Tony Fernandes said: “By focusing on core competencies, it will enable both parties to increase product offerings to our respective customers. AirAsia and AirAsia X see growth opportunities in new routes and destinations. Our business model requires us to continue to reduce prices in order to increase volumes for consumers in the low cost travel segment which we can now focus on in a more significant way.”

Khazanah Managing Director Tan Sri Azman Mokhtar said: “This historic collaboration we believe is both synergistic and pragmatic. It will sharpen the focus of core competencies, deliver better product and choice for customers and ultimately create greater value for all stakeholders. Aviation has a very high economic multiplier, estimated at some 12 times according to a study commissioned by Khazanah. In that regard, this will significantly enhance national competitiveness in line with the Government’s Economic Transformation Programme.”

He added: “The transaction has been pragmatically structured in that the business models, brands, Boards, governance structure, and indeed culture remain distinct and separate yet is now complemented by the Comprehensive Collaboration Framework. Malaysia Airlines position as the national carrier is also unquestioned with Khazanah firmly positioned as its 49% and single largest shareholder augmented by the special shareholder position of the Government. Concurrently, Khazanah is also very pleased to be investing in and in collaboration with a home-grown regional champion, AirAsia. All this we believe will also augur well for better connectivity and KLIA’s position as a hub and Khazanah’s adjacent investments in airports, leisure and tourism and Iskandar Malaysia.”

Tune Air co-founder and major shareholder Dato’ Kamarudin Meranun said: “We are delighted with Khazanah’s entry as a major shareholder in AirAsia. Tune Air is also excited to become a significant shareholder in MAS. We see great value creation opportunities in the three

companies for the benefit of all shareholders. This also augurs well with the Tune Group's pursuit of providing comprehensive lifestyle products and experience, both affordable and premium, through our existing investments in sports and entertainment."

An advisory panel, chaired by Tun Abdullah Hj Ahmad Badawi, has also been set up to ensure that all parties involved in the CCF, operate in the interests of the public and reflects the aspirations of all consumers.

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