



Media Release

Malaysia Airlines' Funding Plan Proposals

Tuesday, 22 May 2012, Subang – Our funding plan consists of three main pillars.

The first pillar is to address our working capital requirements. To do so, Malaysia Airlines' ('MAS') proposes to launch a Sukuk programme of up to RM2.5 billion to shore up its capital base, and the proposed programme is currently pending regulatory approvals. The proposed Sukuk instrument is a hybrid equity capital structure whereby the bulk of the issue size, if not all, would be recognized as equity capital in MAS' balance sheet.

The proposed Sukuk would have an effective tenure of 10 years, as MAS would have a call option to redeem the Sukuk in full from year 10 onwards. For the first ten years, the profit rate payable on the Sukuk is based on the prevailing market rate at the time of issuance, and after the tenth year, the profit rate payable on the Sukuk would rise by a pre-determined rate.

We anticipate to drawdown the first tranche of RM1 billion of the proposed Sukuk, sometime in June 2012 once all regulatory approvals are cleared, and for the remaining amount of the programme later.

We are also pleased to report that we have received a bridging loan of RM1 billion from a local commercial bank on 30 March 2012 to ensure our working capital cash balances remain adequate until the expected drawdown of the first tranche of the proposed Sukuk.

With respect to our current Redeemable Convertible Preference Share ('RCPS') in issue, we intend to fully redeem the said RCPS on its due redemption date on 30 October 2012 and we have sufficient working capital and accounting reserves to do so.

The second pillar of our funding plan consists of our proposal to lease our new aircraft from an external entity. We are in current discussions with MoF Inc to lease six new Airbus A380s and two new Airbus A330 with a total capital value of RM5.3 billion from an SPV, which would be wholly-owned by MoF Inc. Whilst we have received approval-in-principle to enter into discussions with MoF Inc, the proposed leasing arrangement is still pending the relevant Government and regulatory approvals.

We are proposing that such a funding SPV would issue bonds or Sukuk in the RM capital markets and that such bonds / Sukuk be subscribed by institutional capital market investors. The proposed SPV funding shall be asset-backed or collateralized by the aircraft assets which it is financing and the operating cash flows generated from the assets would be sufficient to repay the lease obligation over the tenure of the funding. Therefore, MAS would enter into a long-term obligation to lease the aircraft from the SPV, whereby the operating risks and residual value risks of the aircraft assets are borne by MAS.

Five of the aircraft would be delivered in 2012, where the first two aircraft are to be delivered by end May and another three are to be delivered in the second half of 2012. The remaining three aircraft would be delivered in early 2013.

We are pleased to announce that we shall be receiving a specific capital expenditure bridging loan of RM1 billion from a consortium of commercial banks, to fund the delivery of the aforementioned two aircraft in May 2012. This bridging loan would be repaid by aircraft proceeds from the proposed funding SPV, which we hope shall be in place sometime in July 2012.

Our third pillar of the funding plan is commercial funding of aircraft capital expenditure ('capex'). With the first two pillars in place, we are confident of raising the requisite funding for the remaining capex of 2012 from commercial sources, such as operating leases, finance leases and commercial debt. Funding commitments and proposals have been received from numerous third party financiers for the remaining aircraft capex obligations in 2012, and also for some capex obligation in 2013.

Last but not least, we are grateful for the continuing support provided by our majority shareholder, Khazanah Nasional Berhad ('Khazanah'). In the event of any shortfall from the aforementioned three pillars of our funding plan, which we do not envisage, Khazanah shall provide financial support in the form of an equity capital injection. That equity injection is to help finance any unfunded aircraft capex and also for any unfunded working capital needs, which there are none at this time. Such financing would only be forthcoming if and when required and subject to targets to be agreed.

We are indeed hopeful and optimistic that we can secure the proposed elements of our funding plan as soon as possible. With the above funding plan, MAS is able to proceed with all upcoming aircraft deliveries which is paramount to its recovery plan.

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