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MAS to dispose of assets worth RM6.1b

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THE Minister of Finance Inc will buy RM6.1 billion worth of assets from Malaysia Airlines, including aircraft and buildings, in a move that will allow the carrier to reduce its RM9.2 billion debt.

The proposed disposals, announced yesterday, will help MAS meet its short-term commitments as another five new aircraft are delivered between December and May this year.

MAS will sell eight aircraft for RM4.13 billion and four buildings, including its corporate headquarters on Jalan Sultan Ismail in Kuala Lumpur for RM2.2 billion.

The aircraft, six Boeing 747-400 and two new Boeing 777-200ER, and the buildings will later be leased back by MAS from "one or two SPVs" (special purpose vehicles) set up by the Minister of Finance Inc.

The disposals would raise cash of RM6.1 billion and were expected to be completed by June, group managing director Datuk Md Nor Yusof told a briefing in Kelana Jaya, Selangor, yesterday.

MAS will also divest up to 70 per cent stake in wholly-owned MAS Catering Sdn Bhd to a consortium led by LSG SkyChefs, the catering outfit of German airline Deutsche Lufthansa AG. The parties are negotiating on the price.

The local members in the consortium are Fahim Capital Sdn Bhd and Advent Group Management Sdn Bhd.

LSG SkyChefs is the largest in-flight operator with about 34 per cent global market share with yearly revenue of US\$3 billion (RM11.4 billion). It has more than 200 kitchens, serving 360 million meals a year for over 260 airlines.

MAS, having been in the red since the 1997 financial crisis, plans to use the RM6.1 billion cash to reduce its short-term borrowings by RM1.3 billion and repay its yen-denominated loans of RM1.58 billion.

The money would also pay for the purchase of five new aircraft totaling RM2.4 billion, which will subsequently be sold and leased back from SPV. The balance of RM820 million (from the RM6.1 billion) would be used as working capital.

"If we can get over with the disposals, our balance sheet will be more presentable to raise capital from the market," Md Nor said, in response to the need for Malaysia Airlines to recapitalise if it continued to make losses.

The aircraft sales to an SPV, Aircraft Business Malaysia Sdn Bhd, will raise RM3.9 billion cash. The remaining RM230 million will be as an advance lease payment to the SPV. The properties might be sold and rented back to another SPV or again to ABM, according to Md Nor.

"At this stage, we are looking at two SPVs (for the aircraft and properties disposals). But it may end up with just one SPV."

Besides the 35-storey corporate office, the other properties to be sold are a 34-storey office and workshop building forming MAS complex in Subang, a 21-storey complex at Kuala Lumpur International Airport in Sepang, and MAS academy in Kelana Jaya.

Md Nor said the disposals, including that of MAS Catering, were part of Malaysia Airlines' objective to free up substantial capitals tied up in its non-core activities and assets.

The company stands to reap RM450 million capital gains from the aircraft disposals as well as another RM400 million from the properties, which have

total book value of RM1.8 billion.

On the auditing conducted on MAS' previous management, Md Nor said it was something that could not be ignored and that it was among the priorities being pursued by the company.

However, he said, a more important issue at the moment was to tackle the carrier's restructuring.

Md Nor also confirmed the appointment of Prime Minister Datuk Seri Dr Mahathir Mohamad's adviser Tan Sri Nor Mohamed Yakcop as Malaysia Airlines adviser, and said he was assisting the carrier "very well".

When asked whose "decisions" would carry more weight in MAS between him and Nor Mohamed, Md Noor smiled and said: "The plans to improve the organisation would carry more weight in any decision-making."