

Proton replies

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PETALING JAYA: Proton has addressed two issues raised by former premier Tun Dr Mahathir Mohamad - the sale of its foreign venture MV Agusta Motors SpA, and the decision not to renew the contract of former chief executive officer Tan Sri Tengku Mahaleel Tengku Ariff.

Proton chairman Mohamed Azlan Hashim said yesterday the move to sell its stake in MV Agusta

was motivated by "commercial, financial and operational considerations to minimise future potential losses for the (Proton) group, and the board had acted in a prudent manner."

On the decision not to continue the tenure of Tengku Mahaleel, Mohamed Azlan said the management changes in 2005 were part of Proton's restructuring process to "improve and strength-

en the group."

He said explanations had been given on the disposal of its interest in MV Agusta in March this year, and on Tengku Mahaleel in July last year, "but there continued to be uninformed speculation surrounding these two matters and a refusal among some to acknowledge" the reasons.

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Proton's business-like tone suggests enough said

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Apart from questioning the sale of the Italian bike maker, Dr Mahathir also was irked that Tengku Mahaleel Tengku Arif was removed as the chief executive officer of Proton.

Proton has defended its actions in the past, and the tone of its press statement and Azlan's polite but business-like comments at the Press conference suggests that this will be the last time that questions on MV Agusta will be entertained.

Though Proton did not refer to anyone by name in the press statement, there was no mistaking the sarcasm in it.

Describing continued criticisms over the sale of MV Agusta and change in man-

agement in July 2005 as "uninformed speculation", the national car company said there was "a refusal among some, to acknowledge explanations provided earlier".

The saga began to unfold when Tengku Mahaleel complained that the Government was not doing enough to support Proton.

He and Dr Mahathir also claimed that key questions raised by them had not been answered, among which was the loss that Proton incurred when it sold its stake in MV Agusta for one euro.

In its statement, Proton said its critics failed to note that the company also got rid of the motorcycle maker's US\$128.4 million (RM467.7 million) debt.

Also, had MV Agusta gone

into bankruptcy, Proton would have been subjected to a liability of up to US\$256 million, the statement said.

Proton, when it was run by Tengku Mahaleel, bought a majority stake in MV Agusta in December 2004 for RM370 million).

Azlan yesterday shed more light on what happened after the purchase.

For a start, he noted that the company was in debt and the moneyspent to buy it was written off in the same year.

"Therefore, really the carrying value of this investment had already been reduced to one ringgit," he added.

In addition, Proton had made further advances to MV Agusta resulting in a loss of RM500 million.

Not many people were inter-

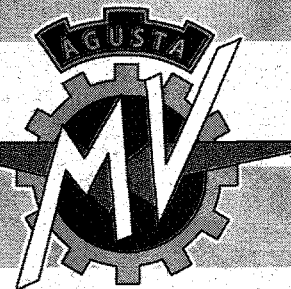
WHAT THE INTERNATIONAL INVESTMENT BANK CONCLUDED

■ Agusta's business model not sustainable operationally and financially

■ Making Agusta profitable required substantial backing from Proton over an extended period, involving a high financial risk

■ Integrating operations of Agusta and Proton unlikely to produce significant economies of scale or business synergy

■ Agusta could become bankrupt, with great risk to Proton's financial position and reputation



ested in buying the company from Proton, he noted.

"In fact, invariably, in these circumstances one would almost expect to have to pay people money to take this company off your hands," he added.

Although Proton owned a majority stake in the company, but the structure in which the shares were all tied up with the minorities, giving Proton very little flexibility.

"When we went to the banks, the main financier to

the company said the shares were worthless.

"And then the other partner we had, who sold the company to us, also reckoned that the shares that we held were worth not more than one euro," Azlan said.