

**BRAHIM'S HOLDINGS BERHAD ("BRAHIM'S" OR THE "COMPANY")  
SETTLEMENT AGREEMENT ENTERED INTO BETWEEN BRAHIM'S AIRLINE CATERING SDN  
BHD (A 70%-OWNED SUBSIDIARY OF BRAHIM'S) AND MALAYSIAN AIRLINE SYSTEM  
BERHAD**

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## **1. INTRODUCTION**

The Board of Directors of the Company wishes to announce that the Company's 70%-owned subsidiary, Brahim's Airline Catering Sdn Bhd ("BAC") has on 26 February 2015 entered into a Settlement Agreement ("SA") with Malaysian Airline System Berhad ("MAS") as part of the MAS Recovery Plan announced by Khazanah Nasional Berhad on 29 August 2014. BAC is currently the exclusive in-flight caterer to MAS under a 25-years catering agreement expiring in 2028 ("Catering Agreement") in KLIA and Penang International Airport.

As announced on 29 August 2014, the Prime Minister of Malaysia called for a support of all parties to return the national carrier MAS to profitability under The MAS Recovery Plan. This involves a comprehensive and holistic restructuring plan for MAS. One of the twelve principal actions called for all supply contracts to be reviewed, reset and renegotiated based on market norms and benchmarks.

## **2. SALIENT TERMS OF THE SA**

### **(a) Purpose of the SA**

In view of the restructuring exercise currently being undertaken by MAS, MAS and BAC wish to enter into a new catering agreement. In conjunction with MAS' and BAC's efforts to negotiate, finalise and execute a mutually acceptable new agreement to supersede the Catering Agreement by mutual consent, MAS and BAC ("Parties") have agreed to enter into the SA to set out their mutually agreed rights, duties, liabilities and obligations vis-à-vis each other which shall be applicable during the Interim Period (as defined below).

### **(b) The salient terms of the SA, which include amongst others, are as follows:**

- i) the SA shall commence on 1 October 2014 and remain in force until a new catering agreement ("NCA") is signed on or before 31 March 2015 ("Interim Period").

During the Interim Period, BAC shall provide a reduction of 25% of the monthly final bill to MAS ("Reduction").

- ii) BAC shall not compromise in the quality of meals provided to MAS as a result of the Reduction.
- iii) having regard to the current financial position of MAS and for the purpose of assisting MAS in giving effect to the MAS Recovery Plan to renegotiate with existing creditors on the settlement of outstanding debts and disputed amounts and in view of the long-standing relationship between the Parties, BAC and MAS agree to the full and final settlement of the monies withheld by MAS amounting to RM94.03 million where the monies will be released to BAC after deduction of a global settlement and reductions totalling of RM56.08 million. The sum to be released by MAS to BAC amounting to RM37.95 million will be released in two stages 50% of the sum within seven (7) days from the signing date of the SA and the balance upon signing of the NCA.
- iv) should a NCA is not entered into on or before 31 March 2015, unless mutually extended, the Reduction shall cease, all settlements in the SA shall be deemed null and void with the disbursed first payment of 50% of RM37.95 million to be returned by BAC, and either Party shall be entitled to seek all legal recourse against each party in respect of any claims and sums withheld.

### 3. RATIONALE

The objective of the SA is to bring MAS' in-flight catering contract in line with market norms and benchmarks, as called for under the MAS Recovery Plan. BAC can be compelled under the new MAS Act to continue supplies to MAS despite MAS withholding payments and is prevented from filing legal action for unpaid receivables. This has also caused severe problems in cashflows to BAC operations and has affected its ability to upstream dividends to Brahim's. Brahim's as a holding company requires cashflows from BAC to meet its debt obligation to avoid triggering loan defaults.

Under such circumstances and through no fault of BAC or Brahim's, the signing of the SA is the only option for BAC to maintain its role as an inflight meals caterer to MAS as well as staying relevant as a global halal flight kitchen servicing 35 other international airlines in KLIA. The signing of the SA is intended to ease the tight cashflows of BAC and that of Brahim's caused by MAS actions of withholding payments. MAS has indicated they will not hesitate to look for new caterers to replace BAC for Malaysia Airlines Berhad ("NewCo") should BAC not enter into the interim SA pending negotiation of the NCA.

On the other hand, upon signing the SA, MAS and BAC will work towards a NCA which will be novated to NewCo on 1 July 2015. In the interim period, the Catering Agreement remains intact save for the Reduction. The Catering Agreement will be superseded upon a NCA being executed. Should the parties fail to execute the NCA, the Catering Agreement remains binding on MAS and the Reduction ceases to be of effect.

Under such circumstances, BAC remains with MAS and the Catering Agreement will not be novated to NewCo. In the absence of a NCA, there is a possibility that NewCo or Khazanah Nasional Berhad, its shareholder, will look for other parties to replace BAC.

### 4. EFFECT OF THE SA

#### (a) Issued and Paid-up Share Capital and Substantial Shareholders' Shareholdings

The execution of the SA will not have any effect on the share capital and substantial shareholders' shareholdings of Brahim's.

#### (b) Earnings and earnings per share ("EPS")

Based on the audited financial statements of the Brahim's and its subsidiary ("Group"), the execution of the SA will result in the reduction of consolidated earnings and EPS of Brahim's for financial year ended 31 December 2013 from RM39.0 million to a loss of RM28.0 million and EPS from 10.12 sen to a loss per share of 11.5 sen.

#### (c) Net Assets

Based on the audited financial statements of the Group as at 31 December 2013, the execution of the SA is expected to decrease the net assets of the Group by RM0.11 from RM1.13 to RM1.02 per share.

#### (e) Gearing

Based on the audited financial statements as at 31 December 2013, the execution of the SA will increase the gearing ratio of the Group from 0.61 to 0.68 times.

## **5. INTEREST OF MAJOR SHAREHOLDERS AND DIRECTORS**

None of the directors and/or major shareholders of Brahim's and/or persons connected to them have any interest, direct or indirect, in the SA.

## **6. DIRECTOR'S STATEMENT**

The Board of Directors of Brahim's, having considered the rationale and terms of the SA is of the opinion that the execution of the SA is in the best interest of the Company.

## **7. DOCUMENTS FOR INSPECTION**

A copy of the SA is available for inspection at the registered office of the Company located at 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours on Mondays to Fridays (except Saturdays, Sundays and Public Holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 27 February 2015.