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CONFIDENTIAL

APPLICATION FOR INDIVIDUAL EXEMPTION

Proposed Joint Business between Malaysia Airlines Berhad and Philippine Airlines, Inc.

Contents

EXECUTIVE SUMMARY **1**
Economic Context 1
Proposed Joint Business 1
Benefits 2
Ample Competitive Constraint by Competitors 3
Conclusion 3
Parties Subject to External Market Forces 4
APPLICATION FOR EXEMPTION **5**
1.0 Introduction **5**
1.1 Application 5
1.2 Overview 5
2.0 Parties to the Proposed Joint Business **6**
2.1 MAB 6
2.2 PAL 7
3.0 Proposed Joint Business **8**
3.1 Background 8
3.2 Details of the Proposed Joint Business 9
4.0 Purpose and Objective of the Proposed Joint Business **13**
4.1 Economic Context on Flights between Malaysia and the Philippines 13
4.2 Purpose 15
4.3 Metal Neutrality 15
5.0 Relevant Market Definition **17**
5.1 Demand Side 17
5.2 Scheduled Passenger Service Only 17
5.3 Routes 18
5.4 Conclusion: Proposed Definition of Relevant Market 19
6.0 Competitive assessment **20**
6.1 Horizontal Agreement 20
6.2 Sufficient Competitive Constraint by Low-Cost Carriers 21
6.3 Sufficient Competitive Constraint by Indirect Carriers and Fifth Freedom Carriers 26
7.0 Parties Market Share **29**
7.1 Market Shares between Malaysia and the Philippines 29
7.2 Kuala Lumpur to Manila 29
7.3 All other O&D between Malaysia and the Philippines 29
7.4 Comments on Overlapping Direct Routes 30
7.5 Counterfactual Scenario 34
8.0 Benefits **35**
8.1 Overview 35
8.2 Increased Frequency of Flight Options and Improvement in Schedules 36
8.3 Increased connectivity through expanded code-sharing 40

8.4 More attractive fare options due to pricing, inventory, sales and marketing coordination 41
8.5 Better corporate account offerings and benefits 48
8.6 Frequent Flyer Programme (FFP) 51
8.7 Better customer experience from service and product cooperation 52
8.8 Better disruptions management 52
8.9 More seamless customer experience amongst MH and PR 54
8.10 Benefits to Malaysia 55
8.11 Indispensability 58
8.12 Proportionality 58
8.13 No elimination of competition 59
9.0 Contact Information 60
9.1 Zaid Ibrahim & Co, representative of MAB 60
9.2 Freshfields, representative of PAL 60
9.3 Contact details of competing airlines 60
10.0 Declaration and Signature 61
APPENDIX 1: Information about MAB 62
APPENDIX 2: Information about PAL 63
APPENDIX 3: Definitive Agreement 64
APPENDIX 4: Purpose and Objective of the Proposed Joint Business 65
APPENDIX 5: Relevant Market Definition 66
APPENDIX 6: Competitive Assessment 67
APPENDIX 7: Parties Market Share 68
APPENDIX 8: Benefits 69
APPENDIX 9: Contact Details of Competing Airlines 70

Acronyms and Definitions

5J	Cebu Pacific airline code
Act	Civil Aviation Authority of Malaysia Act 2017
AK	Malaysia AirAsia airline code
AK/Z2	Malaysia AirAsia and Philippines AirAsia taken as a single entity
AOR	Alor Setar
ASA	Air Service Agreement
BCD	Bacolod
BPA	Borongan
BKI	Kota Kinabalu
BKK	Bangkok
BTU	Bintulu
BXU	Butuan
CAAM	Civil Aviation Authority of Malaysia
CAGR	Compounded Annual Growth Rate
CBO	Cotabato City
CCS	Competition and Consumer Commission of Singapore
CEB	Cebu
CGK	Jakarta
CGY	Cagayan de Oro
CJU	Jeju
CNX	Chiangmai
CRM	Catarman
CRK	Clark
CX	Cathay Pacific airline code
CYZ	Cauayan
DGT	Dumaguete
DMK	Bangkok Don Mueang
DPL	Dipolog
DPS	Denpasar-Bali
DRP	Legazpi
DVO	Davao
EC	European Commission
EDM	Elimination of Double Marginalization
FFP	Frequent Flyer Program
Fifth Freedom	The flight starts in the airline's home base, stops in a first foreign country, and then continues to a second foreign country (and vice versa). The airline is legally permitted to sell tickets for the leg between the two foreign countries
FSA	Full Service Airline
FUK	Fukuoka

FY	Firefly airline code
GES	General Santos
GUM	Guam
HKT	Phuket
HND	Tokyo-Haneda
IAO	Siargao
ICN	Seoul-Incheon
ILO	Iloilo
JHB	Johor Bahru
JL	Japan Airlines airline code
KBR	Kota Bharu
KCH	Kuching
KIX	Osaka-Kansai
KL	KLM airline code
KLIA	Kuala Lumpur International Airport
KNB	Khazanah Nasional Berhad
KUA	Kuantan
KUL	Kuala Lumpur
LAO	Laoag
LBU	Labuan
LCC	Low Cost Carrier
LGK	Langkawi
MAB	Malaysia Airlines Berhad
MAG	Malaysia Aviation Group Berhad
MAVCOM	Malaysia Aviation Commission, now known as CAAM
MH	Malaysia Airlines airline code
MNL	Manila
MPH	Caticlan
MYY	Miri
NAIA	Ninoy Aquino International Airport
NGO	Nagoya
NZ	Air New Zealand airline code
O&D	Origin & Destination
OD	Batik Air Malaysia airline code
OZC	Ozamiz City
PAL	Philippine Airlines, Inc.
PCC	Philippine Competition Commission
PEK	Beijing
PEN	Penang
PPS	Puerto Princesa

PR	Philippine Airlines airline code
PUS	Busan
RBD	Reservation Booking Designator (booking class)
RXS	Roxas City
SBW	Sibu
SDK	Sandakan
SIA	Singapore Airlines
SIN	Singapore
SQ	Singapore Airlines airline code
SUB	Surabaya
SZB	Subang-Kuala Lumpur
TAC	Tacloban City
TAG	Bohol
TFU	Chengdu-Tianfu
TGG	Kuala Terengganu
TR	Scoot airline code
TUG	Tuguegarao City
TWU	Tawau
USU	Busuanga
v.v.	vice versa
YNY	Yangyang
YVR	Vancouver
YYZ	Toronto
Z2	Philippine AirAsia airline code
ZAM	Zamboanga City

CONFIDENTIAL INFORMATION IN THIS SUBMISSION

Please note that the information contained in this Application which both Malaysia Airlines Berhad and Philippine Airlines, Inc. consider as confidential (and has requested to remain as confidential) is marked [CONFIDENTIAL] and highlighted in yellow. Such information may refer to trade, business, or industrial information with economic value and is not generally available to others.

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EXECUTIVE SUMMARY

Economic Context

1. Joint Businesses, also known as Joint Ventures, are becoming increasingly common across the commercial aviation industry. Such deep partnerships between airlines help deliver economic benefits which are otherwise not possible under any other types of partnership.

2. Building deep partnerships is an important element of Malaysia Airlines Berhad's long term business plan. [CONFIDENTIAL] Metal neutrality is significant because it maximises the opportunity for pro-competition efficiency gains.

Proposed Joint Business

3. Malaysia Airlines Berhad ("**MAB**" / "**MH**") proposes to enter into a pro-consumer metal neutral joint business partnership with Philippine Airlines, Inc. ("**PAL**" / "**PR**") (collectively referred to as "**Parties**") for all scheduled passenger services between Malaysia and the Philippines operated by MAB and PAL ("**Proposed Joint Business**").

4. The Parties have previously entered into a Special Prorate Agreement and Codeshare Agreement. They will also be part of the same airline alliance (oneworld) as announced in June 2026[1]. The Proposed Joint Business will take the existing relationship between MAB and PAL to a higher level of cooperation, offering customers a wider choice of travel.

5. The Proposed Joint Business will facilitate efficiency-enhancing integration and coordination of MAB and PAL's services and involve, among others, revenue sharing, capacity, schedule and pricing coordination, and cooperation in sales and marketing.

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[1] https://www.oneworld.com/news/philippine-airlines-to-join-oneworld-alliance (Philippine Airlines to Join oneworld Alliance)

6. [CONFIDENTIAL] By entering into a joint business with PR, both MH and PR will coordinate and consult with each other to mutually develop commercial success together, instead of at the expense of the other Party. In addition, the Parties anticipate that consumer benefits, together with coordination in sales and marketing, network planning and scheduling, and cross-promotion of Malaysian and Philippine destinations, may attract new connecting and point-to-point travellers, thereby helping to develop traffic into and from Malaysia via KLIA[2].

Benefits

7. The purpose and objective of the Proposed Joint Business is to enhance the Parties' passenger air services between Malaysia and the Philippines. The Parties intend to create efficiencies that neither Party could achieve on their own. This will allow the Parties to expand and enhance the products and services provided to passengers including a more seamless travel experience for passengers travelling on origin-destination itineraries involving the Parties' networks.

8. From the consumer perspective, the Proposed Joint Business is expected to significantly improve the passenger experience through the following:

(a) **Additional choices** as Parties will offer the combination of MH and PR flights instead of their own operated flights.

(b) **Ensuring continued provision of current capacity levels:** the Proposed Joint Business will help the Parties to have financially sustainable operations as Parties will work together closely to fill both airlines' capacities. [CONFIDENTIAL] Under the proposed Joint Business, Parties may consider exploring [CONFIDENTIAL].

(c) **Better accessibility between Malaysia and the Philippines**: through expanded code-sharing and improved connectivity in KLIA and MNL.

(d) **More attractive fare options**: due to pricing, inventory, sales and marketing coordination.

(e) **Better corporate account offerings and benefits**: [CONFIDENTIAL].

(f) **Implementation of Frequent Flyer Programs ("FFP")**: [CONFIDENTIAL].

(g) **Improved disruption management**: through coordination of procedures and offering more options for reaccommodation.

[2] https://www.caam.gov.my/wp-content/uploads/2026/07/MH-SQ-Proposed-Decision-For-Publication.pdf (in paragraphs 75 and 77 of the Proposed Decision for the MAB-SIA Individual Exemption Application, CAAM acknowledged and accepted the Applicants' submission that the MAB-SIA joint business is expected to develop traffic to and from domestic Malaysia via KLIA)

9. As part of overall commercial cooperation, the Parties intend to explore the feasibility of expanding codeshare and Special Prorate Agreements to cover more regions on one another's network and by this way help to boost tourism in the two countries.

10. **From a national perspective,** this strengthens trade ties between Malaysia and the Philippines, and increases more convenient passenger flows between the two countries. [CONFIDENTIAL].

Ample Competitive Constraint by Competitors

11. [CONFIDENTIAL] as well as by other carriers offering indirect services between Malaysia and the Philippines.

12. Any concerns regarding increase in pricing due solely to combined market power of the Parties will be adequately addressed by:

    (a) availability of competitive alternatives; and
    (b) ease of consumers' ability to switch to substitute airlines,

thus, minimising any impact to competition arising from the Proposed Joint Business.

13. On the other hand, the Proposed Joint Business enables the Parties to offer many benefits such as more travel options in terms of improved connectivity, capacity, more attractive fare options, better experience for passengers, streamlined operations, and efficient operations. As such, the Parties submit that the benefits and efficiencies which can be achieved with the Proposed Joint Business outweigh any potential detriments to competition.

Conclusion

14. The Parties submit that the Proposed Joint Business is unlikely to have the effect of significantly preventing, restricting or distorting competition within the relevant markets in Malaysia because there is adequate competition from competitors.

15. The Parties believe:

    (a) the benefits arising from the Proposed Joint Business are real and significant, as described in this Application;
    (b) the Proposed Joint Business is necessary in order for the Parties to offer these benefits;
    (c) the benefits outweigh any detriments to competition, or are at least proportionate;
    (d) there is no risk of elimination of competition due to airlines with larger market share, and low barriers to entry.

16. The Parties therefore seek CAAM's approval for an exemption pursuant to Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 for the Proposed Joint Business.

Parties Subject to External Market Forces

17. Furthermore, the Parties would like to highlight that if approved, the Proposed Joint Business will still be subject to external market forces beyond the control of the Parties. While market conditions are fluid and subject to multiple external factors, the Parties are confident that competitive pressure will remain strong. This is due to the presence of six airlines operating in the Malaysia-Philippines market in June 2026, as well as airlines offering indirect routings (via Singapore, Hong Kong or Bandar Seri Begawan) and potential competitors with Fifth Freedom traffic rights.

18. Given the customer benefits driven by the Proposed Joint Business, the existence of competitive pressures, fluctuating fuel prices, geopolitical challenges, and demand uncertainty, the Parties would like CAAM to consider the necessity for the Parties to work together in a deep partnership to serve and benefit consumers better.

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APPLICATION FOR EXEMPTION

1.0 Introduction

1.1 Application

1.1.1 This application for individual exemption ("**Application**") is made pursuant to Section 36Q of the Act by MAB in relation to the Proposed Joint Business between MAB and PAL which will be given effect through the execution of a Joint Business Agreement as described in section 3.2. MAB has PAL's consent to file this Application.

1.1.2 The scope of the Proposed Joint Business covers all passenger services between Malaysia and the Philippines operated by MAB and PAL.

1.2 Overview

1.2.1 The Parties submit that:

(a) the Proposed Joint Business will not have the effect of significantly preventing, restricting or distorting competition within the relevant markets in Malaysia; and

(b) the requirements for relief of liability in Section 36P of the Act are satisfied.

1.2.2 Nevertheless, given that the Proposed Joint Business contemplates deep collaboration between MAB and PAL, the Parties have made this Application to obtain CAAM's decision as to whether the Proposed Joint Business will be entitled to relief of liability pursuant to Section 36P of the Act.

1.2.3 The Parties **will not implement the Proposed Joint Business** until an individual exemption from CAAM is obtained. Parties will also consult the Philippines Competition Commission on the Proposed Joint Business.

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2.0 Parties to the Proposed Joint Business

2.1 MAB

Name	Malaysia Airlines Berhad
Registered Address	Level 1, Administration Building Southern Support Zone, KLIA, 64000 Sepang, Selangor, Malaysia
Principal Place of Business	Level 1, West Wing, Administration Building, Southern Support Zone, KLIA, 64000 Sepang, Selangor, Malaysia
Contact Details	1. [CONFIDENTIAL] 2. [CONFIDENTIAL]
Company/Business Registration Number	201401040794 (1116944-X)
Description of Business	MAB is the national carrier of Malaysia. MAB is principally engaged in the business of air transportation and the provision of related services.
Shareholding Structure	MAB is a wholly owned subsidiary of Malaysia Aviation Group Berhad ("**MAG**"), while Khazanah Nasional Berhad ("**KNB**") owns [CONFIDENTIAL] of MAG.
Description of the organizational structure and decision-making mechanism	Please see **Appendix 1H.**
Annual Turnover	[CONFIDENTIAL] for Financial Year 2025. Please see Appendix 1I for the Audited Financial Statements for Financial Statements for Financial Year 2025, page 11.

Certified true copies of supporting documents relating to MAB are in **Appendix 1**.

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2.2 PAL

Name	Philippine Airlines, Inc.
Registered Address	Lucio K. Tan Jr. Center, PAL Gate 5, Andrews Ave., Pasay City, Philippines
Principal Place of Business	Lucio K. Tan Jr. Center, PAL Gate 5, Andrews Ave., Pasay City, Philippines
Contact Details	1. [CONFIDENTIAL] 2. [CONFIDENTIAL]
Company/Business Registration Number	993213-T
Description of Business	PAL is the national carrier of the Philippines. PAL is principally engaged in the business of air transportation and the provision of related services.
Shareholding Structure	PAL is a Philippine corporation and a subsidiary of PAL Holdings, Inc. ("**PHI**"), a company listed on the Philippine Stock Exchange. PHI directly owns approximately 97.89% of the outstanding capital stock of PAL.
Description of the organizational structure and decision-making mechanism	Please see **Appendix 2A and Appendix 2B.**
Annual Turnover	[CONFIDENTIAL] for Financial Year 2025. Please see Appendix 2C for the Audited Financial Statements for Financial Statements for Financial Year 2025, page 8.

Certified true copies of supporting documents relating to PAL are in **Appendix 2**.

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3.0 Proposed Joint Business

3.1 Background

3.1.1 Airline companies commonly face challenges and external factors beyond their control including geopolitical events and unpredictable prices of jet fuel. In an uncertain environment, coupled with the industry's strong persistent competitive pressure from existing and potential new players, it is increasingly challenging for airlines to ensure commercial sustainability of services, which are of significant importance to their countries' connectivity and economic performance.

3.1.2 Building deep partnerships between airlines is one key leverage for airlines to manage these uncertainties and challenges. Beyond less intensive partnerships such as interlining and codesharing partnerships, joint businesses are increasingly crucial to sustain the provision of air services and consequently air traffic between countries through efficiency gains, stimulate demand and trade relations, and deliver more choices to consumers. **One of the key pillars of MH's parent company, Malaysia Aviation Group's ("MAG") Long Term Business Plan strategy is** [CONFIDENTIAL], strengthen connectivity to Malaysia and ensure sustainable growth, as well as supporting the nation's ambition to become the region's aviation hub.

3.1.3 Joint businesses, also called joint ventures, are becoming increasingly common for airlines to increase capacity, expand their network reach, and connectivity without significant investment into operating new routes or adding capacity which may become extremely risky financially.

(a) [CONFIDENTIAL].

(b) In Southeast Asia, joint businesses are becoming commonplace with examples such as Singapore Airlines participation in the Europe Singapore Joint Venture with Lufthansa Group airlines[3], the joint business between MAB and Japan Airlines, as well as the joint business between MAB and Singapore Airlines[4].

3.1.4 MAB is currently a member of the oneworld alliance, and PAL will become a future member of the same airline alliance[5]. oneworld, founded in 1999, is an alliance of 15 international airlines flying to more than 900 destinations globally. PAL presently flies to 32 destinations in the Philippines and 40 international destinations in Asia, North America, Australia, and the Middle East.

3.1.5 MAB and PAL have previously entered into a Special Prorate Agreement and Codeshare Agreement respectively. [CONFIDENTIAL].

[3] https://business.lufthansagroup.com/nz/en/about-us/joint-ventures/singapore-joint-venture (Europe Singapore Joint Venture: Stronger Together)

[4] https://www.malaysiaaviationgroup.com.my/en/MAG-media-centre/news-releases/2026/sia-joint-business-partnership.html (Malaysia Airlines and Singapore Airlines formalise Strategic Joint Business Partnership)

3.2 Details of the Proposed Joint Business

3.2.1 **Agreement.** The Parties will execute a Joint Business Agreement[6] which sets out the principles and framework for the cooperation related to the Proposed Joint Business arrangement anticipated between the Parties.

3.2.2 **Salient Terms.** The Parties intend to enter into the Joint Business Agreement with a view to:

(a) create efficiencies that neither Party could achieve on their own, which will enable the Parties to expand and enhance product and services provided to passengers;

(b) create a more seamless travel experience for passengers travelling on origin-destination itineraries involving Parties' networks; and

(c) explore cooperation in other areas to deliver enhanced customer value propositions as well as greater operational efficiencies where feasible, which will include Frequent Flyer Program, lounge, check-in, and customer facing areas to be agreed[7].

3.2.3 The Parties submit that the Proposed Joint Business contains cooperation of a nature that would require exemption from CAAM on the basis that the Proposed Joint Business does not have the object or effect of significantly preventing, restricting, or distorting competition in any aviation service market. Parties will also consult the PCC.

3.2.4 The Parties will formulate a joint business arrangement covering flights operated by MAB and PAL on routes between Malaysia and the Philippines ("**Approved Markets**"). The Proposed Joint Business includes cooperation of the Parties in the following areas:

(i) **Revenue Share Model**: [CONFIDENTIAL]

(ii) **Network Planning and Schedule Coordination**: [CONFIDENTIAL]

(iii) **Pricing Coordination**: [CONFIDENTIAL]

(iv) **Distribution**: [CONFIDENTIAL]

(v) **Inventory Management Coordination**: [CONFIDENTIAL]

(vi) **Joint Sales**: [CONFIDENTIAL]

[5] https://www.oneworld.com/news/philippine-airlines-to-join-oneworld-alliance (Philippine Airlines to Join oneworld Alliance)
[6] Draft Joint Business Agreement, paragraph 4.4
[7] Draft Joint Business Agreement, paragraphs 4.11 and 4.12

(vii) **Joint Marketing**: [CONFIDENTIAL]

3.2.5 The Joint Business Agreement is attached as **Appendix 3A**. This Joint Business Agreement has been defined on a broad scope of understanding without exchanging any commercially sensitive data. The Agreement outlines the broad framework and principles of coordination of the Proposed Joint Business which can only be finalised after exemption from CAAM has been obtained.

3.2.6 **Status**. The Joint Business Agreement is in writing and will be signed and executed by the Parties after exemption from CAAM has been obtained and after prior consultation with PCC[8]. The Proposed Joint Business will not be implemented until Parties have obtained a positive decision from CAAM. Once these competition law clearances have been obtained from CAAM and PCC, the Parties will be able to exchange commercially sensitive information and negotiate the implementing agreements in relation to the Proposed Joint Business.

3.2.7 As the Joint Business Agreement is between two separate airlines, it is a horizontal agreement insofar as (and only to the extent that) the airlines involved in the Proposed Joint Business overlap in the provision of direct air passenger services on the same Origin and Destination routes.

3.2.8 **Agreement Period**. The Proposed Joint Business is for a minimum term of five (5) years ("**Initial Term**"). After the expiry of the Initial Term and unless terminated earlier, the Joint Business Agreement will be renewed for another five (5) years subject to the Parties' mutual agreement[9] unless and until either Party terminates the Joint Business Agreement upon advance written notice to the other Party of no less than [CONFIDENTIAL][10]. The Parties believe the initial term of five years is the minimum period required to achieve operational stability in the collaboration and for the anticipated benefits to materialise in a manner that is commercially justifiable for each Party due to the extensive integration and operational commitments required for the Proposed Joint Business.

3.2.9 **Aviation Services Covered by the Proposed Joint Business**. The Parties submit that the Parties intend to realise significant customer benefits, economic benefits, and efficiencies that can be achieved through the Proposed Joint Business in relation to their respective networks. The Parties intend to cooperate on all their passenger services between Malaysia and the Philippines[11]. For further details on routes see section 6.

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[8] Draft Joint Business Agreement, paragraphs 5.2 and 5.3
[9] Draft Joint Business Agreement, paragraph 10.2
[10] Draft Joint Business Agreement, paragraph 10.2
[11] Draft Joint Business Agreement, Recitals, paragraph 1

3.2.10 The Proposed Joint Business applies to passenger services which have an origin in the Malaysia home market and destination in the Philippines and *vice versa*. It does not apply to:

(a) domestic services that have an origin and destination in Malaysia; and

(b) non-stop or connecting routes outside of Malaysia or the Philippines – these may be the subject of separate codeshare arrangements to be negotiated in good faith.

Parties do not intend to include their respective sister airlines or airline subsidiaries as parties in the Proposed Joint Business.

Malaysia Airlines Berhad:

(a) Firefly (FlyFirefly Sdn Bhd)

(b) Amal (Hijrah Biru Sdn Bhd)

Philippine Airlines, Inc.:

Air Philippines Corporation

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3.2.11 **Service and Product Cooperation**. The Parties will explore cooperation to the extent possible in the areas such as, but not limited to ground handling operations, lounge operations, baggage policies, contact centre, and check-in[12] with a view to generate service enhancements and improve operational and cost efficiencies, and enhance overall customer experience.

3.2.12 [CONFIDENTIAL].

(a) [CONFIDENTIAL].

(b) [CONFIDENTIAL].

(c) [CONFIDENTIAL].

(d) [CONFIDENTIAL].

3.2.13 **Justification for Exclusivity**. The Parties submit that exclusivity under the Joint Business Agreement is to ensure that the commercial objective and rationale of the Proposed Joint Business is not undermined. Furthermore, exclusivity would only apply to circumstances that would materially undermine the Proposed Joint Business as exclusivity applies both ways. Therefore, exclusivity is necessary for protecting the commercial interests of the Proposed Joint Business and accordingly, for the attainment of the economic benefits.

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[12] Draft Joint Business Agreement, paragraph 4.11

4.0 Purpose and Objective of the Proposed Joint Business

4.1 Economic Context on Flights between Malaysia and the Philippines

4.1.1 The Proposed Joint Business should be examined within the economic context in which the Parties operate. Presently, there are six airlines operating daily direct flights between Malaysia and the Philippines, namely Malaysia Airlines ("**MH**"), AirAsia Malaysia ("**AK**"), Philippines AirAsia ("**Z2**") (AK and Z2 collectively referred to as "**AirAsia**"), Cebu Pacific ("**5J**"), Philippine Airlines ("**PR**") and Firefly ("**FY**") and carriers offering indirect carriers, mostly Singapore Airlines ("**SQ**"), Scoot ("**TR**"), and Cathay Pacific ("**CX**") via Singapore ("**SIN**") and Hong Kong ("**HKG**") respectively. Additionally, the Parties submit that carriers originating from countries such as United Kingdom, Netherlands, Qatar and United Arab Emirates, among others, may exercise their Fifth Freedom traffic rights to mount flights between Malaysia and the Philippines[13]. For example, KLM Royal Dutch Airlines ("**KL**") operated from March 2023 to October 2023 between Kuala Lumpur ("**KUL**") and Manila ("**MNL**") on a Fifth Freedom basis[14].

4.1.2 Figure 1 shows that the demand between the two countries is relatively stable from 2017 to 2019 with small year-on-year decline. In 2017, PAL resumed operations between KUL and MNL in June 2017[15]. Demand levels post COVID-19 pandemic also remained stable from 2023 until 2024, before increasing by [CONFIDENTIAL] in 2025, although it did not recover back to pre-pandemic levels.

[CONFIDENTIAL]

4.1.3 The evolution of capacity for direct flights between Malaysia and the Philippines is shown in Figure 2. [CONFIDENTIAL].

4.1.4 [CONFIDENTIAL].

[CONFIDENTIAL]

4.1.5 Capacity levels between the two countries collapse to their lowest level in August 2021 to [CONFIDENTIAL] seats at the height of worldwide travel restrictions during the COVID-19 pandemic. By October 2021, all airlines began resuming their operations, and by November 2025 the number of seats had recovered to [CONFIDENTIAL] of December 2019 levels, and by December 2025, the number of seats exceeded that of December 2019 by approximately [CONFIDENTIAL].

4.1.6 The capacity share on flights between Malaysia and the Philippines from 2017 to 2026 is shown in Figure 3.

[CONFIDENTIAL]

[13] Based on the List of Air Service Agreements (ASA) with Malaysia published by CAAM, Parties are of the view the carriers originating from the countries in 4.1.1 may be likely to exercise their Fifth Freedom rights.

[14] https://news.klm.com/klm-royal-dutch-airlines-summer-schedule-2023/ (KLM Royal Dutch Airlines Summer Schedule 2023)

[15] https://themalaysianreserve.com/2017/04/03/philippine-airlines-back-in-kl/ (Philippine Airlines back in KL)

4.1.7 Between 2017 and 2020, [CONFIDENTIAL].

4.1.8 Details of the weekly frequencies and seats for a typical week on the KUL-MNL route are set out in Table 1 in **Appendix 4D**. [CONFIDENTIAL].

Table 1 – Weekly Frequencies and Seats for KUL-MNL v.v., June 2026[16][17]

Airline	Origin	Destination	Weekly Frequency v.v.	Weekly Seats v.v.
AK/Z2	KUL	MNL	21	[CONFIDENTIAL]
MH	KUL	MNL	21	[CONFIDENTIAL]
PR	KUL	MNL	11	[CONFIDENTIAL]
5J	KUL	MNL	7	[CONFIDENTIAL]
Total			**60**	[CONFIDENTIAL]

[16] Source: OAG
[17] Please see **Appendix 4D** for further detail.

4.2 Purpose

4.2.1 This Proposed Joint Business aims to meet consumer demand for air transport services between Malaysia and the Philippines, and to increase the likelihood of a more sustainable provision of capacity. It will also support improved connectivity between Malaysia and the Philippines, with consequential benefits to the customers and to both countries' aviation industry, tourism sectors, and wider economies.

4.2.2 In the longer term, the purpose and objective of the Proposed Joint Business is to enhance the Parties' passenger air services between Malaysia and the Philippines. The Parties intend to create efficiencies that neither Party can achieve on their own. This will allow the Parties to expand and enhance the products and services provided to passengers including a more seamless travel experience for passengers travelling on origin-destination itineraries involving the Parties' networks.

4.2.3 As of June 2026, PR operates one (1) direct route between Philippines and Malaysia (MNL-KUL v.v.).

4.2.4 The existing codeshare partnership between MH and PR has been in effect since 2010. PR codeshares on MH operating flights for connecting flights in Malaysia. MAB offers Malaysian destinations beyond KUL such as to Penang ("**PEN**"), BKI, Langkawi ("**LGK**"), and Kuantan ("**KUA**") with a stop in KUL. Conversely, MH codeshares on PR operating flights for connecting flights in Philippines. PAL offers various destinations in the Philippines beyond MNL like CEB, Davao ("**DVO**"), and Cagayan de Oro ("**CGY**") with a stop in MNL.

4.2.5 The benefits of the Proposed Joint Business are discussed in section 8 below.

4.3 Metal Neutrality

4.3.1 The Parties intend to enter into the Proposed Joint Business to realise significant consumer and economic benefits, and efficiencies that can be achieved through commercial cooperation in relation to their respective networks.

4.3.2 The Parties submit that increased efficiencies are best achieved through a metal-neutral arrangement under the Proposed Joint Business.

4.3.3 Airlines have long understood that trust is essential in their relationships with customers. The longevity and success of joint ventures depend on airlines' abilities to construct equitable and flexible partnership arrangements. In most cases these arrangements will be founded on the principle of "metal neutrality": revenue or profit is shared no matter which airline actually flies the passenger. Metal neutrality helps airlines align incentives and build trust[18].

[18] https://www.lek.com/sites/default/files/insights/pdf-attachments/1930_Airlines-Joint_Ventures_Executive_Insights.pdf (Reaching New Heights Together in 2017: How Airlines Can Maximize the Value of Joint Ventures)

4.3.4 Generally, in a simple codeshare arrangement (which is the status quo between the Parties) the Parties would continue to be incentivised to maximise their own individual economic benefits. Consequently, a party to a codeshare agreement would be unwilling to cede a particular timing or route to its codeshare partners because it considers that in doing so, a profitable service will be given up.

4.3.5 Pursuant to the Proposed Joint Business, each Party will share in the revenue generated regardless of which Party actually transports the passenger under the Proposed Joint Business. As such, both Parties would be equally incentivised to win a passenger's booking for the Proposed Joint Business by creating a joint network with the best spread of routes and frequencies at the most competitive fares. With the alignment of financial incentives, carriers that are part of an integrated alliance will strive to grow and optimise the convenience and scope of their overall product offering. The revised fares and improved scheduling will also contribute towards increased demand, and over time, growth in capacity.

4.3.6 The Parties submit that joint pricing, joint sales and joint marketing from the Proposed Joint Business is essential to achieve metal neutrality and helps to ensure that each party contributes to the revenue pool in an equitable manner, dis-incentivising any Party from taking independent actions that could disrupt the cooperation under the Proposed Joint Business.

4.3.7 Without joint pricing, joint sales, joint marketing, and revenue sharing in respect of the relevant routes, the Parties will not be in a position to align their respective commercial interests and achieve metal neutrality which in turn is essential to achieve the benefits of joint venture. This is consistent with the view taken by CAAM where CAAM accepted the argument that benefits arising out of a joint venture agreement could not have been provided without such joint venture being a metal neutral alliance[19].

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[19] https://www.mavcom.my/wp-content/uploads/2023/06/Decision-by-the-Malaysian-Aviation-Commission-on-an-Application-for-Individual-Exemption-under-section-51-of-Act-771-by-All-Nippon-Airways-Co.-L.pdf All Nippon Airways Co. Ltd. / United Airlines (MAVCOM/ED/CC/DIV2/2022(1))

5.0 Relevant Market Definition

5.1 Demand Side

5.1.1 The Parties submit that for the purposes of this Application, demand side substitution should be considered and not supply-side substitution. This is consistent with CAAM's position in a previous case where CAAM chose to define the markets through demand-side substitutability due to the fact that the demand-side, *i.e.* consumers, act as the most effective and immediate competitive constraint on airlines. It is also the most common approach adopted by other jurisdictions such as the EU, Singapore, Australia, and India[20].

5.1.2 Authorities in other jurisdictions have also applied demand-side substitution because it enables the focal aviation service to be easily determined. For example, the Competition and Consumer Commission of Singapore ("**CCS**") in its past decisions[21] has applied demand-side substitution in identifying a focal aviation service.

5.2 Scheduled Passenger Service Only

5.2.1 The Proposed Joint Business relates only to scheduled air passenger services. As the Proposed Joint Business involves scheduled air passenger services, it is submitted that the relevant market should be confined to scheduled air passenger services only.

5.2.2 Scheduled air passenger services are distinct from other modes of air transportation and refer to scheduled revenue flights, *i.e.* flights scheduled and performed for remuneration according to a published timetable, or so regular or frequent as to constitute a recognisably systematic series, which are open to direct booking by members of the public; and extra section flights occasioned by overflow traffic from scheduled flights[22].

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[20] CAAM applied this in the Individual Exemption for a Joint Venture between All Nippon Airways Co., Ltd and United Airlines, Ltd. (11 May 2017) paragraph 6.1.3

[21] See for example: All Nippon Airways/Continental Airlines/United Air Lines (CCS 400/001/11)

[22] According to the International Civil Aviation Organisation's (ICAO) glossary of definitions at https://dataplus.icao.int/content/docs/glossary.pdf

5.3 Routes

5.3.1 A typical starting point for market definition for passenger services is the provision of scheduled air passenger services in the origin and destination ("**O&D**") pair, usually a city pair[23]. The Parties submit that the focus of the analysis should be on the Overlapping Direct Route (defined below).

5.3.2 The Parties submit that for the purposes of this Application, the assessment should focus only on the O&D city pairs where both Parties operate direct services between Malaysia and the Philippines ("**Overlapping Direct Route**"), namely the Kuala Lumpur – Manila (KUL-MNL) route as this route is relevant from a competition perspective.

5.3.3 For Manila, the Parties submit that Ninoy Aquino International Airport ("**NAIA**", "**MNL**") and Clark International Airport ("**CRK**") are substitutable[24] as they both serve the same Greater Capital Region comprising Metro Manila, and surrounding provinces of Bulacan, Cavite, Laguna and Rizal. Similarly, KUL and Sultan Abdul Aziz Shah Airport ("**SZB**") are substitutable as they are within the same catchment area[25].

5.3.4 It would be appropriate to consider direct and indirect services provided by other airlines between Malaysia and the Philippines. One-stop indirect flights may be competitive substitutes to direct non-stop flights[26]. Specific to the KUL-MNL route, indirect services via SIN by SQ and TR adds only approximately 145 minutes and 185 minutes respectively on top of the direct, non-stop services. CX also provides an indirect service via HKG, with an additional 260 minutes to the travel time of a direct, non-stop service. There were sizeable passenger volumes in 2025 who took these indirect routings (collectively, there were [CONFIDENTIAL] on SQ, TR, and CX)[27], therefore the Parties are of the view that indirect services must be considered substitutable to direct services, especially when fares on indirect routings become more attractive than direct routings.

5.3.5 Carriers from countries with Air Service Agreements ("**ASA**") allowing Fifth Freedom traffic rights via Kuala Lumpur to beyond points including in the Philippines may choose to exercise their rights and mount flights between Malaysia and the Philippines and become potential competitors to the Parties. At the time of application, there are no carriers exercising their Fifth Freedom traffic rights, however, should a carrier with such rights decide to do so, they will face no restrictions. As such it is appropriate to consider Fifth Freedom flights as part of the market definition. Historically, KL had operated AMS-KUL-MNL v.v. in 2023. The Parties are of the view that carriers from Europe and the Middle East, specifically British Airways from United Kingdom, KLM from Netherlands, Qatar Airways from Qatar and Emirates and Etihad Airways from United Arab Emirates are likely to mount Fifth Freedom flights should there be sufficient demand owing to the Air Service Agreement between Malaysia and the countries mentioned above.

5.3.6 Given the distance between Malaysia and the Philippines, and the fact that the two countries are separated by a body of water, it would not be appropriate to consider other modes of surface transport such as ships, ferries, or ocean liners as viable alternatives, unlike short haul flights over land.

5.3.7 It would not be appropriate to make a distinction between business and leisure travellers, or between time-sensitive and non-time-sensitive travellers, as there is no accurate proxy that can be used to distinguish time-sensitive passengers from non-time-sensitive passengers. Due to the nature of the market, the demand between Malaysia and the Philippines is a mix of business and leisure travellers. All carriers are trying to attract both segments of customers. As such, MAB and PAL submit that it is not necessary to consider separate markets for business and leisure travel.

5.3.8 For reasons set out in Section 5.0, it would not be appropriate to distinguish between FSAs and LCCs for medium haul flights.

5.4 Conclusion: Proposed Definition of Relevant Market

5.4.1 The focal aviation services for which the individual exemption is sought for are the scheduled air passenger services between Malaysia and the Philippines.

5.4.2 The Parties submit that for the purposes of this Application, the assessment should focus on the O&D city pairs where both Parties operate direct services between Malaysia and the Philippines, i.e. the Overlapping Direct Route namely KUL-MNL v.v. as this route is relevant from a competition perspective.

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[23] CCS Cases: *Qantas/British Airways* (CCS 400/002/06), *Qantas/Orangestar* (CCS 400/003/06), *JAL/American* (CCS 400/008/10), *ANA/Continental/United* (CCS 400/001/11), *SIA/Virgin* (CCS 400/005/11), *SIA/SAS* (CCS 400/001/12), *Qantas/Jetstar* (CCS 400/002/12), *Emirates/Qantas* (CCS 400/006/12), *Scoot/Tiger Airways* (CCS 400/002/14), *SIA/Air NZ* (CCS 400/003/14), *Etihad/Jet Airways* (CCS 400/006/14) and *Cebu/Tiger* (CCS 400/009/14). See also European Commission's decision of 11 Aug 1999 in *KLM/ Alitalia* (M/JV-19) and *British Airways/Iberia/GB Airways* (COMP/ D2/38.479).

[24] See Appendix 5

[25] https://www.mavcom.my/wp-content/uploads/2018/11/Decision-by-the-Malaysian-Aviation-Commission-on-an-Application-for-Individual-Exemption-under-Section-51-of-the-Malaysian-Aviation-Commission-Act-2015-by-All-Nippon-Airways-Co.-Ltd.pdf (In Appendix VI of MAVCOM's Decision on Individual Exemption for ANA-UA JV, MAVCOM considered KUL and SZB as substitutable and within the same catchment area)

[26] See for example, para 23 of CAAM Proposed Decision for the Singapore Airlines – Lufthansa Joint Venture where indirect flights constitute a competitive alternative to a direct service when they are marketed as connecting flights on the O&D pair in the reservation systems, operated on a daily basis and cause only a limited extension of the trip, up to 150 minutes connecting time https://www.mavcom.my/wp-content/uploads/2020/02/190718-Proposed-Decision-by-MAVCOM-on-Application-for-Individual-Exemption-between-Singapore-Airlines-Limited-and-Deutsche-Lufthansa-AG.pdf

[27] See Appendix 6F

6.0 Competitive assessment

6.1 Horizontal Agreement

6.1.1 The Proposed Joint Business involves the Parties entering into a joint business with a metal neutral arrangement for scheduled air transport services between Malaysia and the Philippines. As the Proposed Joint Business is between two separate airlines, it is a horizontal agreement insofar as and only to the extent that the airlines involved in the Proposed Joint Business overlap in the provision of direct air passenger services on the same Origin and Destination routes. The Parties will remain competitors outside the Joint Business scope.

6.1.2 As discussed above, the Parties will coordinate on pricing, inventory management, capacity, scheduling, sales, marketing, product and services for MAB and PAL only between Malaysia and the Philippines.

6.1.3 The Parties submit that the Proposed Joint Business will not negatively impact competition in view of several factors including:

(a) High level of competition in the provision of international air passenger services from AK, Z2, and 5J, and any other potential direct competitors such as Batik Air Malaysia ("**OD**")[28] on the Malaysia-Philippines market. In total, there are six carriers consisting of MH, PR, AK, Z2, 5J, and FY currently operating direct flights between Malaysia and the Philippines in June 2026.

(b) Competition from indirect services including SQ, TR, and CX which put competitive pressure by offering indirect, but substitutable services to direct services offered by the Parties.

(c) AirAsia's responsiveness and aggressiveness in introducing seat capacity. Figure 4 illustrates AirAsia's capability to rapidly increase capacity as soon as travel restrictions due to the COVID-19 pandemic were relaxed. AirAsia introduced [CONFIDENTIAL] in September 2021 as the Philippines government lifted the travel ban on ten countries including Malaysia[29]. Post COVID-19 pandemic AirAsia grew its capacity with a compounded annual growth rate ("**CAGR**") of [CONFIDENTIAL] between 2022 and 2025, making [CONFIDENTIAL].

[CONFIDENTIAL]

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[28] https://www.caam.gov.my/resources/air-traffic-rights/ (Batik Air Malaysia has Air Traffic Rights for 7 times weekly service between KUL and MNL with commencement date November 2025 but currently not operating on the route)

[29] https://www.dmsf.ph/philippine-government-lifts-travel-ban-on-10-countries (Philippine government lifts travel ban on 10 countries)

(d) The ability for customers to switch between different airlines and the price sensitivity of customers in the Malaysia-Philippines market.

(e) The absence of significant barriers to entry for airlines wishing to establish Fifth Freedom routes via KUL, leading to potential new competitors entering the Malaysia-Philippines market. This is evident from KLM Royal Dutch Airlines' operations on the KUL-MNL route from March 2023 to October 2023 as an added section to its Amsterdam ("**AMS**")-KUL service. The Parties are of the view that airlines from countries with Air Service Agreement with Malaysia that allows Fifth Freedom flights may exercise their rights without much hindrance, should there be sufficient demand to justify it.

6.2 Sufficient Competitive Constraint by Low-Cost Carriers

6.2.1 [CONFIDENTIAL] (see Section 7.1). In addition, AirAsia consistently had the lowest fares compared to the rest of the competitors between 2017 and 2019, and between 2022 and 2025 its fares have been on a downtrend, reducing at a CAGR of [CONFIDENTIAL] with its 2026 fares being the lowest at [CONFIDENTIAL] below the average market fare. The combination of high market share and low price exerts competitive pressure on other airlines.

[CONFIDENTIAL]

6.2.2 With price comparison websites and online purchasing of airline tickets becoming the norm, consumers have faster and easier access to price information to guide their purchase decisions. Customers can quickly switch from one airline to another if an airline raises its fares. There are no switching costs involved when customers switch to substitutable services by other airlines. The ease and timely manner in which customers switch to substitutable services as a response to an increase in price enables alternative options to be identified easily.

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6.2.3 The Parties submit that customers in the Malaysia-Philippines market are price-sensitive which is characterised by the increase in AirAsia's growth in passenger numbers by [CONFIDENTIAL] from 2024 to 2025, when its fares dropped [CONFIDENTIAL] between 2024 and 2025. The higher percentage gain in demand ([CONFIDENTIAL]) than the percentage drop in price ([CONFIDENTIAL]) is indicative of the price-sensitive nature of the market. Translated into market shares, the increase in demand for AirAsia services resulted in [CONFIDENTIAL] (from [CONFIDENTIAL]). In this situation, the Parties are not in a position to ignore their competitors.

6.2.4 In a market where airlines operate at full capacity on a fleet-wide basis (which is very rare) and are unable to add more capacity in the short term, airlines then have the possibility to increase fares without the risk of losing passengers. This is caused by the laws of supply and demand; however, it should be noted that this can be influenced by any form of external factors or competitive pressures. However, in the specific case of KUL-MNL v.v., airlines are far from being at full capacity.

6.2.5 Table 2 shows the estimated load factors on the KUL-MNL v.v. route in 2019 and for 2025. The overall industry load factor is [CONFIDENTIAL] in 2019 and [CONFIDENTIAL] in 2025, indicating that the airlines are not at full capacity. No single competitor is close to operating at full capacity with the highest load factor being [CONFIDENTIAL] in both 2019 and 2025. All airlines have the possibility to attract more passengers, which can be done with attractive fares to offset the sunk costs of empty seats. If the Parties were to attempt to increase fares following the implementation of the Proposed Joint Business, they would lose passengers to existing competitors. The exercise of market power is to either reduce capacity or increase price. In both cases, it would lead to a loss of passengers to competitors, which in turn leads to reduction in revenues. The distinct possibility of passengers switching to competitors will act as a significant competitive constraint on the Parties.

[CONFIDENTIAL]

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6.2.6 With regard to FSAs and LCCs, the Parties submit that scheduled air passenger services provided by LCCs are substitutable with the services provided by FSAs between Malaysia and the Philippines. This is consistent with the view of authorities in other jurisdictions, such as CCS which deemed passenger transport services provided by LCCs would be substitutable with the economy class services provided by FSCs[30].

6.2.7 The Parties submit that for short and medium haul flights, passengers tend to be more price-sensitive and may be more willing to accept LCC services compared to passengers travelling on long haul flights where comfort and additional benefits offered by FSAs are more prioritised. The direct flights between Malaysia and the Philippines typically are of a duration of approximately four (4) hours, making them fall under the category of medium haul. As such the Parties are of the view that services offered by LCCs are substitutable with the services provided by FSAs.

6.2.8 In terms of comparability in products and services of AirAsia Group (AK/Z2), an LCC, against MH's products and services as an FSA in the scope of the Proposed Joint Business[31], the Parties submit that AK/Z2:

(a) Provides similar levels of fare options as MH. On the KUL-MNL route, AK/Z2 offers three (3) fare brands, *Basic*, *Value Pack*, and *Premium Flex* with progressively more flexibility and features to suit a customer's needs. These are comparable to MH's *Economy Value*, *Economy Basic*, and *Economy Flex*, although AK/Z2's highest fare brand is found to be cheaper than MH's lowest fare brand, and;

(b) Features corporate fares and corporate travel management service, a product comparable to MH's *MHcorporate*, and;

(c) Has a similar loyalty/frequent flyer program named *AirAsia Rewards* to reward loyal customers with status recognition, benefits and privileges, not unlike MH's *Enrich* program, and;

(d) Provides similar level of cabin hard products comparable to MH's Economy Class product. AK/Z2's narrowbody Airbus A320 seats have minimal difference from MH's Economy Class seats on the Boeing 737 MAX 8, and;

(e) Has an extensive network coverage across Southeast Asia (much more extensive than MH), as well as to/from Australia and Central Asia, providing superior point-to-point connection competing head-on with the Parties in the scope of the Proposed Joint Business.

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[30] https://isomer-user-content.by.gov.sg/45/dd7be131-3bfd-4285-99bb-be4a6d63a653/qantas20airwaysjetstarnotice20of20decision20nonconfi20520sept2013.pdf Qantas Airways / Jetstar Airways CCS 400/002/12

[31] Please see **Appendix 6D** for further details

6.2.9 Similar comparison can be seen between products and services of Cebu Pacific (5J) another LCC competitor, against PR's products and services as an FSA in the scope of the Proposed Joint Business[32]. The Parties submit the following in relation to 5J:

(a) Provides similar levels of fare options as PR. On the KUL-MNL route, 5J offers three (3) fare brands, i.e., *Go Basic*, *Go Easy*, and *Go Flexi* for customers.

(i) *Go Basic* offers 0kg free baggage allowance ("**FBA**") and 10kg hand-carry, with random seat selection and inflight meals available for purchase.

(ii) *Go Easy* includes 20kg FBA and standard seat selection.

(iii) *Go Flexi* provides 20kg FBA with enhanced flexibility for flight changes.

These are arguably comparable to PR's *Supersaver*, *Saver*, *Value*, and *Flex* fare brands in Economy Class.

(b) Features corporate fares and corporate travel management services, positioning it as a competitive alternative to the Parties. PR as an FSA also competes with LCCs in the KUL-MNL route through its *Supersaver* fare brand (a no bag fare).

(c) Has a similar loyalty/frequent flyer program i.e., "*GoRewards*" to reward loyal customers with status recognition, benefits and privileges, not unlike PR's *Mabuhay Miles* program. Both programs allow points/mileage accrual through flight bookings and non-flight activities (e.g., partner purchases). *GoRewards* points depend on the tier of rewards card used, whilst Mabuhay Miles accrual depends on the fare brand availed and route. Both programs allow flight redemption and cash-plus-points payment for flights.

(d) Provides similar level of cabin hard products which is arguably comparable to PR's Economy Class. As an LCC, 5J's products are mostly add-ons, including CEB Baggage (prepaid baggage with up to 3 pieces of 20kg baggage, upgradeable to 32kg per piece), CEB Seat Selector, CEB TravelSure (travel insurance), CEB Meals (pre-ordered food and beverages), and CEB Fun Shop (inflight retail). This is largely consistent with PR's Economy Class ancillary offerings where passengers can opt for add-on purchases.\.

(e) Has an extensive network coverage spanning 81 routes (44 domestic and 37 international routes as of 15 July 2026) across Southeast Asia, including the KUL-MNL route between Malaysia and the Philippines. 5J's international network includes routes to Hong Kong, Singapore, Japan (Narita, Kansai, Fukuoka, Nagoya), South Korea (Incheon), China (Canton, Shanghai), Taiwan (Taipei, Kaohsiung), Vietnam (Hanoi, Ho Chi Minh, Da Nang),

[32] Please see **Appendix 6E** for further details

Indonesia (Jakarta, Bali), Thailand (Bangkok, Don Mueang), Macau, Dubai, Australia (Melbourne, Sydney), and Brunei, providing point-to-point connection competing with the Parties in the scope of the Proposed Joint Business.

6.2.10 The Parties are of the view that there is sufficient competitive constraint against the Proposed Joint Business arising from multiple competitors in the Malaysia-Philippines market, in particular [CONFIDENTIAL], ease of customers to switch between carriers, the market not operating near full capacity, and substitutability of services between LCCs and FSAs.

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6.3 Sufficient Competitive Constraint by Indirect Carriers and Fifth Freedom Carriers

6.3.1 The Parties submit that competitive constraints do not only come from competitors offering direct, non-stop services between Malaysia and the Philippines. Specific to the Overlapping Direct Route of KUL-MNL v.v., Parties face competition from both direct carriers, AK/Z2 and 5J, and indirect carriers such as SQ, TR and CX.

6.3.2 The vast majority of passenger volume on the KUL-MNL route utilize the nonstop, direct services. However, the Parties observe that between 2023 until April 2026, the percentage of passenger volume who chose indirect, connecting flights have risen from [CONFIDENTIAL]. The Parties submit that the growing percentage underscores the competitive constraints that indirect flights place on the Parties.

[CONFIDENTIAL]

6.3.3 Indirect routings are competitive substitutes to direct routings in terms of total travel time, and fares. Table 4 shows the comparison in travel time of direct and indirect routings. In Table 4, the indirect routings whose 2025 passenger volumes are above 1,000 passengers are considered material enough to be of consideration. The indirect routings by SQ, TR and CX add only between 145 to 260 minutes to a typical direct routing travel time. The existence of approximately [CONFIDENTIAL] per day on average in 2025 flying indirectly on SQ, TR, CX suggests a persistent behavioural pattern as opposed to isolated or occasional demand. In terms of fares, indirect routings can be more attractive compared to direct, for instance, TR's fare for a one-way KUL-SIN-MNL routing for 16 September 2026 is MYR 448.54, 16% lower than the cheapest direct fare for the same date on 5J[33]. Such savings may encourage highly price-conscious segment of the market to consider taking indirect routings rather than direct.

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[33] Please see **Appendix 6F**

Table 4a – Substitutability of indirect routings on KUL-MNL v.v. route, industry data[34]

Airline	Service	via	Travel Time	2025 passenger volume	Substitutability
AirAsia	Direct	-	3 hrs 55 min	[CONFIDENTIAL]	N/A
MH	Direct	-	3 hrs 50 min	[CONFIDENTIAL]	N/A
PR	Direct	-	4 hrs	[CONFIDENTIAL]	N/A
5J	Direct	-	4 hrs	[CONFIDENTIAL]	N/A
SQ	Indirect	SIN	6 hrs 25 min	[CONFIDENTIAL]	Substitutable
TR	Indirect	SIN	7 hrs 5 min	[CONFIDENTIAL]	Substitutable
CX	Indirect	HKG	8 hrs 20 min	[CONFIDENTIAL]	Substitutable

6.3.4 Competitors based in neighbouring countries provide important competitive pressure to the Parties between Philippines and domestic Malaysian cities (see paragraph 7.3.2). As an example, CX, SQ, and TR collectively hold [CONFIDENTIAL] market share on the Penang-Manila market, thanks to their comparable or even shorter travel times than the Parties, and competitive fares. A snapshot of fares for travel on 16 September 2026 shows TR leading as the most competitive airline with a one-way PEN-MNL fare of MYR 493.54, this is 48% lower than MH and 55% lower than PR.

Table 4b – Indirect services by Carriers on PEN-MNL v.v.[35]

Airline	Service	via	Travel Time	2025 passenger volume	Substitutability
MH	Indirect	KUL	6 hrs 20 min	[CONFIDENTIAL]	N/A
SQ	Indirect	SIN	7 hrs 10 min	[CONFIDENTIAL]	N/A
AirAsia	Indirect	KUL	6 hrs 15 min	[CONFIDENTIAL]	N/A
TR	Indirect	SIN	7 hrs 30 min	[CONFIDENTIAL]	N/A
CX	Indirect	HKG	9 hrs	[CONFIDENTIAL]	N/A
PR	Indirect	KUL	10 hrs	[CONFIDENTIAL]	N/A

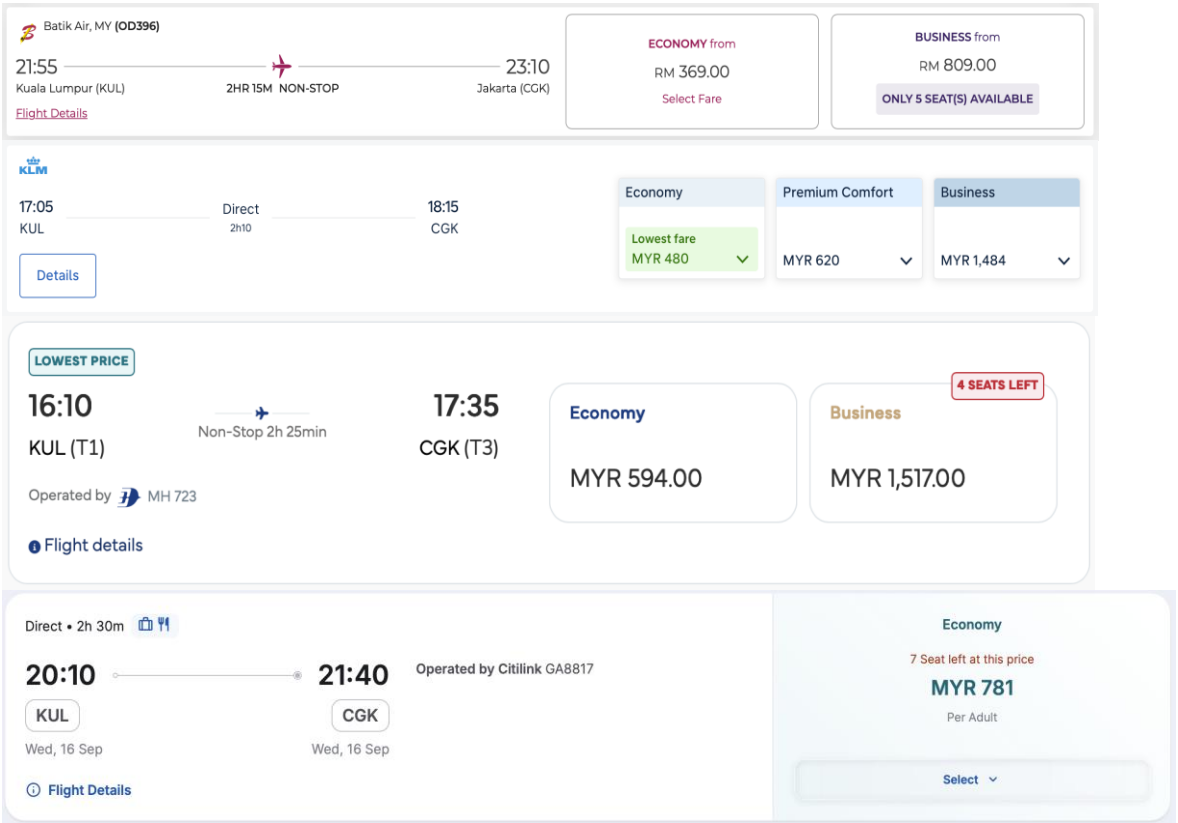
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[34] Please see **Appendix 6F**
[35] Please see **Appendix 6F**

6.3.5 Section 5.3.5 discussed the potential entry of Fifth Freedom carriers into the market of the Proposed Joint Business. In view of the existence of a Fifth Freedom flight by KL between KUL and MNL in 2023, the possibility of carriers from countries with Air Service Agreements allowing Fifth Freedom traffic rights via Kuala Lumpur to the Philippines deploying Fifth Freedom flights cannot be discounted. At the time of application, there are no carriers exercising their Fifth Freedom traffic rights, however, should a carrier with such rights decide to do so, they will face no restrictions.

6.3.6 The Parties are of the view that carriers from Europe and the Middle East, specifically BA from United Kingdom, KL from Netherlands, QR from Qatar and EK and EY from United Arab Emirates are capable of and may mount Fifth Freedom flights should there be sufficient demand. Typically, fares on such flights are comparable or even more competitive than local competitors. For example, comparing KL against competitors on the KUL-CGK route like MH, GA and OD, KL's lowest fare departing on 16 September 2026 (snapshot date 26 August 2026) is the second lowest at MYR 480, 30% higher than OD, but 19% lower than MH's lowest fare of MYR 594, and 38% lower than Garuda's ("**GA**") lowest fare of MYR 781. Such fare positioning by Fifth Freedom carriers to fill their capacity will attract local, point-to-point passengers to fly on these Fifth Freedom flights. This will place additional competitive constraint on the Parties.

Figure 6 – Snapshot of KUL-CGK one-way fares on 16 September 2026, observed on 26 August 2026



7.0 Parties Market Share

7.1 Market Shares between Malaysia and the Philippines

7.1.1 Figure 6 illustrates that in the Malaysia-Philippines market, [CONFIDENTIAL].

[CONFIDENTIAL]

7.2 Kuala Lumpur to Manila

7.2.1 As shown in Figure 7, [CONFIDENTIAL], followed by MH, 5J, and PR. The Proposed Joint Business is not expected to erode competition on the KUL-MNL v.v. route because of the competitive pressure imposed by AK/Z2, 5J, and other indirect carriers.

[CONFIDENTIAL]

7.3 All other O&D between Malaysia and the Philippines

7.3.1 On other O&D pairs between Malaysia and the Philippines (*i.e.* apart from the Overlapping Direct Route), the Proposed Joint Business will face strong competition [CONFIDENTIAL]. As illustrated in Table 5, for direct services on certain O&D pairs such as BKI-MNL v.v. and CEB-KUL v.v., the Parties face sufficient competitive pressure particularly from [CONFIDENTIAL]. As such, the Proposed Joint Business will not result in any appreciable restriction to competition on such routes as there are no competition concerns on these routes.

7.3.2 Direct, non-stop services are only available on KUL-MNL, BKI-MNL and CEB-KUL O&Ds. All other O&Ds or markets in Table 5 are served by services that involve one or more stops. As such, carriers from neighbouring countries such as [CONFIDENTIAL] hold significant market share on some of these indirect O&Ds. For example, on the MNL-PEN O&D, [CONFIDENTIAL] market share, SQ and TR hold [CONFIDENTIAL] of the DVO-KUL market and, [CONFIDENTIAL] have [CONFIDENTIAL] market share on the KCH-MNL O&D. In Table 5 below, the carriers from neighbouring countries which hold significant market share are indicated in parentheses.

[CONFIDENTIAL]

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7.4 Comments on Overlapping Direct Routes

7.4.1 The Parties submit that the Proposed Joint Business will not result in an appreciable adverse effect on competition on the Overlapping Direct Route due to the presence of strong competitors in the market, the ease of expansion, and the transparency in pricing and other flight information.

7.4.2 The ease of expansion in the air passenger service market between Malaysia and the Philippines will allow other carriers to operate new direct flights where there is sufficient demand. Recent examples include resumption of AirAsia's direct flights between KUL and CEB in November 2025, followed by the launch of Firefly's ("**FY**") direct flight on the same route in December 2025.

7.4.3 The ease of expansion is not only limited to commencement of new routes or reinstatements of routes by airlines currently operating between Malaysia and Philippines. It also includes resumption of services by any airlines holding the air traffic rights between Malaysia and the Philippines but are not currently operating on such routes, for example OD has rights to operate seven weekly flights on KUL-MNL v.v. route but is not currently operating.

7.4.4 Further, airlines may also easily expand existing capacities by adding frequencies, and/or up-gauge their capacities by utilizing larger aircraft in their fleet (see section 7.4.6). Lastly, airlines exercising their Fifth Freedom rights may choose to mount flights via KUL to the Philippines, expanding further the air passenger service market between Malaysia and the Philippines as elaborated in sections 5.3.5, 6.3.4, and 6.3.5.

7.4.5 **Liberal traffic rights between Malaysia and the Philippines.** The Air Service Agreement between Malaysia and the Philippines place no restrictions on airlines of each contracting party to operate from virtually any points in the territory of one contracting party via any intermediate points to any points in the territory of any other contracting party for all intra-ASEAN routes[36]. In addition, there are no restrictions on frequency, capacity, or aircraft types for passenger and cargo services. As such, there are no significant regulatory barriers to entry for any airlines based in Malaysia or the Philippines to commence and/or resume services between the two countries using any aircraft type, capacity, and at any frequency levels.

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[36] List of Air Service Agreements (ASA) with Malaysia published by CAAM

Figure 9 – Excerpt from ASA between Malaysia and the Philippines

2. ROUTE SCHEDULE

Carrier	Departure Points	Intermediate Points	Destinations	Beyond Points
Malaysia	Any points in Malaysia	Any points to be advised +Any ASEAN cities*	Any international points in the Philippines	Any points to be advised +Any ASEAN cities*
Philippines	Any international points in the Philippines	Any points to be advised +Any ASEAN cities*	Any points in Malaysia	Any points to be advised +Any ASEAN cities*

** By virtue of the full ratification of Protocols 1 and 2 of the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS). Limited to points designated by each ASEAN countries.*

3. FREQUENCY AND CAPACITY LEVELS

No restrictions on frequency, capacity or aircraft types for passenger and cargo services

7.4.6 **Ease of expansion through aircraft up-gauge.** The absence of restrictions on capacity and aircraft types in the ASA between Malaysia and the Philippines makes it easy for carriers to increase capacity by utilizing larger aircraft without increasing frequencies. Switching from narrowbody to widebody aircraft during peak periods is a common strategy for airlines to meet demand without increasing frequency.

For routes originating from MNL in 2025, it can be observed that for routes comparable in distance to KUL-MNL (between 2,000 to 3,000 kilometres), [CONFIDENTIAL] of the capacity is operated by narrowbody aircraft, and [CONFIDENTIAL] by widebody aircraft. This shows that competitors flying to and from MNL, are able and willing to switch to widebody aircraft as required. The Parties submit that, although KUL-MNL route is almost entirely operated with narrowbody aircraft in 2025, the fact that there are no material regulatory restrictions to up-gauge aircraft between Malaysia and the Philippines, and that carriers do operate a mix of narrowbody and widebody aircraft on routes comparable in distance to KUL-MNL, there exists the possibility of carriers to up-gauge aircraft on the KUL-MNL route in order to increase capacity.

Table 6 – Mix of aircraft types on routes within 2,000 to 3,000km radius from MNL[37]

Route	Aircraft Type	
	Narrowbody	Widebody
MNL-BKK	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-CGK	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-CJU	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-CNX	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-DMK	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-DPS	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-FUK	[CONFIDENTIAL]	[CONFIDENTIAL]

[37] Please see **Appendix 7B**

Route	Aircraft Type	
	Narrowbody	Widebody
MNL-GUM	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-HND	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-ICN	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-KIX	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-KUL	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-NGO	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-PEK	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-PUS	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-SIN	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-TFU	[CONFIDENTIAL]	[CONFIDENTIAL]
MNL-YNY	[CONFIDENTIAL]	[CONFIDENTIAL]
Total	[CONFIDENTIAL]	[CONFIDENTIAL]

Such practice of aircraft up-gauging while maintaining relatively constant frequencies can be observed with 5J, the Parties' direct competitor within the Proposed Joint Business scope, on its MNL-SIN operation. 5J's narrowbody fleet consist of Airbus A320 and Airbus A321 aircraft, and its widebody fleet consists of the Airbus A330 and Airbus A330neo aircraft. Table 7a shows that in January through March 2025, 5J deployed its widebody aircraft, and narrowbody aircraft were deployed for the rest of the year 2025. Table 7b shows in comparison with the rest of the year, 5J managed to increase capacity during January through March 2025 by [CONFIDENTIAL], while only increasing frequency by [CONFIDENTIAL]. The Parties are of the view that should competitors operating both narrowbody and widebody fleet, such as 5J, decide to replicate its fleet deployment strategy onto KUL-MNL, it may do so without significant restrictions, hence imposing competitive constraints on the Parties.

Table 7a – 5J Variation in Capacity and Frequency by Aircraft Type for MNL-SIN v.v. in 2025[38]

Period	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Narrowbody Capacity	[CONFIDENTIAL]											
Widebody Capacity												
Total Capacity												
Frequency												

Table 7b – 5J Capacity and Frequency Variation[39]

Period	Jan-Mar 2025	Apr-Dec 2025	Variance
Average Total Capacity	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
Average Frequency	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]

[38] Please see **Appendix 7B**
[39] Please see **Appendix 7B**

7.4.7 **Low barrier to entry at Malaysian airports contributing to ease of expansion.** Specific to the KUL-MNL v.v. route, the Parties observe that the highest number of movements at KLIA in week 20 of 2026 was 42 movements during the peak hour between 16:00 and 17:00 local time. This is lower than the runway movement capacity of 44 movements per hour[40]. The Parties submit that there is still headroom for additional movements even during the peak period, and that the peak period occurs only during the period between 16:00 and 17:00. As such the difference between the movements during non-peak hours and the runway hourly capacity may be much higher than during peak hour. Therefore, there is ample opportunity for existing or new carriers to mount additional flights at KLIA.

Low barrier to entry at Philippines airports contributing to ease of expansion.

7.4.8 MNL Airport demonstrates that the Philippines offers a low barrier to entry for airline operators, which significantly contributes to the ease of expansion in the market. The Parties submit that MNL has sufficient capacity to accommodate new entrants and expanded operations from existing carriers. A comparison of scheduled seats between January 2026 and January 2027 shows anticipated growth, with several new carrier-O&D (Origin and Destination) pairs being established out of MNL during this period.

[CONFIDENTIAL]

Carrier	Origin	Destination
PR	MNL	ORD
PR	MNL	ROR
PR	MNL	SPN
5J	MNL	RUH
5J	MNL	XMN
CA	MNL	CKG
HO	MNL	PVG
MF	MNL	CKG
MF	MNL	FOC
RX	MNL	RUH
Z2	MNL	DAD

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[40] Airport Congestion data issued by Malaysia Airports Holding Berhad, please see **Appendix 7C**

7.4.9 The Proposed Joint Business is becoming increasingly necessary for MH to compete with competitors in order to promote healthy competition and provide superior services to customers. Furthermore, the ease of access to fare information online by customers, enabling customers to decide and switch between direct competitors at no additional cost further places competitive restraint on the Parties on the Overlapping Direct Route even if the Proposed Joint Business were to proceed.

7.5 Counterfactual Scenario

7.5.1 The Parties submit that the *status quo* prior to the Proposed Joint Business is the basis for assessing the claimed benefits in Section 8 of this Application. This is because the most appropriate counterfactual to the Proposed Joint Business is the prevailing conditions of competition as it provides a reasonably reliable indicator of future competition without the Proposed Joint Business. However, the Parties submit that CAAM should consider likely and imminent changes in the structure of competition, *i.e.* consider the most likely and potentially most immediate outcome to reflect as accurately as possible the nature of rivalry without the Proposed Joint Business[41].

7.5.2 This is consistent with the approach taken in a different jurisdiction where, considering the uncertainties regarding the applicant's submitted counterfactual scenario, CCS was of the view that the most accurate counterfactual to assess the claimed benefits was to evaluate it against the status quo[42].

7.5.3 **There is increasing competition.** As shown in Figure 6, between 2017 and 2019 [CONFIDENTIAL]. Shortly after COVID-19 in 2023, its market share declined from approximately [CONFIDENTIAL], although [CONFIDENTIAL]. During the period January-April 2026, its market share recovered to pre-COVID-19 levels ([CONFIDENTIAL]). AK/Z2's speed and magnitude in mounting back capacity as soon as travel restrictions were lifted as shown in Figure 2 illustrates its reactivity to changing market conditions and travel demand. It is likely that AK will be as reactive with its capacity to respond to demand and changing market landscape.

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[41] Please see Lufthansa/SIA (CCS 400/001/16)
[42] CCS 400/001/16 at paragraph [120]

8.0 Benefits

8.1 Overview

8.1.1 The Parties submit that the Proposed Joint Business will result in significant benefits to passengers/consumers. In a market environment subject to external factors beyond the Parties' control such as geopolitical conflicts, uncertainty in fuel costs and delays in aircraft deliveries, the Proposed Joint Business enhances the sustainability of the Malaysia – Philippines routes, providing greater certainty and reliability for customers' travel needs. It is expected to ensure wider connectivity for both Malaysia and the Philippines, with consequential benefits to customers, and to both countries' aviation industry, bilateral trade, and tourism sector.

8.1.2 The benefit claims made by the Parties are consistent with the types of benefits accepted by CAAM in previous joint business exemption decisions.

(a) In CAAM's Proposed Decision on the MH-SQ Joint Business[43], CAAM accepted that joint businesses lead to expansion of air connectivity, improved scheduling, more attractive fare options, better corporate account offerings, and improved frequent flyer programme benefits.

(b) In CAAM's Proposed Decision on the SQ-LH Joint Venture[44], CAAM found that joint businesses may contribute to improvements including competitive fare outcomes, increases in seat capacity, flight frequency and route options.

8.1.3 These precedents support the types of benefits the Parties expect to deliver through the Proposed Joint Business.

8.1.4 As a result of the Proposed Joint Business, customers will benefit through increased travel options, increased network connectivity and harmonized service offerings. The Malaysian economy may also benefit from the Proposed Joint Business through potential increase in traffic between Malaysia and the Philippines. [CONFIDENTIAL].

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[43] Joint Business between Malaysia Airlines Berhad and Singapore Airlines Limited (CAAM/ENC/COMPETITION/IE/2025(01), paragraphs 77, 83 and 84, 112 and 157

[44] Joint Venture between Singapore Airlines Limited and Deutsche Lufthansa AG (CAAM/ENC/COMPETITION/IE/2026(03), paragraphs 91

8.2 Increased Frequency of Flight Options and Improvement in Schedules

8.2.1 **Increased frequency of flight options for customers**. As a result of the Proposed Joint Business, Parties will offer a higher number of options between the two carriers on the KUL-MNL route to their respective customers, rather than individually. Parties will be able to offer up to six options a day to their respective customers, as opposed to up to four and two options daily respectively by MH and PR.

8.2.2 Absent the Joint Business, based on January 2027 schedule, MH connects sixteen (16) Malaysian cities (including KUL) with only twelve (12) cities in the Philippines (including MNL) as per its current codeshare arrangement with PR, via 28 direct return trips per week on KUL-MNL v.v. If the Proposed Joint Business is implemented, MH will connect the similar number of Malaysian cities and all [CONFIDENTIAL] Philippines domestic destinations (including MNL) that PR operates to via 38 direct return trips per week on KUL-MNL v.v. in cooperation with PR.

Table 8a: Malaysia-Philippines connectivity before and after Joint Business for MAB customers[45]

As per January 2027	Before the Joint Business	After the Joint Business
Number of Malaysian cities	16	[CONFIDENTIAL]
Number of Philippines cities	12	[CONFIDENTIAL]
Number of direct routes	1	[CONFIDENTIAL]
Number of direct return trips	28 per week	38 per week

8.2.3 Similarly, absent the Joint Business, based on January 2027 schedule, PR connects twelve (12) Philippines cities (including MNL) with sixteen (16) cities in Malaysia (including KUL) as per its current codeshare arrangement with MH, via 10 direct return trips per week on MNL-KUL v.v.

8.2.4 If the Proposed Joint Business is implemented, PR will connect [CONFIDENTIAL] Philippines cities (including MNL) and [CONFIDENTIAL] Malaysian destinations (including KUL) via 38 direct return trips per week on MNL-KUL v.v. in cooperation with MH.

Table 8b: Malaysia-Philippines connectivity before and after Joint Business for PR's customers[46]

As per January 2027	Before the Joint Business	After the Joint Business
Number of Philippines cities	12	[CONFIDENTIAL]
Number of Malaysian cities	16	[CONFIDENTIAL]
Number of direct routes	1	[CONFIDENTIAL]
Number of direct return trips	10 per week	38 per week

[The rest of this page has been intentionally left blank]

[45] Source: OAG
[46] Source: [CONFIDENTIAL]

8.2.5 **Better connectivity between domestic Malaysia and the Philippines**. Beyond KUL-MNL v.v. route, Parties will be able to offer more options for customers to travel between domestic destinations in Malaysia and the Philippines by allowing connections on both MH and PR's services on the KUL-MNL route v.v. For example, consider the comparison between MH-only options for travel between KCH and MNL in Tables 7 and 8.

8.2.6 Without the Proposed Joint Business, customers have six options to travel from KCH to MNL utilizing only MH flights connecting in KUL which results in total travel time under 12 hours. Utilizing PR's additional flights, the Proposed Joint Business unlocks three more options (highlighted in red) for KCH-MNL O&D pair, both with total travel time comparable, if not better, than the existing options.

Table 9: KCH-MNL connectivity before Joint Business[47]

Segment	KCH-KUL			KUL-MNL			Layover duration	Total trip duration
Option	Flight Number	Departure	Arrival	Flight Number	Departure	Arrival		
1	MH 2547	05:45	07:35	MH 704	12:45	16:30	05:10	10:45
2	MH 2505	06:50	08:40	MH 704	12:45	16:30	04:05	09:40
3	MH 2543	10:25	12:15	MH 804	17:35	21:30	05:20	11:05
4	MH 2513	13:30	15:20	MH 804	17:35	21:30	02:15	08:00
5	MH 2517	16:20	18:10	MH 708	23:45	03:40+1	05:35	11:20
6	MH 2545	18:00	20:00	MH 708	23:45	03:40+1	03:45	09:40

+1 denotes next day

Table 10: KCH-MNL connectivity after Joint Business[48]

Segment	KCH-KUL			KUL-MNL			Layover duration	Total trip duration
Option	Flight Number	Departure	Arrival	Flight Number	Departure	Arrival		
1	**MH 2547**	**05:45**	**07:35**	**PR 526**	**11:45**	**15:30**	**04:10**	**09:45**
2	MH 2547	05:45	07:35	MH 704	12:45	16:30	05:10	10:45
3	**MH 2505**	**06:50**	**08:40**	**PR 526**	**11:45**	**15:30**	**03:05**	**08:40**
4	MH 2505	06:50	08:40	MH 704	12:45	16:30	04:05	09:40
5	MH 2543	10:25	12:15	MH 804	17:35	21:30	05:20	11:05
6	MH 2513	13:30	15:20	MH 804	17:35	21:30	02:15	08:00
7	MH 2517	16:20	18:10	MH 708	23:45	03:40+1	05:35	11:20
8	MH 2545	18:00	20:00	MH 708	23:45	03:40+1	03:45	09:40
9	**MH 2597**	**21:00**	**22:50**	**PR 530**	**02:20+1**	**06:20+1**	**03:30**	**09:20**

+1 denotes next day

8.2.7 Similar improvement can be seen for the reverse direction MNL-KCH as shown in Tables 9 and 10. Thanks to the Proposed Joint Business, customers may have additional options utilizing PR's flights.

[47] Please see **Appendix 8A** for further information
[48] Please see **Appendix 8A** for further information

Table 11: MNL-KCH connectivity before Joint Business[49]

Segment	MNL-KUL			KUL-KCH			Layover duration	Total trip duration
Option	Flight Number	Departure	Arrival	Flight Number	Departure	Arrival		
1	MH 805	00:15	04:10	MH 2542	07:50	09:40	03:40	09:25
2	MH 709	06:40	10:35	MH 2530	12:30	14:20	01:55	07:40
3	MH 709	06:40	10:35	MH 2536	13:45	15:35	03:10	08:55
4	MH 709	06:40	10:35	MH 2544	15:15	17:15	04:40	10:35
5	MH 807	13:15	17:15	MH 2528	18:20	20:15	01:05	07:00
6	MH 807	13:15	17:15	MH 2522	19:35	21:25	02:20	08:10
7	MH 807	13:15	17:15	MH 2532	21:15	23:05	04:00	09:50
1	MH 805	00:15	04:10	MH 2542	07:50	09:40	03:40	09:25

Table 12: MNL-KCH connectivity after Joint Business[50]

Segment	MNL-KUL			KUL-KCH			Layover duration	Total trip duration
Option	Flight Number	Departure	Arrival	Flight Number	Departure	Arrival		
1	MH 805	00:15	04:10	MH 2542	07:50	09:40	03:40	09:25
2	MH 709	06:40	10:35	MH 2530	12:30	14:20	01:55	07:40
3	MH 709	06:40	10:35	MH 2536	13:45	15:35	03:10	08:55
4	MH 709	06:40	10:35	MH 2544	15:15	17:15	04:40	10:35
5	**PR 525**	**06:50**	**10:45**	**MH 2530**	**12:30**	**14:20**	**01:45**	**07:30**
6	**PR 525**	**06:50**	**10:45**	**MH 2536**	**13:45**	**15:35**	**03:00**	**08:45**
7	**PR 525**	**06:50**	**10:45**	**MH 2544**	**15:15**	**17:15**	**04:30**	**10:25**
8	MH 807	13:15	17:15	MH 2528	18:20	20:15	01:05	07:00
9	MH 807	13:15	17:15	MH 2522	19:35	21:25	02:20	08:10
10	MH 807	13:15	17:15	MH 2532	21:15	23:05	04:00	09:50

8.2.8 **Better connectivity between domestic Philippines and Malaysia**. Beyond KUL-MNL v.v. route, Parties will be able to offer more options for customers to travel between domestic destinations in the Philippines and Malaysia, thanks to the addition of MH's services on the MNL-KUL route v.v.. For example, consider the comparison between PR-only options for travel between MNL and KUL in Tables 11 and 12.

8.2.9 The Parties anticipate that the Proposed Joint Business to bring significant improved connectivity between Philippines' domestic segments and Malaysia:

(a) For the [CONFIDENTIAL] additional codeshare destinations, the Proposed Joint Business will create new PR-MH connecting schedules that do not exist today. For example, customers travelling from Bacolod (BCD) to Kuala Lumpur (KUL) will have access to multiple daily connecting options through Manila, with journey times ranging from approximately 7 to 12 hours and up to [CONFIDENTIAL] weekly seats available on each PR-MH flight pairing.

[49] Please see **Appendix 8A** for further information
[50] Please see **Appendix 8A** for further information

(b) The existing twelve (12) codeshare destinations will also benefit from enhanced connectivity through additional PR-MH flight pairings. For example: (i) CEB-KUL via MNL will offer multiple daily PR-MH connections with travel times ranging from approximately 8-12 hours and up to [CONFIDENTIAL] weekly seats per flight pair.

(a) The Proposed Joint Business will also enhance connectivity between domestic Philippines destinations. Numerous PR-PR connecting schedules enabling travel between regional Philippine cities, such as CEB-CYZ, DVO-CYZ, CGY-LAO, BXU-TUG, CBO-LAO and DGT-LAO, and with travel times and weekly frequencies that will benefit from the commercial coordination between the Parties. This intra-Philippines connectivity will complement the Malaysia-Philippines connectivity and demonstrates the broader network benefits of the Proposed Joint Business.

8.2.10 Overall, this represents a material improvement in connectivity between Malaysia and the Philippines that would not be achievable without the coordination enabled by the Proposed Joint Business.

8.2.11 **Improvement in schedules**. With the Proposed Joint Business, Parties will explore possible improvements of their schedules with the objective to spread flight timings throughout the day (subject to demand, slots availability and aircraft availability) and increase convenience to customers. For example, on MNL-KUL route shown in Table 5, MH 709 and PR 525 depart only 10 minutes apart at 06:40 and 06:50 respectively. [CONFIDENTIAL].

Table 13: Flights from KUL to MNL in January 2027[51]

Airline	Flight Number	Departure	Arrival	Days of Operation	Aircraft
PR	530	02:20	06:20	1____67	321
MH	806	08:30	12:20	1234567	7M8
PR	526	11:45	15:30	1234567	321
MH	704	12:45	16:30	1234567	7M8
MH	804	17:35	21:30	1234567	7M8
MH	708	23:45	03:40 + 1	1234567	7M8

Table 14: Flights from MNL to KUL in January 2027[52]

Airline	Flight Number	Departure	Arrival	Days of Operation	Aircraft
MH	805	00:15	04:10	1234567	7M8
MH	**709**	**06:40**	**10:35**	**1234567**	**7M8**
PR	**525**	**06:50**	**10:45**	**1234567**	**321**
MH	807	13:15	17:15	1234567	7M8
MH	705	17:20	21:25	1234567	7M8
PR	529	21:20	01:20 + 1	1___567	321

[51] Source: OAG
[52] Source: OAG

8.2.12 The Parties highlight that the above example in 8.2.9 is provided as a possible illustration only of how Parties may potentially be able to coordinate their flight schedules. The coordination of schedules will ultimately still be subject to detailed commercial route studies by the Parties on the commercial feasibility of operating such services, and subject to discussion and commercial agreement between the Parties post regulatory approval.

8.2.13 CAAM previously accepted that joint businesses can lead to improved scheduling coordination. In the MH-SQ Proposed Decision[53], CAAM found that the Parties operating from each other's respective hubs would have the ability to optimise the rescheduling of their flights to improve and increase connections, which is a significant benefit.

8.3 Increased connectivity through expanded code-sharing

8.3.1 **The Philippines.** Currently, MH has a codeshare partnership with PR on PR operated flights between the Philippines and Malaysia; KUL-MNL, and domestic flights between MNL and Bacolod ("**BCD**"), Cebu ("**CEB**"), Cagayan de Oro ("**CGY**"), Davao ("**DVO**"), General Santos ("**GES**"), Iloilo ("**ILO**"), Puerto Princesa ("**PPS**"), Caticlan ("**MPH**"), Bohol ("**TAG**"), Butuan ("**BXU**"), and Tacloban City ("**TAC**"). This codeshare partnership will continue under the Proposed Joint Business, guaranteeing consumer access.

8.3.2 **Malaysia.** Currently PR has a codeshare partnership with MH on MH operated flights as well, covering KUL-MNL, and domestic flights between KUL and Alor Setar ("**AOR**"), BKI, Bintulu ("**BTU**"), Johor Bahru ("**JHB**"), Kota Bharu ("**KBR**"), Kuching ("**KCH**"), Kuantan ("**KUA**"), Labuan ("**LBU**"), Langkawi ("**LGK**"), Miri ("**MYY**"), PEN, Sibu ("**SBW**"), Sandakan ("**SDK**"), Kuala Terengganu ("**TGG**"), and Tawau ("**TWU**"). As part of continued cooperation between the two carriers, this will continue as well.

8.3.3 The Proposed Joint Business will encourage each Party to expand codeshare cooperation within the JB scope of Malaysia-Philippines enabling customers' access to more destinations in the Philippines. In addition to the existing 12 codeshare destinations in the Philippines (including MNL), Parties will be incentivized to add [CONFIDENTIAL] in the Philippines served by PR via its MNL hub. [CONFIDENTIAL].

8.3.4 With the coordination between commercial teams of the Parties (sales and marketing), Malaysian domestic destinations will be better promoted to consumers in the Philippines, conversely, destinations in the Philippines will be better promoted to consumers in Malaysia, increasing traffic flows between the two countries.

[53] Joint Business between Malaysia Airlines Berhad and Singapore Airlines Limited (CAAM/ENC/COMPETITION/IE/2025(01), paragraph 84

8.3.5 The deeper partnership acts finally as an enabler for codeshare expansion outside of the scope of the Proposed Joint Business. MH will further expand the reach of its network by having more codeshare flights on PR's international network. [CONFIDENTIAL] will allow more options for customers to travel within ASEAN. This codeshare expansions not only widens customers' choices and offer greater global connectivity, but also provides support in terms of traffic flows onto each Party's network, improving commercial viability and ensuring sustainable provision of air services in the region.

8.3.6 While the international codeshares will commence before the Proposed JB is implemented, they should not be viewed as standalone initiatives. Rather, both the codeshare arrangements and the Proposed JB form part of a cohesive and interconnected partnership strategy that MH and PR are pursuing to deepen their commercial cooperation. [CONFIDENTIAL].

8.4 More attractive fare options due to pricing, inventory, sales and marketing coordination

The Proposed JB is underpinned by a metal-neutral revenue-sharing arrangement, ensuring that both Parties are incentivized to optimize the performance of MH and PR Malaysia – Philippines routes rather than individual-operated services. Accordingly, the Parties will coordinate pricing and revenue management activities to provide greater value and choice to customers.

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8.4.1 **Lower fares due to elimination of double marginalization.**

*(a) Literature on elimination of double marginalization ("**EDM**")*

The economic theory of EDM suggests that when two complementary services are provided by the same supplier, prices tend to be lower compared to two services provided and priced by two different suppliers. A single supplier for the two services will attempt to maximize profits across both services as if both were its own ones.

In passenger airline economics, as different airlines provide networks complementary to each other, customers often seek to use services from several airlines especially when it is not possible for the customer to reach their final destination using only a single airline's network. In this case, customers would seek a multi-segment itinerary consisting of multiple airlines. Airlines with complementary networks therefore have an incentive to engage in cooperations that lead to EDM such as joint businesses or joint ventures, in order to maximize revenues, with the positive effect of reducing overall prices. In a joint business environment, Parties are no longer competitors within the joint business scope and therefore are effectively acting like a single supplier for services across the airlines' complementary networks. The joint business partners will strive to maximize revenues across both services.

Such cooperations lead to fare reductions as documented in multiple empirical evidence. Fares of alliances with anti-trust immunity compared to interlining have been shown by multiple studies to be lower, from 5.62%[54] to as much as 17.21%[55] lower.

(b) Application of the EDM for KUL – MNL route (return itinerary on overlapping direct route)

In the context of the Proposed Joint Business, EDM can be realized for itineraries on the overlapping direct route and connecting domestic itineraries. The illustration of EDM thanks to the Proposed Joint Business on a return itinerary sold by MH on the KUL-MNL v.v. where the outbound segment is operated by MH and the inbound segment is operated by PR route can be illustrated in Table 17.

Note that the following illustrations are meant to explain what should happen if the Proposed JB is approved. Actual fares will depend on market dynamics and demand conditions at the relevant time.

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[54] Calzaretta et al (2017)
[55] Whalen (2007)

Table 17: Illustration of EDM for KUL-MNL v.v.

Segment	Without JB	With JB
KUL-MNL (MH)	MH fare: MYR 800	MH fare: MYR 800
MNL-KUL (PR)	PR charges MH: MYR 1,000 (PR costs MYR 800 + PR Markup MYR 200)	PR charges MH: MYR 800
Final price to customer	MH fare + amount charged by PR + MH markup = MYR 800 + MYR 1,000 + MYR 200 = **MYR 2,000**	MH fare + amount charged by PR + Unified markup (RM 200) = MYR 800 + MYR 800 + MYR 200 = **MYR 1,800**

Without JB:

(a) Without the Proposed JB, MH and PR are competing airlines and are not acting like a single supplier.

(b) Revenues are fragmented; MH and PR seek to maximize revenue (and profit) only on their operated segments, KUL-MNL and MNL-KUL respectively. There is no incentive to maximize revenue across the entire itinerary by attempting to increase demand on each other.

(c) PR wants to maximize its revenue when authorizing MH to sell its capacity and would apply a markup on top of the MNL-KUL fare, for example, the settlement paid by MH (MYR 1,000) for a seat on PR's MNL-KUL segment consist of PR seat value (MYR 800), and markup by PR (MYR 200).

(d) MH as the carrier that sells the itinerary would also intend to maximize its revenue and would apply a markup (MYR 200) over the settlement it pays to PR. The final itinerary price to customer consists of MH fare, MH Settlement, and MH markup, totalling MYR 2,000.

With JB:

(e) MH and PR are no longer competitors and are acting like a single supplier

(f) Revenues are unified; MH and PR will be incentivized to increase demand for KUL-MNL v.v. on the two carriers by offering competitive pricing, as increased demand leads to greater revenue. It is in both Parties' interest to maximize joint revenue which will later be pooled and shared based on the revenue sharing principle.

(g) MH and PR will apply a single unified markup to the entire itinerary instead of individual markups, thereby eliminating the double marginalization. The final itinerary price to customer consists of MH fare, PR fare, and the Unified markup, totalling MYR 1,800, which is lower than without the Proposed JB.

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(c) Application of the EDM for KUL – DVO (connecting itinerary involving a domestic sector in the Philippines)

The illustration of EDM thanks to the Proposed Joint Business on a connecting itinerary sold by MH where the first segment is operated by MH and the connecting segment is operated by PR can be illustrated in Table 18.

Table 18: Illustration of EDM for a connecting itinerary KUL-MNL-DVO

Segment	Without JB	With JB
KUL-MNL (MH)	MH fare: MYR 800	MH fare: MYR 800
MNL-DVO (PR)	PR charges MH: PR costs MYR 500 + PR Markup MYR 100 = MYR 600	PR charges MH: PR costs MYR 500
Final price to customer	MH fare + amount charged by PR + MH markup = MYR 800 + MYR 600 + MYR 200 = **MYR 1,600**	MH fare + amount charged by PR + Unified markup (RM 200) = MYR 800 + MYR 500 + MYR 200 = **MYR 1,500**

Without JB:

(a) PR wants to maximize its revenue (and profit) when authorizing MH to sell its capacity and would apply a markup on top of the MNL-DVO fare, for example, the settlement paid by MH (MYR 600) for a seat on PR's MNL-KUL segment consist of the fare (MYR 500), and markup by PR (MYR 100).

(b) MH as the carrier that sells the itinerary would also intend to maximize its revenue and would apply a markup (MYR 200) over the settlement it pays to PR. The final itinerary price to customer consists of MH fare, MH Settlement, and MH markup, totalling MYR 1,600.

With JB:

(c) MH and PR are no longer competitors and are acting like a single supplier

(d) MH and PR will apply a single unified markup to the entire itinerary instead of individual markups, thereby eliminating the double marginalization. The final itinerary price to customer consists of MH fare, PR fare, and the Unified markup, totalling MYR 1,500, which is lower than without the Proposed JB.

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The Parties submit that elimination of double marginalization is not possible with lesser partnerships such as interlining, codesharing, or by being in the same airline alliance. In such lesser partnerships, there are no coordination whatsoever in any aspects. Partners are strictly competitors and will act in their own interests *i.e.* to maximize their own revenues without consideration for mutual growth.

More concretely, the Parties submit that the Proposed Joint Business will allow the Parties to carry out the following actions :

8.4.2 **Coordinate fares across each other's services within JB scope**

Without the Proposed Joint Business, each airline prioritizes tickets sales on its own operated flights to maximize its individual revenue, while sales on a partner's operated flights may serve to meet excess demand.

For example, a return itinerary sold by MH comprising a KUL-MNL sector operated by MH and an MNL-KUL sector operated by PR (marketed by MH as a codeshare flight) is priced higher than an itinerary operated entirely by MH. This reflects the fact that, in a traditional codeshare arrangement, the airlines remain commercial competitors and have limited incentive to promote or price partner-operated flights as attractively as their own services.

The Proposed JB aligns the commercial interests of both Parties through revenue sharing, creating a metal-neutral environment in which both MH and PR are incentivized to maximize total joint revenue rather than the performance of individual flights.

[CONFIDENTIAL]

Table 19: Fare of a KUL-MNL return itinerary before and after Joint Business in Economy Class

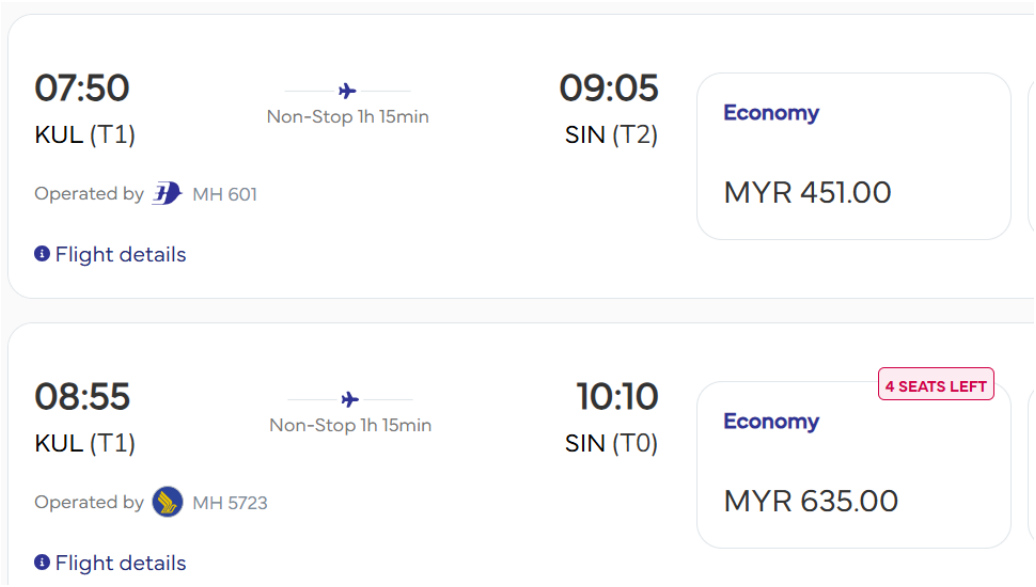
RBD	Without JB (fares in MYR)		With JB (fares in MYR)	
	All in Return Fare on MH Metal only	All in Return Fare on MH Metal and MH codeshare operated by PR	All in Return Fare on MH Metal only	All in Return Fare on MH Metal and MH codeshare operated by PR
Y	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
B	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
H	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
K	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
M	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
L	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
V	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
S	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
N	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
Q	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]

Fares shown are for illustrative purpose only and subject to changes

Without the JB, [CONFIDENTIAL].

This is a common benefit of metal-neutral joint businesses. For example, in the MAB - SIA joint business, [CONFIDENTIAL].

Figure 10: [CONFIDENTIAL] with the MAB-SIA JB for KUL-SIN route



8.4.3 **Gain access to [CONFIDENTIAL] Reservation Booking Designator ("RBD"s)**

Under the Proposed JB, customers will have access [CONFIDENTIAL] of booking classes or RBD instead [CONFIDENTIAL] as is the case today with the current codeshare agreement.

For example, MH's Economy Class RBDs consist of eleven (11) RBDs while PR's Economy Class RBD consist of fourteen 14 RBDs[56]. In the existing codeshare partnership with PR, [CONFIDENTIAL] of PR's economy class RBDs are accessible to MH, [CONFIDENTIAL]. With the Proposed JB, [CONFIDENTIAL] which will potentially result in a significantly greater number of seats available on PR operated flights, leading to availability of lower fares than without the JB.

8.4.4 **Offer more competitive fares for customers [CONFIDENTIAL]**

With the Proposed JB, customers may benefit [CONFIDENTIAL].

[CONFIDENTIAL].

[CONFIDENTIAL].

[CONFIDENTIAL]

8.4.5 **Coordination of joint demand forecasting**

Revenue management coordination includes joint demand forecasting that could yield more accurate forecasts. [CONFIDENTIAL]. Such strategies will eventually

[56] See Appendix 8C

include lowering fares or loosening inventory during low seasons in order to fill Parties' capacity, hence providing access to more attractive fares to customers.

8.4.6 **Increase number of customers benefits from the joint fares**

Pricing and inventory coordination alone is not sufficient to ensure the attractive fares made possible by the Proposed Joint Business reach as many customers as possible. Coordination in sales and marketing is a key element in maximizing reach to customers, and in turn, maximizing revenue. Each Party can leverage on another Party's sales reach and capability, as well as marketing expertise within each other's markets to reach more customers, thereby ensuring more customers benefit from the JB fares.

In terms of distribution, [CONFIDENTIAL]. For example, with the Proposed JB, [CONFIDENTIAL] to prominently promote its own flights over PR's flights. Conversely, PR will also do the same for MH's flights. Similar approach will also be taken for other channels such as through Global Distribution Systems ("**GDS**"). Parties expect to increase the number of customers to whom these joint fare products are made available to, thanks to marketing coordination. Currently MH database has [CONFIDENTIAL][57] customers who receive MH fare information. With the implementation of the Proposed Joint Business, PR customers will also receive the same fare information. As such, more customers will benefit from more attractive fares.

8.4.7 The Parties note that fare levels offered for sale will need to be benchmarked against market prices for the Parties to remain competitive against offerings of competitors, and are sensitive to fuel prices, demand movements, and other external factors.

8.4.8 This approach is consistent with CAAM's prior findings. In the SQ-LH Proposed Decision[58], CAAM found that the elimination of double marginalisation through revenue-sharing arrangements enhances the ability of joint business partners to provide more competitive fares than would have been the case absent the joint business. CAAM also found that fare harmonisation and coordinated inventory management processes result in a wider range of fare types and improved seat availability.

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[57] Total Enrich FFP members as at 31 December 2025
[58] https://www.caam.gov.my/wp-content/uploads/2026/07/MH-SQ-Proposed-Decision-For-Publication.pdf

8.5 Better corporate account offerings and benefits

8.5.1 Typically benefits under an airline's corporate program are applicable only for travel on the airline's own operated services and eventually its subsidiaries or sister companies. Under the Proposed JB, Parties' corporate customers will have a significantly greater number of travel options, by being able to travel on either airline's services or networks.

8.5.2 Corporate customers are a decent segment for the Malaysia-Philippines market. For MH, the corporate segment for KUL-MNL v.v. market constitutes a sizeable [CONFIDENTIAL] of the revenue of route. In terms of passenger volume, corporate segment contributes [CONFIDENTIAL] of the overall passenger volume on the KUL-MNL v.v. route[59]. For PR, the corporate/business segment contributes [CONFIDENTIAL] for travel year 2025 and [CONFIDENTIAL] for travel year to date 2026 of the passenger volume on KUL-MNL v.v.[60].

8.5.3 If the Proposed JB is approved, the Parties are committed to facilitating business travel between the two countries through coordinated efforts to better serve corporate customers and meet their needs. Based on its experiences with Japan Airlines ("**JL**"), MH plans to take the following measures subject to coordination with PR and corporate customers' needs.

(a) [CONFIDENTIAL].
(b) [CONFIDENTIAL].
(c) [CONFIDENTIAL].
(d) [CONFIDENTIAL].
(e) [CONFIDENTIAL].

Regarding point (b) on [CONFIDENTIAL], please refer to Table 18 below for illustration. MH currently provides discounts of up to the percentage (%) as shown below to its customers. Upon approval of the Proposed JB, MH and PR intend to coordinate corporate discounts to better serve customers and ensure metal neutrality.

[The rest of this page has been intentionally left blank]

[59] For the period of Jun 2025 to May 2026.
[60] For the travel year 2025 and YTD 2026.

Table 21: [CONFIDENTIAL]

Business Class

CABIN	RBD	Discount
[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]

Economy

CABIN	RBD	Discount
[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]
	[CONFIDENTIAL]	[CONFIDENTIAL]

8.5.4 Coordination for corporate customers aims to result in the following benefits:

(a) More comprehensive fare offerings for corporate customers from [CONFIDENTIAL].

(b) Corporate customers will have a greater number of travel options by being able to travel on (and accrue benefits from travel on) either Party's services and network.

(c) Corporate contracts include revenue thresholds that unlock discounts and other incentives. While customers can currently contract separately with both MH and PR, spending is tracked under separate programmes and may not generate the same level of benefits. Under the Proposed JB, MH and PR will explore [CONFIDENTIAL], enabling customers to achieve benefits more easily.

(d) Ease of doing business: customers may benefit from dealing with [CONFIDENTIAL]. As fare harmonisation would extend to corporate fares, customers could obtain a single fare quotation for travel on either MH or PR rather than seeking separate quotations from each carrier.

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8.5.5 In the period between January 2025 and June 2026, MH and PR have [CONFIDENTIAL] and [CONFIDENTIAL] corporate clients respectively[61] who are flying on KUL-MNL v.v route. These corporate clients will immediately benefit from the joint corporate contracting arrangement. The benefits of more travel options through wider choices between MH and PR frequencies, and the ability to pool incentive payments, will also apply prospectively to any new corporate customers, who would not have been able to benefit from the joint corporate contracting arrangement otherwise.

8.5.6 The Parties submit that without the Proposed Joint Business, coordination in section 8.5.3 will not be possible, and the benefits outlined in section 8.5.4 cannot be realized. It is also not possible to realize such benefits through codeshare partnership alone since Parties remain competitors and will always favor sales on their own metal to ensure sustainability of their own operated flights.

8.5.7 In the MH-SQ Proposed Decision[62], CAAM found that joint corporate contracting provides significant benefits to corporate clients, including greater travel options, the ability to accrue benefits on either airline's services, and the convenience of dealing with a single account manager. CAAM also accepted that corporate customers would be able to obtain a single fare quotation for travel on either carrier due to fare harmonisation.

[The rest of this page has been intentionally left blank]

[61] This estimate is based on aggregation of total number of corporate clients of each of MH and PR, there may be some degree of overlap present.

[62] https://www.caam.gov.my/wp-content/uploads/2026/07/MH-SQ-Proposed-Decision-For-Publication.pdf

8.6 Frequent Flyer Programme (FFP)

8.6.1 Through PAL's entry into oneworld alliance, of which MH is a member airline, the Parties by default are required to establish a deep and extensive bilateral FFP partnership, including implementing an FFP cross-participation program.

8.6.2 Through the FFP cooperation, Enrich members will be able to accrue and redeem Enrich Points when traveling on PR's services. Conversely, Mabuhay Miles members will be able to accrue miles when traveling on MH's services.

8.6.3 Enrich members will be able to advance their membership status by virtue of being able to earn Elite Points by flying on PR. Reciprocally, Mabuhay Miles members can also advance their membership status by flying on MH. As both carriers will be in the same airline alliance, MH will recognize Mabuhay Miles members' elite status and accord the benefits such elite members are entitled to, and PR will recognize Enrich members' elite status and accord the benefits respectively.

8.6.4 Although this is a default oneworld alliance requirement, the Proposed Joint Business becomes an impetus for Parties to accelerate the implementation of the FFP partnership as well as other mutually beneficial cooperation [CONFIDENTIAL] in order to realise the benefits to customers sooner.

8.6.5 Parties will also explore deeper FFP partnership that will result in benefits above and beyond the alliance requirements. Without the Proposed JB, some benefits for Enrich members are only effective when flying on MH and reciprocally some benefits for Mabuhay Miles members are only effective when flying on PR. As an example, without the JB, [CONFIDENTIAL].

8.6.6 CAAM previously recognised FFP cooperation as a significant benefit arising from joint businesses. In the MH-SQ Proposed Decision[63], CAAM found that it is relatively less common for members of different airline alliances to enter into an FFP agreement, and without a joint business, there would be less incentive for either party to do so. CAAM accepted that plans to offer improved FFPs through a joint business would realise further significant benefits. Similarly, in the SQ-LH Proposed Decision, CAAM accepted that joint businesses can provide increased options for corporate customers through single contracts and FFP cooperation.

[63] Proposed Decision by the Civil Aviation Authority of Malaysia on an Application for Individual Exemption under Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] by Malaysia Airlines Berhad and Singapore Airlines Limited, paragraph 120

8.7 Better customer experience from service and product cooperation

8.7.1 Under the metal neutrality concept, the Parties will cooperate to ensure consistent customer experience across the services of both carriers. Such cooperation will include, but not limited to aspects like reciprocal lounge arrangement and better customer servicing (handling of customers' request for assistance, queries, and complaints).

8.7.2 **Reciprocal lounge arrangement**. [CONFIDENTIAL].

8.7.3 **Better customer servicing**. The concept of metal neutrality under the Proposed Joint Business calls for each Party to treat the other Party's customers as it would its own customers. For example, [CONFIDENTIAL].

8.8 Better disruptions management

8.8.1 If the Proposed JB is approved, Parties will be able to provide better service recovery, and better customer experience should disruptions occur to either Party's services. The improvements include:

(a) Offer more options across MH and PR frequencies for re-accommodation. For example, should an MH flight MH 709 departing MNL at 06:40 is disrupted, customers can be transferred seamlessly (subject to space availability) to the next PR flight PR 525 that departs only ten minutes after, as opposed to transferring to the next MH flight MH 807 that departs at 13:15, six hours and thirty-five minutes later. This greatly minimizes inconvenience to customers.

(b) Coordination of procedures in the event of disruptions. The concept of metal neutrality not only covers coordination in fares, schedules, and products, but services as well. With metal neutrality, MH treats PR customers as if they are MH's, and PR treats MH's customers as if their own. This concept will encourage Parties to formulate disruption procedures consistent across both airlines, providing consistent customer experience and minimizes inconvenience.

(c) Availability of additional resources to handle disruptions especially at outstation locations. MH has limited resources at outstation locations such MNL. In the event of disruptions, it may take a long time to process customer rebooking, and arrange accommodation as well as meals. MH may explore combining resources with PR at MNL to handle disruptions more efficiently. Conversely, PR may also explore to combing resources at KUL for the benefit of PR's customers.

(d) Possible cost savings [CONFIDENTIAL]. Without the JB, accommodation for disrupted customers is arranged between MH and local hotels near airports. [CONFIDENTIAL].

8.8.2 Disruptions management is important to ensure impact to customers is minimized and service recovery is swift. Under the Proposed Joint Business, both Parties will streamline their processes to ensure seamless service recovery in the event of disruptions.

8.8.3 CAAM previously accepted disruption management as a significant benefit of joint business cooperation. In the MH-SQ Proposed Decision[64], CAAM acknowledged the importance of coordinated disruption management, including offering more options for re-accommodation, coordination of procedures in the event of disruptions, and streamlined processes to ensure seamless service recovery.

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[64] Proposed Decision by the Civil Aviation Authority of Malaysia on an Application for Individual Exemption under Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] by Malaysia Airlines Berhad and Singapore Airlines Limited, paragraphs 123 – 127

8.9 More seamless customer experience amongst MH and PR

8.9.1 The Parties intend to integrate IT systems to improve product quality. Investments in technology and the integration of IT systems will align reservations, check-in, and baggage handling systems, providing customers a more seamless experience on travel itineraries combining flights flown by both carriers. The Parties are also contemplating exploring enhancements to their product offerings, including:

(a) Through check-in capability ensuring customers can be checked through to their final destination, including itineraries containing flights operated by both Parties through an alignment of technology and IT systems.

(b) Enablement of [CONFIDENTIAL] by customers, irrespective whether they are MH or PR customers, or whether they are flying on PR or MH operated flights.

(c) Ensuring boarding passes issued by either Party have all the relevant elements, including priority lanes, seat selection or assignments, boarding zone indicator etc, for a consistent customer experience across both Parties' services.

(d) Exploring co-locating at hubs (Parties operate at the same terminal at their hubs) and enabling customers to utilize check-in kiosks, desks, transfer desks and help desk of either carrier.

(e) Improvement of baggage handling via coordination and technology enhancements including baggage tracking to minimize mishandled baggage and reducing wait times at baggage carousels.

(f) Sharing of best practices and knowledge to improve operations.

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8.10 Benefits to Malaysia

8.10.1 **Develop Malaysia's air connectivity.** The Parties submit that the Proposed Joint Business will improve connectivity not just on the Overlapping Direct Route (KUL-MNL v.v.) through increased daily frequencies, but between Malaysian domestic and Philippines domestic destinations. With the Proposed JB, Parties will be incentivized to expand their codeshare partnership to more destinations in the Philippines and to sell more on both domestic networks. This strengthens the Malaysia-Philippines connectivity through greater options and numbers of destinations through one-stop services via MNL.

8.10.2 **Strengthen Malaysia's tourism industry and economy.** Inbound traffic into Malaysia from the Philippines has seen a 10% CAGR growth between 2023 and 2025, with total arrivals from the Philippines at 1.227 million arrivals in 2025[65]. The steady growth of arrivals in recent years shows that the Philippines is an important market for Malaysia's tourism sector, and a key driver for the provision of passenger air services between the two countries. In terms of economic contribution, the tourism industry remains a key driver of the Malaysian economy, contributing a significant 14.9% to Malaysia's Gross Domestic Product ("**GDP**") in 2024. This translates to a value of RM 291.9 billion in national income with a year-on-year growth of 7.4%[66]. Tourism expenditure has a direct positive impact on national income. In a 2018 study by Norma Azuli Mohd Nor et al, tourism expenditure has an overall output multiplier of 9.931. In other words, an increase in tourism expenditure by RM 1 million will accrue an increase of RM 9.93 million in output production across the entire economy[67]. The Parties submit that the Proposed Joint Business which will improve the connectivity and provide benefits to customers, especially through more competitive air fares will boost arrivals into Malaysia, strengthening its tourism industry and contribute positively to the Malaysian economy.

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[65] https://data.tourism.gov.my (Malaysia Tourism Statistics)
[66] https://www.dosm.gov.my/portal-main/release-content/tourism-satellite-account-2024 (Tourism Satellite Account, 2024)
[67] https://www.ukm.my/jem/wp-content/uploads/2021/09/jeko_553-2.pdf (The Effect of Tourism Expenditure on the Economy: A New Evidence)

8.10.3 **Strengthen Kuala Lumpur International Airport ("KLIA") position as regional hub.** By strengthening the Malaysia-Philippines market, the Proposed JB may increase passenger flows to, from and via KLIA to the mutual benefits of both KLIA and MNL. In a 2014 Summary Report on Net Economic Benefit of Joint Ventures by ICF SH&E submitted to the CCS, it was found that passenger numbers on routes operated in the joint ventures between Japan Airlines and American Airlines, and the joint venture of All Nippon Airways-Continental-United Airlines, increased by 14% and 5% respectively. Most of the increase were captured by the joint ventures[68].

8.10.4 Joint businesses are becoming increasingly important at regional hubs. In comparison with its peers in the region, joint businesses contribute 38% and 17% of overall 2025 long-haul capacity at Changi and Bangkok Suvarnabhumi airports respectively, while at KLIA, it is only 8%[69]. For Changi airport, the numerous JBs such as the more recent ANA-SIA, and Lufthansa-SIA are major contributors of capacity, making Changi the key leader of hubs supported by joint businesses. The Parties submit that it is in KLIA's interest to develop more joint businesses to support commercially sustainable capacity expansion, and to accelerate growth both in capacity and passenger traffic.

8.10.5 CAAM previously accepted that joint businesses contribute to strengthening hub positions. In the MH-SQ Proposed Decision[70], CAAM accepted that joint businesses lead to expansion of air connectivity and that by coordinating capacity, schedules and commercial activities, joint business partners work towards maintaining the strength of their respective hubs. CAAM recognised that the synergy between joint business partners is a strong contributing factor to improving Malaysia's air connectivity.

8.10.6 The Parties submit that the expected increase in passenger traffic from the Proposed JB will contribute toward KLIA's overall passenger traffic growth, increase utilization, and act as a catalyst to accelerate the growth, infrastructure expansion as well as efficiency improvement of KLIA itself. Such expansion of the national gateway of Malaysia will create positive spill-over effects to the local economy, creating employment and raising national income.

8.10.7 [CONFIDENTIAL].

8.10.8 [CONFIDENTIAL].

8.10.9 [CONFIDENTIAL].

8.10.10 [CONFIDENTIAL].

[68] https://isomer-user-content.by.gov.sg/45/8efa8186-952b-4988-bf41-a314026ab950/20140211120icf20she20ccs20airline20study20summary20report.pdf (Summary Report on Net Economic Benefit of Joint Ventures – Market Study on the Airline Industry)

[69] OAG schedule data

[70] Proposed Decision by the Civil Aviation Authority of Malaysia on an Application for Individual Exemption under Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] by Malaysia Airlines Berhad and Singapore Airlines Limited, paragraph 129

8.10.11 **Elevate Malaysia's image as business-friendly nation.** MH is of the view that the establishment of deep partnership such as the Proposed Joint Business sends a positive signal that Malaysia provides a business-friendly environment and inspire confidence for investments. It will also be easier for MH to establish more partnerships in the future that brings tangible benefits to consumers, if potential future partners view Malaysia as country with a high degree of ease-of-doing-business. Furthermore, this collaboration with an ASEAN partner will not only strengthen Malaysia's position as one of the leading economies, but also stimulate the region's economic activity through better air connectivity.

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8.11 Indispensability

8.11.1 The Parties submit that the Proposed Joint Business is indispensable to the attainment of enhanced economic efficiencies and expanded network for Malaysia and the Philippines. The improved network, additional frequencies, attractive fares and improved products and offerings to customers would not materialize without the Proposed Joint Business.

8.11.2 The Parties further submit that maintaining metal-neutrality and the sharing of scheduling and price for coordination purposes are required to attain the aforementioned benefits. The benefits above are unlikely to be achieved with a lower level of cooperation *i.e.* code-sharing, given the lack of alignment of commercial interest between the Parties and the inability to coordinate commercial activities.

8.11.3 In the MH-SQ Proposed Decision[71], CAAM accepted the argument that benefits arising out of a joint venture agreement could not have been provided without such joint venture being a metal neutral alliance. CAAM found that the full extent of benefits, including FFP cooperation, improved scheduling, and expanded codeshares, could only be achieved in a joint business environment where commercial incentives are aligned through metal neutrality.

8.11.4 In the SQ-LH Proposed Decision[72], CAAM similarly found that metal-neutral revenue sharing aligns commercial incentives and facilitates deeper operational coordination and integrated network planning.

8.11.5 Without the schedule coordination, capacity and operational management, inventory management, pricing and sales cooperation, there would be no incentive, and it would not be possible in practice for Parties to align their flights on the Overlapping Direct Route. The Parties, in turn, will not be able to achieve the claimed benefits as set out above.

8.12 Proportionality

8.12.1 The Parties submit that there are ample competitive constraints on the Parties, as described in section 5. These include AK/Z2 which is the market leader in routes between Malaysia and the Philippines, as well as competitive constraints from 5J and other carriers on the Overlapping Direct Route. Carriers offering indirect, one-stop service such as TR via SIN also poses competitive constraints on the Parties.

8.12.2 Concerns regarding the increase in pricing solely due to the combined market power of the Parties on the Overlapping Direct Route will be adequately mitigated by

(a) current and future competitors, and

(b) consumers ability to quickly switch to substitute airlines

thus, minimizing any detriments to competition arising from the Proposed Joint Business.

8.12.3 The Proposed Joint Business enables the Parties to offer many benefits such as more travel options in terms of improved connectivity, capacity, reduced layover time for connecting travel, more fare options, better customer experience, and streamlined customer servicing as described in section 8.

8.12.4 As such, the Parties submit that the benefits and efficiencies which can be achieved with the Proposed Joint Business outweigh any potential detriments to competition.

8.13 No elimination of competition

8.13.1 The Proposed Joint Business does not eliminate competition. There are strong competitors in the Malaysia-Philippines market, namely AK/Z2 and other direct carriers, which are expected to continue to exert competitive pressure on the Parties.

8.13.2 The Proposed Joint Business does not restrict the Parties from entering into arrangements and collaborations with other third parties in relation to services to countries other than Malaysia and the Philippines.

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[71] Proposed Decision by the Civil Aviation Authority of Malaysia on an Application for Individual Exemption under Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] by Malaysia Airlines Berhad and Singapore Airlines Limited, paragraphs 118 and 119

[72] Proposed Decision by the Civil Aviation Authority of Malaysia on an Application for Individual Exemption under Section 36Q of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] by Singapore Airlines Limited and Deutsche Lufthansa AG, paragraph 62

9.0 Contact Information

9.1 Zaid Ibrahim & Co, representative of MAB

For further information, please contact:

1) Name [CONFIDENTIAL]

   Address [CONFIDENTIAL]

   Contact Number [CONFIDENTIAL]

   Email Address [CONFIDENTIAL]

9.2 Freshfields, representative of PAL

For further information, please contact:

1) Name [CONFIDENTIAL]

   Address [CONFIDENTIAL]

   Contact Number [CONFIDENTIAL]

   Email Address [CONFIDENTIAL]

9.3 Contact details of competing airlines

The contact details of competing airlines are set out in **Appendix 9**.

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10.0 Declaration and Signature

I hereby declare and confirm that the information submitted in the form and the enclosed documents are true and correct to the best of my knowledge and belief.

(signed)

_____

Name of Signatory : [CONFIDENTIAL]

Official Company Stamp :

Designation of Signatory : [CONFIDENTIAL]
Date :
Malaysia Airlines Berhad

APPENDIX 1
Information about MAB

[CONFIDENTIAL]

APPENDIX 2
Information about PAL

[CONFIDENTIAL]

APPENDIX 3
Definitive Agreements

[CONFIDENTIAL]

APPENDIX 4

Purpose and Objective of the Proposed Joint Business

[CONFIDENTIAL]

APPENDIX 5
Relevant Market Definition

[CONFIDENTIAL]

APPENDIX 6
Competitive Assessment

[CONFIDENTIAL]

APPENDIX 7
Parties Market Share

[CONFIDENTIAL]

APPENDIX 8
Benefits

[CONFIDENTIAL]

APPENDIX 9
Contact Details of Competing Airlines

[CONFIDENTIAL]