

**MALAYSIAN AIRLINE SYSTEM BERHAD**  
**(COMPANY NO.: 10601-W)**  
**(INCORPORATED IN MALAYSIA)**  
**QUARTERLY REPORT ON THE FIRST QUARTER ENDED 31 MARCH 2008**

**ANNOUNCEMENT**

The Board of Directors of Malaysian Airline System Berhad ("MAS" or "the Company") would like to announce the following unaudited consolidated results for the first quarter ended 31 March 2008 . This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the quarterly condensed financial report.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000 (Restated)	Period ended 31/3/2008 RM '000	Period ended 31/3/2007 RM '000 (Restated)
<b>Continuing Operations</b>				
Operating revenue	3,663,681	3,470,547	3,663,681	3,470,547
Operating expenses	(3,620,020)	(3,398,677)	(3,620,020)	(3,398,677)
Other operating income	87,293	57,247	87,293	57,247
Gains on sale of properties	1,944	17,726	1,944	17,726
<b>Profit from operations</b>	<b>132,898</b>	<b>146,843</b>	<b>132,898</b>	<b>146,843</b>
Finance costs	(3,565)	(13,032)	(3,565)	(13,032)
Share of results from associated companies	4,956	4,520	4,956	4,520
<b>Profit before taxation</b>	<b>134,289</b>	<b>138,331</b>	<b>134,289</b>	<b>138,331</b>
Taxation	(13,759)	(9,560)	(13,759)	(9,560)
<b>Profit for the period from continuing operations</b>	<b>120,530</b>	<b>128,771</b>	<b>120,530</b>	<b>128,771</b>
<b>Discontinued Operations</b>				
Results for the period from discontinued operations (Refer Part A, Note 13)	-	4,362	-	4,362
<b>Profit for the period</b>	<b>120,530</b>	<b>133,133</b>	<b>120,530</b>	<b>133,133</b>
Attributable to:				
Equity holders of the Company	120,061	132,710	120,061	132,710
Minority Interest	469	423	469	423
<b>Profit for the period</b>	<b>120,530</b>	<b>133,133</b>	<b>120,530</b>	<b>133,133</b>
<b>Earnings per share attributable to equity holders of the Company</b>				
Basic (sen)				
Continuing operations	7.19	9.18	7.19	9.18
Discontinued operations	-	0.31	-	0.31
	<u>7.19</u>	<u>9.49</u>	<u>7.19</u>	<u>9.49</u>
Diluted (sen)				
Continuing operations	6.77	9.18	6.77	9.18
Discontinued operations	-	0.31	-	0.31
	<u>6.77</u>	<u>9.49</u>	<u>6.77</u>	<u>9.49</u>

Note:

The comparative figures have been reclassified to conform with current year's presentation as reflected in Note 17 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	As at 31/3/2008 RM '000	As at 31/12/2007 RM '000 <b>(Audited)</b>
Aircraft, property, plant and equipment	2,079,868	2,060,879
Investment in associated companies	63,403	58,447
Other investments	66,325	66,325
Prepaid lease payments on land	17,566	17,613
Amount owing by a fellow subsidiary	235,153	243,377
Intangible assets	103,516	103,162
Other receivables	72,328	72,878
Deferred tax assets	3,516	4,007
	<b>2,641,675</b>	<b>2,626,688</b>
<b><u>Current assets</u></b>		
Inventories	374,980	365,266
Trade receivables	1,106,289	1,034,772
Other receivables	712,178	712,316
Tax recoverable	60,159	52,693
Cash and bank balances	5,136,030	5,259,338
	<b>7,389,636</b>	<b>7,424,385</b>
Non-current assets held for sale	1,636	2,740
	<b>7,391,272</b>	<b>7,427,125</b>
<b><u>Current liabilities</u></b>		
Trade payables	1,727,393	1,863,080
Other payables	1,116,743	1,063,283
Provision	729,160	681,828
Amount owing to holding company	52,277	71,860
Provision for taxation	16,387	4,432
Sales in advance of carriage	1,462,723	1,563,394
	5,104,683	5,247,877
Net current assets	<b>2,286,589</b>	<b>2,179,248</b>
	<b>4,928,264</b>	<b>4,805,936</b>
<b>Equity attributable to equity holders of the Company</b>	<b>4,056,752</b>	<b>3,934,893</b>
Share capital - ordinary shares	1,670,992	1,670,992
Redeemable Convertible Preference Shares (RCPS)	58,076	58,076
Reserves		
Share premium	4,007,414	4,007,510
Reserve	531,304	529,410
Accumulated losses	(2,211,034)	(2,331,095)
Minority interest	11,525	11,056
<b>Total equity</b>	<b>4,068,277</b>	<b>3,945,949</b>
<b><u>Long term liabilities</u></b>		
Long term borrowings	859,672	859,672
Deferred tax liabilities	315	315
	<b>4,928,264</b>	<b>4,805,936</b>
Net assets per share (RM)	2.43	2.35

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Period ended 31/3/2008 RM '000	Period ended 31/3/2007 RM '000 (Restated)
<b>Cash Flows From Operating Activities</b>		
<b>Profit before taxation from:</b>		
Continuing operations	134,289	138,331
Discontinued operations	-	6,158
Adjustments for :-		
Provision for aircraft maintenance and overhaul costs	107,452	244,929
Depreciation of aircraft, property, plant and equipment	81,278	87,590
Provision for inventories obsolescence, net	11,301	31,810
Provision for/(writeback of) doubtful debts, net	5,211	(17,604)
Amortisation of intangible assets	4,868	1,096
Interest expenses	3,553	13,022
Aircraft, property, plant and equipment written off, net	3,535	6,862
Grant of ESOS	1,894	-
Amortisation of prepaid lease payments on land	47	43
Impairment on intangible assets	-	3,127
Writeback of unavailed credits on sales in advance of carriage	(58,719)	(48,983)
Interest income	(50,449)	(18,843)
Unrealised foreign exchange gain	(5,349)	(775)
Share of results of associated companies	(4,956)	(4,520)
Writeback of impairment losses for aircraft, property, plant and equipment	(4,907)	(32,220)
Gain on disposal of non-current assets held for sale	(1,944)	(394)
Gain on disposal of aircraft, property, plant and equipment, net	(102)	(17,450)
Dividend income	-	(575)
<b>Operating profit before working capital changes</b>	<b>227,002</b>	<b>391,604</b>
Increase in inventories	(21,015)	(38,459)
Increase in trade and other receivables	(61,454)	(73,130)
Decrease in amount owing to holding company	(19,583)	(42,430)
(Decrease)/increase in trade and other payables	(74,840)	169,400
Decrease in provision	(60,121)	(88,465)
(Decrease)/increase in sales in advance of carriage	(41,951)	57,587
<b>Cash (used in)/generated from operating activities</b>	<b>(51,962)</b>	<b>376,107</b>
Interest paid	(10,941)	(1,045)
Taxes paid	(1,313)	(1,966)
<b>Net cash (used in)/generated from operating activities</b>	<b>(64,216)</b>	<b>373,096</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of aircraft, property, plant and equipment	(98,657)	(108,358)
Purchase of intangible assets	(5,222)	-
Proceeds from disposal of non current assets held for sale	2,809	680
Proceeds from disposal of aircraft, property, plant and equipment	102	22,410
Proceeds from disposal of other investments	-	3,965
Interest received	41,972	15,173
Dividend received	-	4,250
<b>Net cash used in investing activities</b>	<b>(58,996)</b>	<b>(61,880)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from long term borrowings	-	500,000
Repayment of short term borrowings	-	(550,000)
Dividend paid to minority interest in subsidiaries	-	(800)
Expenses incurred on issuance of Rights share exercise	(96)	(302)
<b>Net cash used in financing activities</b>	<b>(96)</b>	<b>(51,102)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(123,308)</b>	<b>260,114</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>5,259,338</b>	<b>1,584,699</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>	<b>5,136,030</b>	<b>1,844,813</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2008**

	Attributable to equity holders of the Company					Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000				
At 1 January 2008	1,670,992	58,076	4,007,510	529,410	(2,331,095)	2,205,825	3,934,893	11,056	3,945,949
Profit for the period	-	-	-	-	120,061	120,061	120,061	469	120,530
Rights shares' expenses	-	-	(96)	-	-	(96)	(96)	-	(96)
Grant of ESOS	-	-	-	1,894	-	1,894	1,894	-	1,894
<b>At 31 March 2008</b>	<b>1,670,992</b>	<b>58,076</b>	<b>4,007,414</b>	<b>531,304</b>	<b>(2,211,034)</b>	<b>2,327,684</b>	<b>4,056,752</b>	<b>11,525</b>	<b>4,068,277</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2007**

	Attributable to equity holders of the Company					Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000				
At 1 January 2007	1,253,244	-	3,301,164	501,530	(3,182,513)	620,181	1,873,425	15,246	1,888,671
Profit for the period	-	-	-	-	132,710	132,710	132,710	423	133,133
Rights shares' expenses	-	-	(302)	-	-	(302)	(302)	-	(302)
Dividends	-	-	-	-	-	-	-	(800)	(800)
<b>At 31 March 2007</b>	<b>1,253,244</b>	<b>-</b>	<b>3,300,862</b>	<b>501,530</b>	<b>(3,049,803)</b>	<b>752,589</b>	<b>2,005,833</b>	<b>14,869</b>	<b>2,020,702</b>

**1. ACCOUNTING POLICIES**

The quarterly condensed financial report has been prepared in accordance with:

- (i) The requirement of the Financial Reporting Standards ("FRS") Standard 134 (previously MASB 26) - Interim Financial Reporting; and
- (ii) Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad

and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2007. These explanatory notes attached to the quarterly condensed financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The significant accounting policies adopted for the quarterly condensed financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2007.

**2. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS**

There was no qualification of the Group's Audited Annual Financial Statements for the financial year ended 31 December 2007.

**3. SEASONALITY OR CYCLICAL NATURE OF OPERATIONS**

The Group is principally engaged in the business of air transportation and provision of related services. The demand for the Group's services is generally influenced by the growth performance of the Malaysian economy and the economies of the countries in which the Group operates as well as seasonal, health and security factors.

**4. UNUSUAL ITEMS**

There were no unusual items for the financial period ended 31 March 2008.

**5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

There was no material changes in estimates of amount reported for the financial period ended 31 March 2008.

**6. SIGNIFICANT EVENTS**

- (i) On 31 March 2008, the Company announced its narrowbody fleet acquisition plan in ordering up to 55 B737-800 aircraft, of which a firm order was placed for 35 B737-800 aircraft with an option for another 20 aircraft. The total cost of the 55 aircraft is USD4.2 billion at list prices. The Company also has the option to swap the B737-800 for the larger B737-900. The delivery of the first aircraft is expected from September 2010 onwards. The Company also announced that it would take delivery of all six (6) A380-800 in 2011 with the first aircraft to be delivered in January and the sixth in August. The Company is now looking into the widebody aircraft replacement and will intensify its discussion with the manufacturers. The fleet acquisition plan is to support the Company's Business Transformation Plan in its network expansion.
- (ii) On 28 February 2008, the Company entered into a sale and purchase agreement with Avions De Transport Regional, GIE (ATR) to purchase five (5) ATR72-500 aircraft plus an option to purchase another five (5) of the same for the operations of its subsidiary, MASwings Sdn. Bhd. (formerly known as Absolute Competence Sdn. Bhd.). The catalogue price of the aircraft is USD17.9 million, beginning with the first delivery in 2008.
- (iii) On 19 December 2007, Malaysian Aerospace Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company had signed a Memorandum of Understanding with Qantas to establish a joint venture company to provide airframe maintenance services from Malaysia. On 4 April 2008, the Company announced that both parties are in the midst of detailed discussions with a view to complete a joint venture agreement.
- (iv) On 1 March 2007, the Company entered into a conditional Share Purchase Agreement ("SPA") for the disposal of 100% equity of the Company's wholly-owned subsidiary, MAS Hotel & Boutiques Sdn. Bhd. ("MHB"), a company involved in the business of providing hotel and boutique facilities, to Kingdom Langkawi B.V.

On 5 April 2007, the SPA was partially completed and MHB was disposed with a gain of RM36.1 million. Full completion of the SPA was subject to the fulfilment of a final condition precedent in relation to the transfer of a Mangrove Land by March 2008. The consideration for the said land of RM35 million and its related gain was deferred subject to the fulfilment of the condition precedent.

**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)**

**6. SIGNIFICANT EVENTS (CONTINUED)**

(iv) (Continued)

On 31 March 2008, the condition precedent in relation to the transfer of the Mangrove Land was not fulfilled and no extension of time was agreed between both parties. Accordingly:

- (a) The transfer of the Mangrove Land by the Company to the purchaser will not take place;
- (b) The deferred consideration of RM35 million will not be paid by the purchaser to the Company, as consideration for the transfer of the Mangrove Land; and
- (c) The purchaser or MHB (whose sole shareholder is the purchaser after the partial completion) is not required to purchase the Mangrove Land from the Company.

There were no other significant events for the financial period ended 31 March 2008 .

**7. ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 31 March 2008.

**8. DIVIDEND PAID**

There was no dividend paid in the financial period ended 31 March 2008.

**9. SEGMENTAL INFORMATION**

BY BUSINESS ACTIVITIES	Individual Quarter ended 31/3/2008		Cumulative Quarter ended 31/3/2008	
	Operating revenue RM '000	Operating profit/(loss) RM '000	Operating revenue RM '000	Operating profit/(loss) RM '000
Airline operations	3,261,560	64,799	3,261,560	64,799
Cargo services	625,336	63,533	625,336	63,533
Catering services	2,405	201	2,405	201
Others	22,784	4,365	22,784	4,365
	3,912,085	132,898	3,912,085	132,898
Eliminations	(248,404)	-	(248,404)	-
<b>Total</b>	<b>3,663,681</b>	<b>132,898</b>	<b>3,663,681</b>	<b>132,898</b>

**10. VALUATION OF ASSETS**

There was no valuation of aircraft, property, plant and equipment for the financial period ended 31 March 2008.

**11. SUBSEQUENT EVENT**

There was no material subsequent event for the financial period ended 31 March 2008.

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

On 18 March 2008, the Company subscribed for an additional 14,999,998 ordinary shares of RM1.00 each in the capital of FlyFirefly Sdn. Bhd, a wholly owned subsidiary by way of loan capitalisation.

There were no other changes in the composition of the Group for the financial period ended 31 March 2008.

**13. DISCONTINUED OPERATIONS AND DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE**

As at 31 December 2007, MHB and Syarikat Pengangkutan Senai Sdn.Bhd. ("SPS") were classified as discontinued operations. As at 31 March 2008, MHB disposal has been completed (refer Part A, Note 6(iv)). SPS ceased its operations since 15 August 2007. However, its assets disposal are still in progress.

As at 31 March 2008, property, plant and equipment of SPS classified as non current assets held for sale is RM0.035 million.

**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)**

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

(i) Contingent liabilities

(a) Related to Penerbangan Malaysia Berhad ("PMB")

MAS continues to be the named lessee or borrower of finance leases and term loans which have been unbundled to PMB, a company wholly owned by Khazanah Nasional Berhad. As such, the outstanding balance of the borrowings assumed by PMB is included within the Group's contingent liabilities.

	13/5/2008 RM '000
1. Secured / Unsecured	
Loans	
- Secured	186,750
- Unsecured	97,226
Finance leases (secured)	<u>383,794</u>
	<u>667,770</u>
2. Tenure	
Loans and leases due within one year	145,168
Loans and leases due after one year	522,602
	<u>667,770</u>
3. Loans by currencies in Ringgit Malaysia	
US Dollar	570,544
French Franc	97,226
	<u>667,770</u>
(b) Others	
Corporate guarantees given to third parties	4,557
Bank guarantees given to third parties	135,274
Performance bonds given to third parties	1,478
	<u>141,309</u>

(ii) Contingent assets

The Company has the right to receive from PMB 80% of the profit arising from the eventual realisation of certain aircraft assets unbundled to PMB under the Agreement for Aircraft and Finance Agreements Unbundling. The profit will be computed based on the excess of the value realised over the decayed cost of the aircraft. The decayed cost for each aircraft at future dates is stipulated by the WAU Agreement. Based on the published industry price data, MAS share of the profit on disposal if the applicable aircraft were to be disposed as at 13 May 2008 is RM 991.6 million.

**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)**

**15. SIGNIFICANT RELATED PARTY DISCLOSURES**

	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:		
- Catering and other services paid/ payable	55,194	52,368
- Rental income and others	(4,862)	(5,351)
- Shared services billed	(113)	(614)
GE Engine Services (M) Sdn. Bhd., an associate:		
-Engine maintenance services rendered and purchase of aircraft, property and equipment	90,674	109,389
- Rental income and others	(3,773)	(3,846)
- Shared services billed	(36)	(41)
Pan Asia Pacific Aviation Services Ltd., an associate:		
- Line maintenance and aircraft interior cleaning services paid/ payable	1,425	1,273
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:		
- Aircraft component repair services paid/ payable	2,151	2,158
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:		
- Aircraft power plant unit overhaul services paid/ payable	1,605	1,868
Taj Madras Flight Kitchen Limited, an associate:		
- Catering services paid/ payable	742	653
Abacus International Holding Ltd., a company in which the Company has substantial shareholding:		
- Computer reservation system access fee paid/ payable	7,489	12,472
Evergreen Sky Catering Corporation, a company in which the Company has substantial shareholding:		
- Catering services paid/ payable	2,020	2,196
Miascor Catering Services Corporation, a company in which the Company has substantial shareholding:		
- Catering services paid/ payable	368	79
Penerbangan Malaysia Bhd, holding company:		
- Hire of aircraft paid/ payable	142,042	156,643
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:		
- Aircraft lease rental paid/ payable	69,719	71,058
Asset Global Network Sdn. Bhd., a fellow subsidiary:		
- Rental of premises paid/ payable	18,156	17,852



**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)**

**16. SIGNIFICANT RELATED PARTY BALANCES**

	As at 31/3/2008 RM '000	As at 31/12/2007 RM '000 (Audited)
Amount owing to holding company	52,277	71,860
Amount owing by related parties	9,346	9,346
Amount owing by a fellow subsidiary		
- due within one year	47,625	52,591
- due after one year	235,153	243,377
Amount owing to associated companies	30,889	48,822

**17. CHANGES IN PREVIOUS QUARTER PRESENTATION**

The following disclosure for the quarter/period ended 31 March 2007 has been restated to conform with the current period's presentation:

**Quarter/Period ended 31 March 2007**

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	3,580,724	(110,177)	3,470,547
Operating expenses	(3,509,004)	110,327	(3,398,677)
Results for the period from discontinued operations	4,512	(150)	4,362

**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B**

**1. REVIEW OF PERFORMANCE**

The Group recorded a lower operating profit of RM132.9 million for the first quarter ended 31 March 2008 (Quarter ended 31 March 2007: RM146.8 million) due to higher operating expenses mainly from the increase in fuel cost.

**2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

Operating profit for the quarter decreased from RM260.7 million to RM132.9 million due to lower operating revenue for the quarter from RM4,009.6 million to RM3,663.7 million. Profit after tax for the quarter is also lower from RM242.3 million to RM120.5 million. This is mainly due to lower operating revenue coupled with the increase in fuel cost compared to preceding quarter.

**3. CURRENT YEAR PROSPECTS**

The outlook for the aviation industry in 2008 is extremely challenging as fuel prices continue to escalate to record highs. Growing signs of a global economic slowdown, further liberalisation and increasingly excess capacity further compounded the tough business environment.

For the next quarter, the immediate focus is on managing the high fuel prices coupled with seasonal soft demand in view of the shoulder season in Europe, US and North Asia. The increased fuel surcharges and fares imposed will alter traveling patterns and frequency for both long haul leisure and business travels. With intensified competition coupled with huge capacity injection in 2008 especially for the Middle East and Asia, revenues are under tremendous downward pressure.

The Business Transformation Plan ("BTP 2") lays out the strategies in becoming a Five Star Value Carrier. The management is intensifying efforts to generate additional revenue, reduce costs and sustain profitability to meet this ever challenging business environment.

For 2008, the Group's aspiration in BTP 2 is to achieve a net income after tax of RM400 - RM550 million (target), RM551 - RM650 million (exceeding) and RM651 - RM1,000+ million (outstanding) based on an assumption of fuel price at USD100 per barrel (jet fuel into plane). However, the Group is taking steps to mitigate the increase in the fuel price.

**4. PROFIT FORECAST OR PROFIT GUARANTEE**

The Group has not provided any profit forecast or profit guarantee in respect of the financial period ended 31 March 2008.

**5. TAXATION**

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000	Period ended 31/3/2008 RM '000	Period ended 31/3/2007 RM '000
<b>Continuing operations</b>				
Current period				
- Malaysian taxation	9,736	305	9,736	305
- Foreign taxation	1,848	1,848	1,848	1,848
	11,584	2,153	11,584	2,153
(Over)/ Under provision in prior period	1,761	(40)	1,761	(40)
Deferred taxation	414	7,447	414	7,447
<b>Total</b>	<b>13,759</b>	<b>9,560</b>	<b>13,759</b>	<b>9,560</b>

The Group provided foreign taxation for the Company's overseas operations and Malaysian taxation for its subsidiaries. The Company was granted an extension of the tax exemption status by the Ministry of Finance on its chargeable income in respect of all sources of income up to year of assessment 2015.

**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B (CONTINUED)**

**6. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There was disposal of a local property resulting in a gain of RM1.9 million.

**7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

As at 31 March 2008, the Group has the following quoted securities: -

	In Malaysia RM '000	Outside Malaysia RM '000
At cost	-	1,377
At carrying value	-	1,377
At market value	-	29,193

There was no purchase or disposal of quoted securities during the financial period ended 31 March 2008.

**8. CORPORATE PROPOSALS**

There were no proposals made during and subsequent to the financial period ended 31 March 2008.

**9. GROUP BORROWINGS AND DEBT SECURITIES**

- (i) The Group as at 31 March 2008 has lease obligations amounting to RM211.2 million (31 December 2007: RM219.0 million) which are covered by interest bearing funds amounting to RM198.9 million (31 December 2007: RM202.3 million) placed with financial institutions at the inception date of the respective lease arrangements under defeasance arrangements. The defeased lease obligations, together with the related funds placements and payments, are therefore not included in these financial statements.

	As at 31/3/2008 RM '000	As at 31/12/2007 RM '000
(ii) Long term borrowings:		
Unsecured	(a) 500,000	500,000
Redeemable Cumulative Preference Shares ("RCPS")	(b) 359,672	359,672
	<u>859,672</u>	<u>859,672</u>

- (a) On 30 January 2007, the Company and CIMB Bank Berhad ("CIMB Bank") entered into a Facility Agreement whereby CIMB Bank agreed to make available to the Company a term loan facility of up to the maximum principal amount of RM500 million ("Term Loan"), and a Subscription Agreement in relation to the issuance by the Company of an aggregate of 500 redeemable preference shares of RM0.10 each ("RPS") at an issue price of RM1.00 per share to CIMB Bank.

Pursuant to these agreements, the Company had on 31 January 2007 drawdown the Term Loan of RM500 million with CIMB Bank and issued 500 RPS to CIMB Bank. The issuance of RPS to CIMB Bank provides the Company with an option to service the Term Loan through payment of non-cumulative tax-exempt dividend on the RPS or through payment of interest subject to prevailing laws and regulations.

The term loan interest for Year 1 (2007) is fixed at 5.58% per annum, Year 2 (2008) and final year (2009) is KLIBOR plus 1.53% per annum. The loan is unsecured and repayable in one (1) bullet repayment at the end of three (3) years from the drawdown date with interest payable for every six (6)-month period.

- (b) On 5 November 2007, the Company issued 417,747,955 RCPS of RM0.10 each at an issue of RM1.00 per share in conjunction with the issuance of Rights shares. The total proceeds received from the issuance of the RCPS is split between liability component and equity component. At the date of issue the fair value of the liability component is estimated by discounting the future contractual cash flows at the prevailing market interest rate available to the Group. The difference between the total issue price of the RCPS and the fair value assigned to the liability component, representing the conversion option is accounted in shareholder equity.

**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B (CONTINUED)**

**10. FINANCIAL INSTRUMENTS**

- (a) As at 13 May 2008, the Group has entered into various fuel hedging transactions for periods up to 31 December 2009 in lots totalling 15,000,000 barrels.

The fuel hedging programme is closely monitored and is subject to the vagaries of the market such as geopolitical events, the economic situation and weather conditions.

The accounting policy adopted is to charge related expenses as fuel cost in the financial statements upon the expiry of fuel hedging contracts.

- (b) As at 13 May 2008, the Group has entered into various interest rate hedging contract transactions for periods up to 13 December 2016 for a total notional amount of RM3,401.4 million.

The accounting policy adopted is to charge the related expenses against the underlying expenses being hedged.

The fixed interest rates relating to interest rate hedging contracts as at 13 May 2008 vary from 4.2% to 5.4% per annum.

- (c) As at 13 May 2008, the Group has entered into foreign currency forward contracts and options amounting to RM2,158.5 million for periods up to 29 April 2009.

The accounting policy adopted is to recognise exchange gains and losses relating to these foreign currency forward contracts and options in the income statement in the same period as the underlying hedged item.

**11. MATERIAL LITIGATION**

- (a) **Shahjalal Aviation Systems Ltd. ("Shahjalal") vs MAS**

Shahjalal was a general sales agent and had filed a claim in Dhaka, Bangladesh against MAS for a sum of BDT2,670.0 million (RM175.7 million) purportedly due to them on account of commission charges, loss of business and goodwill under the general sales agency. MAS had earlier filed a claim against Shahjalal for a sum of BDT152.0 million (RM10.0 million) which was subsequently reduced to BDT87.8 million (approximately RM4.6 million) after adjustments of the bank guarantee and other amounts, together with interest, on account of unremitted passenger and cargo sales.

- (b) **Arbitration Proceedings by ACL Advanced Cargo Logistic GmbH ("ACL") vs MAS**

On 16 September 2004, MAS received notice that ACL had initiated proceedings against MAS at the International Court of Arbitration in Paris, France. The claim against MAS for alleged breach of a ground handling contract ("ACL Agreement") is damages in the sum of EURO 62.7 million (approximately RM300 million).

On 23 April 2007, MAS received a partial award from the Arbitral Tribunal dated 4 April 2007 declaring that MAS has breached the ACL agreement but made no ruling on MAS' liability to compensate ACL for the damages suffered as a result of the breach. The Arbitral Tribunal has fixed the hearing on the quantum of damages and costs from 3 until 6 November 2008. ACL has since in its statement of claim on quantum, revised its claim to EURO 51.6 million (approximately RM243 million).

The partial award makes no monetary award and, at this time, has no ascertainable financial and operational effect on the Company and the Group. The legal effect is being analysed by MAS' Malaysian and Swiss counsels.

- (c) **Securiforce Sdn Bhd and Securiforce Hi-Tech Cargo Sdn Bhd (collectively, the "Plaintiffs") vs MAS and Malaysia Airlines Cargo Sdn Bhd ("MASkargo")**

The Plaintiffs served a writ of summons and statement of claim on MAS and its wholly-owned subsidiary, MASkargo, on 16 June 2005. The Plaintiffs' claim is for special damages of RM4.9 million and general damages of RM250 million as well as unspecified exemplary damages as a consequence of what is alleged by the Plaintiffs to be a termination by MAS, in breach of a purported contract consisting of various documents involving services rendered by the Plaintiffs to MAS and MASkargo. MAS and MASkargo are challenging the claim.

- (d) **MAS and MASkargo vs Tan Sri Tajudin bin Ramli, Ralph Manfred Gotz, Uwe Juergen Beck and Wan Aishah binti Wan Hamid (collectively, the "Defendants")**

On 5 April 2006, MAS and MASkargo filed a civil suit in Malaysia against its former Executive Chairman, Tan Sri Tajudin bin Ramli and three (3) other Defendants. The claim against the Defendants is for losses amounting to RM174.6 million for, amongst others, breach of fiduciary duties committed by the Defendants and conspiracy to defraud MAS. The First, Second and Fourth Defendants have filed applications to strike out the suit, whilst the third Defendant has applied to set aside the Service of the Amended Writ of Notice to be Served Out of Jurisdiction on him.

**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B (CONTINUED)**

- (e) **MAS, MAS Golden Holidays Sdn Bhd and MAS Hotels and Boutiques Sdn Bhd (collectively, the "Plaintiffs"), vs Tan Sri Tajudin bin Ramli, Naluri Corporation Berhad, Promet (Langkawi) Resorts Sdn Bhd ("Promet"), Kauthar Venture Capital Sdn Bhd ("Kauthar") and Pakatan Permai Sdn Bhd (collectively the "Defendants")**

On 26 May 2006, the Plaintiffs filed a civil suit ("Original Suit") in the High Court at Kuala Lumpur against its former Executive Chairman, Tan Sri Tajudin bin Ramli and four (4) other Defendants for damages of approximately RM90 million together with further damages to be assessed, resulting from inter alia breach of fiduciary duties and/or knowingly assisting or benefiting from such breach of fiduciary duties.

In response to the Original Suit, Tan Sri Tajudin bin Ramli, Promet and Kauthar had on 9 October 2006 jointly filed and served a defence and counterclaim ("Counter Claim") on the Plaintiffs, MAS directors and the Government alleging that the Defendants in the Counter Claim (except for the Government) had conspired to injure them or had caused injury to them through malicious prosecution of the Original Suit.

- (f) **Arbitration Proceedings by Air Maldives Limited ("AML") vs MAS**

On 15 May 2007, MAS received Notice from the Secretariat of the ICC International Court of Arbitration in Paris, France that AML had commenced arbitration proceedings against MAS for alleged continuous breaches of MAS duties under a Management Agreement between MAS and AML dated 16 January 1996 ("Arbitration").

Pending further particulars of AML's claim in the Arbitration, the effects of the claim on the financial position of MAS cannot be ascertained. MAS is currently seeking legal advice to challenge the claim.

- (g) **MAS vs Air Maldives Limited**

On 11 February 2004, MAS filed a suit at the High Court of Malaya against AML to claim for the sum of USD35.5 million being unpaid fees and charges payable by AML to MAS for airline related services rendered by MAS pursuant to numerous agreements. The writ of summons was served by MAS on AML on 25 July 2007. AML has entered appearance on 22 October 2007 AML had on 19 March 2008 served their defence together with a counterclaim of USD 43.6 million on MAS.

MAS is seeking legal advice in relation to the counterclaim and has filed an application to stay the counterclaim.

- (h) **Statement of Objections from the European Commission**

On 27 December 2007, MAS and MASkargo were served with "Statement of Objections" from the European Commission in relation to its air freight investigation under Article 81 of the European Community Treaty, the general prohibition against anti-competitive behaviour. The Statement of Objections is a routine stage in the European Commission's investigations under the said Article 81 and is not a final determination of an infringement, nor does the Statement of Objections indicate any quantum of fines that might be ultimately imposed.

The MAS Group is seeking legal advice in relation to the European Commission investigation.

- (i) **Meor Adlin vs MAS**
- (j) **Stephen Gaffigan vs MAS**
- (k) **Micah Abrams vs MAS**
- (l) **Donald Wortman vs MAS**
- (m) **Bruce Hut vs MAS**
- (n) **Dickson Leung vs MAS**

Between 18 January and 26 March 2008, MAS had been served with various complaints filed in the United States District Court for the Northern District of California (San Francisco) and the United States District Court for the Central District of California (Los Angeles) filed on behalf of various Plaintiffs against MAS and a number of other airlines. The cases involved allegation of price fixing on transpacific passenger fares and related surcharges.

At this juncture, no infringement has been established. The recently served complaints do not make any mention of the quantum of damages sought against MAS. MAS is currently seeking legal advice in relation to the complaints.

**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B (CONTINUED)**

**12. DIVIDENDS**

The Board of Directors do not recommend any dividend for the financial period ended 31 March 2008.

**13. EARNINGS PER SHARE**

	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000 (restated)
<b>(a) Basic earnings per share</b>		
Profit attributable to equity holders of the Company for:		
Continuing operations	120,061	128,348
Discontinued operations	-	4,362
	<u>120,061</u>	<u>132,710</u>
Weighted average number of ordinary shares in issue ('000)	1,670,992	1,398,620
Basic earnings per share for (sen):		
Continuing operations	7.19	9.18
Discontinued operations	-	0.31
	<u>7.19</u>	<u>9.49</u>

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the quarter ended 31 March 2008. For the comparative quarter ended 31 March 2007, the basic earnings per share is restated in accordance with FRS 133 - Earnings Per Share.

**(b) Diluted earnings per share**

Weighted average number of ordinary shares in issue ('000)	1,670,992	1,398,620
Effects of dilution resulting from RCPS ('000)	<u>103,148</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,774,140	1,398,620
Diluted earnings per share for (sen):		
Continuing operations	6.77	9.18
Discontinued operations	-	0.31
	<u>6.77</u>	<u>9.49</u>

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial period ended 31 March 2008, adjusted to assume the conversion of dilutive potential ordinary shares.

**14. AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 20 May 2008.

By Order of the Board

Rizani bin Hassan (LS 05125)  
Company Secretary  
Selangor Darul Ehsan  
20 May 2008

**PART C - ADDITIONAL INFORMATION**

**1. ECONOMIC PROFIT**

- (a) As prescribed by the GLC Transformation Programme, the reporting of economic profit ("EP") is made every quarter. EP is an indicative measure of value creation by the business in a specific period. It reflects how much return a business has generated after operating expenses and capital costs.
- (b) The EP of the Group for the period ended 31 March 2008 is RM42.2 million (31 March 2007: RM101.7 million). The drop in EP is more significant than the Group results performance as it does not take into account of certain non-operational items such as higher interest income and savings in finance cost. The rights issue in October 2007 has also increased the capital charge and hence reduced the EP.

Although the EP may have some usefulness in terms of giving an indication of the return after deducting the cost of the resources it employs, it should not be used in isolation as an indicator of a company's performance nor is it a predictor of future performance. The EP results purely on their own may often give misleading results or trends.

**2. SUMMARY OF KEY FINANCIAL INFORMATION**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000 (Restated)	Year ended 31/3/2008 RM '000	Year ended 31/3/2007 RM '000 (Restated)
(a) Total Revenue	3,752,918	3,545,520	3,752,918	3,545,520
(b) Profit before tax	134,289	144,489	134,289	144,489
(c) Profit for the period	120,530	133,133	120,530	133,133
(d) Profit for the period attributable to equity holders of the Company	120,061	132,710	120,061	132,710
(e) Basic earnings per share (sen)	7.19	9.49	7.19	9.49
Diluted earnings per share (sen)	6.77	9.49	6.77	9.49

	AS AT 31/3/2008	AS AT 31/12/2007 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	2.43	2.35

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2008 RM '000	Quarter ended 31/3/2007 RM '000	Period ended 31/3/2008 RM '000	Period ended 31/3/2007 RM '000
(a) Gross interest income	50,449	18,843	50,449	18,843
(b) Gross interest expense	(3,553)	(13,022)	(3,553)	(13,022)