MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FIRST QUARTER ENDED 31 MARCH 2009

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 2009. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31/3/2009 RM '000	Quarter ended 31/03/2008 RM '000 (Restated)	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000 (Restated)
	Note				
Operating revenue		2,701,031	3,661,147	2,701,031	3,661,147
Operating expenses		(2,877,507)	(3,617,486)	(2,877,507)	(3,617,486)
Other operating income		38,559	87,293	38,559	87,293
Gains on sale of properties		-	1,944	-	1,944
(Loss)/Profit from operations		**(137,917)**	**132,898**	**(137,917)**	**132,898**
Derivative loss	Part B,2	(557,001)	-	(557,001)	-
Finance costs		(17,440)	(3,565)	(17,440)	(3,565)
Share of results from associated companies		5,965	4,956	5,965	4,956
(Loss)/Profit before taxation		**(706,393)**	**134,289**	**(706,393)**	**134,289**
Taxation		11,587	(13,759)	11,587	(13,759)
(Loss)/Profit for the period		**(694,806)**	**120,530**	**(694,806)**	**120,530**
Attributable to:					
Equity holders of the Company		(695,398)	120,061	(695,398)	120,061
Minority Interest		592	469	592	469
(Loss)/Profit for the period		**(694,806)**	**120,530**	**(694,806)**	**120,530**
(Loss)/Earnings per share attributable to equity holders of the Company					
Basic (sen)		(41.61)	7.19	(41.61)	7.19
Diluted (sen)		(41.61)	6.77	(41.61)	6.77

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As at 31/3/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
Non current assets			
Aircraft, property, plant and equipment		2,546,479	2,464,823
Investment in associated companies		76,930	73,268
Other investments		59,096	64,946
Negotiable instruments of deposit		250,000	250,000
Prepaid lease		208,892	219,854
Intangible assets		107,429	106,253
Other assets		210,426	213,092
Deferred tax assets		19,811	1,348
		3,479,063	**3,393,584**
Current assets			
Inventories		386,987	379,730
Trade and other receivables		1,661,552	1,931,539
Derivative financial instruments	Part D (ii)	83,097	-
Negotiable instruments of deposit		579,909	795,000
Cash and bank balances		2,941,530	3,571,743
		5,653,075	**6,678,012**
Current liabilities			
Trade and other payables		2,585,087	2,408,825
Provision		819,862	817,703
Short term borrowings		924,818	425,000
Short term borrowing (finance lease liability)		21,026	8,411
Provision for taxation		11,475	5,001
Derivative financial instruments	Part D (ii)	866,335	-
Sales in advance of carriage		1,137,341	1,222,410
		6,365,944	**4,887,350**
Net current (liabilities)/assets		**(712,869)**	**1,790,662**
		2,766,194	**5,184,246**
Equity attributable to equity holders of the Company		**(458,595)**	**4,185,698**
Share capital - ordinary shares		1,671,062	1,671,002
Redeemable Convertible Preference Shares (RCPS)		58,076	58,076
Reserves			
Share premium		4,007,629	4,007,446
Reserve		580,620	577,732
Accumulated losses	Part D (ii)	(6,775,982)	(2,128,558)
Minority interest		11,870	11,278
Total equity		**(446,725)**	**4,196,976**
Non current liabilities			
Long term borrowings		378,431	873,336
Long term borrowing (finance lease liability)		289,887	112,241
Derivative financial instruments	Part D (ii)	2,544,601	-
Deferred tax liabilities		-	1,693
		3,212,919	**987,270**
		2,766,194	**5,184,246**
Net (liabilities)/assets per share (RM)		(0.27)	2.50

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2009

	Attributable to equity holders of the Company								
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
At 1 January 2009	1,671,002	58,076	4,007,446	577,732	(2,128,558)	2,456,620	4,185,698	11,278	4,196,976
Effect of adopting FRS 139	-	-	-	-	(3,952,026)	(3,952,026)	(3,952,026)	-	(3,952,026)
At 1 January 2009 (As restated)	1,671,002	58,076	4,007,446	577,732	(6,080,584)	(1,495,406)	233,672	11,278	244,950
Loss for the period	-	-	-	-	(695,398)	(695,398)	(695,398)	592	(694,806)
Grant of ESOS	-	-	-	2,888		2,888	2,888	-	2,888
Conversion of RCPS	60	-	183	-	-	183	243	-	243
At 31 March 2009	**1,671,062**	**58,076**	**4,007,629**	**580,620**	**(6,775,982)**	**(2,187,733)**	**(458,595)**	**11,870**	**(446,725)**

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

	Attributable to equity holders of the Company								
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity 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
At 31 March 2008	**1,670,992**	**58,076**	**4,007,414**	**531,304**	**(2,211,034)**	**2,327,684**	**4,056,752**	**11,525**	**4,068,277**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000 (Restated)
Cash Flows From Operating Activities		
(Loss)/Profit before taxation	**(706,393)**	**134,289**
Adjustments for :-		
Derivative loss	557,001	-
Provision for aircraft maintenance and overhaul costs	105,459	107,452
Depreciation of aircraft, property, plant and equipment	79,287	81,278
Interest expenses	17,421	3,553
Provision for doubtful debts, net	6,645	5,211
Amortisation of intangible assets	6,186	4,868
Provision/(writeback) for short term accumulating compensated absences	4,713	(69)
Grant of ESOS	2,888	1,894
Aircraft, property, plant and equipment written off, net	1,406	3,535
Provision/(writeback) of impairment losses for aircraft, property, plant and equipment	1,277	(4,907)
Amortisation of prepaid lease payments on land	46	47
Writeback of unavailed credits on sales in advance of carriage	(76,168)	(58,719)
Unrealised foreign exchange (gain)/loss	(46,990)	7,727
Share of results of associated companies	(5,965)	(4,956)
(Writeback of)/Provision for inventories obsolescence, net	(3,869)	11,301
Interest income	(2,869)	(50,449)
Gain on disposal of non-current assets held for sale	-	(1,944)
Operating (loss)/profit before working capital changes	**(59,925)**	**240,111**
Increase in inventories	(3,388)	(21,015)
Decrease/(Increase) in trade and other receivables	249,414	(74,530)
Decrease/(Increase) in amount owing by holding company	115	(19,583)
Increase/(Decrease) in trade and other payables	43,688	(74,771)
Decrease in provision	(103,300)	(60,121)
Decrease in sales in advance of carriage	(8,901)	(41,951)
Cash generated from/(used in) operating activities	**117,703**	**(51,860)**
Net cash settlement on derivatives	(565,082)	-
Premium paid on derivatives	(447,621)	-
Interest paid	(17,070)	(10,941)
Taxes paid	(2,095)	(1,313)
Net cash used in operating activities	**(914,165)**	**(64,114)**
Cash Flows From Investing Activities		
Net withdrawal/(placement) for Negotiable instrument of deposits	220,000	(70,000)
Withdrawal of deposits pledged with banks	145,175	-
Interest received	37,042	41,972
Proceed from disposal of other investment	5,850	-
Dividend received	2,303	-
Proceeds from disposal of non current assets held for sale	-	2,809
Purchase of aircraft, property, plant and equipment	(163,626)	(98,657)
Purchase of intangible assets	(7,363)	(5,222)
Net cash generated from/(used in) investing activities	**239,381**	**(129,098)**
Cash Flows From Financing Activities		
Proceeds from finance lease	194,501	-
Repayment of finance lease	(4,239)	-
Settlement for redemption of RCPS	(516)	-
Expenses incurred on issuance of Rights share exercise	-	(96)
Net cash generated from/(used in) financing activities	**189,746**	**(96)**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**(485,038)**	**(193,308)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**2,940,623**	**4,434,338**
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	**2,455,585**	**4,241,030**

Cash and cash equivalents comprise:

Cash on hand and at banks	768,735	1,051,809
Short term deposits	2,172,795	3,189,221
Cash and cash equivalents	2,941,530	4,241,030
Less: Deposits pledged with banks	(485,945)	-
Cash and cash equivalents	**2,455,585**	**4,241,030**

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: 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 2008. 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 2008.

2. CHANGES IN ACCOUNTING POLICIES

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 2008 except for the early adoption of FRS 139: Financial Instruments, Recognition and Measurement and IC Interpretation 9: Reassessment of Embedded Derivatives with effect from 1 January 2009.

The early adoption of FRS 139 give rise to significant changes in accounting policies of the Group. The principal changes in accounting policies and effects resulting from the adoption of FRS 139 are discussed below.

i) Changes in Accounting Policies and Effects of Early Adoption of FRS 139: Financial Instruments, Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through profit or loss.

Financial Assets

a) Loans and Receivables

Prior to 1 January 2009, loans and receivables were stated at gross proceeds receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognized, impaired or through the amortisation process.

b) Available-for-sale

Prior to 1 January 2009, available-for-sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS 139, available-for-sale financial asset is measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

c) Held-to-maturity

Prior to 1 January 2009, held-to-maturity financial assets such as negotiable instruments of deposits were accounted for at cost less impairment losses. Under FRS 139, held-to-maturity financial asset is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised, impaired or through the amortisation process.

Financial Liabilities

Borrowings

Prior to 1 January 2009, borrowings were stated at the proceeds received less directly attributable transaction costs. Under FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised or through the amortisation process.

Derivative Financial Instruments

Prior to 1 January 2009, derivatives were not recognised in the financial statements. Under FRS 139, derivatives are required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently at fair value at each balance sheet date. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the income statement.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged as follows:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2008 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2009.

	As at 1 January 2009 RM'000
Decrease in Trade and Other Receivables	67,722
Increase in Negotiable Instruments of Deposit	(33,147)
Increase in Derivative Financial Assets	(35,624)
Increase in Trade and Other Payables	105,608
Increase in Derivative Financial Liabilities	3,840,803
Increase Short Term Borrowings	6,664
Increase in Accumulated Losses	(3,952,026)

In addition, these changes in accounting policies have the effect of decreasing the loss for the current period by RM98.2 million.

The early adoption of IC Interpretation 9 does not have any financial impact to the Group.

ii) Changes in Accounting Policies and Effects of Adoption of New and Revised FRSs

At the date of authorisation of this quarterly condensed financial report, the MASB had issued the following FRS and Interpretations but not yet effective and have not been applied by the Group:

	Effects for financial periods beginning on or after
FRS 7: Financial Instruments : Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

3. 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 2008.

4. 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.

5. UNUSUAL ITEMS

There were no unusual items for the financial period ended 31 March 2009, except for the financial impact due to the early adoption of FRS 139: Financial Instruments, Recognition and Measurement.

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There was no material changes in estimates of amount reported for the financial period ended 31 March 2009.

7. SIGNIFICANT EVENTS

(i) On 20 August 2008, Malaysian Airline System Berhad ('MAS' or 'the Company) entered into a Memorandum of Understanding with GMR Hyderabad International Airport Limited, India (GHIAL) to set up a Maintenance, Repair and Overhaul (MRO) facility to provide maintenance services on narrow and wide body aircraft at the Rajiv Gandhi International Airport in Hyderabad, India. On 28 November 2008, the Company announced that both parties are working towards developing the business plan and finalising the details of the intended venture. On 27 February 2009, both parties had sealed an agreement to set up a 50:50 joint venture Airframe MRO company in Hyderabad, India.

(ii) On 19 December 2007, Malaysian Aerospace Engineering Sdn. Bhd. (MAE), a wholly-owned subsidiary of the Company had signed a Memorandum of Understanding (MoU) with Qantas to establish a joint venture (JV) company to provide airframe maintenance services from Malaysia. On 13 April 2009, the Company announced that MoU for the JV has expired and no active discussion are taking places unless the MoU is subsequently renewed.

(iii) On 13 May 2009, MAE and EADS SECA, a Pratt & Whitney designated aircraft engine repair and overhaul facility of the EADS GROUP, signed a Memorandum of Understanding (MoU) towards the establishment of a joint venture (JV) company in Malaysia. The MoU for this JV allows both parties to create a world class PW100 series engine Maintenance and Repair Organization (MRO) facility in Malaysia. The facility is positioned as a one-stop centre for engine and component support for PW100 series engines, and expected to be operational in 2010.

There were no other significant events for the financial period ended 31 March 2009.

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

On 3 February 2009, the Company issued 60,000 new ordinary shares of RM1 each pursuant to the conversion of 243,000 Redeemable Convertible Preference Shares.

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 31 March 2009.

9. DIVIDEND PAID

There was no dividend paid during the period ended 31 March 2009.

10. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Individual Quarter ended 31/3/2009		Cumulative Quarter ended 31/3/2009	
	Operating revenue RM '000	Operating profit / (loss) RM '000	Operating revenue RM '000	Operating profit / (loss) RM '000
Airline operations	2,513,410	(42,540)	2,513,410	(42,540)
Cargo services	359,235	(84,956)	359,235	(84,956)
Catering services	2,691	617	2,691	617
Others	20,722	879	20,722	879
	2,896,058	(126,000)	2,896,058	(126,000)
Eliminations	(195,027)	(11,917)	(195,027)	(11,917)
Total	**2,701,031**	**(137,917)**	**2,701,031**	**(137,917)**

11. VALUATION OF ASSETS

There was no valuation of aircraft, property, plant and equipment for the financial period ended 31 March 2009.

12. SUBSEQUENT EVENT

On 7 May 2009, the Company subscribed a total of 250 ordinary shares of USD 1 of Kelip-kelip II Cayman Limited, an off-shore company, for a purchase consideration of USD250 (equivalent to RM875) by way of cash. With effect from that date, Kelip-kelip II Cayman Limited became a fully owned subsidiary of the Company.

There was no other material subsequent event for the financial period ended 31 March 2009.

13. CHANGES IN THE COMPOSITION OF THE GROUP

There was no changes in the composition of the Group for the financial period ended 31 March 2009.

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.

	08/06/2009 RM '000
1. Secured / Unsecured	
Loans	
- Secured	23,413
- Unsecured	80,301
Finance leases (secured)	387,598
	491,312
2. Tenure	
Loans and leases due within one year	414,472
Loans and leases due after one year	76,840
	491,312
3. Loans by currencies in Ringgit Malaysia	
US Dollar	411,011
Euro	80,301
	491,312

(b) Others

Bank guarantees given to third parties	650,525
Bank guarantees given to PMB on aircraft lease	20,799
Corporate guarantees given to third parties	5,114
Performance bonds given to third parties	1,896
	678,334

(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 (Avitas), MAS share of the profit on disposal if the applicable aircraft were to be disposed as at 8 June 2009 is RM616.3 million.

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

15. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 31/3/2009 RM '000	Quarter ended 31/03/2008 RM '000	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	43,414	55,194	43,414	55,194
- Rental income and others	(3,297)	(4,862)	(3,297)	(4,862)
- Shared services billed	-	(113)	-	(113)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered and purchase of aircraft, property and equipment	72,978	90,674	72,978	90,674
- Rental income and others	(3,599)	(3,773)	(3,599)	(3,773)
- Shared services billed	(864)	(36)	(864)	(36)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,310	1,425	1,310	1,425
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	2,447	2,151	2,447	2,151
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,916	1,605	1,916	1,605
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	285	742	285	742
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	7,184	7,489	7,184	7,489
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,040	2,020	1,040	2,020
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	150	368	150	368
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	139,959	142,042	139,959	142,042
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	63,536	69,719	63,536	69,719

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

16. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/3/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
Amount owing by holding company	18,873	18,998
Amount owing by a related party	3,357	3,178
Amount owing by a fellow subsidiary		
- due within one year	44,155	44,641
- due after one year	191,507	202,423
Amount owing by associated companies	2,625	3,261
Amount owing to associated companies	7,817	25,686

17. CHANGES IN PREVIOUS QUARTER PRESENTATION

The following disclosure for the period ended 31 March 2008 has been restated to conform with current period's presentation:

Quarter/Period ended 31 March 2008

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	3,663,681	(2,534)	3,661,147
Operating expenses	(3,620,020)	2,534	(3,617,486)

As at 31 December 2008

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Other assets	124,519	88,573	213,092
Trade and other receivables	2,020,112	(88,573)	1,931,539

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 an operating loss of RM137.9 million for the first quarter ended 31 March 2009 (Quarter ended 31 March 2008: RM132.9 million profit) mainly due to lower operating revenue in line with the declining trend in global travel and cargo movements resulting from the current economic downturn.

The Group recorded a loss after tax of RM694.8 million (Quarter ended 31 March 2008: RM120.5 million profit) after including derivative loss of RM557.0 million with the early adoption of FRS 139.

2. DERIVATIVE LOSS

Derivative loss consists of realised loss on settlement of hedging contracts during the quarter and fair value changes due to movement in mark-to-market (MTM) position on outstanding hedging contracts at 31 March 2009 as compared to 1 January 2009 which mainly comprise of the following:

		RM 'Mil
i)	Loss from fuel hedging contracts	(640.2)
ii)	Gain from foreign currency hedging contracts	80.5
iii)	Gain from interest rate hedging contracts	2.7
		(557.0)

3. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded an operating loss for the quarter of RM137.9 million from a profit of RM66.3 million mainly due to a lower operating revenue in line with declining trend in global travel and cargo movements resulting from the current economic downturn. The Group recorded a loss after tax for the quarter of RM694.8 million from a profit of RM46.6 million after including derivative loss of RM557.0 million with the early adoption of FRS 139.

4. CURRENT YEAR PROSPECTS

The International Air Transport Association has revised its forecast that the airline industry will lose more than USD9.0 billion from a loss of USD4.7 billion previously despite the fall in the oil price. Demand is projected to fall sharply with passenger traffic expected to contract by 8% and cargo demand expected to decline by 17%. The airline industry is being hard hit by the global credit crisis, with the worst economic downturn since depression in the 1930s. This is further compounded by the threat of outbreak of the Influenza A (H1N1) virus. Whilst airlines have tried to reduce capacity in tandem with contracting demand, the continued delivery of new aircraft also has caused heavy fare discounting.

For the second quarter of 2009, demand is expected to remain soft, being the low travel season period. Forward booking trends especially for the long haul UK/Europe, Australia and US routes is expected to stabilise into the second half of the year with the various sales incentives planned for the year ahead. However, the outlook remains challenging as yield pressures continue to mount as airlines proceed to reduce fares and fuel surcharges to encourage consumers to travel.

To overcome the soft demand and adverse competitive environment, MAS continues to fast track the implementation of its Business Transformation Plan ("BTP 2") which is anchored on the 4-pillar strategy of dynamic pricing, network optimisation, cost management and innovation. MAS has introduced various fare deals including the MAS Stimulus Package which offers 9 fare options covering all classes of travel. At the same time, the management plans to cut costs between RM700 million to RM1 billion in 2009, without compromising on safety or quality.

For 2009, the Group's targets are: RM499 million loss - RM50 million net income (on target), RM51 million - RM500 million (exceeding) and RM501 million - RM 1 billion (outstanding).

5. 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 2009.

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

6. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2009 RM '000	Quarter ended 31/03/2008 RM '000	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000
Continuing operations				
Current period				
- Malaysian taxation	853	9,736	853	9,736
- Foreign taxation	1,325	1,848	1,325	1,848
	2,178	11,584	2,178	11,584
Under provision in prior period	6,391	1,761	6,391	1,761
Deferred taxation	(20,156)	414	(20,156)	414
Total	(11,587)	13,759	(11,587)	13,759

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.

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

There were no disposals of unquoted investments and properties during the financial period ended 31 March 2009.

8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 31 March 2009, the Group has no quoted securities and there were no disposal of quoted securities during the financial period ended 31 March 2009.

9. CORPORATE PROPOSALS

There were no proposals made during and subsequent to the financial period ended 31 March 2009.

10. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

(i) The Group as at 31 March 2009 has lease obligations amounting to RM238.7 million (31 December 2008: RM244.8 million) which are covered by interest bearing funds amounting to RM231.7 million (31 December 2008: RM235.9 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 31/3/2009 RM '000	As at 31/12/2008 RM '000
(i) Short term borrowings			
Unsecured	(a) & (b)	924,818	425,000
Secured - Finance Lease liability	(c)	21,026	8,411
		945,844	433,411
(ii) Long term borrowings:			
Unsecured	(b)	-	500,000
Redeemable Cumulative Preference Shares	(d)	378,431	373,336
		378,431	873,336
Secured - Finance Lease liability	(c)	289,887	112,241
		668,318	985,577

10. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES (CONTINUED)

(a) As at 31 March 2009, the Group has drawndown net amount of RM425.0 million under its revolving credit facilities. The facilities are unsecured with an effective weighted interest rate at 4.12% per annum.

(b) 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 drawndown 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 drawndown date with interest payable for every six (6)-month period.

(c) The Group has finance lease contracts for five of its ATR aircraft.

(d) 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.
(Refer to Note 8: Part A, for conversion of RCPS during the year)

Except for the above, there were no other issuance, cancellation, repurchases, resales and repayment of debt and equity securities during the financial period ended 31 March 2009.

11. FINANCIAL INSTRUMENTS

As a result of early adoption of FRS 139: Financial Instruments, Recognition and Measurement, fuel hedging contracts, interest rate hedging and foreign currency hedging contracts which were previously classified as off balance sheet financial instruments have now been recognised in the balance sheet as derivative financial instruments.

(a) As at 8 June 2009, the Group has entered into various fuel hedging contracts for periods up to 31 December 2011 in lots totalling 21,918,984 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.

(b) As at 8 June 2009 the Group has entered into various interest rate hedging contract transactions for periods up to 13 December 2016 for a total notional amount of RM2,293 million.

The fixed interest rates relating to interest rate hedging contracts as at 8 June 2009 vary from 2.15% to 5.00% per annum.

(c) As at 8 June 2009, the Group has entered into foreign currency hedging contracts and options amounting to RM2,075 million for periods up to 4 May 2010.

12. MATERIAL LITIGATION

(a) **Shahjalal Aviation Systems Ltd. ("Shahjalal") vs the Malaysian Airline System Berhad ('MAS' or 'the Company')**

Shahjalal was a general sales agent and had filed a claim in Dhaka, Bangladesh against the Company 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. The Company 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.

The Court had delivered judgment on 13 January 2009 that the Company's claim for the amount of USD1.5 million from Shahjalal is decided in the Company's favour. The claims filed by Shahjalal against the Company for unlawful termination of a general sales agency agreement has been dismissed.

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

On 16 September 2004, the Company received notice that ACL had initiated proceedings against the Company at the International Court of Arbitration in Paris, France. The claim against the Company for alleged breach of a ground handling contract ("ACL Agreement") is damages in the sum of EUR62.7 million (approximately RM304 million).

On 23 April 2007, the Company received a partial award from the Arbitral Tribunal dated 4 April 2007 declaring that the Company has breached the ACL agreement but made no ruling on the Company's liability to compensate ACL for the damages suffered as a result of the breach. ACL has since in its statement of claim on quantum, revised its claim to EUR34.1 million (approximately RM166 million). The partial award made no monetary award and, at the time, had no ascertainable financial and operational effect on the Company and the Group.

The hearing of the quantum of damages and costs before the Arbitral Tribunal was concluded on 3rd until 6th November 2008. On 1 June 2009, the Company's solicitors in Malaysia, Messrs Lee Hishammuddin Allen & Gledhill, received final award of the Arbitral Tribunal from the International Chamber of Commerce (ICC), made pursuant to the ICC Rules of Arbitration has ordered the Company to pay to ACL:

i) damages of EUR5,520,985 (approximately RM26.6 million)
ii) Interest at the rate of 5% per annum, amounting to approximately EUR1,065,000 as at 31 May 2009 (approximately RM5.1 million)
iii) costs of EUR316,591 (approximately RM1.5 million) and USD102,000 (approximately RM0.3 million)

While the award is not expected to have material adverse impact on the financial position of the Company, the Company is taking further advice on the possibility of challenging the award.

(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 against the Company 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 the Company, in breach of a purported contract consisting of various documents involving services rendered by the Plaintiffs to the Company and MASkargo. The Company 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, the Company 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 the Company. 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.

12. MATERIAL LITIGATION (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, the Company's 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, the Company 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 the Company's duties under a Management Agreement between the Company 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 the Company cannot be ascertained. The Company is currently seeking legal advice to challenge the claim.

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

On 11 February 2004, the Company 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 the Company for airline related services rendered by MAS pursuant to numerous agreements. The writ of summons was served by the Company 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 USD43.6 million on the Company.

The Company 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, the Company 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 Group has sought legal advice and replied to the Statement of Objections from the European Commission. The oral hearing was concluded on 30 June 2008 to 3 July 2008 but the European Commission has not fixed the date for decision.

(i) (i) **Meor Adlin vs MAS**
(ii) **Stephen Gaffigan vs MAS**
(iii) **Micah Abrams vs MAS**
(iv) **Donald Wortman vs MAS**
(v) **Bruce Hut vs MAS**
(vi) **Dickson Leung vs MAS**

Between 18 January and 26 March 2008, the Company 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 the Company and a number of other airlines. The cases involved allegations of price fixing for transpacific fares and related surcharges.

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

12. MATERIAL LITIGATION (CONTINUED)

(j) **Statement of Claim from Commerce Commission of New Zealand**

On 15 December 2008, the Company was served with a “Statement of Claim” from the Commerce Commission of New Zealand in relation to its air freight investigation under Section 27 of the Commerce Act. The Statement of Claim does not indicate any quantum of fines that might be ultimately imposed.

The Company and its lawyers are reviewing the Statement of Claim.

13. DIVIDENDS

The directors do not recommend any dividend for the financial period ended 31 March 2009.

14. (LOSS)/EARNINGS PER SHARE

(a) **Basic (loss)/earnings per share**

	Quarter ended 31/3/2009	Quarter ended 31/03/2008	Period ended 31/3/2009	Period ended 31/03/2008
(Loss)/profit attributable to equity holders of the Company (RM'000)	(695,398)	120,061	(695,398)	120,061
Weighted average number of ordinary shares in issue ('000)	1,671,042	1,670,992	1,671,042	1,670,992
Basic (loss)/earnings per share (sen)	(41.61)	7.19	(41.61)	7.19

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial period ended 31 March 2009.

(b) **Diluted earnings per share**

	Quarter ended 31/12/2008	Quarter ended 31/12/2007	Period ended 31/12/2008	Period ended 31/12/2007
Weighted average number of ordinary shares in issue ('000)	1,671,042	1,670,992	1,671,042	1,670,992
Effects of dilution resulting from RCPS ('000)	-	103,148	-	103,148
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,671,042	1,774,140	1,671,042	1,774,140
Diluted (loss)/earnings per share (sen)	(41.61)	6.77	(41.61)	6.77

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial period ended 31 March 2009, adjusted to assume the conversion of dilutive potential ordinary shares.

There is no dilutive EPS for the current quarter and period ended as the effect of potential dilution is anti dilutive.

15. 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 12 June 2009.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
12 June 2009

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 is a reflection of how much return a business has generated after operating expenses and capital costs.

(b) The Economic Loss of the Group for the quarter and period ended 31 March 2009 is RM901 million (2008: RM41 million profit). The drop in EP is higher than the Group results as it does not take into account of certain non-operational items such as interest income and foreign exchange differences.

Although the EP may have some usefulness in terms of providing 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2009 RM 'Mil	Quarter ended 31/3/2008 RM 'Mil Restated	Period ended 31/3/2009 RM 'Mil	Period ended 31/3/2008 RM 'Mil Restated
(Loss)/Earnings Before Interest and Tax	(862)	65	(862)	65
Adjusted Tax	(9)	(13)	(9)	(13)
NOPLAT	**(871)**	**52**	**(871)**	**52**
Economic Charge				
Average Invested Capital	1,895	637	1,895	637
WACC (%)	6.35%	6.82%	6.35%	6.82%
Economic Charge	**30**	**11**	**30**	**11**
Economic (Loss)/Profit	**(901)**	**41**	**(901)**	**41**

Average Invested Capital for every quarter is calculated by using the Invested Capital t=0 as the base capital

Note:
WACC - Weighted Average Cost of Capital
NOPLAT - Net Operating Profit/(Loss) after Tax

2. HEADLINE KEY PERFORMANCE INDICATOR (KPI) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 200

The Headline KPI has been set and agreed by the Board and management of the Group as part of the broader KPI framework that the Group has in place, as prescribed under the GLC Transformation programme, and is disclosed on a voluntary basis.

The Headline KPI is a target or aspiration set by the Group as a transparent performance management practice. The Headline KPI shall not be construed as either forecast, projection or estimate of the Group or representations of any future performance, occurence or matter as the Headline KPI is merely a set of target/ aspiration of future performance aligned to the Group's strategy.

3. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2009 RM '000	Quarter ended 31/03/2008 RM '000 (Restated)	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000 (Restated)
(a) Revenue	2,739,590	3,750,384	2,739,590	3,750,384
(b) (Loss)/profit before tax	(706,393)	134,289	(706,393)	134,289
(c) (Loss)/profit for the period	(694,806)	120,530	(694,806)	120,530
(d) (Loss)/profit for the period attributable to ordinary equity holders of the Company	(695,398)	120,061	(695,398)	120,061
(e) Basic (loss)/earnings per share (sen)	(41.61)	7.19	(41.61)	7.19

	AS AT 31/3/2009	AS AT 31/12/2008 (Audited)
(a) Net (liabilities)/assets per share attributable to ordinary equity holders of the Company (RM)	(0.27)	2.50

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2009 RM '000	31/03/2008 RM '000	Period ended 31/3/2009 RM '000	Period ended 31/03/2008 RM '000
(a) Gross interest income	2,869	50,449	2,869	50,449
(b) Gross interest expense	(17,421)	(3,553)	(17,421)	(3,553)

PART D (i) - PROFORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 MARCH

As stated in Part A: Note 1, MAS has early adopted FRS 139: Financial Instruments, Recognition and Measurement, with effect from 1 January 2009. The following Proforma Condensed Consolidated Financial Statement reflects MAS results for the financial period ended 31 March 2009 and financial position as at 31 March 2009 based on the assumption that FRS 139 has not been early adopted with effect from 1 January 2009.

UNAUDITED PROFORMA CONDENSED CONSOLIDATED INCOME STATEMENTS

	Quarter ended 31/3/2009 RM '000	Quarter ended 31/03/2008 RM '000 (Restated)
Operating revenue	2,701,031	3,661,147
Operating expenses	(3,533,307)	(3,617,486)
Other operating income	38,559	87,293
Gains on sale of properties	-	1,944
(Loss)/Profit from operations	**(793,717)**	**132,898**
Finance costs	(16,823)	(3,565)
Share of results from associated companies	5,965	4,956
(Loss)/Profit before taxation	**(804,575)**	**134,289**
Taxation	11,587	(13,759)
(Loss)/Profit for the period	**(792,988)**	**120,530**
Attributable to:		
Equity holders of the Company	(793,580)	120,061
Minority Interest	592	469
(Loss)/Profit for the period	**(792,988)**	**120,530**

PART D (i) - PROFORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 MARCH 2009

UNAUDITED PROFORMA CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31/3/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
Non current assets		
Aircraft, property, plant and equipment	2,546,479	2,464,823
Investment in associated companies	76,930	73,268
Other investments	59,096	64,946
Negotiable instruments of deposit	250,000	250,000
Prepaid lease	208,892	219,854
Intangible assets	107,429	106,253
Other assets	210,426	213,092
Deferred tax assets	19,811	1,348
	3,479,063	**3,393,584**
Current assets		
Inventories	386,987	379,730
Trade and other receivables	1,698,725	1,931,539
Negotiable instruments of deposit	575,000	795,000
Cash and bank balances	2,941,530	3,571,743
	5,602,242	**6,678,012**
Current liabilities		
Trade and other payables	2,091,163	2,408,825
Provision	819,862	817,703
Short term borrowings	925,000	425,000
Short term borrowing (finance lease liability)	21,026	8,411
Provision for taxation	11,475	5,001
Sales in advance of carriage	1,137,342	1,222,410
	5,005,868	**4,887,350**
Net current assets	**596,374**	**1,790,662**
	4,075,437	**5,184,246**
Equity attributable to equity holders of the Company	**3,395,249**	**4,185,698**
Share capital - ordinary shares	1,671,062	1,671,002
Redeemable Convertible Preference Shares (RCPS)	58,076	58,076
Reserves		
Share premium	4,007,629	4,007,446
Reserve	580,620	577,732
Accumulated losses	(2,922,138)	(2,128,558)
Minority interest	11,870	11,278
Total equity	**3,407,119**	**4,196,976**
Non current liabilities		
Long term borrowings	378,431	873,336
Long term borrowing (finance lease liability)	289,887	112,241
Deferred tax liabilities	-	1,693
	668,318	**987,270**
	4,075,437	**5,184,246**

PART D (ii) - PROFORMA GROUP EQUITY HOLDERS' FUND AS AT 31 MARCH 2009

With an early adoption of FRS 139 and a net unrealised mark-to-market (MTM) loss on derivative financial instruments of RM3,328 million, the Group Equity Holders' Fund as at 31 March 2009 is negative RM458 million. The net unrealised MTM position is mainly due to fuel hedging contracts with maturity over 3-year period up to 31 December 2011. The unrealised fuel MTM position will fluctuate subject to the movement in the fuel forward curve.

The table below illustrates the Group Proforma Equity Holders' Fund as at 31 March 2009 if the unrealised fuel MTM position as at 31 March 2009 is presented based on the fuel forward curve as at 29 May 2009 with comparable basis as per current period's presentation.

	Proforma without FRS 139 as at 31 March 2009 RM 'Mil	FRS 139 as at 31 March 2009 RM 'Mil	Proforma FRS 139 with Fuel MTM (29 May 2009) as at 31 March 2009 RM 'Mil
Share capital	1,671	1,671	1,671
RCPS	58	58	58
Reserves			
Share Premium	4,008	4,008	4,008
Other Reserves	581	581	581
Accumulated Losses *	(2,922)	(6,776)	(5,626)
	1,667	(2,187)	(1,037)
Group Equity Holders' Fund	**3,396**	**(458)**	**692**
* of which unrealised net MTM loss		(3,328)	(2,178)

The Board has approved the early adoption of FRS 139 to allow MAS financial statements to be directly comparable to most major international airlines and to improve transparency of the financial statements.

MAS adopts a 'competitive' fuel hedging policy, whereby it strives to have similar fuel cost with its peer competitors. MAS gradually built its hedging portfolio throughout the year. Due to the unprecedented collapse in fuel prices in late 2008 and early 2009, these contracts are in unrealised MTM loss position. The fuel hedging contracts will mature over a 3-year period up to 31 December 2011. The unrealised fuel MTM position will fluctuate based on the movement in the fuel forward curve. As at 31 March 2009, the unrealised fuel MTM loss is RM3,383 million. On comparable basis, using fuel forward curve as at 29 May 2009, the unrealised fuel MTM loss has reduced by RM1,150 million. The total fuel volume hedged as at 8 June 2009 is 21.92 million barrels (refer to Part B: Note 11(a)).

Notwithstanding the voluntary early adoption of the new accounting standard, the Group's operation remains robust and the 'going concern' assumption remains valid.

In approving the early adoption of FRS 139, the Board has also noted and considered the following:
i) the Group's cash balance remains strong, at RM3.7 billion as at 31 March 2009, including negotiable instruments of deposit;
ii) on non-FRS 139 basis, the Group Equity Holders' Fund will be at RM3,396 million as at 31 March 2009; and
iii) on FRS 139 basis and using comparable fuel forward curve as at 29 May 2009, the Group Proforma Equity Holders' Fund would have been RM692 million as at 31 March 2009.

The reduction in Group Equity Holders' Fund does not trigger any default or cross default of its financial facilities.

In the course of 2009, MAS has a plan to improve its equity by way of locking in the MTM gain when opportunity arises (fuel forward curve moves upward) and delivering underlying operating profit.