

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000 (Restated)	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000 (Restated)
Note				
Continuing Operations				
Operating revenue	2,893,860	3,952,286	8,090,335	11,271,170
Operating expenses	(3,034,276)	(4,075,001)	(8,897,700)	(11,404,570)
Other operating income	67,112	166,992	175,331	370,207
Gains on sale of properties	-	-	-	2,397
(Loss)/Profit from operations	(73,304)	44,277	(632,034)	239,204
Derivative (loss)/gain	(202,059)	-	581,440	-
Finance costs	(19,998)	(30,282)	(59,732)	(40,711)
Share of results from associated companies	(1,704)	5,566	3,583	16,327
(Loss)/Profit before taxation	(297,065)	19,561	(106,743)	214,820
Taxation	(1,839)	18,884	(10,708)	(15,867)
(Loss)/Profit for the period from continuing operations	(298,904)	38,445	(117,451)	198,953
Discontinued Operations				
Results for the period from discontinued operations	-	122	-	122
(Loss)/Profit for the period	(298,904)	38,567	(117,451)	199,075
Attributable to:				
Equity holders of the Company	(299,623)	38,093	(119,507)	198,132
Minority Interest	719	474	2,056	943
(Loss)/Profit for the period	(298,904)	38,567	(117,451)	199,075
Earnings per share attributable to equity holders of the Company				
Basic (sen)				
Continuing operations	(17.93)	2.27	(7.15)	11.85
Discontinued operations	-	0.01	-	0.01
	(17.93)	2.28	(7.15)	11.86
Diluted (sen)				
Continuing operations	(17.93)	2.14	(7.15)	11.16
Discontinued operations	-	0.01	-	0.01
	(17.93)	2.15	(7.15)	11.17

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>Note</u>	As at 30/09/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
<u>Non current assets</u>			
Aircraft, property, plant and equipment		2,983,008	2,464,823
Investment in associated companies		69,953	73,268
Other investments		56,520	64,946
Negotiable instruments of deposit		-	250,000
Prepaid lease		180,103	219,854
Intangible assets		104,095	106,253
Other assets		224,838	213,092
Deferred tax assets		2,658	1,348
		3,621,175	3,393,584
<u>Current assets</u>			
Inventories		397,357	379,730
Trade and other receivables		1,746,868	1,931,539
Negotiable instruments of deposit		705,070	795,000
Cash and bank balances		1,725,435	3,571,743
		4,574,730	6,678,012
<u>Current liabilities</u>			
Trade and other payables		2,305,234	2,408,825
Provision		937,562	817,703
Short term borrowings		515,000	425,000
Short term borrowing (finance lease liability)		29,478	8,411
Provision for taxation		11,066	5,001
Derivative financial instruments	Part D (ii)	938,317	-
Sales in advance of carriage		1,442,911	1,222,410
		6,179,568	4,887,350
Net current (liabilities)/assets		(1,604,838)	1,790,662
		2,016,337	5,184,246
Equity attributable to equity holders of the Company			
		123,135	4,185,698
Share capital - ordinary shares		1,671,078	1,671,002
Redeemable Convertible Preference Shares (RCPS)		58,076	58,076
Reserves			
Share premium		4,007,678	4,007,446
Reserve		586,394	577,732
Accumulated losses	Part D (ii)	(6,200,091)	(2,128,558)
Minority interest		13,334	11,278
Total equity		136,469	4,196,976
<u>Non current liabilities</u>			
Long term borrowings		892,103	873,336
Long term borrowing (finance lease liability)		336,352	112,241
Derivative financial instruments	Part D (ii)	649,718	-
Deferred tax liabilities		1,695	1,693
		1,879,868	987,270
		2,016,337	5,184,246
Net assets per share (RM)		0.07	2.50

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000 (Restated)
Cash Flows From Operating Activities		
(Loss)/Profit before taxation		
Continuing operations	(106,743)	214,820
Discontinued operations	-	122
Adjustments for :-		
Provision for aircraft maintenance and overhaul costs	403,291	356,055
Depreciation of aircraft, property, plant and equipment	236,842	242,092
Interest expenses	59,732	40,659
Amortisation of intangible assets	19,236	14,770
Grant of ESOS	8,662	39,093
Aircraft, property, plant and equipment written off, net	7,029	19,764
Unrealised foreign exchange loss/(gain)	1,305	(4,758)
Amortisation of prepaid lease payments on land	141	134
Gain on disposal of aircraft, property, plant and equipment	118	1,456
Provision for/(writeback of) impairment losses for aircraft, property, plant and equipment	68	(25,769)
Derivative gain	(581,440)	-
Writeback of unavailed credits on sales in advance of carriage	(243,364)	(267,924)
Interest income	(42,449)	(168,353)
Writeback of inventories obsolescence, net	(10,695)	(10,698)
Dividend income	(9,395)	-
(Writeback of)/provision for short term accumulating compensated absences, net	(3,835)	18,974
Share of results of associated companies	(3,583)	(16,327)
Reversal of doubtful debts, net	(3,454)	(73,521)
Gain on disposal of other investments	-	(24,732)
Gain on disposal of non-current assets held for sale	-	(2,397)
Operating (loss)/profit before working capital changes	(268,534)	353,460
Increase in inventories	(6,933)	(25,337)
Decrease/(Increase) in trade and other receivables	141,510	(255,538)
Increase in amount owing by holding company	(24)	(90,838)
Decrease in trade and other payables	(261,019)	(302,052)
Decrease in provision	(283,431)	(295,733)
Increase in sales in advance of carriage	463,865	213,353
Cash used in operating activities	(214,566)	(402,685)
Net cash settlement on derivatives	(980,260)	-
Premium paid on derivatives	(593,111)	-
Interest paid	(53,475)	(23,892)
Taxes paid	(5,953)	(6,966)
Net cash used in operating activities	(1,847,365)	(433,543)
Cash Flows From Investing Activities		
Withdrawal of deposits pledged with banks	395,786	-
Net withdrawal/(placement) for Negotiable instruments of deposit	345,000	(430,000)
Interest received	76,001	142,669
Dividend received	16,294	5,247
Proceed from disposal of other investment	13,277	26,112
Proceeds from disposal of aircraft, property, plant and equipment	363	33,348
Proceeds from disposal of non current assets held for sale	-	3,786
Purchase of aircraft, property, plant and equipment	(762,609)	(570,438)
Purchase of intangible assets	(17,077)	(19,065)
Purchase of other investment	(4,852)	-
Net cash generated from/(used in) investing activities	62,183	(808,341)
Cash Flows From Financing Activities		
Proceeds from finance lease	262,766	59,450
Proceeds from short term borrowings	90,000	360,000
Repayment of finance lease	(17,587)	-
Settlement for redemption of RCPS	(519)	-
Dividend paid	-	(41,775)
Expenses incurred on issuance of Rights share exercise	-	(97)
Issuance of shares pursuant to ESOS	-	38
Net cash generated from financing activities	334,660	377,616
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(1,450,522)	(864,268)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	2,940,623	4,434,338
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	1,490,101	3,570,070
Cash and cash equivalents comprise:		
Cash on hand and at banks	425,406	672,201
Short term deposits	1,300,029	2,897,869
Cash and cash equivalents	1,725,435	3,570,070
Less: Deposits pledged with banks	(235,334)	-
Cash and cash equivalents as at 30 September	1,490,101	3,570,070

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

	Attributable to equity holders of the Company							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	Total reserves RM '000	Total 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	-	-	-	-	(119,507)	(119,507)	(119,507)	2,056	(117,451)
Grant of ESOS	-	-	-	8,662	-	8,662	8,662	-	8,662
Conversion of RCPS	76	-	232	-	-	232	308	-	308
At 30 September 2009	1,671,078	58,076	4,007,678	586,394	(6,200,091)	(1,606,019)	123,135	13,334	136,469

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

	Attributable to equity holders of the Company							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	Total reserves RM '000	Total 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
Final dividends for 2007	-	-	-	-	(41,774)	(41,774)	(41,774)	-	(41,774)
Profit for the period	-	-	-	-	198,132	198,132	198,132	943	199,075
Rights shares' expenses	-	-	(97)	-	-	(97)	(97)	-	(97)
ESOS:									
- Grant of ESOS	-	-	-	39,094	-	39,094	39,094	-	39,094
- Exercise of options	10	-	28	-	-	28	38	-	38
- ESOS provision reversal	-	-	5	(5)	-	-	-	-	-
At 30 September 2008	1,671,002	58,076	4,007,446	568,499	(2,174,737)	2,401,208	4,130,286	11,999	4,142,285

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 audited annual financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the quarterly condensed financial report. 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 derecognised, 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 non-derivative financial assets with fixed or determinable payments and fixed maturities 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. Derivatives that do not qualify for hedge accounting are classified at fair value through profit and loss with any gains or losses arising from changes in fair value on these derivatives being 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 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 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	<u>(3,952,026)</u>

In addition, these changes in accounting policies have the effect of decreasing the loss for the current quarter by RM107.5 million and the current period by RM1,885.8 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 several FRSs and Interpretations but not yet effective and have not been applied by the Group. The following are among the FRSs and Interpretations that potentially have significant impact on 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.

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

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 30 September 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 30 September 2009.

7. SIGNIFICANT EVENTS

- (i) On 26 October 2009, the Company extended the time frame for the utilisation of the proceeds raised from the Rights Issue exercise which was completed on 5 November 2007. The Company is expected to utilise the remaining proceeds of RM571,122,000 by 31 March 2011 instead of 5 November 2009. The proceeds will be used for the pre-delivery progressive payments of B737-800 aircraft which the Company is expected to take delivery beginning fourth quarter 2010 onwards.
- (ii) On 19 August 2009, Malaysian Aerospace Engineering Sdn. Bhd. (MAE), a wholly-owned subsidiary of the Company, and Transmile Group Berhad (Transmile) have signed a Letter of Intent (LOI) for MAE to purchase Transmile's Engineering & Maintenance unit. The proposed acquisition involves the purchase of Transmile's base maintenance and engineering capabilities including 2 hangars, equipment and employment of its skilled manpower at its Subang base. Upon completion of the acquisition, MAE is expected to be the largest airframe Maintenance, Repair and Overhaul (MRO) in Asia Pacific with 8 hangars and the capacity to accommodate 28 wide body and narrow body aircraft at any one time. On 19 November 2009, the LOI has expired and both parties have agreed not to extend it. However, both parties will continue to be in dialogue if there is any opportunity for the parties to pursue the proposed transaction in the future.
- (iii) On 17 June 2009, MAE and Alenia Aeronautica, a Finmeccanica company, sealed an agreement to create a joint venture (JV) company for the provision of MRO services for ATR aircraft within ASEAN and the Indian sub-continent with plans to offer these services to other countries in the near future. The new company, MAS-Alenia Aeronautica Aerospace Engineering (MAAE) is 51% owned by MAE and 49% by Alenia Aeronautica. The JV agreement is related to the earlier order of 20 ATR 72 500s, plus an option of 7 by Firefly and MASwings.
- (iv) 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 JV company in Malaysia. The MoU for this JV allows both parties to create a world class PW100 series engine Maintenance and Repair Organization 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.
- (v) On 20 August 2008, the Company entered into a Memorandum of Understanding with GMR Hyderabad International Airport Limited, India (GHIAL) to set up a 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.
- (vi) On 19 December 2007, MAE signed a MoU with Qantas to establish a 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.

There were no other significant events for the financial period ended 30 September 2009.

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

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

- (i) On 16 July 2009, the Company issued 16,000 new ordinary shares of RM1.00 each pursuant to the conversion of 64,800 Redeemable Convertible Preference Shares (RCPS).
- (ii) On 3 February 2009, the Company issued 60,000 new ordinary shares of RM1.00 each pursuant to the conversion of 243,000 RCPS.

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 30 September 2009.

9. DIVIDEND PAID

There was no dividend paid during the period ended 30 September 2009.

10. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Individual Quarter ended 30/9/2009		Cumulative Quarter ended 30/9/2009	
	Operating revenue RM '000	Operating profit/(loss) RM '000	Operating revenue RM '000	Operating profit/(loss) RM '000
Airline operations	2,631,680	(35,737)	7,433,622	(440,917)
Cargo services	450,594	(36,930)	1,189,951	(170,229)
Catering services	3,287	1,085	9,343	2,911
Others	20,793	112	60,887	2,505
	3,106,354	(71,470)	8,693,803	(605,730)
Eliminations	(212,494)	(1,834)	(603,468)	(26,304)
Total	2,893,860	(73,304)	8,090,335	(632,034)

11. VALUATION OF ASSETS

There was no valuation of aircraft, property, plant and equipment for the financial period ended 30 September 2009.

12. SUBSEQUENT EVENT

There was no material subsequent event for the financial period ended 30 September 2009.

13. CHANGES IN THE COMPOSITION OF THE GROUP

- (i) On 25 May 2009, the Company has incorporated an off-shore company, Kelip-Kelip II Labuan Limited with a paid-up capital of USD1.00 (equivalent to RM3.62). With effect from that date, Kelip-Kelip II Labuan Limited became a fully owned subsidiary of the Company.
- (ii) 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 cash consideration of USD250 (equivalent to RM875). With effect from that date, Kelip-kelip II Cayman Limited became a fully owned subsidiary of the Company.

There was no other changes in the composition of the Group for the financial period ended 30 September 2009.

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 borrower of 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.

		<u>18/11/2009</u>
		RM '000
1.	Secured / Unsecured	
	Loans	
	- Secured	11,225
	- Unsecured	74,179
		<u>85,404</u>
2.	Tenure	
	Loans due within one year	26,697
	Loans due after one year	58,707
		<u>85,404</u>
3.	Loans by currencies in Ringgit Malaysia	
	US Dollar	11,225
	Euro	74,179
		<u>85,404</u>
(b)	Others	
	Bank guarantees given to third parties	412,254
	Bank guarantees given to PMB on aircraft lease	20,727
	Performance bonds given to third parties	1,478
		<u>434,459</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 (Avitas), MAS share of the profit on disposal if the applicable aircraft were to be disposed as at 18 November 2009 is RM264.83 million.

15. CAPITAL COMMITMENT

	As at 30/09/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
Approved and contracted for	5,106,188	11,295,019
Approved but not contracted for	202,649	198,477
	<u>5,308,837</u>	<u>11,493,496</u>

The outstanding capital commitments relate to purchase of aircraft, enterprise resourcing planning system, passenger services system and other expenditure projects.

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

16. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	52,285	50,155	144,341	154,906
- Rental income and others	(4,930)	(4,862)	(13,172)	(15,160)
- Shared services billed	-	-	-	(113)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered and purchase of aircraft, property and equipment	25,342	64,427	217,009	271,684
- Rental income and others	(3,483)	(661)	(10,612)	(8,207)
- Shared services billed	(12)	(32)	(953)	(104)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,201	1,375	3,726	4,087
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	3,889	2,181	8,324	7,322
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,575	1,467	4,733	4,426
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	290	441	792	1,527
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	10,062	8,842	28,085	27,666
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,380	2,460	3,469	6,485
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	214	374	703	1,096
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	127,849	130,273	397,126	402,474
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	60,287	64,187	186,276	201,781

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 30/09/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
Amount owing by holding company	19,011	18,998
Amount owing by a related party	4,546	3,178
Amount owing by a fellow subsidiary		
- due within one year	47,133	44,641
- due after one year	162,812	202,423
Amount owing by associated companies	3,146	3,261
Amount owing to associated companies	9,998	25,686

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

18. CHANGES IN PREVIOUS QUARTER PRESENTATION

The following disclosure for the period ended 30 September 2008 has been restated to conform with current period's presentation:

Quarter ended 30 September 2008

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	3,954,080	(1,794)	3,952,286
Operating expenses	(4,070,285)	(4,716)	(4,075,001)
Other operating income	160,482	6,510	166,992

Period ended 30 September 2008

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	11,276,037	(4,867)	11,271,170
Operating expenses	(11,402,927)	(1,643)	(11,404,570)
Other operating income	363,697	6,510	370,207

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 RM73.3 million for the third quarter ended 30 September 2009 (Quarter ended 30 September 2008: RM44.3 million profit) mainly due to lower operating revenue in line with the decline in global travel and cargo operations due to the current economic downturn.

The Group recorded a loss after tax of RM298.9 million (Quarter ended 30 September 2008: RM38.4 million profit) after including derivative loss of RM202.1 million.

2. DERIVATIVE GAIN/(LOSS)

Derivative gain/(loss) consists of realised gain/(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 30 September 2009 as compared to 1 January 2009 which mainly comprised the following:

	Quarter ended 30/09/2009 RM 'Mil	Period ended 30/09/2009 RM 'Mil
i) (Loss)/Gain from fuel hedging contracts	(174.5)	563.4
ii) (Loss)/Gain from foreign currency hedging contracts	(16.8)	8.0
iii) (Loss)/Gain from interest rate hedging contracts	(10.8)	10.0
	(202.1)	581.4

3. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded lower operating loss for the quarter of RM73.3 million compared to loss of RM420.8 million in previous quarter mainly due to a higher operating revenue in line with the improvement in demand. However, the Group recorded a loss after tax for the quarter of RM298.9 million from a profit of RM876.2 million in previous quarter after including derivative loss of RM202.1 million.

4. CURRENT YEAR PROSPECTS

The International Air Transport Association (IATA) announced a revised global financial forecast predicting airline losses totaling USD11 billion in 2009. This is USD2 billion more than previously projected due to the rising fuel prices and exceptionally weak yields. Industry revenues for the year are expected to fall by 15%. Passenger traffic outlook in the fourth quarter is expected to decline by 4% and cargo operations by 14% for 2009 in IATA's June forecast. Yields are expected to fall 12% for passenger and 15% for cargo.

The outlook for the fourth quarter 2009 continues to be challenging. There is an early sign of improvement in passenger and cargo traffic, partly stimulated by intensive marketing campaigns but yields remain under pressure.

Business Transformation Plan 2 (BTP2) will remain as MAS Business strategy to go through the current and future turbulences. MAS is accelerating its BTP2 by focusing on 3 core areas which is enhancing customer satisfaction, generating revenue and intensifying structural cost reduction to speed up its transformation into the World's Five Star Value Carrier.

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).

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

5. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the financial period ended 30 September 2009.

6. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000
Continuing operations				
Current period				
- Malaysian taxation	1,608	(19,465)	3,382	9,505
- Foreign taxation	1,275	884	3,875	4,580
	2,883	(18,581)	7,257	14,085
(Over)/under provision in prior period	(1,044)	(303)	4,761	1,862
Deferred taxation	-	-	(1,310)	(80)
Total	1,839	(18,884)	10,708	15,867

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 30 September 2009.

8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 30 September 2009, the Group has no quoted securities and there were no disposal of quoted securities during the financial period ended 30 September 2009.

9. CORPORATE PROPOSALS

There were no proposals made during and subsequent to the financial period ended 30 September 2009.

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

10. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

- (i) The Group as at 30 September 2009 has lease obligations amounting to RM81.3 million (31 December 2008: RM244.8 million) which are covered by interest bearing funds amounting to RM78.0 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 30/09/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
(ii) Short term borrowings			
Unsecured	(a)	515,000	425,000
Secured - Finance Lease liability	(c)	29,478	8,411
		<u>544,478</u>	<u>433,411</u>
(iii) Long term borrowings:			
Unsecured	(b)	502,032	500,000
Redeemable Cumulative Preference Shares ("RCPS")	(d)	390,071	373,336
		892,103	873,336
Secured - Finance Lease liability	(c)	336,352	112,241
		<u>1,228,455</u>	<u>985,577</u>

- (a) As at 30 September 2009, the Group has drawdown net amount of RM515.0 million under its revolving credit facilities. The facilities are unsecured with an effective weighted interest rate at 2.94% per annum.

On 30 September 2009, the Company and RHB Bank Berhad ("RHB Bank") entered into an agreement whereby RHB Bank agreed to convert RM500 million of the existing revolving credit facility of up to a maximum amount of RM1 billion granted to the Company pursuant to a Letter of Offer dated 23 August 2006, into a 5-year term loan facility ("RHB Term Loan"). The RHB Term Loan is unsecured and repayable in ten (10) equal semi-annual principal repayment of RM50 million each starting on the 6th month immediately after the first drawdown. The RHB Term Loan interest is fixed at RHB Bank's Cost of Funds plus spread and is payable for every three (3)-month period.

The RHB Term Loan shall be utilised by the Company to fully settle the current outstanding Revolving Credit facility loan amount of RM465 million with RHB and the balance is for general capital expenditure.

- (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 3-year term loan facility of up to the maximum principal amount of RM500 million ("CIMB 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 CIMB 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 CIMB 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.

On 30 September 2009, the Company and CIMB Bank signed a Supplemental Letter Agreement, whereby CIMB Bank agreed to extend the CIMB Term Loan facility for a period of 5 years from 31 January 2010 to expire on 31 January 2015. The CIMB Term Loan is now repayable on staggered basis with first semi-annual principal repayment due in July 2013. The CIMB Term Loan interest is now fixed at CIMB Bank's Cost of Funds plus spread and is payable for every six (6)-month period.

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

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

(c) The Group has finance lease contracts for six (6) 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 30 September 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 18 November 2009, the Group has entered into various fuel hedging contracts for periods up to 31 December 2011 in lots totalling 18,393,984 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 18 November 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 RM2,180.3 million.

The fixed interest rates relating to interest rate hedging contracts as at 18 November 2009 vary from 2.15% to 5.00% per annum.

(c) As at 18 November 2009, the Group has entered into foreign currency hedging contracts and options for a total notional amount of RM1,075.0 million for periods up to 21 October 2010.

12. MATERIAL LITIGATION

(a) **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 and 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)

The Company had on 17 June 2009 paid the amount of EUR6,988,467 in full and final settlement of the award.

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

12. MATERIAL LITIGATION (CONTINUED)

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

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

12. MATERIAL LITIGATION (CONTINUED)

- (h) (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.

(i) **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 30 September 2009.

14. EARNINGS PER SHARE

	Quarter ended 30/09/2009	Quarter ended 30/09/2008	Period ended 30/09/2009	Period ended 30/09/2008
(a) Basic earnings per share				
(Loss)/Profit attributable to equity holders of the Company (RM'000)				
Continuing operations	(299,623)	37,971	(119,507)	198,010
Discontinued operations	-	122	-	122
	<u>(299,623)</u>	<u>38,093</u>	<u>(119,507)</u>	<u>198,132</u>
Weighted average number of ordinary shares in issue ('000)	1,671,078	1,670,999	1,671,061	1,670,994
Earnings per share (sen)				
Continuing operations	(17.93)	2.27	(7.15)	11.85
Discontinued operations	-	0.01	-	0.01
	<u>(17.93)</u>	<u>2.28</u>	<u>(7.15)</u>	<u>11.86</u>

Basic 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 30 September 2009.

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

14. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Quarter ended 30/09/2009	Quarter ended 30/09/2008	Period ended 30/09/2009	Period ended 30/09/2008
Weighted average number of ordinary shares in issue ('000)	1,671,078	1,670,999	1,671,061	1,670,994
Effects of dilution resulting from RCPS ('000)	-	103,148	-	103,148
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,671,078	1,774,147	1,671,061	1,774,142
Diluted earnings per share (sen)				
Continuing operations	(17.93)	2.14	(7.15)	11.16
Discontinued operations	-	0.01	-	0.01
	(17.93)	2.15	(7.15)	11.17

Diluted 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 30 September 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 25 November 2009.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
25 November 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 30 September 2009 is RM444 million (2008: RM11 million profit) and RM2,214 million (2008: RM15 million loss) respectively. The Group recorded Economic Loss for the quarter and period ended 30 September 2009 after excluding derivative (loss)/gain and 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 30/09/2009 RM 'Mil	Quarter ended 30/09/2008 RM 'Mil Restated	Period ended 30/09/2009 RM 'Mil	Period ended 30/09/2008 RM 'Mil Restated
(Loss)/Earnings Before Interest and Tax	(401)	8	(2,088)	55
Adjusted Tax	(2)	19	(12)	(16)
NOPLAT	(403)	27	(2,100)	39
Economic Charge				
Average Invested Capital	2,457	862	2,290	987
WACC (%)	6.66%	7.31%	6.66%	7.31%
Economic Charge	41	16	114	54
Economic Loss	(444)	11	(2,214)	(15)

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

PART C - ADDITIONAL INFORMATION (CONTD)

3. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000 (Restated)	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000 (Restated)
(a) Revenue	2,960,972	4,119,278	8,265,666	11,643,774
(b) (Loss)/Profit before tax	(297,065)	19,683	(106,743)	214,942
(c) (Loss)/Profit for the period	(298,904)	38,567	(117,451)	199,075
(d) (Loss)/Profit for the period attributable to ordinary equity holders of the Company	(299,623)	38,093	(119,507)	198,132
(e) Basic earnings per share (sen)	(17.93)	2.28	(7.15)	11.86
Diluted earnings per share (sen)	(17.93)	2.15	(7.15)	11.17

	AS AT 30/9/2009	AS AT 31/12/2008 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.07	2.50

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000
(a) Gross interest income	18,131	65,003	42,449	168,353
(b) Gross interest expense	(19,998)	(30,266)	(59,732)	(40,659)

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

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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 30 September 2009 and financial position as at 30 September 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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2009 RM '000	Quarter ended 30/09/2008 RM '000 (Restated)	Period ended 30/09/2009 RM '000	Period ended 30/09/2008 RM '000 (Restated)
Continuing Operations				
Operating revenue	2,893,860	3,952,286	8,090,335	11,271,170
Operating expenses	(3,344,978)	(4,075,001)	(10,204,830)	(11,404,570)
Other operating income	67,112	166,992	175,330	370,207
Gains on sale of properties	-	-	-	2,397
(Loss)/Profit from operations	(384,006)	44,277	(1,939,165)	239,204
Finance costs	(18,917)	(30,282)	(56,957)	(40,711)
Share of results from associated companies	(1,704)	5,566	3,584	16,327
(Loss)/Profit before taxation	(404,627)	19,561	(1,992,538)	214,820
Taxation	(1,839)	18,884	(10,708)	(15,867)
(Loss)/Profit for the period from continuing operations	(406,466)	38,445	(2,003,246)	198,953
Discontinued Operations				
Results for the period from discontinued operations	-	122	-	122
(Loss)/Profit for the period	(406,466)	38,567	(2,003,246)	199,075
Attributable to:				
Equity holders of the Company	(407,185)	38,093	(2,005,302)	198,132
Minority Interest	719	474	2,056	943
(Loss)/Profit for the period	(406,466)	38,567	(2,003,246)	199,075

**PART D (i) - PROFORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2009**

UNAUDITED PROFORMA CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 30/09/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
<u>Non current assets</u>		
Aircraft, property, plant and equipment	2,983,008	2,464,823
Investment in associated companies	69,953	73,268
Other investments	56,520	64,946
Negotiable instruments of deposit	-	250,000
Prepaid lease	180,103	219,854
Intangible assets	104,095	106,253
Other assets	224,838	213,092
Deferred tax assets	2,658	1,348
	3,621,175	3,393,584
<u>Current assets</u>		
Inventories	397,357	379,730
Trade and other receivables	1,775,854	1,931,539
Negotiable instruments of deposit	700,000	795,000
Cash and bank balances	1,725,435	3,571,743
	4,598,646	6,678,012
<u>Current liabilities</u>		
Trade and other payables	1,852,985	2,408,825
Provision	937,562	817,703
Short term borrowings	515,000	425,000
Short term borrowing (finance lease liability)	29,478	8,411
Provision for taxation	11,066	5,001
Sales in advance of carriage	1,442,911	1,222,410
	4,789,002	4,887,350
Net current (liabilities)/assets	(190,356)	1,790,662
	3,430,819	5,184,246
Equity attributable to equity holders of the Company	2,189,367	4,185,698
Share capital - ordinary shares	1,671,078	1,671,002
Redeemable Convertible Preference Shares (RCPS)	58,076	58,076
Reserves		
Share premium	4,007,678	4,007,446
Reserve	586,394	577,732
Accumulated losses	(4,133,859)	(2,128,558)
Minority interest	13,334	11,278
Total equity	2,202,701	4,196,976
<u>Non current liabilities</u>		
Long term borrowings	890,071	873,336
Long term borrowing (finance lease liability)	336,352	112,241
Deferred tax liabilities	1,695	1,693
	1,228,118	987,270
	3,430,819	5,184,246

PART D (ii) - GROUP EQUITY HOLDERS' FUND AS AT 30 SEPTEMBER 2009

The table below illustrates the Group Equity Holders' Fund as at 30 September 2009. The equity (under FRS 139 standard) stood at RM123 million, inclusive of net unrealised mark-to-market (MTM) loss of RM1,588 million. The net unrealised MTM position is comprised largely of fuel hedging contracts with maturity up to 31 December 2011. The unrealised fuel MTM position will fluctuate subject to the movement in the fuel forward curve.

	Proforma without FRS 139 as at 30 September 2009 RM 'Mil	FRS 139 as at 30 September 2009 RM 'Mil
Share capital	1,671	1,671
RCPS	58	58
Reserves		
Share Premium	4,008	4,008
Other Reserves	586	586
Accumulated Losses *	(4,134)	(6,200)
	460	(1,606)
Group Equity Holders' Fund	2,189	123
* of which unrealised net MTM loss		(1,588)

The Board has approved the early adoption of FRS 139 to improve transparency of MAS 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 activities throughout the year. The unrealised MTM position was due to unprecedented collapse in fuel prices in late 2008 and early 2009.

As part of its ongoing risk management strategy, MAS will continue to buy hedging portfolio which will further reduce the existing fuel hedging downside exposure. This will provide certain protection with respect to unrealised MTM exposure in the event the fuel price moves downward. On the underlying performance, MAS continues to fast track the implementation of its Business Transformation Plan ("BTP 2"), anchored on the 4-pillar strategy of dynamic pricing, network optimisation, cost management and innovation.