MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 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 fourth quarter ended 31 December 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

	Note	INDIVIDUAL QUARTER Quarter ended 31/12/2009 RM '000	INDIVIDUAL QUARTER Quarter ended 31/12/2008 RM '000 (Restated)	CUMULATIVE QUARTER Year ended 31/12/2009 RM '000	CUMULATIVE QUARTER Year ended 31/12/2008 RM '000 (Restated)
Continuing Operations					
Operating revenue		3,219,520	3,764,132	11,309,855	15,035,303
Operating expenses		(3,305,016)	(3,800,197)	(12,202,716)	(15,198,257)
Other operating income		89,270	102,304	264,601	466,001
Gains on sale of properties		-	13	-	2,410
Profit/(Loss) from operations		**3,774**	**66,252**	**(628,260)**	**305,457**
Derivative gain	Part B,2	581,693	-	1,163,133	-
Finance costs		(24,791)	(20,058)	(84,523)	(60,770)
Share of results from associated companies		9,798	3,647	13,381	19,974
Share of results from jointly controlled entity		(1,741)	-	(1,741)	-
Profit before taxation		**568,733**	**49,841**	**461,990**	**264,661**
Taxation		41,824	(3,219)	31,116	(19,086)
Profit for the period from continuing operations		**610,557**	**46,622**	**493,106**	**245,575**
Discontinued Operations					
Results for the period from discontinued operations		-	-	-	122
Profit for the period		**610,557**	**46,622**	**493,106**	**245,697**
Attributable to:					
Equity holders of the Company		609,704	46,180	490,197	244,312
Minority Interest		853	442	2,909	1,385
Profit for the period		**610,557**	**46,622**	**493,106**	**245,697**
Earnings per share attributable to equity holders of the Company					
Basic (sen)					
Continuing operations		36.49	2.76	29.33	14.61
Discontinued operations		-	-	-	0.01
		36.49	2.76	29.33	14.62
Diluted (sen)					
Continuing operations		34.71	2.76	28.64	14.61
Discontinued operations		-	-	-	0.01
		34.71	2.76	28.64	14.62

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As at 31/12/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
Non current assets			
Aircraft, property, plant and equipment		3,043,823	2,464,823
Investment in associated companies		78,976	73,268
Investment in jointly controlled entity		1,798	-
Other investments		53,952	64,946
Negotiable instruments of deposit		-	250,000
Prepaid lease		179,983	219,855
Intangible assets		110,041	106,253
Other assets		230,297	283,501
Deferred tax assets		34,026	1,348
		3,732,896	**3,463,994**
Current assets			
Inventories		384,916	379,730
Trade and other receivables		1,447,404	1,886,195
Negotiable instruments of deposit		287,466	795,000
Cash and bank balances		2,664,859	3,571,743
		4,784,645	**6,632,668**
Current liabilities			
Trade and other payables		2,236,407	2,433,891
Provision		902,295	817,703
Short term borrowings		287,548	425,000
Short term borrowing (finance lease)		31,118	8,411
Provision for taxation		3,696	5,001
Derivative financial instruments	Part D (ii)	584,788	-
Sales in advance of carriage		1,451,401	1,222,410
		5,497,253	**4,912,416**
Net current (liabilities)/assets		**(712,608)**	**1,720,252**
		3,020,288	**5,184,246**
Equity attributable to equity holders of the Company		**735,727**	**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		589,282	577,732
Accumulated losses	Part D (ii)	(5,590,387)	(2,128,558)
Minority interest		11,869	11,278
Total equity		**747,596**	**4,196,976**
Non current liabilities			
Long term borrowings		1,545,283	873,336
Long term borrowing (finance lease)		455,631	112,241
Derivative financial instruments	Part D (ii)	271,778	-
Deferred tax liabilities		-	1,693
		2,272,692	**987,270**
		3,020,288	**5,184,246**
Net assets per share (RM)		0.44	2.50

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000 (Restated)
Cash Flows From Operating Activities		
Profit before taxation		
Continuing operations	**461,990**	**264,661**
Discontinued operations	**-**	**122**
Adjustments for :-		
Provision for aircraft maintenance and overhaul costs	489,902	498,964
Depreciation of aircraft, property, plant and equipment	315,887	327,858
Interest expenses	83,413	58,595
Amortisation of intangible assets	26,657	24,359
Provision for short term accumulating compensated absences, net	13,040	35,207
Grant of ESOS	11,550	48,327
Aircraft, property, plant and equipment written off, net	9,135	35,287
Provision for/(writeback of) impairment losses for aircraft, property, plant and equipment	8,685	(45,254)
Share of results of jointly controlled entity	1,741	-
Amortisation of prepaid lease payments on land	188	182
Loss on disposal of aircraft, property, plant and equipment	159	16
Derivative gain	(1,163,133)	-
Writeback of unavailed credits on sales in advance of carriage	(334,804)	(324,078)
Interest income	(58,132)	(222,746)
Dividend income	(28,056)	(16,586)
Reversal of doubtful debts, net	(24,842)	(58,165)
Share of results of associated companies	(13,381)	(19,974)
Unrealised foreign exchange (gain)/loss	(4,290)	90,424
Writeback of inventories obsolescence, net	(690)	(2,374)
Gain on disposal of other investments	-	(24,732)
Gain on disposal of non-current assets held for sale	-	(2,410)
Operating (loss)/profit before working capital changes	**(204,981)**	**667,683**
Increase in inventories	(4,497)	(12,090)
Decrease/(Increase) in trade and other receivables	519,503	(201,082)
Decrease/(Increase) in amount owing by holding company	115,282	(90,848)
Decrease in trade and other payables	(440,180)	(564,477)
Decrease in provision	(405,308)	(363,089)
Increase/(Decrease) in sales in advance of carriage	563,795	(16,905)
Cash generated from/(used in) operating activities	**143,614**	**(580,808)**
Net cash settlement on derivatives	(1,150,516)	-
Premium paid on derivatives	(593,111)	-
Interest paid	(43,001)	(28,363)
Taxes paid	(4,561)	(14,480)
Net cash used in operating activities	**(1,647,575)**	**(623,651)**
Cash Flows From Investing Activities		
Net withdrawal/(placement) of negotiable instruments of deposit	760,000	(220,000)
Withdrawal/(placement) of deposits pledged with banks	415,624	(631,120)
Dividend received	35,731	21,739
Interest received	18,342	187,708
Proceed from disposal of other investment	13,278	26,112
Proceeds from disposal of aircraft, property, plant and equipment	637	42,236
Proceeds from disposal of non current assets held for sale	-	4,875
Purchase of aircraft, property, plant and equipment	(913,502)	(763,813)
Purchase of intangible assets	(30,445)	(27,450)
Purchase of investment in jointly controlled entity	(3,540)	-
Purchase of other investment	(2,284)	-
Net cash generated from/(used in) investing activities	**293,841**	**(1,359,713)**
Cash Flows From Financing Activities		
Proceeds from long term borrowings	640,092	-
Proceeds from finance lease	397,445	120,651
Proceeds from short term borrowings	324,119	425,000
Repayment of short term borrowings	(465,000)	-
Repayment of finance lease	(31,347)	-
Dividend paid to minority shareholders in subsidiaries	(2,318)	(1,163)
Settlement for redemption of RCPS	(518)	(474)
Dividend paid to shareholders	-	(41,775)
Dividend paid to RCPS holders	-	(12,532)
Expenses incurred on issuance of Rights share exercise	-	(96)
Issuance of shares pursuant to ESOS	-	38
Net cash generated from financing activities	**862,473**	**489,649**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**(491,261)**	**(1,493,715)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**2,940,623**	**4,434,338**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**2,449,362**	**2,940,623**
Cash and cash equivalents comprise:		
Cash on hand and at banks	845,724	613,190
Short term deposits	1,819,135	2,958,553
Cash and cash equivalents	2,664,859	3,571,743
Less: Deposits pledged with banks	(215,497)	(631,120)
Cash and cash equivalents as at 31 December	**2,449,362**	**2,940,623**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
Profit for the year	-	-	-	-	490,197	490,197	490,197	2,909	493,106
Grant of ESOS	-	-	-	11,550		11,550	11,550	-	11,550
Conversion of RCPS	76	-	232	-	-	232	308	-	308
Dividends	-	-	-	-	-	-	-	(2,318)	(2,318)
At 31 December 2009	**1,671,078**	**58,076**	**4,007,678**	**589,282**	**(5,590,387)**	**(993,427)**	**735,727**	**11,869**	**747,596**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
Final dividends for 2007	-	-	-	-	(41,775)	(41,775)	(41,775)	-	(41,775)
Profit for the year	-	-	-	-	244,312	244,312	244,312	1,385	245,697
Rights shares' expenses	-	-	(97)	-	-	(97)	(97)	-	(97)
ESOS:									
- Grant of ESOS	-	-	-	48,327	-	48,327	48,327	-	48,327
- Exercise of options	10	-	28	-	-	28	38	-	38
- ESOS provision reversal	-	-	5	(5)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(1,163)	(1,163)
At 31 December 2008	**1,671,002**	**58,076**	**4,007,446**	**577,732**	**(2,128,558)**	**2,456,620**	**4,185,698**	**11,278**	**4,196,976**

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.

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 as mentioned in Note 2 below.

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 including 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 re-measured 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	(3,952,026)

In addition, these changes in accounting policies have the effect of decreasing the loss for the current quarter by RM897.1 million and the current year end by RM2,782.9 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 101 (Revised): Presentation of Financial Statements	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 7: Financial Instruments : Disclosures	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
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 upon their initial application except for:

a) the impact from the adoption of IC Interpretation 13, which will be applied retrospectively with an estimated decrease of RM60 million to the retained earnings; and

b) the changes in disclosures arising from the adoption of FRS 101 (Revised), 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 year 31 December 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 year ended 31 December 2009.

7. SIGNIFICANT EVENTS

(i) On 22 December 2009, the Company entered into a Memorandum of Understanding (MoU) with Airbus S.A.S (Airbus) to order fifteen (15) A330-300 and acquire purchase options for another ten (10). The total cost of the 25 aircraft is USD5 billion at list prices. The aircraft will be delivered from 2011 to 2016 and will serve the growing markets of South Asia, China, North Asia, Australia and Middle East.

(ii) On 22 December 2009, the Company entered into (i) novation agreement with Airbus and Penerbangan Malaysia Berhad ('PMB') for the acquisition of six (6) undelivered A380 and (ii) supplemental lease agreement with PMB for the revision of the existing operating lease rental of two (2) B777 and two (2) B747 (collectively referred as 'Boeing Aircraft') payable to PMB and conditional Sale and Purchase Agreement with PMB for the Boeing Aircraft, for a total consideration of about RM3.19 billion (collectively referred to as the 'Proposed Acquisition'). On 25 January 2010, at the Company's Extraordinary General Meeting, the shareholders approved the Proposed Acquisition.

(iii) 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.

(iv) 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.

(v) 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 JV agreement is related to the earlier order of 20 ATR 72-500s, plus an option of 7 by Firefly and MASwings.

(vi) On 13 May 2009, MAE and EADS SECA, a Pratt & Whitney designated aircraft engine repair and overhaul facility of the EADS GROUP, signed a 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.

(vii) On 27 February 2009, the Company sealed an agreement to set up a 50:50 joint venture company with GMR Hyderabad International Airport Limited, India (GHIAL) to provide maintenance services on narrow and wide body aircraft at the Rajiv Gandhi International Airport in Hyderabad, India. On 22 January 2010, MAS-GMR Aerospace Engineering Company Ltd. (MAG), the joint venture company signed a MoU with Jet Airways in Chennai, India to provide exclusive heavy maintenance services to the Jet Airways' fleet over the next 10 years with an option of another 5 years. This is the first major deal for the joint venture MAG.

7. SIGNIFICANT EVENTS (CONTINUED)

(viii) On 13 April 2009, the Company announced that the previously signed MoU between MAE and Qantas, to establish a JV company to provide airframe maintenance services from Malaysia has expired. There will be no active discussion unless the MoU is subsequently renewed.

There were no other significant events for the financial year ended 31 December 2009.

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 year ended 31 December 2009.

9. DIVIDEND PAID

There was no dividend paid during the financial year ended 31 December 2009.

10. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Individual Quarter ended 31/12/2009		Cumulative Quarter ended 31/12/2009	
	Operating revenue RM '000	Operating profit / (loss) RM '000	Operating revenue RM '000	Operating profit / (loss) RM '000
Airline operations	2,808,602	(15,351)	10,242,223	(456,268)
Cargo services	634,571	22,267	1,824,522	(147,962)
Catering services	3,409	1,197	12,752	4,108
Others	24,132	(19,580)	85,019	(17,075)
	3,470,714	(11,467)	12,164,516	(617,197)
Eliminations	(251,194)	15,241	(854,661)	(11,063)
Total	**3,219,520**	**3,774**	**11,309,855**	**(628,260)**

11. VALUATION OF ASSETS

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

12. SUBSEQUENT EVENT

On 26 January 2010, the Company notified its RCPS holders (aggregate principal amount of RCPS outstanding is RM415,127,155 ("Outstanding RCPS"), which is convertible into 102,500,532 new MAS Shares based on the existing conversion price of RM4.05 per MAS Share) of the following:

(a) Entitlement date for the Rights Issue has been fixed on 10 February 2010 as the entitlement date to determine the holders of MAS Shares who will be entitled to participate in the Rights Issue

(b) Adjustment to be made to the conversion price of the Outstanding RCPS will be adjusted from RM4.05 per MAS Share to RM3.09 per MAS Share as a result of the Rights Issue.

There was no other material subsequent event for the financial year ended 31 December 2009.

13. CHANGES IN THE COMPOSITION OF THE GROUP

(i) On 31 December 2009, the Company acquired an additional 9,000,000 ordinary shares of RM1 each in the capital of MAS Golden Boutiques Sdn. Bhd., a wholly-owned subsidiary by way of loan capitalisation.

(ii) On 25 November 2009, the Company acquired an additional 1,000,000 ordinary shares of RM1 each in the capital of MASkargo Logistics Sdn. Bhd., a wholly-owned subsidiary by way of loan capitalisation.

(iii) 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.

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

There was no other changes in the composition of the Group for the financial year ended 31 December 2009.

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.

		17/2/2010 RM '000
1.	Secured / Unsecured	
	Loans	
	- Secured	11,418
	- Unsecured	69,227
		80,645
2.	Tenure	
	Loans due within one year	25,858
	Loans due after one year	54,787
		80,645
3.	Loans by currencies in Ringgit Malaysia	
	US Dollar	11,418
	Euro	69,227
		80,645

(b) Others

Bank guarantees given to third parties	396,087
Bank guarantees given to PMB on aircraft lease	20,727
Performance bonds given to third parties	1,896
	418,710

(ii) Contingent assets

The Company has the right to receive from PMB 80% of the profit arising from the eventual realisation of aircraft assets unbundled to PMB under the widespread asset unbundling agreement (WAU Agreement). The profit will be computed based on the excess of the value realised over the decayed net book value of the aircraft. The decayed net book value for each aircraft at future dates is stipulated in the WAU Agreement. Based on the published airline industry price data, MAS share of the profit on disposal if the respective aircraft were to be disposed as at 17 February 2010 is about RM312.2 million.

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

15. CAPITAL COMMITMENT

	As at 31/12/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
Approved and contracted for	4,893,626	11,295,019
Approved but not contracted for	4,668,470	198,477
	9,562,096	11,493,496

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

16. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 31/12/2009 RM '000	Quarter ended 31/12/2008 RM '000	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	56,024	46,777	200,365	201,684
- Rental income and others	(4,898)	(7,888)	(18,070)	(23,047)
- Shared services billed	-	-	-	(113)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered and purchase of aircraft, property and equipment	107,045	62,020	324,054	333,654
- Rental income and others	(3,430)	(3,559)	(14,042)	(11,765)
- Shared services billed	(53)	(35)	(1,006)	(139)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,172	1,412	4,898	5,499
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	3,364	2,795	11,688	10,118
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,164	769	5,897	5,194
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	414	273	1,206	1,801
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	10,318	10,785	38,403	38,451
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,149	1,202	4,618	7,686
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	176	279	879	1,375
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	221,561	138,674	618,687	541,148
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	59,756	63,970	246,032	265,751

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
Amount owing (to)/by holding company	(96,294)	18,998
Amount owing by a related party	3,133	3,178
Amount owing by a fellow subsidiary		
- due within one year	41,147	44,641
- due after one year	162,740	202,423
Amount owing by associated companies	3,106	3,261
Amount owing to associated companies	52,669	25,686

18. CHANGES IN PREVIOUS QUARTER PRESENTATION

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

As at 31 December 2008

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Other assets	124,519	158,982	283,501
Trade and other receivables	2,020,112	(133,917)	1,886,195
Trade and other payables	(2,408,827)	(25,065)	(2,433,892)

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 profit of RM3.8 million for the fourth quarter ended 31 December 2009 (Quarter ended 31 December 2008: RM66.3 million profit) mainly due to reduction in capacity as a result of current economic downturn.

The Group recorded a profit after tax of RM610.6 million (Quarter ended 31 December 2008: RM46.6 million profit) after including derivative gain of RM581.7 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 31 December 2009 as compared to 1 January 2009 which mainly comprised the following:

		Quarter ended 31/12/2009 RM 'Mil	Year ended 31/12/2009 RM 'Mil
i)	Gain from fuel hedging contracts	587.0	1,150.4
ii)	(Loss)/Gain from foreign currency hedging contracts	(7.4)	0.6
iii)	Gain from interest rate hedging contracts	2.1	12.1
		581.7	**1,163.1**

3. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded operating profit for the quarter of RM3.8 million compared to loss of RM73.3 million in previous quarter mainly due to improvement in passenger and cargo traffic demand. The Group also recorded a profit after tax for the quarter of RM610.6 million from a loss of RM298.9 million in previous quarter after including derivative gain of RM581.7 million.

4. CURRENT YEAR PROSPECTS

The International Air Transport Association (IATA) announced a revised global financial forecast predicting airline losses totaling USD6.5 billion in 2010. This is USD2 billion more than previously projected due to the rising fuel prices and exceptionally weak yields.

The outlook for the first quarter 2010 continues to be challenging. While passenger and cargo traffic continue to improve, yield would remain under pressure.

MAS' business strategy is to accelerate its Business Transformation Plan (BTP2) by focusing on 3 core areas which is enhancing customer satisfaction, generating revenue and intensifying structural cost reduction.

For 2009, the Group achieved a net income after tax of RM493.1 million. Therefore, the Group met its "exceeding" target level of RM51 million - RM500 million.

For 2010, the operating profit target for the Group is RM100 million - RM325 million. The on time performance target for the Company from 84.7% to 87.0%.

5. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the financial year ended 31 December 2009.

6. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2009 RM '000	Quarter ended 31/12/2008 RM '000	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000
Continuing operations				
Current period				
- Malaysian taxation	5,045	(3,226)	8,427	6,279
- Foreign taxation	1,005	2,812	4,880	7,392
	6,050	(414)	13,307	13,671
(Over)/under provision in prior period	(14,651)	(484)	(9,890)	1,378
Deferred taxation	(33,223)	4,117	(34,533)	4,037
Total	(41,824)	3,219	(31,116)	19,086

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 year ended 31 December 2009.

8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

9. CORPORATE PROPOSALS

On 22 December 2009, Malaysian Airline System Berhad ("MAS" or "the Company") proposed to undertake a renounceable rights issue on the basis of one (1) Rights Share for every one (1) existing Share held ("Proposed Rights Issue"). Rights Issue entails the issuance of up to 1,905,962,767 Rights Shares on the basis of one (1) Rights Share for every one (1) existing MAS Share held on an entitlement date to be determined later. Company's Board of Directors has fixed the issue price at RM1.60 per Rights Share.

The proceeds arising from the Proposed Rights Issue will be used for (i) partial financing for the acquisition of 25 wide-body aircraft to replaced older aircraft of similar type in MAS' fleet (ii) general working capital, (iii) repayment of bank borrowings and (iv) expenses relating to Proposed Rights Issue.

The Proposed Rights Issue is expected to be completed by the first quarter of financial year ending 31 December 2010.

On 8 January 2010, Bursa Securities Berhad ('Bursa Securities') has approved the listing of up to 1,905,962,767 Rights Shares to be issued pursuant to the Proposed Rights Issue subject to the following conditions:

(i) MAS must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue;
(ii) MAS to inform Bursa Securities upon the completion of the Proposed Rights Issue;
(iii) MAS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.

9. CORPORATE PROPOSALS (CONTINUED)

On 25 January 2010, at the Company's Extraordinary General Meeting, the shareholders approved the Proposed Rights Issue.

On 26 January 2010, the Company has entered into an underwritting agreement with Maybank Investment Bank Berhad (Maybank IB), CIMB Investment Bank Berhad (CIMB) and RHB Investment Bank Berhad (RHB) to underwrite all of the Rights Shares to be issued pursuant to the Rights Issue, other than the Rights Shares representing (a) the entitlements of Khazanah Nasional Berhad (Khazanah) and PMB under the Rights Issue as at 10 February 2010 and (b) the additional take-up of 32,718,040 Rights Shares by Khazanah, for which Khazanah and PMB have provided irrevocable undertakings to subscribe or procure subscription in full respectively.

On 9 February 2010, the Abridged Prospectus has been registered with the Securities Commission and lodged with the Registrar of Companies. The trading of rights entitlements will be from 11 February 2010 to 22 February 2010.

There were no other corporate proposals made during and subsequent to the financial year ended 31 December 2009.

10. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

(i) The Group as at 31 December 2009 has lease obligations amounting to RMNil (31 December 2008: RM244.8 million) which are covered by interest bearing funds amounting to RMNil (31 December 2008: RM235.9 million) placed with financial institutions at the inception date of the respective lease arrangements under defeasance arrangements. As at 31 December 2008, the defeased lease obligations, together with the related funds placements and payments, are therefore not included in these financial statements.

			As at 31/12/2009 RM '000	As at 31/12/2008 RM '000 (Audited)
(ii)	Short term borrowings			
	Unsecured - Revolving Credit	(a)	160,000	425,000
	Unsecured - Term Loan	(b)	103,401	-
	Secured - Term Loan	(d)	24,147	-
			287,548	425,000
	Secured - Finance Lease	(e)	31,118	8,411
			318,666	433,411
(iii)	Long term borrowings:			
	Unsecured - Term Loan	(b) and (c)	908,734	500,000
	Secured - Term Loan	(d)	240,509	-
	Redeemable Cumulative Preference Shares ("RCPS")	(f)	396,040	373,335
			1,545,283	873,335
	Secured - Finance Lease	(e)	455,631	112,241
			2,000,914	985,576

(a) As at 31 December 2009, the Group has drawndown net amount of RM160 million under its revolving credit facilities. The facilities are unsecured with an effective weighted interest rate at 2.99% per annum.

(b) 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 has been fully utilised by the Company on November 2009 as the Company fully settle the outstanding Revolving Credit facility loan amount of RM465 million with RHB and the balance is for general capital expenditure.

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

(c) 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 drawndown 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.

(d) On 21 October 2009, Kelip-Kelip Cayman, a wholly-owned subsidiary of the Company entered into an Export Credit Loan Agreement ('ECA Loan') with BNP Paribas ('BNP Paribas') whereby BNP Paribas agreed to make available to Kelip-Kelip Cayman a 10-year loan facility amounting to USD79million (equivalent to RM265 million). The ECA Loan is secured and repayable in twenty (20) equal semi-annual payments. The ECA Loan interest is fixed at 3.02% per annum.

(e) As at 31 December 2008, the Group has entered into eight (8) finance lease contracts for its ATR aircraft.

(f) 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 year ended 31 December 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 17 February 2010, the Group has entered into various fuel hedging contracts for periods up to 31 December 2011 in lots totalling 16,443,984 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 17 February 2010 the Group has entered into various interest rate hedging contract transactions for periods up to 13 December 2016 for a total notional amount of RM1,975.6 million.

The fixed interest rates relating to interest rate hedging contracts as at 17 February 2010 vary from 2.15% to 5.00% per annum.

(c) As at 17 February 2010, the Group has entered into foreign currency hedging contracts and options for a total notional amount of RM742.0 million for periods up to 16 December 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.

(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.

12. MATERIAL LITIGATION (CONTINUED)

(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.

(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.

(j) **Benchmark Export Services and Six Other Plaintiffs vs MAS**

On 16 February 2010, the Company at its offices in the United States, was served with a complaint filed in the United States District Court for the Eastern District of New York on behalf of Benchmark Export Services and six other plaintiffs against the Company and eleven other defendants. The case involves allegations of price fixing on airfreight shipping services and related surcharges.

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

13. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2009.

14. EARNINGS PER SHARE

	Quarter ended 31/12/2009	Quarter ended 31/12/2008	Year ended 31/12/2009	Year ended 31/12/2008
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)				
Continuing operations	609,704	46,180	490,197	244,190
Discontinued operations	-	-	-	122
	609,704	46,180	490,197	244,312
Weighted average number of ordinary shares in issue ('000)	1,671,078	1,671,002	1,671,065	1,670,996
Earnings per share (sen)				
Continuing operations	36.49	2.76	29.33	14.61
Discontinued operations	-	-	-	0.01
	36.49	2.76	29.33	14.62

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial year ended 31 December 2009.

(b) **Diluted earnings per share**

	Quarter ended 31/12/2009	Quarter ended 31/12/2008	Year ended 31/12/2009	Year ended 31/12/2008
Weighted average number of ordinary shares in issue ('000)	1,671,078	1,671,002	1,671,065	1,670,996
Effects of dilution resulting from RCPS ('000)	102,531	-	102,531	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,773,609	1,671,002	1,773,596	1,670,996
Diluted earnings per share (sen)				
Continuing operations	34.71	2.76	28.64	14.61
Discontinued operations	-	-	-	0.01
	34.71	2.76	28.64	14.62

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

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 22 February 2010.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
22 February 2010

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 year ended 31 December 2009 is RM325 million (2008: RM63 million profit) and RM2,529 million (2008: RM45 million profit) respectively. The Group recorded Economic Loss for the quarter and period ended 31 December 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 31/12/2009 RM 'Mil	Quarter ended 31/12/2008 RM 'Mil Restated	Year ended 31/12/2009 RM 'Mil	Year ended 31/12/2008 RM 'Mil Restated
(Loss)/Earnings Before Interest and Tax	(294)	83	(2,382)	138
Adjusted Tax	9	1	(3)	(15)
NOPLAT	**(285)**	**84**	**(2,385)**	**123**
Economic Charge				
Average Invested Capital	2,446	1,431	2,199	1,351
WACC (%)	6.57%	5.76%	6.57%	5.76%
Economic Charge	**40**	**21**	**144**	**78**
Economic Loss	**(325)**	**63**	**(2,529)**	**45**

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

3. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2009 RM '000	Quarter ended 31/12/2008 RM '000 (Restated)	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000 (Restated)
(a) Revenue	3,308,790	3,866,436	11,574,456	15,501,304
(b) Profit before tax	568,733	49,841	461,990	264,661
(c) Profit for the period	610,557	46,622	493,106	245,697
(d) Profit for the period attributable to ordinary equity holders of the Company	609,704	46,180	490,197	244,312
(e) Basic earnings per share (sen)	36.49	2.76	29.33	14.62
Diluted earnings per share (sen)	34.71	2.76	28.64	14.62

	AS AT 31/12/2009	AS AT 31/12/2008 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.44	2.50

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2009 RM '000	Quarter ended 31/12/2008 RM '000	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000
(a) Gross interest income	15,683	54,393	58,132	222,746
(b) Gross interest expense	(23,681)	(17,936)	(83,413)	(58,595)

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

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 year ended 31 December 2009 and financial position as at 31 December 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 31/12/2009 RM '000	Quarter ended 31/12/2008 RM '000 (Restated)	Year ended 31/12/2009 RM '000	Year ended 31/12/2008 RM '000 (Restated)
Continuing Operations				
Operating revenue	3,219,520	3,764,132	11,309,855	15,035,303
Operating expenses	(3,622,666)	(3,800,197)	(13,827,496)	(15,198,257)
Other operating income	89,270	102,304	264,601	466,001
Gains on sale of properties	-	13	-	2,410
(Loss)/Profit from operations	**(313,876)**	**66,252**	**(2,253,040)**	**305,457**
Finance costs	(22,559)	(20,058)	(79,515)	(60,770)
Share of results from associated companies	9,798	3,647	13,381	19,974
Share of results from jointly controlled entity	(1,741)	-	(1,741)	-
(Loss)/Profit before taxation	**(328,378)**	**49,841**	**(2,320,915)**	**264,661**
Taxation	41,824	(3,219)	31,116	(19,086)
(Loss)/Profit for the period from continuing operations	**(286,554)**	**46,622**	**(2,289,799)**	**245,575**
Discontinued Operations				
Results for the period from discontinued operations	-	-	-	122
(Loss)/Profit for the period	**(286,554)**	**46,622**	**(2,289,799)**	**245,697**
Attributable to:				
Equity holders of the Company	(287,407)	46,180	(2,292,708)	244,312
Minority Interest	853	442	2,909	1,385
(Loss)/Profit for the period	**(286,554)**	**46,622**	**(2,289,799)**	**245,697**

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

UNAUDITED PROFORMA CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31/12/2009 RM '000	As at 31/12/2008 RM '000 (Restated)
Non current assets		
Aircraft, property, plant and equipment	3,043,823	2,464,823
Investment in associated companies	78,976	73,268
Investment in jointly controlled entity	1,798	-
Other investments	53,952	64,946
Negotiable instruments of deposit	-	250,000
Prepaid lease	179,983	219,855
Intangible assets	110,041	106,253
Other assets	235,065	283,501
Deferred tax assets	34,026	1,348
	3,737,664	**3,463,994**
Current assets		
Inventories	384,916	379,730
Trade and other receivables	1,445,057	1,886,195
Negotiable instruments of deposit	285,000	795,000
Cash and bank balances	2,664,859	3,571,743
	4,779,832	**6,632,668**
Current liabilities		
Trade and other payables	1,936,386	2,433,891
Provision	902,295	817,703
Short term borrowings	284,119	425,000
Long term borrowing (finance lease)	31,118	8,411
Provision for taxation	3,696	5,001
Sales in advance of carriage	1,451,401	1,222,410
	4,609,015	**4,912,416**
Net current assets	**170,817**	**1,720,252**
	3,908,481	**5,184,246**
Equity attributable to equity holders of the Company	**1,904,848**	**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	589,282	577,732
Accumulated losses	(4,421,266)	(2,128,558)
Minority interest	11,869	11,278
Total equity	**1,916,717**	**4,196,976**
Non current liabilities		
Long term borrowings	1,536,133	873,336
Long term borrowing (finance lease)	455,631	112,241
Deferred tax liabilities	-	1,693
	1,991,764	**987,270**
	3,908,481	**5,184,246**

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

The table below illustrates the Group Equity Holders' Fund as at 31 December 2009. The equity (under FRS 139 standard) stood at RM736 million, inclusive of net unrealised mark-to-market (MTM) loss of RM857 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 31 December 2009 RM 'Mil	**FRS 139 as at 31 December 2009 RM 'Mil**
Share capital	1,671	1,671
RCPS	58	58
Reserves		
Share Premium	4,008	4,008
Other Reserves	589	589
Accumulated Losses *	(4,421)	(5,590)
	176	(993)
Group Equity Holders' Fund	**1,905**	**736**
* of which unrealised net MTM loss		857

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.