MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2010

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 2010. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000 (Restated)	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000 (Restated)
Operating revenue		3,592,010	3,298,799	12,980,447	11,340,910
Operating expenses		(3,535,807)	(3,358,730)	(13,323,737)	(12,220,304)
Other operating income		81,128	89,270	607,163	264,601
Profit/(Loss) from operations		**137,331**	**29,339**	**263,873**	**(614,793)**
Derivative gain	Part B,2	143,774	581,693	138,984	1,163,133
Finance costs		(32,439)	(19,939)	(138,402)	(68,148)
Share of results from associated companies		7,704	9,798	27,728	13,381
Share of results from jointly controlled entity		1,931	(1,741)	(10,147)	(1,741)
Profit before taxation		**258,301**	**599,150**	**282,036**	**491,832**
Taxation		(31,854)	41,824	(44,690)	31,116
Profit for the period		**226,447**	**640,974**	**237,346**	**522,948**
Profit attributable to:					
Equity holders of the Company		225,918	640,121	234,469	520,039
Minority Interest		529	853	2,877	2,909
Profit for the period		**226,447**	**640,974**	**237,346**	**522,948**

Earnings per share attributable to equity holders of the Company

Basic (sen)	6.76	31.17	7.25	25.32
Diluted (sen)	6.68	29.97	7.25	24.94

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
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QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000 (Restated)	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000 (Restated)
Profit for the period		**226,447**	**640,974**	**237,346**	**522,948**
Other comprehensive income:	Part B,3				
Gain/(loss) from cash flow hedges		23,060	-	(70,002)	-
Total comprehensive income for the period		**249,507**	**640,974**	**167,344**	**522,948**
Total comprehensive income attributable to:					
Equity holders of the Company		248,978	640,121	164,467	520,039
Minority Interest		529	853	2,877	2,909
Total comprehensive income for the period		**249,507**	**640,974**	**167,344**	**522,948**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31/12/2010 RM '000	As at 31/12/2009 RM '000 (Restated)
Non current assets			
Aircraft, property, plant and equipment		7,709,035	3,149,827
Investment in associated companies		101,804	78,976
Investment in jointly controlled entity		2,360	1,798
Other investments		54,604	53,952
Prepaid lease		258,112	162,739
Intangible assets		137,732	110,041
Other assets		184,463	223,798
Deferred tax assets		3,495	34,026
		8,451,605	**3,815,157**
Current assets			
Inventories		430,849	384,916
Trade and other receivables		1,370,643	1,399,476
Negotiable instruments of deposit		139,206	287,466
Cash and bank balances		2,085,451	2,664,859
		4,026,149	**4,736,717**
Current liabilities			
Trade and other payables		2,219,065	2,081,639
Provision		980,645	902,295
Short term borrowings	Part B,11	293,867	315,518
Provision for taxation		3,614	3,696
Derivative financial instruments	Part B,12	108,080	584,788
Sales in advance of carriage		1,910,169	1,676,536
		5,515,440	**5,564,472**
Net current liabilities		**(1,489,291)**	**(827,755)**
		6,962,314	**2,987,402**
Equity attributable to equity holders of the Company		**3,524,166**	**699,693**
Share capital - ordinary shares		3,342,156	1,671,078
Redeemable Convertible Preference Shares (RCPS)		58,076	58,076
Reserves			
Share premium		4,995,970	4,007,678
Reserve		519,916	589,282
Accumulated losses	Part B,13	(5,391,952)	(5,626,421)
Minority interest		13,078	11,869
Total equity		**3,537,244**	**711,562**
Non current liabilities			
Long term borrowings	Part B,11	3,414,913	2,004,062
Derivative financial instruments	Part B,12	10,155	271,778
Deferred tax liabilities		2	-
		3,425,070	**2,275,840**
		6,962,314	**2,987,402**
Net assets per share (RM)		1.05	0.42

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company									
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Cash Flow Hedge Reserves 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 2010 (as previously stated)	1,671,078	58,076	4,007,678	-	589,282	(5,590,387)	(993,427)	735,727	11,869	747,596
Prior year adjustment on effect of adopting:										
- IC 13	-	-	-	-	-	(60,232)	(60,232)	(60,232)	-	(60,232)
- FRS 123	-	-	-	-	-	24,198	24,198	24,198	-	24,198
At 1 January 2010 (As restated)	1,671,078	58,076	4,007,678	-	589,282	(5,626,421)	(1,029,461)	699,693	11,869	711,562
Profit for the year	-	-	-	-	-	234,469	234,469	234,469	2,877	237,346
Other comprehensive income	-	-	-	(70,002)	-	-	(70,002)	(70,002)	-	(70,002)
Rights issue	1,671,078	-	1,002,647	-	-	-	1,002,647	2,673,725	-	2,673,725
Rights shares' expenses	-	-	(14,355)	-	-	-	(14,355)	(14,355)	-	(14,355)
Grant of ESOS	-	-	-	-	636	-	636	636	-	636
Dividend declared	-	-	-		-	-	-	-	(1,668)	(1,668)
At 31 December 2010	**3,342,156**	**58,076**	**4,995,970**	**(70,002)**	**589,918**	**(5,391,952)**	**123,934**	**3,524,166**	**13,078**	**3,537,244**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS 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 (as previously stated)	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)
Prior year adjustment on effect of adopting									
- IC 13	-	-	-	-	(73,864)	(73,864)	(73,864)	-	(73,864)
- FRS 123	-	-	-	-	7,988	7,988	7,988	-	7,988
At 1 January 2009 (As restated)	1,671,002	58,076	4,007,446	577,732	(6,146,460)	(1,561,282)	167,796	11,278	179,074
Profit for the year	-	-	-	-	520,039	520,039	520,039	2,909	522,948
Grant of ESOS	-	-	-	11,550	-	11,550	11,550	-	11,550
Conversion of RCPS	76	-	232	-	-	232	308	-	308
Dividends declared	-	-	-	-	-	-	-	(2,318)	(2,318)
At 31 December 2009	**1,671,078**	**58,076**	**4,007,678**	**589,282**	**(5,626,421)**	**(1,029,461)**	**699,693**	**11,869**	**711,562**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000 (Restated)
Cash Flows From Operating Activities		
Profit before taxation	**282,036**	**491,832**
Adjustments for :-		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	735,576	489,901
- doubtful debts	4,826	(26,695)
- short term accumulating compensated absences, net	5,212	13,040
- inventories obsolescence, net	4,757	(690)
Aircraft, property, plant and equipment:		
- depreciation	366,602	316,241
- written off, net	9,402	10,069
- (writeback)/write off of impairment losses	(2,671)	8,685
- (gain)/loss on disposal	(510)	158
Writeback of:		
- unavailed credits on sales in advance of carriage	(213,359)	(334,804)
Amortisation of:		
- intangible assets	33,316	26,657
- prepaid lease	27,133	-
Share of results of:		
- jointly-controlled entity	10,147	1,741
- associated companies	(27,728)	(13,381)
Interest expenses	138,402	67,038
Derivative gain	(138,984)	(1,163,133)
Grant of ESOS	636	11,550
Unrealised foreign exchange gain	(62,174)	(4,290)
Interest income	(51,993)	(58,132)
Dividend income	(18,694)	(28,056)
Operating profit/(loss) before working capital changes	**1,101,932**	**(192,269)**
Increase in inventories	(50,689)	(4,497)
Decrease in trade and other receivables	31,518	630,563
(Increase)/decrease in amount owing by holding company	(115,974)	115,282
Increase/(decrease) in trade and other payables	201,154	(481,235)
Decrease in provision	(657,227)	(405,309)
Increase in sales in advance of carriage	446,992	550,163
Cash generated from operating activities	**957,706**	**212,698**
Net cash settlement on derivatives	(623,121)	(1,150,516)
Premium paid on derivatives	(37,873)	(593,111)
Interest paid	(140,148)	(43,001)
Taxes paid	(8,606)	(4,560)
Net cash generated from/(used) in operating activities	**147,958**	**(1,578,490)**
Cash Flows From Investing Activities		
Purchase of:		
- aircraft, property, plant and equipment	(3,788,313)	(982,587)
- intangible assets	(61,007)	(30,445)
- investment in jointly controlled entity	(10,708)	(3,539)
- other investment	(652)	(2,284)
Withdrawal of:		
- negotiable instruments of deposit	150,000	760,000
- deposits pledged with banks	53,823	415,623
Proceeds from disposal of:		
- aircraft, property, plant and equipment	1,076	637
- other investment	-	13,278
Interest received	37,834	18,342
Dividend received	23,593	35,731
Net cash (used in)/generated from investing activities	**(3,594,354)**	**224,756**
Cash Flows From Financing Activities		
Proceeds from:		
- rights issue	2,673,725	-
- finance lease	694,530	397,445
- borrowings	50,000	964,211
Repayment of:		
- borrowings	(260,000)	(465,000)
- finance lease	(208,271)	(31,347)
Expenses incurred on issuance of Rights share exercise	(14,355)	-
RCPS:		
- dividend paid	(12,454)	-
- conversion	(696)	(518)
Dividend paid to minority shareholders in subsidiaries	(1,668)	(2,318)
Net cash generated from financing activities	**2,920,811**	**862,473**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**(525,585)**	**(491,261)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**2,449,362**	**2,940,623**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**1,923,777**	**2,449,362**
Cash and cash equivalents comprise:		
Cash on hand and at banks	676,107	845,724
Short term deposits	1,409,344	1,819,135
Cash and cash equivalents	2,085,451	2,664,859
Less: Deposits pledged with banks	(161,674)	(215,497)
Cash and cash equivalents as at 31 December	**1,923,777**	**2,449,362**

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

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 2009 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 2009.

The significant accounting policies adopted for the quarterly condensed financial report are consistent with those of the audited annual financial statements for the financial year ended 31 December 2009 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 2009 except for the adoption of IC Interpretation 13: Customer Loyalty Programmes, FRS 8: Operating Segments, FRS 101 (Revised): Presentation of Financial Statements, FRS 7: Financial Instruments: Disclosures, FRS 123: Borrowing Costs and FRS 117 (Amended): Leases with effect from 1 January 2010.

The principal changes in accounting policies and effects resulting from the adoption of IC Interpretation 13, FRS 7, FRS 8, FRS 101 (Revised), FRS 123 (Revised) and FRS 117 (Amended) are discussed below.

i) Effects of Adoption of FRS 7: Financial Instruments : Disclosures

FRS 7 requires extensive disclosure of qualitative and quantitative information about exposure to risks from financial instruments. Such disclosures will be made in the audited annual financial statements of the Group.

ii) Effects of Adoption of FRS 8: Operating Segments

FRS 8 replaces FRS 114_{2004}:Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assess the performance of the reportable segments. Additional disclosures about each of these segments are shown in Note 10, including revised comparative information.

This is a disclosure standard with no impact on the financial position or financial performance of the Group.

iii) Effects of Adoption of FRS 101 (Revised): Presentation of Financial Statements

The revised FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line labelled as total comprehensive income. In addition, the revised standard introduces the statement of comprehensive income: its presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present in two linked statements.

This is a disclosure standard with no impact on the financial position or financial performance of the Group.

iv) Effects of Adoption of FRS 123 (Revised): Borrowing Costs

FRS 123 has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. The Group has designated 2 July 2007 as the effective date of adoption. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 2 July 2007. No changes have been made for borrowing costs incurred and expensed off prior to this date. This change in accounting policy has been applied retrospectively.

v) Effects of Adoption of IC Interpretation 13: Customer Loyalty Programmes ('IC 13')

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period when the award credits are redeemed. The Group maintains a loyalty points programme, Enrich which awards members based on accumulated mileage travelled. The Group has historically accrued for the liability under the programme and recognised in the income statement the amount equal to the point earned multiplied by the applicable rates. Upon redemption by members or expiration of the mileage awards, the accrual is reduced accordingly. This interpretation has no specific provisions on transition. Therefore, the Group has followed FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors, applying the changes retrospectively. The prior period financial information has thus been restated.

Under the new policy, consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to the fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

vi) Effects of Adoption of FRS 117 (Amended): Leases

FRS 117 (Amended), which is effective for the period beginning on 1 January 2010, clarifies the classification of lease of land and buildings. It also requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments resulted in a change in accounting policy which have been applied retrospectively.

The effects of adoption of IC 13, FRS 123 (Revised) and FRS 117 (Amended) and the comparatives have been restated as follows:

Effect on income statements for the year ended 31 December 2009

		Individual Quarter		
	Previously Stated	Adjustments IC 13	FRS 123	Restated
	RM'000	RM'000	RM'000	RM'000
Operating revenue	3,219,520	79,279	-	3,298,799
Operating expenses	(3,305,016)	(53,687)	(27)	(3,358,730)
Operating profit	3,774	25,592	(27)	29,339
Finance costs	(24,791)	-	4,852	(19,939)
Profit before taxation	568,733	25,592	4,825	599,150
Profit attributable to equity holders of the Company	609,704	25,592	4,825	640,121

		Cumulative Quarter		
	Previously Stated	Adjustments IC 13	FRS 123	Restated
	RM'000	RM'000	RM'000	RM'000
Operating revenue	11,309,855	31,055	-	11,340,910
Operating expenses	(12,202,716)	(17,423)	(165)	(12,220,304)
Operating profit	(628,260)	13,632	(165)	(614,793)
Finance costs	(84,523)	-	16,375	(68,148)
Profit before taxation	461,990	13,632	16,210	491,832
Profit attributable to equity holders of the Company	490,197	13,632	16,210	520,039

Effect on statements of financial position as at 31 December 2009

	Previously Stated	IC 13	Adjustments FRS 123	FRS 117	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000
Aircraft, property, plant and equipment	3,111,973	-	20,611	17,243	3,149,827
Prepaid Lease	179,982	-	-	(17,243)	162,739
Trade and other receivables	1,395,889	-	3,587	-	1,399,476
Trade and other payables	(2,246,542)	164,903	-	-	(2,081,639)
Sales in advance of carriage	(1,451,401)	(225,135)	-	-	(1,676,536)
Accumulated losses	5,590,387	60,232	(24,198)	-	5,626,421

Effect on income statements for the year ended 31 December 2010

	Increase/(decrease)					
	Individual Quarter			Cumulative Quarter		
	IC 13	FRS 123	Total	IC 13	FRS 123	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	(2,160)	-	(2,160)	(61,030)	-	(61,030)
Operating expenses	10,084	46	10,130	(39,143)	192	(38,951)
Finance costs	-	(5,156)	(5,156)	-	(36,287)	(36,287)
Profit before taxation	(12,244)	5,110	(7,134)	(21,887)	36,095	14,208
Profit attributable to equity holders of the Company	(12,244)	5,110	(7,134)	(21,887)	36,095	14,208

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effect on statements of financial position as at 31 December 2010

	Increase/(decrease)			
	IC 13 RM'000	FRS 123 RM'000	FRS 117 RM'000	Total RM'000
Aircraft, property, plant and equipment	-	56,706	17,056	73,762
Prepaid Lease	-	-	(17,056)	(17,056)
Trade and other receivables	-	3,587	-	3,587
Trade and other payables	(150,704)	-	-	(150,704)
Sales in advance of carriage	232,823	-	-	232,823
Accumulated losses	82,119	(60,293)	-	21,826

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.

		Effective for financial periods beginning on or after
FRS 1 (Revised):	First time adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised):	Business Combination	1 July 2010
FRS 127 (Revised):	Consolidated and Separate Financial Instruments (amended)	1 July 2010
IC Interpretation 4:	Determining Whether an Arrangement contains a Lease	1 Jan 2011
IC Interpretation 12:	Service Concession Arrangements	1 July 2010
IC Interpretation 15:	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16:	Hedges of Net Investments in a Foreign Operation	1 July 2010
IC Interpretation 17:	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18:	Transfer of Assets from Customers	1 Jan 2011
The amendments to the FRS:		
FRS 1:	First time adoption of Financial Reporting Standards	1 Jan 2011
FRS 2:	Share-based Payment	1 July 2010
	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 Jan 2011
FRS 5:	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138:	Intangible Assets	1 July 2010
IC Interpretation 9:	Reassessment of Embedded Derivatives	1 July 2010

The FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their intial application.

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 2009.

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 2010, except for the financial impact due to the adoption of IC Interpretation 13: Customer Loyalty Programmes and FRS 123: Borrowing costs (revised) as disclosed in Note 2.

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 2010.

7. SIGNIFICANT EVENTS

i) On 22 December 2010, the Company signed a Memorandum of Understanding ("MoU") with KLM Royal Dutch Airlines for potential closer co-operation between the airlines where customer can benefit with greater connectivity, better schedules and enhanced products.

ii) On 10 November 2010, MAS Aerospace Engineering Sdn. Bhd. ("MAE"), a wholly-owned subsidiary of the Company entered into a 10-year component support contract with Air France Industries and KLM Engineering and Maintenance for 35 of the carrier's fleet of B737-800, with an option for another 20 aircraft.

iii) On 28 September 2010, MAE entered into a MoU with Sabena technics SA to set up a joint venture company, specialising in aircraft component repair and overhaul services in Malaysia.

iv) On 2 September 2010, MAE sealed a one-year agreement with Air Mauritius for the maintenance of eight (8) aircraft - six (6) Airbus 340-200s and two (2) Airbus 330-200s.

v) On 13 July 2010, the Company announced that it will invest more than RM320 million in a company-wide Enterprise Resource Planning solution to streamline operations and maximise business efficiencies. The Company has selected HCL AXON and SAP as partners to integrate its finance, procurement and human resource functions as well as Engineering & Maintenance operations at the Kuala Lumpur International Airport and Sultan Abdul Aziz Shah Airport over 2 phases from 2010-2012.

vi) On 4 June 2010, the Company announced the proposed grant of additional options under the MAS Employee Share Option Scheme 2007 ("MAS ESOS") to Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz, the Managing Director and Chief Executive Officer of the Company. The said proposal relates to additional options to subscribe for up to 11,889,000 new shares under the MAS ESOS, subject to the terms and conditions of and/or any adjustment that may be made in accordance with the provisions of the By-Laws. The said proposal was approved by the shareholders at the Extraordinary General Meeting held on 21 June 2010.

vii) On 31 March 2010, in relation to the MoU that was signed between the Company and Airbus S.A.S (Airbus) on 22 December 2009, the Company has ordered up to 25 A330-300 widebody aircraft covering the firm order of fifteen (15) with options for another ten (10). The Company has also ordered two (2) A330-200F and acquired purchase options for another two (2). 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. On 20 July 2010, the Company announced that it has selected Pratt & Whitney to supply 34 engines worth RM2.2 billion (USD680 million) for the abovementioned aircraft.

There was no other significant event for the financial year ended 31 December 2010.

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

On 12 March 2010, the Company issued 1,671,078,120 new ordinary shares of RM1.00 each at an issue price of RM1.60 per rights share on the basis of one (1) rights share for every one (1) existing ordinary share of RM1.00 each held in the Company. Please refer Part B, Note 10 for further details.

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial year ended 31 December 2010.

9. DIVIDEND PAID

There was no dividend paid during the financial year ended 31 December 2010.

10. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has three reportable segments as follows:

(i) Airlines operations segment engages in the business of air transportation and the provision of related services.

(ii) Cargo services segment engages in the business of air cargo operations, charter freighter and all warehousing activities relating to air cargo operations.

(iii) Others segment engages in the provision of computerised reservations services, retailing of goods, catering and cleaning related services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

10. SEGMENTAL INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2010 and 2009, respectively.

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
For the year ended 31 December 2010					
Revenue					
External revenue	10,560,906	2,356,730	62,811	-	12,980,447
Inter-segment revenue *	1,088,462	-	45,349	(1,133,811)	-
Total revenue	11,649,368	2,356,730	108,160	(1,133,811)	12,980,447
Results					
Segment profit before tax	53,081	141,709	18,931	68,315	282,036

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
For the year ended 31 December 2009					
Revenue					
External revenue	9,452,278	1,824,522	64,110	-	11,340,910
Inter-segment revenue *	801,852	-	33,661	(835,513)	-
Total revenue	10,254,130	1,824,522	97,771	(835,513)	11,340,910
Results					
Segment profit/(loss) before tax	640,515	(148,803)	(16,040)	16,160	491,832
**Segment assets ** **					
At 31 December 2010	12,524,665	278,944	869,375	(1,299,392)	12,373,592
At 31 December 2009	8,660,198	149,745	958,553	(1,297,397)	8,471,099

* Inter-segment revenues are eliminated on consolidation.

** Segment assets do not include investment in associates (Dec '10: RM101.8 million, Dec '09: RM79.0 million) and investment in jointly-controlled entity (Dec '10: RM2.4 million, Dec '09: RM1.8 million) as these assets are managed on a group basis.

11. VALUATION OF ASSETS

There was no valuation of aircraft, property, plant and equipment for the financial year ended 31 December 2010.

12. SUBSEQUENT EVENT

There was no material subsequent event for the financial year ended 31 December 2010.

13. CHANGES IN THE COMPOSITION OF THE GROUP

On 8 November 2010, the Company has incorporated an off-shore company, Malaysia Airlines Capital III Limited with a paid-up capital of USD1.00 (equivalent to RM3.12). With effect from that date, Malaysia Airlines Capital III Limited became a fully owned subsidiary of the Company.

On 20 October 2010, the Company has incorporated an off-shore company, Malaysia Airlines Capital II Limited with a paid-up capital of USD1.00 (equivalent to RM3.12). With effect from that date, Malaysia Airlines Capital II Limited became a fully owned subsidiary of the Company.

On 22 September 2010, the Company has acquired an additional 249,998 ordinary shares of RM1 each in the capital of MASwings Sdn. Bhd., a wholly-owned subsidiary of MAS by way of loan capitalisation.

On 11 May 2010, the Company has incorporated an off-shore company, Kelip-Kelip III Labuan Limited with a paid-up capital of USD1.00 (equivalent to RM3.21). With effect from that date, Kelip-Kelip III Labuan Limited 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 2010.

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.

		21/02/2011 RM '000
1.	Loans - Unsecured	48,220
2.	Tenure	
	Loans due within one year	12,709
	Loans due later than one year and not later than five years	35,511
		48,220
3.	Loans by currencies in Ringgit Malaysia	
	Euro	48,220

(b) Others

Bank guarantees given to third parties	227,896
Bank guarantees given to PMB on aircraft lease	18,594
Performance bonds given to third parties	1,896
	248,386

(ii) Contingent assets

The Company has the right to receive from PMB 80% of the profit arising from the eventual realisation of aircraft 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 and maintenance costs required in accordance with the contractual redelivery terms. 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 21 February 2011 is RM157.54 million.

15. CAPITAL COMMITMENT

	As at 31/12/2010 RM '000	As at 31/12/2009 RM '000 (Audited)
Approved and contracted for	11,168,006	4,893,626
Approved but not contracted for	168,998	4,668,470
	11,337,004	9,562,096

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

16. SIGNIFICANT RELATED PARTY DISCLOSURES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	54,939	56,024	229,284	200,365
- Rental income and others	(4,898)	(4,898)	(19,593)	(18,070)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered and purchase of aircraft, property and equipment	94,440	107,045	331,703	324,054
- Rental income and others	(3,153)	(3,430)	(13,028)	(14,042)
- Shared services billed	(53)	(53)	(196)	(1,006)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,057	1,172	4,432	4,898
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	2,890	3,364	12,035	11,688
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,123	1,164	4,721	5,897
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	329	414	1,355	1,206
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	7,581	10,318	35,353	38,403
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,223	1,149	4,884	4,618
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	299	176	1,269	879
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	59,367	221,561	238,785	618,687
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	59,505	59,756	236,877	246,032

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2010 RM '000	As at 31/12/2009 RM '000 (Audited)
Amount owing by/(to) holding company	19,679	(96,294)
Amount owing by a related party	2,805	3,133
Amount owing by a fellow subsidiary		
- due within one year	40,931	41,147
- due after one year	122,379	162,740
Amount owing by associated companies	328	3,106
Amount owing to associated companies	(58,376)	(52,669)

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 RM137.3 million for the fourth quarter ended 31 December 2010 (Quarter ended 31 December 2009: RM29.3 million profit) mainly due to higher operating revenue and improvement in its yield.

The Group recorded a profit after tax of RM226.4 million (Quarter ended 31 December 2009: RM640.9 million profit) after including amongst others, derivative gain of RM143.8 million (Quarter ended 31 December 2009: RM581.7 million gain).

2. DERIVATIVE GAIN

Derivative gain 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 non-designated hedging contracts and ineffective portion of cash flow hedges at 31 December 2010 as compared to 1 January 2010 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM 'Mil	Quarter ended 31/12/2009 RM 'Mil	Year ended 31/12/2010 RM 'Mil	Year ended 31/12/2009 RM 'Mil
(i) Gain from fuel hedging contracts	167.6	587.0	194.6	1,150.4
(ii) (Loss)/Gain from foreign currency hedging contracts	(28.6)	(7.4)	(25.6)	0.6
(iii) Gain/(Loss) from interest rate hedging contracts	4.8	2.1	(30.0)	12.1
	143.8	**581.7**	**139.0**	**1,163.1**

3. OTHER COMPREHENSIVE INCOME

Gain/(loss) from cash flow hedges represent fair value changes due to movement in MTM position on effective hedging contracts at 31 December 2010 as compared to 1 January 2010 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM 'Mil	Quarter ended 31/12/2009 RM 'Mil	Year ended 31/12/2010 RM 'Mil	Year ended 31/12/2009 RM 'Mil
(i) Gain from fuel hedging contracts	1.3	-	2.7	-
(ii) Gain/(loss) from foreign currency hedging contracts	18.1	-	(69.5)	-
(iii) Gain/(loss) from foreign currency hedging contracts	3.7	-	(3.2)	-
	23.1	**-**	**(70.0)**	**-**

4. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded an operating profit for the quarter of RM137.3 million compared to operating profit of RM122.3 million in the previous quarter mainly due to higher operating revenue. The Group recorded a profit after tax of RM226.4 million after including amongst others, derivative gain of RM143.8 million for the quarter as compared to profit after tax of RM233.9 million in previous quarter.

5. CURRENT YEAR PROSPECTS

Although the International Air Transport Association (IATA) reported strong full year 2010 demand in both the passenger and cargo business, IATA now expects industry profits to fall in 2011. A number of uncertainties have plagued the market, with recent oil prices movement being one of the major concerns. In addition, economic uncertainties and severe weather setbacks will add to the challenges faced by airlines globally.

The operating environment will become more challenging in 2011, with the average fuel price expected to increase significantly and global GDP growth expected to fall to 2.6% compared to 3.5% in 2010.

MAS will continue to strengthen its competitive edge by continuously improving the customer experience, improving external and internal systems and infrastructure as well as improving its pricing approach to strengthen yields. MAS will take delivery of a further 4 B737-800s and 5 A330s in 2011, and work is also underway to prepare for the delivery of the flagship A380 in 2012. In total, MAS has ordered 45 B737-800s, 15 A330s, 6 A380s and 4 A330 freighters which will be delivered in the next 5 years. By 2015, MAS will be operating one of the youngest fleets in the region, supporting its vision of becoming Asia's Number One Full Service Carrier.

For 2010, the Group achieved an operating profit of RM263.9 million and met its "target" range of RM200 million - RM425 million.

For 2011, the operating profit target for the Group is RM300 million - RM600 million. The on time performance target for the Company is 84.7% to 87.0%.

6. 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 2010.

7. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000
Current period				
- Malaysian taxation	6,179	5,045	9,129	2,020
- Foreign taxation	2,550	1,005	5,610	4,880
	8,729	6,050	14,739	6,900
Under/(Over) provision in prior period	(7,086)	(14,651)	(451)	(3,645)
Deferred taxation	30,211	(33,223)	30,402	(34,371)
Total	31,854	(41,824)	44,690	(31,116)

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.

8. 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 2010.

9. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 31 December 2010, the Group has no quoted securities and there were no disposal of quoted securities during the financial year ended 31 December 2010.

10. CORPORATE PROPOSALS

On 22 December 2009, the Company announced the proposed renounceable rights issue of up to 1,905,962,762 new ordinary shares of RM1.00 each on the basis of one (1) Rights Shares for every one (1) existing shares held ("Proposed Rights Issue") at an issue price of RM1.60 per Rights Shares.

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

On 8 January 2010, Bursa Malaysia Securities Berhad approved the listing and quotation 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 and Maybank Investment Bank Berhad ("Maybank-IB") must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue;
(ii) MAS and Maybank-IB 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.

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

On 26 January 2010, the Company entered into an underwritting agreement with Maybank-IB, CIMB Investment Bank Berhad and RHB Investment Bank Berhad 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 was registered with the Securities Commission and lodged with the Registrar of Companies. The trading of rights entitlements was from 11 February 2010 to 22 February 2010.

On 11 February 2010, notice was given to holders of redeemable convertible preference shares ("RCPS") that the adjusted conversion price of RM3.09 per MAS share had taken effect on the same date. Based on the adjusted conversion price of RM3.09 per MAS share, the total outstanding RCPS of RM415,127,155 would be convertible into 134,345,357 new MAS shares.

On 12 March 2010, the Rights Issue was completed following the listing and quotation for 1,671,078,120 Rights Shares.

The Company has, in November 2010, fully utilised the proceeds raised from the Right Issue totalling approximately RM2.67 billion according to the manner as set out in the Abridged Prospectus dated 10 February 2010.

There were no other corporate proposals for the financial period ended 31 December 2010.

11. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

		As at 31/12/2010 RM '000	As at 31/12/2009 RM '000 (Audited)
(i) Short term borrowings			
Unsecured - Revolving Credit	(a)	50,000	160,000
Unsecured - Term Loan	(b) and (c)	118,614	100,252
Secured - Term Loan	(d)	22,355	24,148
Secured - Finance Lease	(e)	102,898	31,118
		293,867	315,518

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

		As at 31/12/2010 RM '000	As at 31/12/2009 RM '000 (Audited)
(ii) Long term borrowings:			
Unsecured - Term Loan	(b) and (c)	802,598	911,882
Secured - Term Loan	(d)	193,720	240,509
Secured - Finance Lease	(e)	2,011,479	455,631
Redeemable Cumulative Preference Shares ("RCPS")	(f)	407,116	396,040
		3,414,913	2,004,062

(a) The revolving credit as at 31 December 2010 was unsecured with an effective interest rate at 3.20% per annum. On 31 March 2010, the Company made a repayment of RM110 million for the revolving credit with RHB Bank Berhad ("RHB Bank"). Subsequently on 14 April 2010, the Company made a drawdown of RM50 million for the revolving credit with Affin Bank Berhad ("Affin Bank") .

(b) On 30 September 2009, the Company and 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 every three (3)-month period.

(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 a 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.

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 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 2010, the Group has entered into finance lease contracts for its aircraft amounting to RM2,114.4 million. Included in this amount is RM998.2 million in respect of four Supplemental Agreements relating to Aircraft Lease Agreement and four Aircraft Conditional Sale and Purchase Agreements between the Company and Penerbangan Malaysia Berhad ("PMB") which was approved by the shareholders on 25 January 2010.

(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.

Any RCPS, which has not been converted during the Conversion Period, which is four years commencing from the first anniversary after the date of issuance, will be automatically redeemed by the Company at the issue price of RM1.00 each within thirty (30) days after the Conversion Period ends.

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 2010.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Type of derivatives	Notional Value as at 31/12/2010	Fair Value as at 31/12/2010 Assets/(Liabilities)
(i) Fuel Hedging Contracts	Barrels 'Mil	RM 'Mil
Less than 1 year	4.3	(26.9)
1 year to 3 years	0.2	5.2
	4.5	(21.7)
(ii) Interest Rate Hedging Contracts	RM 'Mil	
Less than 1 year	17.4	-
1 year to 3 years	550.2	(31.7)
More than 3 years	787.9	5.7
	1,355.5	(26.0)
(iii) Foreign Currency Hedging Contracts	RM 'Mil	
Less than 1 year	2,603.5	(70.6)
Total		(118.3)
Represented by:		
- Current liabilities		(108.1)
- Non current liabilities		(10.2)
		(118.3)

There is no change to the related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks since the previous financial year.

13. DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of unappropriated profits/(accumulated losses) of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Company and and Subsidiaries RM'000	Associated Companies RM'000	Jointly Controlled Entity RM'000	Consolidation Adjustments RM'000	Group Accumulated Losses RM'000
As at 31 December 2010					
Realised profits/(losses)	(5,724,005)	(21,092)	(11,524)	256,438	(5,500,183)
Unrealised profits/(losses)	110,618	(2,023)	(364)	-	108,231
	(5,613,387)	(23,115)	(11,888)	256,438	(5,391,952)
As at 30 September 2010					
Realised profits/(losses)	(5,604,049)	(30,661)	(14,141)	178,039	(5,470,812)
Unrealised profits/(losses)	(147,858)	479	322	-	(147,057)
	(5,751,907)	(30,182)	(13,819)	178,039	(5,617,869)

13. DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES (CONTINUED)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

14. MATERIAL LITIGATION

(a) **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.

MAS and MASkargo had on 27 April 2010 entered into a Settlement Agreement with the Plaintiffs for the full and final settlement of the disputes. With this Settlement Agreement, the Civil Suit was discontinued and withdrawn on 6 May 2010.

(b) **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.

On 23 August 2010, the Court dismissed the First and Fourth Defendant's interlocutory applications to strike out the Plaintiff's claim. On 3 September 2010, the First Defendant served a Counterclaim seeking among others, damages of RM500 million for alleged defamation.

(c) **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.

(d) **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.

On 9 November 2010, the EC terminated proceedings against MAS and MASkargo. Neither MAS or MASkargo has been found to have infringed European competition laws. As a result, neither MAS or MASkargo have been fined by the EC.

14. MATERIAL LITIGATION (CONTINUED)

(e) (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 complaint does not make any mention of the quantum of damages sought against the Company.The Company has obtained legal advice in relation to the complaint and has entered into a joint defence agreement with the other defendants. The case is pending several legal issues including the outcome of JAL bankruptcy.

(f) **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 and filed its defence on 11 December 2009. The case is ongoing and will be expected to have its full hearing in August 2012.

(g) **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 complaint does not mention the quantum of damages sought against the Company. The Company has obtained legal advice in relation to the complaint and is pursuing the defence of the case accordingly.

(h) **Application and Statement of Claim from Australian Competition and Consumer Commission**

On 9 April 2010, the Company was served with an "Application and Statement of Claim" from the Australian Competition and Consumer Commission ("ACCC") in relation to its air freight investigation on fuel and security surcharges under the Trade Practices Act 1974. The Statement of Claim does not indicate any quantum of fines that might be ultimately imposed.

The Company is taking legal advice in relation to the Statement of Claim and has replied accordingly to ACCC. Our lawyers have indicated that the full hearing will be conducted in late 2011.

15. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2010.

16. EARNINGS PER SHARE

(a) **Basic earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010	Quarter ended 31/12/2009 (Restated)	Year ended 31/12/2010	Year ended 31/12/2009 (Restated)
Profit attributable to equity holders of the Company (RM'000)	225,918	640,121	234,469	520,039
Weighted average number of ordinary shares in issue ('000)	3,342,156	2,053,614	3,234,778	2,053,598
Earnings per share (sen)	6.76	31.17	7.25	25.32

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2010. For the comparative quarter and year ended 31 December 2009, the basic loss per share is restated in accordance with FRS 133 - Earnings Per Share.

(b) **Diluted earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010	Quarter ended 31/12/2009 (Restated)	Year ended 31/12/2010	Year ended 31/12/2009 (Restated)
Profit attributable to equity holders of the Company (RM'000)	225,918	640,121	234,469	520,039
Effect of interest saving from RCPS (RM'000)	6,148	5,969	-	17,676
Diluted profit attributable to equity holders of the Company (RM'000)	232,066	646,090	234,469	537,715
Weighted average number of ordinary shares in issue ('000)	3,342,156	2,053,614	3,234,778	2,053,598
Effects of dilution resulting from RCPS ('000)	134,345	102,531	-	102,531
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	3,476,501	2,156,145	3,234,778	2,156,129
Diluted earnings per share (sen)	6.68	29.97	7.25	24.94

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2010, adjusted to assume the conversion of dilutive potential ordinary shares.

For the current year ended 31 December 2010, RCPS have not been included in the calculation of diluted earnings per shares because they were anti-dilutive.

The share options granted under ESOS have not been included in the calculation of diluted earnings per shares because they were anti-dilutive.

17. 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 February 2011.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
25 February 2011

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 Profit of the Group for the quarter and Economic Loss for the year ended 31 December 2010 is RM11 million (2009: RM19 million profit) and RM126 million loss (2009: RM795 million loss). The Group recorded lower Economic Profit for the quarter and Economic Loss for the year ended 31 December 2010 after excluding certain non-operational items such as interest income, foreign exchange differences and derivative gain.

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 31/12/2010 RM 'Mil	Quarter ended 31/12/2009 RM 'Mil Restated	Year ended 31/12/2010 RM 'Mil	Year ended 31/12/2009 RM 'Mil Restated
Earnings/(Loss) Before Interest and Tax	112	22	141	(700)
Adjusted Tax	(2)	9	(14)	(3)
NOPLAT	**110**	**31**	**127**	**(703)**
Economic Charge				
Average Invested Capital	5,574	730	3,578	1,387
WACC (%)	7.08%	6.66%	7.08%	6.66%
Economic Charge	**99**	**12**	**253**	**92**
Economic (Loss)/Profit	**11**	**19**	**(126)**	**(795)**

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

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

2. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000 (Restated)	Year ended 31/12/2010 RM '000	Year ended 31/12/2009 RM '000 (Restated)
(a) Revenue	3,673,138	3,388,069	13,587,610	11,605,511
(b) Profit before tax	258,301	599,150	282,036	491,832
(c) Profit for the period	226,447	640,974	237,346	522,948
(d) Profit for the period attributable to ordinary equity holders of the Company	225,918	640,121	234,469	520,039
(e) Basic earnings per share (sen)	6.76	31.17	7.25	25.32
Diluted earnings per share (sen)	6.68	29.97	7.25	24.94

	AS AT 31/12/2010	AS AT 31/12/2009 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	1.05	0.42

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2010 RM '000	Quarter ended 31/12/2009 RM '000 (Restated)	Period ended 31/12/2010 RM '000	Period ended 31/12/2009 RM '000 (Restated)
(a) Gross interest income	9,285	15,683	51,993	58,132
(b) Gross interest expense	(32,439)	(18,829)	(138,402)	(67,038)