

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FIRST QUARTER ENDED 31 MARCH 2011

ANNOUNCEMENT

The Board of Directors of Malaysian Airline System Berhad ("MAS" or "the Company") would like to announce the following unaudited consolidated results for the first quarter ended 31 March 2011. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000
Operating revenue		3,141,899	2,909,417	3,141,899	2,909,417
Operating expenses		(3,461,505)	(3,012,463)	(3,461,505)	(3,012,463)
Other operating income		52,201	392,550	52,201	392,550
(Loss)/Profit from operations		(267,405)	289,504	(267,405)	289,504
Derivative gain	Part B,2	64,570	56,655	64,570	56,655
Finance costs		(38,372)	(27,890)	(38,372)	(27,890)
Share of results from associated companies		5,773	3,780	5,773	3,780
Share of results from jointly controlled entity		(2,817)	(1,798)	(2,817)	(1,798)
(Loss)/Profit before taxation		(238,251)	320,251	(238,251)	320,251
Taxation		(3,439)	(9,689)	(3,439)	(9,689)
(Loss)/Profit for the period		(241,690)	310,562	(241,690)	310,562
Profit attributable to:					
Equity holders of the Company		(242,339)	310,047	(242,339)	310,047
Non-controlling interest		649	515	649	515
(Loss)/Profit for the period		(241,690)	310,562	(241,690)	310,562
(Loss)/Earnings per share attributable to equity holders of the Company					
Basic (sen)		(7.25)	10.64	(7.25)	10.64
Diluted (sen)		(7.25)	10.35	(7.25)	10.35

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FIRST QUARTER ENDED 31 MARCH 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000
Note				
(Loss)/Profit for the period	(241,690)	310,562	(241,690)	310,562
Other comprehensive income:				
Gain from cash flow hedges	26,734	3,663	26,734	3,663
Total comprehensive (loss)/income for the period	(214,956)	314,225	(214,956)	314,225
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(215,605)	313,710	(215,605)	313,710
Non-controlling interest	649	515	649	515
Total comprehensive (loss)/income for the period	(214,956)	314,225	(214,956)	314,225

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	As at 31/3/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
<u>Non current assets</u>			
Aircraft, property, plant and equipment		8,160,766	7,663,357
Investment in associates		107,577	101,804
Investment in a jointly controlled entity		11,582	2,360
Other investments		54,604	54,604
Intangible assets		132,313	137,732
Other receivables		453,667	442,575
Deferred tax assets		2,475	3,495
		8,922,984	8,405,927
<u>Current assets</u>			
Inventories		422,362	430,849
Trade and other receivables		1,489,357	1,351,207
Tax recoverable		12,746	19,436
Derivative financial instruments	Part B,12	14,499	-
Negotiable instruments of deposit		105,272	139,206
Cash and bank balances		1,763,471	2,085,451
		3,807,707	4,026,149
<u>Current liabilities</u>			
Trade and other payables		2,209,024	2,219,065
Provision		943,082	934,967
Borrowings	Part B,11	577,479	293,867
Taxation		4,049	3,614
Derivative financial instruments	Part B,12	-	108,080
Sales in advance of carriage		1,844,178	1,677,346
Deferred revenue		247,079	232,823
		5,824,891	5,469,762
Net current liabilities		(2,017,184)	(1,443,613)
		6,905,800	6,962,314
Financed by:			
Equity attributable to equity holders of the Company:			
Share capital		3,342,156	3,342,156
Reserves		(33,045)	182,010
		3,309,111	3,524,166
Non-controlling interest		13,727	13,078
Total equity		3,322,838	3,537,244
<u>Non current liabilities</u>			
Borrowings	Part B,11	3,573,813	3,414,913
Derivative financial instruments	Part B,12	9,147	10,155
Deferred tax liabilities		2	2
		3,582,962	3,425,070
		6,905,800	6,962,314
Net assets per share (RM)		0.99	1.06

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011**

Note	Attributable to equity holders of the Company							Total reserves RM '000	Total RM '000	Non-controlling interest RM '000	Total Equity RM '000
	Non-Distributable			Distributable							
	Share capital RM '000	Equity component of RCPS RM '000	Share premium RM '000	Employee share option reserves RM '000	Cash Flow Hedge reserves RM '000	General reserves RM '000	Accumulated losses RM '000 Part B,13				
At 1 January 2011	3,342,156	58,076	4,995,970	88,388	(70,002)	501,530	(5,391,952)	182,010	3,524,166	13,078	3,537,244
Loss for the period	-	-	-	-	-	-	(242,339)	(242,339)	(242,339)	649	(241,690)
Other comprehensive income	-	-	-	-	26,734	-	-	26,734	26,734	-	26,734
Grant of ESOS	-	-	-	550	-	-	-	550	550	-	550
At 31 March 2011	3,342,156	58,076	4,995,970	88,938	(43,268)	501,530	(5,634,291)	(33,045)	3,309,111	13,727	3,322,838

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010**

	Attributable to equity holders of the Company							Total reserves RM '000	Total RM '000	Non-controlling interest RM '000	Total Equity RM '000
	Non-Distributable			Distributable							
	Share capital RM '000	Equity component of RCPS RM '000	Share premium RM '000	Employee share option reserves RM '000	Cash Flow Hedge reserves RM '000	General reserves RM '000	Accumulated losses RM '000				
At 1 January 2010 (as previously stated)	1,671,078	58,076	4,007,678	87,752	-	501,530	(5,590,387)	(935,351)	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	87,752	-	501,530	(5,626,421)	(971,385)	699,693	11,869	711,562
Profit for the period	-	-	-	-	-	-	310,047	310,047	310,047	515	310,562
Other comprehensive income	-	-	-	-	3,663	-	-	3,663	3,663	-	3,663
Rights issue	1,671,078	-	1,002,647	-	-	-	-	1,002,647	2,673,725	-	2,673,725
Rights shares's expenses	-	-	(12,260)	-	-	-	-	(12,260)	(12,260)	-	(12,260)
Grant of ESOS	-	-	-	636	-	-	-	636	636	-	636
At 31 March 2010	3,342,156	58,076	4,998,065	88,388	3,663	501,530	(5,316,374)	333,348	3,675,504	12,384	3,687,888

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000 (Restated)
Cash Flows From Operating Activities		
(Loss)/Profit before taxation	(238,251)	320,251
Adjustments for :-		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	144,095	143,859
- doubtful debts, net	21,106	(14,089)
- short term accumulating compensated absences, net	3,759	5,212
- inventories obsolescence, net	8,693	(6,160)
- unavailed credits on sales in advance of carriage	(43,265)	(61,353)
Aircraft, property, plant and equipment:		
- depreciation	94,468	89,339
- writte off/(writeback), net	342	(826)
- writeback of impairment losses, net	(1,283)	(6,839)
- loss/(gain) on disposal, net	41	(65)
Amortisation of:		
- intangible assets	6,900	7,816
Share of results of:		
- jointly-controlled entity	2,817	1,798
- associated companies	(5,773)	(3,780)
Interest expenses	38,372	27,874
Derivative gain	(64,570)	(56,655)
ESOS expense	550	636
Unrealised foreign exchange gain	(45,053)	(18,367)
Interest income	(8,385)	(18,213)
Operating (loss)/profit before working capital changes	(85,437)	410,438
Increase in inventories	(206)	(36,753)
Increase in trade and other receivables	(137,541)	(209,215)
Decrease/(increase) in amount owing by holding company	19,950	(144,621)
Increase/(decrease) in trade and other payables	18,774	(236,495)
Decrease in provision	(135,981)	(243,120)
Increase in sales in advance of carriage	210,100	136,864
Increase in deferred revenue	14,253	73,096
Cash used in operating activities	(96,088)	(249,806)
Net cash settlement on derivatives	(53,301)	(148,476)
Premium paid on derivatives	(9,436)	(23,932)
Interest paid	(43,723)	(36,999)
Taxes paid	(3,113)	(9,206)
Net cash used in operating activities	(205,661)	(468,419)
Cash Flows From Investing Activities		
Purchase of:		
- aircraft, property, plant and equipment	(590,980)	(1,819,055)
- intangible assets	(1,481)	(24,758)
- investment in a jointly controlled entity	(12,039)	-
Withdrawal/(Placement) of:		
- negotiable instruments of deposit	35,000	(100,000)
- deposits pledged with banks	106,168	(41,434)
Proceeds from disposal of:		
- aircraft, property, plant and equipment	4	94
Interest received	6,306	16,869
Net cash used in investing activities	(457,022)	(1,968,284)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000 (Restated)
<u>Cash Flows From Financing Activities</u>		
Proceeds from:		
- issuance of shares	-	2,673,725
- aircraft refinancing	234,916	-
- borrowings	263,000	-
Repayment of:		
- borrowings	(2,869)	(110,000)
- finance lease	(48,178)	(23,582)
Expenses incurred on issuance of Rights share exercise	-	(12,260)
Settlement of RCPS	-	(696)
Net cash generated from financing activities	<u>446,869</u>	<u>2,527,187</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(215,814)	90,484
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	<u>1,923,777</u>	<u>2,449,362</u>
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	<u><u>1,707,963</u></u>	<u><u>2,539,846</u></u>
Cash and cash equivalents comprise:		
Cash on hand and at banks	654,340	661,304
Short term deposits	<u>1,109,131</u>	<u>2,135,473</u>
Cash and cash equivalents	1,763,471	2,796,777
Less: Deposits pledged with banks	<u>(55,508)</u>	<u>(256,931)</u>
Cash and cash equivalents as at 31 March	<u><u>1,707,963</u></u>	<u><u>2,539,846</u></u>

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 financial statements for the year ended 31 December 2010 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 2010.

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 2010 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 2010 except for the adoption of FRS 3 (Revised): Business Combination and FRS 127 (Amended): Consolidated and Separate Financial Statements.

The principal changes in accounting policies and effects resulting from the adoption of FRS 3 and FRS 127 are discussed below.

i) Effects of Adoption of FRS 3 (Revised): Business Combination

FRS 3 (Revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

ii) Effects of Adoption of FRS 127 (Amended): Consolidated and Separate Financial Statements

FRS 127 (Amended) requires that a change in ownership interest of a subsidiary (without loss of control) is accounted for as transaction with owners in their capacity as owners to be recognised in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of subsidiary.

The adoption of FRS 3 (Revised) and FRS 127 (Amended) does not have any financial impact to the Group and Company.

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

2. CHANGES IN ACCOUNTING POLICIES

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 124 (Revised):	Related Party Disclosures	1 Jan 2012
IC Interpretation 14:	Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)	1 July 2011
IC Interpretation 15:	Agreements for the Construction of Real Estate	1 Jan 2012
IC Interpretation 19:	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 124 (Revised).

3. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

There was no qualification of the Group's Audited Financial Statements for the financial year ended 31 December 2010.

4. SEASONALITY OR CYCLICAL NATURE OF OPERATIONS

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

5. UNUSUAL ITEMS

There were no unusual items for the financial period 31 March 2011.

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There was no material changes in estimates of amount reported for the financial period ended 31 March 2011.

7. SIGNIFICANT EVENTS

There was no significant event for the financial period ended 31 March 2011.

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

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

There was no issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 31 March 2011.

9. DIVIDEND PAID

There was no dividend paid during the financial period ended 31 March 2011.

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.

The following tables present revenue and profit information regarding the Group's operating segments for the financial period ended 31 March 2011 and 2010, respectively.

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
For the period ended 31 March 2011					
Revenue					
External revenue	2,620,164	510,214	11,521	-	3,141,899
Inter-segment revenue *	255,722	-	10,561	(266,283)	-
Total revenue	2,875,886	510,214	22,082	(266,283)	3,141,899
Results					
Segment (loss)/profit before tax	(280,571)	20,522	2,851	18,947	(238,251)

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

10. SEGMENTAL INFORMATION (CONTINUED)

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
For the period ended 31 March 2010					
Revenue					
External revenue	2,358,625	536,105	14,687	-	2,909,417
Inter-segment revenue *	240,746	-	10,635	(251,381)	-
Total revenue	2,599,371	536,105	25,322	(251,381)	2,909,417
Results					
Segment profit/(loss) before tax	292,983	25,314	4,963	(3,009)	320,251
Segment assets **					
At 31 March 2011	12,999,185	303,005	855,934	(1,546,592)	12,611,532
At 31 December 2010	12,478,985	278,944	869,375	(1,299,392)	12,327,912

* Inter-segment revenues are eliminated on consolidation.

** Segment assets do not include investment in associates (Mar '11: RM107.6 million, Dec '10: RM101.8 million) and investment in a jointly-controlled entity (Mar '11: RM11.6 million, Dec '10: RM2.4 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 period ended 31 March 2011.

12. SUBSEQUENT EVENT

On 4 April 2011, the Board of Directors approved the payment of a tax-exempt non-cumulative preferential dividend of 3.00 sen per RCPS on 415,127,155 RCPS amounting to RM12.5 million.

13. CHANGES IN THE COMPOSITION OF THE GROUP

On 7 January 2011, a wholly owned subsidiary, Malaysian Aerospace Engineering Sdn. Bhd. ("MAE") subscribed 100% equity of MAE Aero Services Pte. Ltd. with a total of 1 ordinary shares for a purchase consideration of SGD1.00 (equivalent to RM2.38).

There was no other changes in the composition of the Group for the financial period ended 31 March 2011.

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

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(i) Contingent liabilities

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

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

		18/05/2011
		RM '000
1.	Loans	
	- Unsecured	43,964
2.	Tenure	
	Loans due within one year	13,346
	Loans due later than one year and not later than five years	30,618
		43,964
3.	Loans by currencies in Ringgit Malaysia	
	Euro	43,964
 (b) Others		
	Bank guarantees given to third parties	226,688
	Bank guarantees given to PMB on aircraft lease	19,878
	Performance bonds given to third parties	2,018
		248,584

(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 18 May 2011 is RM160.78 million.

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

15. CAPITAL COMMITMENT

	As at 31/3/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
Approved and contracted for	12,538,551	11,168,006
Approved but not contracted for	114,166	168,998
	<u>12,652,717</u>	<u>11,337,004</u>

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 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/payable	60,272	54,684	60,272	54,684
- Rental income and others	(4,898)	(4,898)	(4,898)	(4,898)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered and purchase of aircraft, property and equipment	103,032	137,556	103,032	137,556
- Rental income and others	(3,103)	(4,493)	(3,103)	(4,493)
- Shared services billed	(89)	(28)	(89)	(28)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,056	1,169	1,056	1,169
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/payable	2,255	2,136	2,255	2,136
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/payable	1,090	1,178	1,090	1,178
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	408	406	408	406

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

16. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM '000	RM '000	RM '000	RM '000
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	12,596	12,189	12,596	12,189
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,131	1,153	1,131	1,153
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	324	369	324	369
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	58,765	61,031	58,765	61,031
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	59,187	58,692	59,187	58,692

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/3/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
Amount owing (to)/by holding company	(269)	19,679
Amount owing by a related party	3,192	2,805
Amount owing by a fellow subsidiary		
- due within one year	41,532	40,931
- due after one year	111,644	122,379
Amount owing by associated companies	391	328
Amount owing to associated companies	(64,270)	(58,376)

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

1. REVIEW OF PERFORMANCE

The Group recorded an operating loss of RM267.4 million for the first quarter ended 31 March 2011 (Quarter ended 31 March 2010: RM289.5 million profit) due to higher operating expenses mainly from the increase in fuel cost and lower other operating income.

The Group recorded a loss after tax of RM241.7 million (Quarter ended 31 March 2010: RM310.6 million profit) after including amongst others, derivative gain of RM64.6 million (Quarter ended 31 March 2010: RM56.7 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 March 2011 as compared to 1 January 2011 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011	Quarter ended 31/3/2010	Period ended 31/3/2011	Period ended 31/3/2010
	RM 'Mil	RM 'Mil	RM 'Mil	RM 'Mil
(i) Gain from fuel hedging contracts	94.4	72.7	94.4	72.7
(ii) (Loss)/Gain from foreign currency hedging contracts	(29.6)	1.0	(29.6)	1.0
(iii) Loss from interest rate hedging contracts	(0.2)	(17.0)	(0.2)	(17.0)
	64.6	56.7	64.6	56.7

3. OTHER COMPREHENSIVE INCOME

Gain/(loss) from cash flow hedges consists of realised gain/(loss) on settlement of hedging contracts and fair value changes due to movement in MTM position on effective hedging contracts at 31 March 2011 as compared to 1 January 2011 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011	Quarter ended 31/3/2010	Period ended 31/3/2011	Period ended 31/3/2010
	RM 'Mil	RM 'Mil	RM 'Mil	RM 'Mil
(i) Gain from fuel hedging contracts	21.1	-	21.1	-
(ii) Gain/(loss) from foreign currency hedging contracts	2.7	(0.8)	2.7	(0.8)
(iii) Gain from foreign currency hedging contracts	2.9	4.4	2.9	4.4
	26.7	3.6	26.7	3.6

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

4. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded an operating loss for the quarter of RM267.4 million compared to an operating profit of RM137.3 million in the previous quarter due to higher operating expenses mainly from the increase in fuel cost. The Group recorded a loss after tax of RM241.7 million after including amongst others, derivative gain of RM64.6 million for the quarter as compared to profit after tax of RM226.4 million in previous quarter.

5. CURRENT YEAR PROSPECTS

The airline industry is expected to be challenging. The surge in the price of jet fuel, political unrest in the Middle East and North Africa and fears of a sovereign debt crisis in Europe contribute to a cautious outlook for the industry. The recent trend of fuel prices indicates that the jet fuel price will remain high and volatile. Given the tough operating environment, the International Air Transport Association (IATA) has recently downgraded the 2011 profitability prospects for the global aviation industry.

In response to the tough operating environment, MAS will monitor demand patterns and moderate its capacity growth, coupled with intensifying cost management initiatives. It will continue to improve revenue through improvement in front-end business class initiatives, yield management and implementation of fuel surcharges to mitigate the high cost of fuel.

MAS will continue with its transformation journey to strengthen its competitive edge by further enhancing end-to-end customer experience. The multi-year fleet renewal exercise has commenced with the delivery of four new B737-800 aircraft and two A330-300 aircraft as at middle of May 2011. The aircraft delivery will gather pace for the remainder of 2011 with two B737-800 and three A330-300 aircraft as well as two A330 freighters. In total, MAS has a firm order of 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.

The 2011 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 period ended 31 March 2011.

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

7. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000
Current period				
- Malaysian taxation	1,369	7,500	1,369	7,500
- Foreign taxation	1,050	960	1,050	960
	2,419	8,460	2,419	8,460
Under/(Over) provision in prior period	-	50	-	50
Deferred taxation	1,020	1,179	1,020	1,179
Total	3,439	9,689	3,439	9,689

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 period ended 31 March 2011.

9. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 31 March 2011, the Group has no quoted securities and there were no disposal of quoted securities during the financial period ended 31 March 2011.

10. CORPORATE PROPOSALS

There were no corporate proposals for the financial period ended 31 March 2011.

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

11. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

	As at 31/3/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
(i) Short term borrowings		
Unsecured		
- Revolving Credit	313,000	50,000
- Term Loan	113,241	118,614
Secured		
- Term Loan	22,136	22,355
- Finance Lease	129,102	102,898
	<u>577,479</u>	<u>293,867</u>
(ii) Long term borrowings		
Unsecured		
- Term Loan	802,535	802,598
- Redeemable Cumulative Preference Shares ("RCPS")	413,325	407,116
Secured		
- Term Loan	188,971	193,720
- Finance Lease	2,168,982	2,011,479
	<u>3,573,813</u>	<u>3,414,913</u>
Total	<u>4,151,292</u>	<u>3,708,780</u>
(iii) Currency denominations		
Ringgit Malaysia	1,814,786	1,558,385
US Dollars	2,092,620	1,991,208
Japanese Yen	243,886	159,187
	<u>4,151,292</u>	<u>3,708,780</u>

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

Type of derivatives	Notional Value as at 31/3/2011 Barrels 'Mil	Fair Value as at 31/3/2011 Assets/ (Liabilities) RM 'Mil
(i) Fuel Hedging Contracts		
Less than 1 year	2.9	93.2
1 year to 3 years	0.1	1.9
	3.0	95.1
(ii) Interest Rate Hedging Contracts	RM 'Mil	
Less than 1 year	-	-
1 year to 3 years	569.4	(12.4)
More than 3 years	1,056.3	(10.0)
	1,625.7	(22.4)
(iii) Foreign Currency Hedging Contracts	RM 'Mil	
Less than 1 year	2,018.6	(67.4)
Total		5.3
Represented by:		
- Current assets		14.5
- Non current liabilities		(9.1)
		5.3

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.

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

13. DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES

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 March 2011					
Realised profits/(losses)	(5,971,639)	(17,608)	(15,260)	150,780	(5,853,727)
Unrealised profits/(losses)	218,614	266	556	-	219,436
	<u>(5,753,025)</u>	<u>(17,342)</u>	<u>(14,704)</u>	<u>150,780</u>	<u>(5,634,291)</u>
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
	<u>(5,613,387)</u>	<u>(23,115)</u>	<u>(11,888)</u>	<u>256,438</u>	<u>(5,391,952)</u>

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) 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.

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

14. MATERIAL LITIGATION (CONTINUED)

- (b) **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.

- (c) (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.

- (d) **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.

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

14. MATERIAL LITIGATION (CONTINUED)

(e) 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.

(f) 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 period ended 31 March 2011.

16. (LOSS)/EARNINGS PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
(a) Basic (loss)/earnings per share				
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(242,339)	310,047	(242,339)	310,047
Weighted average number of ordinary shares in issue ('000)	3,342,156	2,912,642	3,342,156	2,912,642
(Loss)/Earnings per share (sen)	<u>(7.25)</u>	<u>10.64</u>	<u>(7.25)</u>	<u>10.64</u>

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period ended 31 March 2011.

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

16. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011	Quarter ended 31/3/2010	Period ended 31/3/2011	Period ended 31/3/2010
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(242,339)	310,047	(242,339)	310,047
Effect of interest saving from RCPS	-	6,026	-	6,026
Diluted (loss)/profit attributable to equity holders of the Company (RM'000)	(242,339)	316,073	(242,339)	316,073
Weighted average number of ordinary shares in issue ('000)	3,342,156	2,912,642	3,342,156	2,912,642
Effects of dilution resulting from RCPS	-	134,345	-	134,345
Effects of dilution resulting from ESOS	-	6,484	-	6,484
Adjusted weighted average number of ordinary shares in issue and issuable	3,342,156	3,053,471	3,342,156	3,053,471
Diluted (loss)/earnings per share (sen)	(7.25)	10.35	(7.25)	10.35

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period ended 31 March 2011, adjusted to assume the conversion of dilutive potential ordinary shares.

For the current period ended 31 March 2011, RCPS and ESOS have not been included in the calculation of diluted (loss)/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 May 2011.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
25 May 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 Loss of the Group for the quarter and period ended 31 March 2011 is RM414 million (2010: RM252 million profit). The Group recorded Economic Loss for the quarter and period ended 31 March 2011 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 31/3/2011 RM 'Mil	Quarter ended 31/3/2010 RM 'Mil Restated	Year ended 31/3/2011 RM 'Mil	Year ended 31/3/2010 RM 'Mil Restated
(Loss)/Earnings Before Interest and Tax	(307)	314	(307)	314
Adjusted Tax	(2)	(10)	(2)	(10)
NOPLAT	(309)	304	(309)	304
Economic Charge				
Average Invested Capital	6,124	2,931	6,124	2,931
WACC (%)	6.85%	7.15%	6.85%	7.15%
Economic Charge	105	52	105	52
Economic (Loss)/Profit	(414)	252	(414)	252

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

Note:

WACC - Weighted Average Cost of Capital

NOPLAT - Net Operating Profit/(Loss) after Tax

PART C - ADDITIONAL INFORMATION (CONTINUED)

2. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000 (Restated)	Year ended 31/3/2011 RM '000	Year ended 31/3/2010 RM '000 (Restated)
(a) Revenue	3,194,100	3,301,967	3,194,100	3,301,967
(b) (Loss)/Profit before tax	(238,251)	320,251	(238,251)	320,251
(c) (Loss)/Profit for the period	(241,690)	310,562	(241,690)	310,562
(d) (Loss)/Profit for the period attributable to ordinary equity holders of the Company	(242,339)	310,047	(242,339)	310,047
(e) Basic (loss)/earnings per share (sen)	(7.25)	10.64	(7.25)	10.64
Diluted (loss)/earnings per share (sen)	(7.25)	10.35	(7.25)	10.35

	AS AT 31/03/2011	AS AT 31/12/2010 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.99	1.06

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2011 RM '000	Quarter ended 31/3/2010 RM '000 (Restated)	Period ended 31/3/2011 RM '000	Period ended 31/3/2010 RM '000 (Restated)
(a) Gross interest income	8,385	18,213	8,385	18,213
(b) Gross interest expense	(38,372)	(27,874)	(38,372)	(27,874)