

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 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 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000
Operating revenue		3,428,673	3,159,834	6,570,572	6,069,251
Operating expenses		(3,897,738)	(3,498,554)	(7,359,243)	(6,511,017)
Other operating income		56,552	53,101	108,753	445,651
(Loss)/Gain from operations		(412,513)	(285,619)	(679,918)	3,885
Derivative (loss)/gain	Part B,2	(56,085)	(217,159)	8,485	(160,504)
Finance costs		(35,452)	(33,044)	(73,824)	(60,934)
Share of results from associated companies		(2,221)	3,231	3,552	7,011
Share of results from jointly controlled entity		(3,140)	-	(5,957)	(1,798)
Loss before taxation		(509,411)	(532,591)	(747,662)	(212,340)
Taxation		(16,347)	(970)	(19,786)	(10,659)
Loss for the period		(525,758)	(533,561)	(767,448)	(222,999)
Loss attributable to:					
Equity holders of the Company		(526,680)	(534,729)	(769,019)	(224,682)
Non-controlling interest		922	1,168	1,571	1,683
Loss for the period		(525,758)	(533,561)	(767,448)	(222,999)
Loss per share attributable to equity holders of the Company					
Basic (sen)		(15.76)	(16.00)	(23.01)	(7.18)
Diluted (sen)		(15.76)	(16.00)	(23.01)	(7.18)

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE SECOND QUARTER ENDED 30 JUNE 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000
Note				
Loss for the period	(525,758)	(533,561)	(767,448)	(222,999)
Other comprehensive income: Part B,3 (Loss)/Gain from cash flow hedges	(4,048)	2,557	22,686	6,220
Total comprehensive loss for the period	(529,806)	(531,004)	(744,762)	(216,779)
Total comprehensive loss attributable to:				
Equity holders of the Company	(530,728)	(532,172)	(746,333)	(218,462)
Non-controlling interest	922	1,168	1,571	1,683
Total comprehensive loss for the period	(529,806)	(531,004)	(744,762)	(216,779)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30/6/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
<u>Non current assets</u>		
Aircraft, property, plant and equipment	8,052,271	7,663,357
Investment in associates	105,356	101,804
Investment in a jointly controlled entity	8,647	2,360
Other investments	54,604	54,604
Intangible assets	127,764	137,732
Other receivables	449,275	442,575
Deferred tax assets	1,219	3,495
	8,799,136	8,405,927
<u>Current assets</u>		
Inventories	443,440	430,849
Trade and other receivables	1,497,419	1,351,207
Tax recoverable	7,682	19,436
Negotiable instruments of deposit	105,260	139,206
Cash and bank balances	1,583,500	2,085,451
	3,637,301	4,026,149
<u>Current liabilities</u>		
Trade and other payables	2,167,216	2,219,065
Provision	874,235	934,967
Borrowings	Part B,11 643,583	293,867
Taxation	16,182	3,614
Derivative financial instruments	Part B,12 19,189	108,080
Sales in advance of carriage	2,178,609	1,677,346
Deferred revenue	254,094	232,823
	6,153,108	5,469,762
Net current liabilities	(2,515,807)	(1,443,613)
	6,283,329	6,962,314
Financed by:		
Equity attributable to equity holders of the Company:		
Share capital	3,342,156	3,342,156
Reserves	(563,772)	182,010
	2,778,384	3,524,166
Non-controlling interest	14,473	13,078
Total equity	2,792,857	3,537,244
<u>Non current liabilities</u>		
Borrowings	Part B,11 3,481,724	3,414,913
Derivative financial instruments	Part B,12 8,549	10,155
Deferred tax liabilities	199	2
	3,490,472	3,425,070
	6,283,329	6,962,314
Net assets per share (RM)	0.84	1.06

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011**

	Attributable to equity holders of the Company								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	Total reserves RM '000			Total 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	-	-	-	-	-	-	(769,019)	(769,019)	(769,019)	1,571	(767,448)
Other comprehensive income	-	-	-	-	22,686	-	-	22,686	22,686	-	22,686
Grant of ESOS	-	-	-	550	-	-	-	550	550	-	550
Dividend declared	-	-	-	-	-	-	-	-	-	(176)	(176)
At 30 June 2011	3,342,156	58,076	4,995,970	88,938	(47,316)	501,530	(6,160,971)	(563,772)	2,778,384	14,473	2,792,857

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010**

	Attributable to equity holders of the Company								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	Total reserves RM '000			Total 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
Loss for the period	-	-	-	-	-	-	(224,682)	(224,682)	(224,682)	1,683	(222,999)
Other comprehensive income	-	-	-	-	6,220	-	-	6,220	6,220	-	6,220
Rights issue	1,671,078	-	1,002,647	-	-	-	-	1,002,647	2,673,725	-	2,673,725
Rights shares's expenses	-	-	(14,353)	-	-	-	-	(14,353)	(14,353)	-	(14,353)
Grant of ESOS	-	-	-	636	-	-	-	636	636	-	636
At 30 June 2010	3,342,156	58,076	4,995,972	88,388	6,220	501,530	(5,851,103)	(200,917)	3,141,239	13,552	3,154,791

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000 (Restated)
<u>Cash Flows From Operating Activities</u>		
Loss before taxation	(747,662)	(212,340)
Adjustments for :-		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	242,536	385,236
- doubtful debts, net	34,183	(21,635)
- short term accumulating compensated absences, net	10,107	5,212
- inventories obsolescence, net	15,056	(5,099)
- unavailed credits on sales in advance of carriage	(92,359)	(122,224)
Aircraft, property, plant and equipment:		
- depreciation	196,795	184,784
- writte off/(writeback), net	5,144	(773)
- writeback of impairment losses, net	(620)	(8,212)
- loss/(gain) on disposal, net	62,120	(82)
Amortisation of:		
- intangible assets	15,082	16,225
Share of results of:		
- jointly-controlled entity	5,957	1,798
- associated companies	(3,552)	(7,011)
Interest expenses	73,824	60,904
Derivative (gain)/loss	(8,485)	160,504
ESOS expense	550	636
Unrealised foreign exchange (gain)/loss	(44,230)	22,113
Interest income	(17,287)	(31,380)
Operating (loss)/profit before working capital changes	(252,841)	428,656
Increase in inventories	(27,647)	(12,003)
Increase in trade and other receivables	(148,315)	(55,108)
Decrease/(Increase) in amount owing by holding company	19,719	(119,687)
Decrease in trade and other payables	(739)	(152,151)
Decrease in provision	(303,268)	(358,058)
Increase in sales in advance of carriage	593,624	298,618
Increase in deferred revenue	21,269	79,504
Cash (used in)/generated from operating activities	(98,198)	109,771
Net cash settlement on derivatives	(73,507)	(296,446)
Premium paid on derivatives	(19,879)	(33,949)
Interest paid	(82,375)	(56,668)
Taxes paid	(5,905)	(10,467)
Net cash used in operating activities	(279,864)	(287,759)
<u>Cash Flows From Investing Activities</u>		
Purchase of:		
- aircraft, property, plant and equipment	(1,850,007)	(2,747,686)
- intangible assets	(5,114)	(26,744)
- investment in a jointly controlled entity	(12,244)	-
Withdrawal/(Placement) of:		
- negotiable instruments of deposit	35,000	50,000
- deposits pledged with banks	106,125	(41,793)
Proceeds from disposal of:		
- aircraft, property, plant and equipment	1,197,645	126
Interest received	13,718	22,546
Net cash used in investing activities	(514,877)	(2,743,551)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000 (Restated)
<u>Cash Flows From Financing Activities</u>		
Proceeds from:		
- issuance of shares	-	2,673,725
- aircraft refinancing	245,110	259,623
- borrowings	323,988	-
Repayment of:		
- borrowings	(58,548)	(210,000)
- finance lease	(99,006)	(100,865)
Expenses incurred on issuance of Rights share exercise	-	(14,353)
Settlement of RCPS	-	(696)
Dividend paid on RCPS	(12,454)	(12,454)
Dividend paid to minority shareholders in subsidiaries	(176)	-
Net cash generated from financing activities	<u>398,914</u>	<u>2,594,980</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(395,827)	(436,330)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	<u>1,923,777</u>	<u>2,449,362</u>
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	<u><u>1,527,950</u></u>	<u><u>2,013,032</u></u>
Cash and cash equivalents comprise:		
Cash on hand and at banks	929,663	674,806
Short term deposits	653,837	1,595,517
Cash and cash equivalents	1,583,500	2,270,323
Less: Deposits pledged with banks	(55,550)	(257,291)
Cash and cash equivalents as at 30 June	<u><u>1,527,950</u></u>	<u><u>2,013,032</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, FRS 127 (Amended): Consolidated and Separate Financial Statements and IC Interpretation 4: Determining Whether an Arrangement Contains a Lease.

The principal changes in accounting policies and effects resulting from the adoption of FRS 3, FRS 127 and IC Interpretation 4 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.

iii) Effects of Adoption of IC Interpretation 4: Determining Whether an Arrangement Contains a Lease

IC Interpretation 4 clarifies that an arrangement should be accounted for as a lease under FRS 117: Leases when the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if the arrangement does not take the legal form of a lease.

The adoption of FRS 3 (Revised), FRS 127 (Amended) and IC Interpretation 4 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 (CONTINUED)

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 30 June 2011.

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There was no material changes in estimates of amount reported for the financial period ended 30 June 2011.

7. SIGNIFICANT EVENTS

- (i) On 21 June 2011, the Company announced that it has exercised its option to purchase ten (10) additional Next-Generation 737-800 aircraft. The order is valued at more than USD800 million at current list prices.
- (ii) On 6 June 2011, the Company was elected as a designate member of Oneworld at a meeting on the sidelines of IATA's 2011 World Air Transport Summit. The formalisation of the alliance membership agreement is currently in progress.

There was no other significant event for the financial period ended 30 June 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 30 June 2011.

9. DIVIDEND PAID

There was no dividend paid during the financial period ended 30 June 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 30 June 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 30 June 2011					
Revenue					
External revenue	5,512,018	1,040,223	18,331	-	6,570,572
Inter-segment revenue *	520,728	-	22,065	(542,793)	-
Total revenue	6,032,746	1,040,223	40,396	(542,793)	6,570,572
Results					
Segment (loss)/profit before tax	(782,999)	54,971	8,305	(27,939)	(747,662)

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 30 June 2010					
Revenue					
External revenue	4,875,832	1,161,642	31,777	-	6,069,251
Inter-segment revenue *	548,989	-	22,464	(571,453)	-
Total revenue	5,424,821	1,161,642	54,241	(571,453)	6,069,251
Results					
Segment (loss)/profit before tax	(285,875)	74,568	12,611	(13,644)	(212,340)
Segment assets **					
At 30 June 2011	12,761,921	299,438	849,230	(1,588,155)	12,322,434
At 31 December 2010	12,599,985	278,944	869,375	(1,420,392)	12,327,912

* Inter-segment revenues are eliminated on consolidation.

** Segment assets do not include investment in associates (June '11: RM105.4 million, Dec '10: RM101.8 million) and investment in a jointly-controlled entity (June '11: RM8.6 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 30 June 2011.

12. SUBSEQUENT EVENT

- (i) On 9 August 2011, the MAS entered into a Comprehensive Collaboration Framework ("CCF") with Air Asia Berhad ("AirAsia") and Air Asia X Sdn. Bhd. which includes a Collaboration Agreement to explore opportunities to co-operate on a broad range of areas. Under the CCF, all parties will strive to complement each other's businesses so as to leverage on their respective core competencies and optimise efficiency for the benefit of consumers.
- (ii) On 9 August 2011, on behalf of the Board of Directors of the Company ("Board"), CIMB Investment Bank Berhad announced that the Company is proposing to enter into a warrants exchange exercise with AirAsia ("Proposed Warrants Exchange").

The Proposed Warrants Exchange involves MAS issuing free warrants ("MAS Warrants") to AirAsia's ordinary shareholders and in exchange, AirAsia will be issuing free warrants ("AirAsia Warrants") to MAS's ordinary shareholders.

The Proposed Warrants Exchange will not raise any funds for MAS as MAS Warrants will be issued for free to the shareholders of AirAsia.

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

12. SUBSEQUENT EVENT (CONTINUED)

The Proposed Warrants Exchange is subject to and conditional upon approvals being obtained from the following:

- (a) Bursa Securities, for the following:
 - 1. the admission of the MAS Warrants and AirAsia Warrants to the Official List of Bursa Securities; and
 - 2. the listing of and quotation for the MAS Warrants and AirAsia Warrants as well as the new MAS and AirAsia Shares to be issued arising from the exercise of the MAS Warrants and AirAsia Warrants, on the Main Market of Bursa Securities;
- (b) Bank Negara Malaysia, for the issuance of the MAS Warrants and AirAsia Warrants to non-resident shareholders;
- (c) MAS's shareholders for the Proposed Warrants Exchange at an extraordinary general meeting ("EGM") to be convened;
- (d) AirAsia's shareholders for the Proposed Warrants Exchange at an EGM to be convened;
- (e) all relevant parties for AirAsia to undertake the Proposed Warrants Exchange; and
- (f) any other relevant authorities and/or parties, if required.

Barring any unforeseen circumstances, the Board expects the Proposed Warrants Exchange to be completed by the first quarter of 2012 and Application(s) to the relevant authorities for the Proposed Warrants Exchange are expected to be submitted within three (3) months from the date of this announcement.

- (iii) On 11 July 2011, the Company subscribed for two (2) ordinary shares of RM1 each of MH Loyalty Programme Sdn. Bhd. for a consideration of RM2, by way of cash. With effect from that date, MH Loyalty Programme Sdn. Bhd. became a wholly-owned subsidiary of the Company.

There was no other material subsequent event for the financial period ended 30 June 2011.

13. CHANGES IN THE COMPOSITION OF THE GROUP

On 7 January 2011, a wholly owned subsidiary, Malaysian Aerospace Engineering Sdn. Bhd. ("MAE") subscribed for 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 30 June 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.

		17/08/2011
		RM '000
1.	Loans	
	- Unsecured	43,626
		43,626
2.	Tenure	
	Loans due within one year	13,243
	Loans due later than one year and not later than five years	30,383
		43,626
3.	Loans by currencies in Ringgit Malaysia	
	Euro	43,626
		43,626
 (b) Others		
	Bank guarantees given to third parties	243,173
	Bank guarantees given to PMB on aircraft lease	19,469
	Performance bonds given to third parties	1,600
		264,242

(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 17 August 2011 is RM192.15 million.

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

15. CAPITAL COMMITMENT

	As at 30/6/2011 RM '000	As at 31/12/2010 RM '000 (Restated)
Approved and contracted for	11,916,129	11,961,748
Approved but not contracted for	163,378	168,998
	<u>12,079,507</u>	<u>12,130,746</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 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/payable	54,518	56,691	114,790	111,375
- Rental income and others	(4,898)	(4,898)	(9,796)	(9,796)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered	114,737	38,697	217,768	176,253
- Rental income and others	(3,066)	(2,175)	(6,169)	(6,668)
- Shared services billed	(29)	(46)	(118)	(74)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,066	1,107	2,122	2,276
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/payable	2,994	3,751	5,249	5,887
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/payable	1,055	1,273	1,090	2,451
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	419	315	827	721

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
	30/6/2011	30/6/2010	30/6/2011	30/6/2010
	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	(2,833)	6,378	9,763	18,567
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,294	1,241	2,425	2,394
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	326	258	650	627
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	97,266	57,728	156,031	118,759
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	59,247	59,016	118,434	117,708

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 30/6/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
Amount owing (to)/by holding company	(39)	19,679
Amount owing by a related party	3,435	2,805
Amount owing by a fellow subsidiary		
- due within one year	41,984	40,931
- due after one year	101,039	122,379
Amount owing by associated companies	289	328
Amount owing to associated companies	(37,679)	(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 RM413 million for the second quarter ended 30 June 2011 as compared to RM286 million loss for the quarter ended 30 June 2010. The higher loss is attributable to higher fuel cost.

The Group recorded a loss after tax of RM526 million for the quarter ended 30 June 2011, compared to RM534 million loss in the same quarter last year. The after tax loss is inclusive of derivative loss of RM56 million (Quarter ended 30 June 2010: RM217 million loss).

Total operating revenue increased by 8.5% to RM3,429 million for the quarter, RM269 million higher than the the revenue recorded in the quarter ended 30 June 2010. The revenue growth was attributable to 12% growth in passenger load (in terms of passenger revenue kilometers) at the back of 10% capacity growth, improved seat factor by 1.5 percentage point to 75.5% and 1% improvement in passenger yield (average revenue per passenger kilometer).

Total expenditure, however increased by 11.4% or RM399 million to RM3,898 million mainly due to increase in fuel cost by RM448 million as the total fuel cost increased by 41% over the same period last year. Non-fuel cost was lower by 2% or RM48 million than the same quarter last year.

2. DERIVATIVE (LOSS)/GAIN

Derivative (loss)/gain consists of 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 30 June 2011 as compared to 31 March 2011 (for quarter ended) and 31 December 2010 (for period ended) and realised (loss)/gain on settlement of hedging contracts which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM 'Mil	Quarter ended 30/6/2010 RM 'Mil	Period ended 30/6/2011 RM 'Mil	Period ended 30/6/2010 RM 'Mil
(i) (Loss)/gain from fuel hedging contracts	(13.0)	(215.5)	81.4	(142.8)
(ii) (Loss)/gain from foreign currency hedging contracts	(36.8)	6.9	(66.4)	7.9
(iii) Loss from interest rate hedging contracts	(6.3)	(8.6)	(6.5)	(25.6)
	(56.1)	(217.2)	8.5	(160.5)

3. OTHER COMPREHENSIVE INCOME

Gain/(loss) from cash flow hedges consists of fair value changes due to movement in MTM position on effective hedging contracts at 30 June 2011 as compared to 31 March 2011 (for quarter ended) and 31 December 2010 (for period ended) and realised gain/(loss) on settlement of hedging contracts which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM 'Mil	Quarter ended 30/6/2010 RM 'Mil	Period ended 30/6/2011 RM 'Mil	Period ended 30/6/2010 RM 'Mil
(i) (Loss)/gain from fuel hedging contracts	(15.1)	(0.3)	6.0	(0.3)
(ii) Gain from foreign currency hedging contracts	16.2	9.8	18.9	9.0
(iii) Loss from interest rate hedging contracts	(5.1)	(6.9)	(2.2)	(2.5)
	(4.0)	2.6	22.7	6.2

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 operating loss of RM413 million is RM146 million unfavourable when compared to quarter ended March 2011. The Group loss after tax for the quarter of RM526 million is RM284 million unfavourable when compared to that of the preceding quarter. The preceding quarter result is inclusive of RM65 million derivative gain.

Total operating revenue increased by 9% or RM287 million when compared to the previous quarter mainly from 2.7% higher load and 6.6% higher yield with modest capacity growth of 3.3%. The global sales campaign and various yield improvement initiatives have helped to increase the operating revenue.

Total expenditure increased by 12% or RM437 million due to both fuel and non-fuel cost increases. Fuel cost has increased by RM218 million or 16% over the preceding quarter. Non-fuel cost increase is largely due to increased aircraft lease cost, incentives and advertising cost, as well as one-off foreign exchange loss on sale and leaseback of the four new aircraft.

5. CURRENT YEAR PROSPECTS

For remaining of the year, IATA reported that the outlook of the airline industry remains bearish with fuel prices remaining high, fears of sovereign debt crisis in Europe, and the possibility of a recessionary outlook for the United States. MAS current forward booking profile indicates key challenges for the Europe, US and Japan regions, with normal forward booking trends for other major regional destinations.

In response to the tough operating environment, MAS is moderating its short-term capacity growth. The management team shall have a serious review of its current network moving forward, and shall adjust deployed capacity accordingly. MAS is currently executing the return of two B747-200 freighters, one B747-400 and three B737-400s by end September 2011.

MAS will also continue to enhance its yield performance through successful front cabin initiatives, implementation of fuel surcharges and improvement of its yield/revenue management. These measures are expected to yield some benefits in the second half 2011 but would not be adequate to offset the impact of high jet fuel price. We do not expect to make a profit for the second half of 2011 but given the abovementioned initiatives, we anticipate that the extent of losses would be less severe than the first half of 2011.

MAS will continue with its re-fleeting exercise to strengthen its competitive edge by further enhancing its product and services. The enhanced product would enable MAS to strongly compete especially on the front cabin. The multi-year fleet renewal programme has commenced with the delivery of five new B737-800 aircraft and five new A330-300 aircraft as at mid August 2011. The first new A330 freighter will be delivered in September 2011. There will be six more aircraft deliveries in 2011 (two B737-800, two A330 Freighters and two ATR72). Beyond 2011, MAS has a firm order of thirty-eight B737-800s, ten A330s, six A380s and two A330 Freighters. The aircraft delivery will gather pace in the next few years. The financing activities for 2012 deliveries have commenced in earnest.

MASKargo, Firefly Turboprops and MRO operations registered profit of RM140 million collectively in the first half and expected to remain profitable in the second half of 2011. However Firefly Jet operations is under review due to the substantial losses in the first half of 2011 and the current resources of Firefly Jet will be refocused to provide a short-haul premium airline offering, whilst Firefly Turboprop would continue on its expansion plans.

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

5. CURRENT YEAR PROSPECTS (CONTINUED)

MAS, AirAsia Berhad and AirAsia X Sdn. Bhd. have entered into a Comprehensive Collaboration Framework ("CCF") which includes a Collaboration Agreement to explore opportunities to co-operate on a broad range of areas. Broadly, the Collaboration Agreement enables MAS, AirAsia and AirAsia X to respectively focus on their core competencies and business segments. The early phase for collaboration shall focus on immediate synergy opportunities (aircraft purchasing, engineering, ground support services, cargo services, catering and training) which can be realised without significant effect on any party's operations. A joint Collaboration Committee which is populated by Board members from the three airlines would continuously review further synergy opportunities, whilst ensuring full compliance with anti-trust regulations. The Collaboration Agreement envisages more detailed terms of collaboration subject to a full anti-trust review by all three companies. This will shape the medium and long term direction of the company.

6. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the financial period ended 30 June 2011.

7. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000
Current period				
- Malaysian taxation	13,533	908	14,899	8,408
- Foreign taxation	1,116	1,050	2,166	2,010
	14,649	1,958	17,065	10,418
Under/(Over) provision in prior period	442	(75)	445	(25)
Deferred taxation	1,256	(913)	2,276	266
Total	16,347	970	19,786	10,659

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 30 June 2011.

9. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 30 June 2011, the Group has no quoted securities and there were no disposal of quoted securities during the financial period ended 30 June 2011.

10. CORPORATE PROPOSALS

There were no corporate proposals made during the financial period ended 30 June 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 30/6/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
(i) Short term borrowings		
Unsecured		
- Revolving Credit	373,988	50,000
- Term Loan	118,641	118,614
Secured		
- Term Loan	22,261	22,355
- Finance Lease	128,693	102,898
	<u>643,583</u>	<u>293,867</u>
(ii) Long term borrowings		
Unsecured		
- Term Loan	752,116	802,598
- Redeemable Cumulative Preference Shares ("RCPS")	407,080	407,116
Secured		
- Term Loan	178,815	193,720
- Finance Lease	2,143,713	2,011,479
	<u>3,481,724</u>	<u>3,414,913</u>
Total	<u>4,125,307</u>	<u>3,708,780</u>
(iii) Currency denominations		
Ringgit Malaysia	1,773,404	1,558,385
US Dollars	2,100,327	1,991,208
Japanese Yen	251,576	159,187
	<u>4,125,307</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 30/6/2011	Fair Value as at 30/6/2011 Assets/ (Liabilities) RM 'Mil
(i) Fuel Hedging Contracts	Barrels 'Mil	
Less than 1 year	2.1	45.9
1 year to 3 years	0.2	5.6
	<u>2.3</u>	<u>51.5</u>
(ii) Interest Rate Hedging Contracts	RM 'Mil	
Less than 1 year	150.6	(0.5)
1 year to 3 years	953.5	(28.4)
More than 3 years	518.5	1.7
	<u>1,622.6</u>	<u>(27.2)</u>
(iii) Foreign Currency Hedging Contracts	RM 'Mil	
Less than 1 year	1,305.1	(52.0)
Total		<u>(27.7)</u>
Represented by:		
- Current liabilities		(19.2)
- Non current liabilities		(8.5)
		<u>(27.7)</u>

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 30 June 2011					
Realised losses	(6,410,948)	(17,321)	(17,795)	109,216	(6,336,848)
Unrealised profits/(losses)	178,170	(2,242)	(51)	-	175,877
	<u>(6,232,778)</u>	<u>(19,563)</u>	<u>(17,846)</u>	<u>109,216</u>	<u>(6,160,971)</u>
As at 31 December 2010 (Restated)					
Realised losses	(5,603,005)	(21,092)	(11,524)	135,438	(5,500,183)
Unrealised profits/(losses)	110,618	(2,023)	(364)	-	108,231
	<u>(5,492,387)</u>	<u>(23,115)</u>	<u>(11,888)</u>	<u>135,438</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. On 24 November 2010, the Court dismissed the Second Defendant's interlocutory application to strike out the Plaintiff's claim.

To date, MAS has yet to receive any proposal for settlement and has not engaged in any negotiation with Tan Sri Tajudin bin Ramli with regard to an out of court settlement.

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.

The First, Second, Third and Fourth Defendant's application to strike out the Original Suit has been dismissed by the High Court and they have filed an appeal to the Court of Appeal.

To date, MAS has yet to receive any proposal for settlement and has not engaged in any negotiation with Tan Sri Tajudin bin Ramli with regard to an out of court settlement.

- (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 court allowed the Company's motion to strike out the part of the claims relating to the alleged price-fixing conspiracy prior to 6 November 2003 on the basis that those claims were time-barred. The court also dismissed portions of the claims relating to flights originating in Asia on the basis of lack of jurisdiction. These two rulings have, according to the Company's US lawyers, significantly reduced the potential amount of claims. The case is proceeding.

- (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 filed its defence on 11 December 2009. The trial of the case has started on 11 May 2011 and is ongoing.

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.

The Company on 11 July 2011 entered into a Settlement Agreement with the plaintiffs by which the Company is to pay a total sum of USD3.35 million as settlement to the plaintiffs. The settlement sum is apparently the lowest to date among the related actions. No admission of any infringement is made under the settlement and the settlement was entered into for the purpose of avoiding more legal costs that would otherwise have been incurred and treble damages that might be awarded by the court under the US antitrust laws had the plaintiffs won.

(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. The full hearing is expected to begin sometime in late 2011.

15. DIVIDENDS

The directors do not recommend any dividend for the financial period ended 30 June 2011.

16. LOSS PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/6/2011	30/6/2010	30/6/2011	30/6/2010
(a) Basic loss per share				
Loss attributable to equity holders of the Company (RM'000)	(526,680)	(534,729)	(769,019)	(224,682)
Ordinary shares /Weighted average number of ordinary shares in issue ('000)	3,342,156	3,342,156	3,342,156	3,127,399
Loss per share (sen)	<u>(15.76)</u>	<u>(16.00)</u>	<u>(23.01)</u>	<u>(7.18)</u>

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the ordinary shares/weighted average number of ordinary shares in issue during the financial period ended 30 June 2011.

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

16. LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011	Quarter ended 30/6/2010	Period ended 30/6/2011	Period ended 30/6/2010
Loss attributable to equity holders of the Company (RM'000)	(526,680)	(534,729)	(769,019)	(224,682)
Effect of interest saving from RCPS	-	-	-	-
Diluted loss attributable to equity holders of the Company (RM'000)	(526,680)	(534,729)	(769,019)	(224,682)
Ordinary shares/Weighted average number of ordinary shares in issue ('000)	3,342,156	3,342,156	3,342,156	3,127,399
Effects of dilution resulting from RCPS	-	-	-	-
Effects of dilution resulting from ESOS	-	-	-	-
Adjusted ordinary shares/weighted average number of ordinary shares in issue and issuable ('000)	3,342,156	3,342,156	3,342,156	3,127,399
Diluted loss per share (sen)	(15.76)	(16.00)	(23.01)	(7.18)

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the ordinary shares/weighted average number of ordinary shares in issue during the financial period ended 30 June 2011, adjusted to assume the conversion of dilutive potential ordinary shares.

For the current period ended 30 June 2011, RCPS and ESOS have not been included in the calculation of diluted loss 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 23 Aug 2011.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
23 Aug 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 30 June 2011 is RM550 million (2010: RM334 million loss) and RM952 million (2010: RM108 million loss). The Group recorded Economic Loss for the quarter and period ended 30 June 2011 after excluding certain non-operational items such as interest income, foreign exchange differences and derivative gain/loss.

Although the EP may have some usefulness in terms of providing an indication of the return after deducting the cost of the resources it employs, it should not be used in isolation as an indicator of a company's performance nor is it a predictor of future performance. The EP results purely on their own may often give misleading results or trends.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM 'Mil	Quarter ended 30/6/2010 RM 'Mil Restated	Year ended 30/6/2011 RM 'Mil	Year ended 30/6/2010 RM 'Mil Restated
Loss Before Interest and Tax	(434)	(248)	(741)	9
Adjusted Tax	(15)	(2)	(17)	(10)
NOPLAT	(449)	(250)	(758)	(1)
Economic Charge				
Average Invested Capital	6,195	4,769	5,987	3,037
WACC (%)	6.49%	7.05%	6.49%	7.05%
Economic Charge	101	84	194	107
Economic Loss	(550)	(334)	(952)	(108)

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 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000 (Restated)	Year ended 30/6/2011 RM '000	Year ended 30/6/2010 RM '000 (Restated)
(a) Revenue	3,485,225	3,212,935	6,679,325	6,514,902
(b) Loss before tax	(509,411)	(532,591)	(747,662)	(212,340)
(c) Loss for the period	(525,758)	(533,561)	(767,448)	(222,999)
(d) Loss for the period attributable to ordinary equity holders of the Company	(526,680)	(534,729)	(769,019)	(224,682)
(e) Basic loss per share (sen)	(15.76)	(16.00)	(23.01)	(7.18)

	AS AT 30/06/2011	AS AT 31/12/2010 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.84	1.06

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2011 RM '000	Quarter ended 30/6/2010 RM '000 (Restated)	Period ended 30/6/2011 RM '000	Period ended 30/6/2010 RM '000 (Restated)
(a) Gross interest income	8,902	13,167	17,287	31,380
(b) Gross interest expense	(35,452)	(39,360)	(73,824)	(60,904)