

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 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 fourth quarter ended 31 December 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 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000 (Restated)	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000 (Restated)
Operating revenue		3,611,570	3,588,400	13,653,894	12,978,396
Operating expenses		(4,998,766)	(3,554,063)	(16,197,154)	(13,409,127)
Other operating income		66,606	81,128	247,527	607,163
(Loss)/Profit from operations		(1,320,590)	115,465	(2,295,733)	176,432
Fair value change of derivatives	Part B,3	27,691	169,041	60,660	164,251
Unrealised foreign exchange gain/(loss)		21,730	(3,401)	(129,115)	62,174
Finance costs		(43,938)	(32,439)	(159,424)	(138,402)
Share of results from associated companies		14,216	7,704	25,332	27,728
Share of results from jointly controlled entity		(2,792)	1,931	(14,604)	(10,147)
(Loss)/Profit before taxation		(1,303,683)	258,301	(2,512,884)	282,036
Taxation		26,818	(31,854)	(8,441)	(44,690)
(Loss)/Profit for the period		(1,276,865)	226,447	(2,521,325)	237,346
(Loss)/Profit attributable to:					
Equity holders of the Company		(1,277,384)	225,918	(2,523,988)	234,469
Non-controlling interest		519	529	2,663	2,877
(Loss)/Profit for the period		(1,276,865)	226,447	(2,521,325)	237,346
(Loss)/Earning per share attributable to equity holders of the Company					
Basic (sen)		(38.22)	6.76	(75.52)	7.25
Diluted (sen)		(38.22)	6.68	(75.52)	7.25

MALAYSIAN AIRLINE SYSTEM BERHAD
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QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000 (Restated)	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000 (Restated)
(Loss)/Profit for the period	(1,276,865)	226,447	(2,521,325)	237,346
Other comprehensive income: Part B,4				
Gain/(Loss) from cash flow hedges	12,570	23,060	41,780	(70,002)
Total comprehensive (loss)/income for the period	(1,264,295)	249,507	(2,479,545)	167,344
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(1,264,814)	248,978	(2,482,208)	164,467
Non-controlling interest	519	529	2,663	2,877
Total comprehensive (loss)/income for the period	(1,264,295)	249,507	(2,479,545)	167,344

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	As at 31/12/2011 RM '000	As at 31/12/2010 RM '000 (Restated)
<u>Non current assets</u>			
Aircraft, property, plant and equipment		9,073,907	7,663,357
Investment in associates		120,043	101,804
Investment in a jointly controlled entity		-	2,360
Other investments		54,599	54,604
Intangible assets		151,757	137,732
Other receivables		341,597	442,575
Deferred tax assets		765	3,495
		9,742,668	8,405,927
<u>Current assets</u>			
Inventories		362,267	430,849
Trade and other receivables		1,270,139	1,389,815
Tax recoverable		8,865	19,436
Negotiable instruments of deposit		101,073	139,206
Cash and bank balances		1,014,464	2,085,451
		2,756,808	4,064,757
<u>Current liabilities</u>			
Trade and other payables		2,643,899	2,257,673
Provision		1,188,165	934,967
Borrowings	Part B,10	1,379,411	293,867
Taxation		1,437	3,614
Derivative financial instruments	Part B,11	9,820	108,080
Sales in advance of carriage		1,705,943	1,677,346
Deferred revenue		205,307	232,823
		7,133,982	5,508,370
Net current liabilities		(4,377,174)	(1,443,613)
		5,365,494	6,962,314
Financed by:			
Equity attributable to equity holders of the Company:			
Share capital		3,342,156	3,342,156
Reserves		(2,299,648)	182,010
		1,042,508	3,524,166
Non-controlling interest		13,639	13,078
Total equity		1,056,147	3,537,244
<u>Non current liabilities</u>			
Borrowings	Part B,10	4,290,583	3,414,913
Derivative financial instruments	Part B,11	18,566	10,155
Deferred tax liabilities		198	2
		4,309,347	3,425,070
		5,365,494	6,962,314
Net assets per share (RM)		0.32	1.06

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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			
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 year	-	-	-	-	-	-	(2,523,988)	(2,523,988)	(2,523,988)	2,663	(2,521,325)
Other comprehensive income	-	-	-	-	41,780	-	-	41,780	41,780	-	41,780
Grant of ESOS	-	-	-	550	-	-	-	550	550	-	550
Dividend declared	-	-	-	-	-	-	-	-	-	(2,102)	(2,102)
At 31 December 2011	3,342,156	58,076	4,995,970	88,938	(28,222)	501,530	(7,915,940)	(2,299,648)	1,042,508	13,639	1,056,147

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
Profit for the year	-	-	-	-	-	-	234,469	234,469	234,469	2,877	237,346
Other comprehensive income	-	-	-	-	(70,002)	-	-	(70,002)	(70,002)	-	(70,002)
Rights issue	1,671,078	-	1,002,647	-	-	-	-	1,002,647	2,673,725	-	2,673,725
Rights shares's expenses	-	-	(14,355)	-	-	-	-	(14,355)	(14,355)	-	(14,355)
Grant of ESOS	-	-	-	636	-	-	-	636	636	-	636
Dividend declared	-	-	-	-	-	-	-	-	-	(1,668)	(1,668)
At 31 December 2010	3,342,156	58,076	4,995,970	88,388	(70,002)	501,530	(5,391,952)	182,010	3,524,166	13,078	3,537,244

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000 (Restated)
<u>Cash Flows From Operating Activities</u>		
(Loss)/Profit before taxation	(2,512,884)	282,036
Adjustments for :-		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	928,470	735,577
- doubtful debts, net	45,073	4,826
- short term accumulating compensated absences, net	17,037	15,399
- inventories obsolescence, net	46,810	11,250
- stock loss	42,119	(6,493)
- unavailed credits on sales in advance of carriage	(186,337)	(213,359)
Aircraft, property, plant and equipment:		
- depreciation	423,590	366,602
- writte off, net	25,462	9,402
- write off/(writeback) of impairment losses, net	426,558	(2,671)
- loss/(gain) on disposal, net	60,687	(510)
Amortisation of:		
- intangible assets	33,419	33,316
Share of results of:		
- jointly-controlled entity	14,604	10,147
- associated companies	(25,332)	(27,728)
Interest expenses	153,485	137,244
Fair value change of derivatives	(60,660)	(164,251)
ESOS expense	550	636
Unrealised foreign exchange loss/(gain)	129,115	(62,174)
Interest income	(28,830)	(51,993)
Dividend income	(18,292)	(18,694)
Operating (loss)/profit before working capital changes	(485,356)	1,058,562
Increase in inventories	(20,347)	(50,690)
Decrease in trade and other receivables	158,435	58,652
Increase in amount owing by immediate holding company	-	(115,974)
Increase in trade and other payables	564,338	217,392
Decrease in provision	(675,271)	(702,905)
Increase in sales in advance of carriage	214,936	439,304
(Decrease)/Increase in deferred revenue	(27,518)	7,688
Cash (used in)/generated from operating activities	(270,783)	912,029
Net cash settlement on derivatives	(102,080)	(623,121)
Premium paid on derivatives	(24,886)	(37,873)
Interest paid	(197,773)	(176,435)
Taxes refund/(paid)	3,180	(8,606)
Net cash (used in)/generated from operating activities	(592,342)	65,994
<u>Cash Flows From Investing Activities</u>		
Purchase of:		
- aircraft, property, plant and equipment	(3,516,587)	(3,706,348)
- intangible assets	(47,445)	(61,007)
- investment in a jointly controlled entity	(12,244)	(10,709)
- other investment	-	(652)
Withdrawal of:		
- negotiable instruments of deposit	35,000	150,000
- deposits pledged with banks	106,025	53,823
Proceeds from disposal of:		
- aircraft, property, plant and equipment	1,211,800	1,076
- other investment	5	-
Interest received	29,430	37,834
Dividend received	25,384	23,593
Net cash used in investing activities	(2,168,632)	(3,512,390)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000 (Restated)
<u>Cash Flows From Financing Activities</u>		
Proceeds from:		
- issuance of shares	-	2,673,725
- aircraft refinancing	1,033,879	694,530
- borrowings	1,160,418	50,000
Repayment of:		
- borrowings	(277,390)	(260,000)
- finance lease	(106,340)	(208,271)
Expenses incurred on issuance of Rights share exercise	-	(14,355)
Settlement of RCPS	-	(696)
Dividend paid on RCPS	(12,454)	(12,454)
Dividend paid to minority shareholders in subsidiaries	(2,102)	(1,668)
Net cash generated from financing activities	<u>1,796,011</u>	<u>2,920,811</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(964,963)	(525,585)
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 DECEMBER	<u><u>958,814</u></u>	<u><u>1,923,777</u></u>
Cash and cash equivalents comprise:		
Cash on hand and at banks	564,115	676,107
Short term deposits	450,349	1,409,344
Cash and cash equivalents	1,014,464	2,085,451
Less: Deposits pledged with banks	(55,650)	(161,674)
Cash and cash equivalents as at 31 December	<u><u>958,814</u></u>	<u><u>1,923,777</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 financial 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 financial 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, FRS 7 (Amended): Financial Instruments: Disclosures 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 (Revised), FRS 127 (Amended), FRS 7 (Amended) 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 FRS 7 (Amended): Financial Instruments: Disclosures

FRS 7 (Amended) promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy. The amended Standard only affects disclosures and does not have any financial impact on the results of the Group and Company.

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

iv) 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), FRS 7 (Amended) and IC Interpretation 4 does not have any financial impact to the Group and Company.

Changes in Accounting Policies and Effects of Adoption of New and Revised FRSs

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare its quarterly condensed financial report and financial statements using the MFRS Framework in its first MFRS quarterly condensed financial report/financial statements for the period/year ending 31 March 2012/31 December 2012. In presenting its first MFRS quarterly condensed financial report/financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework.

The Group has completed its assessment on MFRS adoption. The MFRS adoption is expected not to have significant impact on the financial statements of the Group upon its initial application.

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.

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

4. SEASONALITY OR CYCLICAL NATURE OF OPERATIONS

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

5. UNUSUAL ITEMS

There were no unusual items for the financial year ended 31 December 2011.

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

7. SIGNIFICANT EVENTS

- (i) On 29 December 2011, the Company announced that its immediate holding company, Penerbangan Malaysia Bhd ("PMB"), has disposed its remaining shareholdings in the Company to Khazanah Nasional Bhd ("KNB"). Hence, all of the Company's shares previously held indirectly by KNB through PMB, are now held directly by KNB.
- (ii) On 7 December 2011, the Company announced its Business Plan - Our Way Forward ("Business Plan"). The Business Plan outlines the Company near-term recovery plan to profitability by 2013, as well as a set of 'game changers' to sustain performance and create a platform for continued growth for the Company.
- (iii) On 9 August 2011, the Company 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.
- (iv) 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.
- (v) 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 year ended 31 December 2011.

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 year ended 31 December 2011.

9. DIVIDEND PAID

There was no dividend paid during the financial year ended 31 December 2011.

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

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 year ended 31 December 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 year ended 31 December 2011					
Revenue					
External revenue	11,540,406	2,053,125	60,363	-	13,653,894
Inter-segment revenue *	1,210,970	-	44,210	(1,255,180)	-
Total revenue	12,751,376	2,053,125	104,573	(1,255,180)	13,653,894
Results					
Segment (loss)/profit before tax	(2,503,916)	(18,782)	10,454	(640)	(2,512,884)

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
For quarter ended 31 December 2011					
Revenue					
External revenue	3,073,426	523,279	14,865	-	3,611,570
Inter-segment revenue *	362,007	-	11,173	(373,180)	-
Total revenue	3,435,433	523,279	26,038	(373,180)	3,611,570
Results					
Segment (loss)/profit before tax	(1,213,963)	(98,065)	669	7,676	(1,303,683)

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 year ended 31 December 2010					
Revenue					
External revenue	10,558,855	2,356,730	62,811	-	12,978,396
Inter-segment revenue *	1,088,462	-	45,349	(1,133,811)	-
Total revenue	11,647,317	2,356,730	108,160	(1,133,811)	12,978,396
Results					
Segment profit before tax	94,623	141,709	18,931	26,773	282,036
For quarter ended 31 December 2010					
Revenue					
External revenue	2,955,049	616,252	17,099	-	3,588,400
Inter-segment revenue *	266,382	-	11,812	(278,194)	-
Total revenue	3,221,431	616,252	28,911	(278,194)	3,588,400
Results					
Segment profit before tax	202,676	26,959	3,563	25,103	258,301
Segment assets **					
At 31 December 2011	12,555,947	732,648	950,869	(1,860,031)	12,379,433
At 31 December 2010	12,599,987	278,944	869,373	(1,381,784)	12,366,520

* Inter-segment revenues are eliminated on consolidation.

** Segment assets do not include investment in associates (Dec '11: RM120.0 million, Dec '10: RM101.8 million) and investment in a jointly-controlled entity (Dec '11: RMNil, Dec '10: RM2.4 million) as these assets are managed on a group basis.

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

11. VALUATION OF ASSETS

There was no valuation of aircraft, property, plant and equipment for the financial year ended 31 December 2011.

12. SUBSEQUENT EVENT

- (i) On 19 January 2012, the Company subscribed for two (2) ordinary shares of RM1.00 each of MAS Airline System Sdn. Bhd., for a consideration of RM2, by way of cash. With effect from that date, MAS Airline System Sdn. Bhd. became a wholly-owned subsidiary of the Company.
- (ii) On 10 January 2012, the Company has incorporated an off-shore company, Malaysia Airlines Capital IV (L) Limited with a paid up capital of USD1.00 (equivalent to RM3.14). With effect from that date, Malaysia Airlines Capital IV (L) Limited became a wholly-owned subsidiary of the Company.
- (iii) On 3 January 2012, the Company subscribed for 250 ordinary shares of USD1.00 each of Malaysia Airlines Capital IV Cayman Limited, an off-shore company, for a consideration of USD250 (equivalent to RM788), by way of cash. With effect from that date, Malaysia Airlines Capital IV Cayman Limited became a wholly-owned subsidiary of the Company.

There was no other material subsequent event for the financial year ended 31 December 2011.

13. CHANGES IN THE COMPOSITION OF THE GROUP

- (i) On 27 October 2011, the Company has incorporated an off-shore company, Delima Insurance (Labuan) Ltd with a paid-up capital of USD1.00 (equivalent to RM3.00). With effect from that date, Delima Insurance (Labuan) Ltd became a wholly-owned subsidiary of the Company.
- (ii) 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.
- (iii) 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 year ended 31 December 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.

	23/02/2012 RM '000
1. Loans	
- Unsecured	34,585
2. Tenure	
Loans due within one year	12,377
Loans due later than one year and not later than five years	22,208
	34,585
3. Loans by currencies in Ringgit Malaysia	
Euro	34,585

(b) Others

Bank guarantees given to third parties	349,558
Bank guarantees given to PMB on aircraft lease	24,547
Performance bonds given to third parties	1,654
	375,759

(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.

15. CAPITAL COMMITMENT

	As at 31/12/2011 RM '000	As at 31/12/2010 RM '000 (Restated)
Approved and contracted for	10,764,213	11,961,748
Approved but not contracted for	13,994	168,998
	10,778,207	12,130,746

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

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

16. SIGNIFICANT RELATED PARTY DISCLOSURES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/payable	54,319	54,939	234,240	229,284
- Rental income and others	(4,898)	(4,899)	(19,592)	(19,593)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered	128,876	94,439	429,695	331,703
- Rental income and others	(4,219)	(3,153)	(13,454)	(13,028)
- Shared services billed	(35)	(53)	(200)	(196)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,078	1,057	4,240	4,432
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/payable	2,865	2,890	10,299	12,035
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/payable	1,288	1,123	4,206	4,721
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	250	329	1,435	1,355
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/ payable	7,127	7,581	24,954	35,353
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	1,224	1,223	5,024	4,884
Miascor Catering Services Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	344	299	1,388	1,269
Penerbangan Malaysia Bhd., a related party:				
- Hire of aircraft paid/ payable	57,409	59,367	271,805	238,785
Aircraft Business Malaysia Sdn. Bhd., a related company:				
- Aircraft lease rental paid/ payable	70,409	59,505	248,211	236,877
Queens Park Rangers Football Club of United Kingdom, a related party:				
- sponsorship deals	5,983	-	5,983	-

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

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
Amount owing by related parties		
- due within one year	30,936	63,415
- due after one year	80,366	122,379
Amount owing by associated companies	-	328
Amount owing to associated companies	(68,773)	(58,376)

18. CHANGES IN PREVIOUS YEAR PRESENTATION

The following disclosure for the year ended 31 December 2010 has been restated to conform with current year's presentation:

Statement of financial position as at 31 December 2010

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Trade and other receivables	1,351,207	38,608	1,389,815
Trade and other payables	(2,219,065)	(38,608)	(2,257,673)

Quarter ended 31 December 2010

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	3,592,010	(3,610)	3,588,400
Operating expenses	(3,535,807)	(18,256)	(3,554,063)
Fair value change of derivatives (Derivative gain/(loss) previously)	143,774	25,267	169,041
Unrealised foreign exchange gain/(loss)	-	(3,401)	(3,401)

Year ended 31 December 2010

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	12,980,447	(2,051)	12,978,396
Operating expenses	(13,323,737)	(85,390)	(13,409,127)
Fair value change of derivatives (Derivative gain/(loss) previously)	138,984	25,267	164,251
Unrealised foreign exchange gain/(loss)	-	62,174	62,174

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 RM1,321 million for the fourth quarter ended 31 December 2011 as compared to RM115 million profit for the quarter ended 31 December 2010. The higher loss is attributable to higher fuel cost and one off provisions for impairment and obsolescence of engineering spares of RM179 million, provision for aircraft redelivery cost of RM602 million, and impairment of aircraft of RM314 million.

The Group recorded a loss after tax of RM1,277 million for the fourth quarter ended 31 December 2011, compared in the same quarter last year. The after tax loss is inclusive of fair value change of derivative of RM28 million gain (Quarter ended 31 December 2010: RM169 million gain) and unrealised foreign exchange gain of RM22 million (Quarter ended 31 December 2010: RM3 million loss).

Total operating revenue increased by 1% to RM3,612 million for the quarter compared to same quarter last year mainly due to Airline Operations. Operating revenue for Airline Operations increased by 7% to RM3,435 million for the quarter mainly attributable to 2% growth in passenger yield (in terms of revenue per passenger kilometers) at the back of 2% capacity growth, 9% improvement in passenger yield (average revenue per passenger kilometer) and reduced seat factor by 5.1 percentage point to 72%. However, operating revenue for Cargo Services decreased by 15% to RM523 million for the quarter due to 18% declined of load tonnage and capacity, 3% decreased in yield and reduced load factor by 0.1 percentage point to 73%.

Total operating expenditure increased by 41% or RM1,445 million to RM4,999 million mainly due to Airline Operations. Operating expenditure for Airline Operations increased by 57% or RM1,594 million mainly due to increase in fuel cost by RM354 million or 34% over the same quarter last year. Non-fuel cost was higher by 71% or RM1,240 million due to one off provisions for impairment and obsolescence of engineering spares of RM179 million, provision for aircraft redelivery cost of RM602 million, and impairment of aircraft of RM224 million. Operating expenditure for Cargo Services, however, decreased by 19% or RM149 million mainly due to decrease in fuel cost by RM56 million or 33% over the same quarter last year in line with reduction in capacity. Non-fuel cost in Cargo Services was higher by RM85 million or 20% than the same quarter last year, after including impairment of aircraft of RM90 million.

2. (LOSS)/PROFIT FROM OPERATIONS

On 22 September 2011, Bursa Malaysia Securities Berhad ("Bursa Malaysia") has amended the Main Market Listing Requirements ("Main LR") in various key areas. In accordance to the amendments of the Main LR, the following amounts have been (credited)/debited in arriving at (loss)/profit from operations:

	Quarter ended 31/12/2011 RM '000	Year ended 31/12/2011 RM '000
Provision for:		
- doubtful debts, net	5,769	45,073
- inventories obsolescence, net	22,753	46,810
Aircraft, property, plant and equipment:		
- depreciation	120,310	423,590
- write off of impairment losses, net	425,636	426,558
- (gain)/loss on disposal, net	(1,515)	60,687
Amortisation of intangible assets	8,732	33,419
Interest expense	37,999	153,485
Interest income	(4,519)	(28,830)

Other than the items highlighted above, there were no disposal of unquoted investment and properties during the quarter and financial year ended 31 December 2011.

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

3. FAIR VALUE CHANGE OF DERIVATIVES

Fair value change of derivatives consists of fair value change due to movement in mark-to-market (MTM) position on non-designated hedging contracts and ineffective portion of cash flow hedges as at 31 December 2011 as compared to 1 January 2011 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011	Quarter ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2010
	RM 'Mil	RM 'Mil	RM 'Mil	RM 'Mil
(i) Gain from fuel hedging contracts	26.3	171.2	72.6	196.7
(ii) Loss from foreign currency hedging contracts	(0.2)	(7.0)	(1.6)	(2.4)
(iii) Gain/(loss) from interest rate hedging contracts	1.6	4.8	(10.3)	(30.0)
	27.7	169.0	60.7	164.3

4. OTHER COMPREHENSIVE INCOME

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011	Quarter ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2010
	RM 'Mil	RM 'Mil	RM 'Mil	RM 'Mil
(i) Gain/(loss) from fuel hedging contracts	10.2	1.3	(15.5)	2.7
(ii) Gain/(loss) from foreign currency hedging contracts	3.8	18.1	70.6	(69.5)
(iii) (Loss)/gain from interest rate hedging contracts	(1.4)	3.7	(13.3)	(3.2)
	12.6	23.1	41.8	(70.0)

5. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group operating loss of RM1,321 million is RM1,129 million less favourable when compared to quarter ended September 2011. The Group loss after tax for the quarter of RM1,277 million is RM800 million less favourable when compared to that of the preceding quarter. The current quarter result is inclusive of one off provisions for impairment and obsolescence of engineering spares of RM179 million, provision for aircraft redelivery cost of RM602 million, and impairment of aircraft of RM314 million.

Total operating revenue increased by 3% or RM119 million when compared to the previous quarter mainly from higher seat factor by 0.4 percentage point eventhough yield reduced by 6%.

Total operating expenditure increased by 33% or RM1,251 million due to both fuel and non-fuel cost increase. Fuel cost has increased by RM47 million or 3% over the preceding quarter. Non-fuel cost increased by 53% or RM1,204 million mainly due to the one off provisions.

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

6. CURRENT YEAR PROSPECTS

The outlook for 2012 remains challenging for the global aviation sector with both passenger and cargo segments expected to remain weak coupled with rising fuel costs. The International Air Transport Association (IATA) expects continued cautious business sentiment globally.

Given its financial performance in 2011, Malaysia Airlines is currently finalising a plan to strengthen its balance sheet, to increase its cash reserves and funding capacity. The plan includes, but not limited to, debt and/or equity market options. Khazanah Nasional and Tune Air, the two largest shareholders, are supportive of these initiatives. The Company will make further announcements once the funding plan is finalised.

With the funding plan in place, the Group will further progress the implementation of the initiatives outlined in its Business Plan announced in December 2011. The company is confident in meeting the challenges above.

7. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the financial year ended 31 December 2011.

8. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000
Current period				
- Malaysian taxation	1,785	5,995	1,848	8,945
- Foreign taxation	986	2,550	4,512	5,610
	<u>2,771</u>	<u>8,545</u>	<u>6,360</u>	<u>14,555</u>
Over provision in prior period	(1,053)	(7,034)	(846)	(398)
Deferred taxation	(28,536)	30,343	2,927	30,533
Total	<u>(26,818)</u>	<u>31,854</u>	<u>8,441</u>	<u>44,690</u>

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.

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

9. CORPORATE PROPOSALS

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.

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 ("BNM"), for the issuance of the MAS Warrants and AirAsia Warrants to non-resident shareholders;
- (c) the approval of the Securities Commission ("SC");
- (d) MAS's shareholders for the Proposed Warrants Exchange at an extraordinary general meeting ("EGM") to be convened;
- (e) AirAsia's shareholders for the Proposed Warrants Exchange at an EGM to be convened;
- (f) all relevant parties for AirAsia to undertake the Proposed Warrants Exchange; and
- (g) any other relevant authorities and/or parties, if required.

BNM and SC has approved the Proposed Warrants Exchange on 4 November 2011 and 4 January 2012 respectively.

There were no other corporate proposals for the financial year ended 31 December 2011.

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

10. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

	As at 31/12/2011 RM '000	As at 31/12/2010 RM '000 (Audited)
(i) Short term borrowings		
Unsecured		
- Revolving Credit	581,360	50,000
- Term Loan	121,490	118,614
- Redeemable Cumulative Preference Shares ("RCPS")	419,628	-
Secured		
- Term Loan	73,633	22,355
- Finance Lease	183,300	102,898
	<u>1,379,411</u>	<u>293,867</u>
(ii) Long term borrowings		
Unsecured		
- Term Loan	701,663	802,598
- Redeemable Cumulative Preference Shares ("RCPS")	-	407,116
Secured		
- Term Loan	625,796	193,720
- Finance Lease	2,963,124	2,011,479
	<u>4,290,583</u>	<u>3,414,913</u>
Total	<u>5,669,994</u>	<u>3,708,780</u>
(iii) Currency denominations		
Ringgit Malaysia	2,182,589	1,558,385
US Dollars	2,624,380	1,991,208
Japanese Yen	863,025	159,187
	<u>5,669,994</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)

11. DERIVATIVE FINANCIAL INSTRUMENTS

Type of derivatives	Notional Value as at 31/12/2011 Barrels 'Mil	Fair Value as at 31/12/2011 Assets/ (Liabilities) RM 'Mil
(i) Fuel Hedging Contracts		
Less than 1 year	1.4	5.3
(ii) Interest Rate Hedging Contracts	RM 'Mil	
Less than 1 year	241.0	(0.3)
1 year to 3 years	917.3	(23.7)
More than 3 years	543.9	(10.5)
	<u>1,702.2</u>	<u>(34.5)</u>
(iii) Foreign Currency Hedging Contracts	RM 'Mil	
Less than 1 year	350.7	0.8
Total		<u>(28.4)</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)

12. 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 December 2011					
Realised losses	(7,935,462)	(3,955)	(26,317)	67,537	(7,898,197)
Unrealised losses	(16,646)	(922)	(175)	-	(17,743)
	<u>(7,952,108)</u>	<u>(4,877)</u>	<u>(26,492)</u>	<u>67,537</u>	<u>(7,915,940)</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.

13. 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)**

13. 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)

13. 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 Company has filed its defence. The full hearing is expected to begin sometime in late 2012.

(g) Giro-Warranty House International, Inc vs MAS

On 22 August 2011, the Company was served with a Complaint filed by the Plaintiff in Oklahoma, United States of America alleging that the Company breached the terms of a contract the Company entered into with the Plaintiff in 2008 by not paying to Plaintiff a percentage of the warranty claims received as agreed. The Plaintiff claimed total damages in the amount of USD97.3 million plus unspecified interest.

On 7 October 2011, the Company filed a motion to dismiss the Complaint. On 27 October 2011, the Plaintiff filed a motion for discovery relating to the issues raised in the Company's motion to dismiss. Both motions are currently pending.

14. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2011.

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

15. LOSS PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011	Quarter ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2010
(a) Basic loss per share				
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(1,277,384)	225,918	(2,523,988)	234,469
Ordinary shares /Weighted average number of ordinary shares in issue ('000)	3,342,156	3,342,156	3,342,156	3,234,778
(Loss)/Earning per share (sen)	<u>(38.22)</u>	<u>6.76</u>	<u>(75.52)</u>	<u>7.25</u>

Basic (loss)/earning 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 year ended 31 December 2011.

(b) **Diluted loss per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011	Quarter ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2010
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(1,277,384)	225,918	(2,523,988)	234,469
Effect of interest saving from RCPS	-	6,148	-	-
Diluted (loss)/profit attributable to equity holders of the Company (RM'000)	<u>(1,277,384)</u>	<u>232,066</u>	<u>(2,523,988)</u>	<u>234,469</u>
Ordinary shares/Weighted average number of ordinary shares in issue ('000)	3,342,156	3,342,156	3,342,156	3,234,778
Effects of dilution resulting from RCPS ('000)	-	134,345	-	-
Effects of dilution resulting from ESOS ('000)	-	-	-	-
Adjusted ordinary shares/weighted average number of ordinary shares in issue and issuable	<u>3,342,156</u>	<u>3,476,501</u>	<u>3,342,156</u>	<u>3,234,778</u>
Diluted (loss)/earning per share (sen)	<u>(38.22)</u>	<u>6.68</u>	<u>(75.52)</u>	<u>7.25</u>

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

For the current quarter and year ended 31 December 2011 and comparative year ended 31 December 2010, RCPS and ESOS have not been included in the calculation of diluted loss per shares because they were anti-dilutive.

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

16. 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 29 February 2012.

By Order of the Board

Shahjanaz binti Kamaruddin (LS 0009441)
Company Secretary
Selangor Darul Ehsan
29 February 2012

PART C - ADDITIONAL INFORMATION

1. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000 (Restated)	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000 (Restated)
(a) Revenue	3,678,176	3,669,528	13,901,421	13,585,559
(b) (Loss)/Profit from operations	(1,320,590)	115,465	(2,295,733)	176,432
(c) (Loss)/Profit before tax	(1,303,683)	258,301	(2,512,884)	282,036
(d) (Loss)/Profit for the period	(1,276,865)	226,447	(2,521,325)	237,346
(e) (Loss)/Profit for the period attributable to ordinary equity holders of the Company	(1,277,384)	225,918	(2,523,988)	234,469
(f) Basic (loss)/earnings per share (sen)	(38.22)	6.76	(75.52)	7.25
Diluted (loss)/earnings per share (sen)	(38.22)	6.68	(75.52)	7.25

	AS AT 31/12/2011	AS AT 31/12/2010 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.32	1.06

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2011 RM '000	Quarter ended 31/12/2010 RM '000	Year ended 31/12/2011 RM '000	Year ended 31/12/2010 RM '000
(a) Gross interest income	4,519	9,285	28,830	51,993
(b) Gross interest expense	(37,998)	(31,281)	(153,485)	(137,244)