

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2012

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 2012. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31/12/2012 RM '000	Quarter ended 31/12/2011 RM '000	Year ended 31/12/2012 RM '000	Year ended 31/12/2011 RM '000
Operating revenue		3,662,231	3,611,570	13,286,612	13,653,894
Operating expenses		(3,822,525)	(4,998,766)	(14,117,447)	(16,197,154)
Other operating income		204,101	66,606	469,799	247,527
Profit/(Loss) from operations		43,807	(1,320,590)	(361,036)	(2,295,733)
Fair value change of derivatives	Part B,3	14,570	27,691	(17,216)	60,660
Unrealised foreign exchange gain/(loss)		69,472	21,730	189,968	(129,115)
Finance costs		(78,005)	(43,938)	(235,259)	(159,424)
Share of results from associated companies		13,274	14,216	22,602	25,332
Share of results from jointly controlled entity		(9,955)	(2,792)	(23,860)	(14,604)
Profit/(Loss) before taxation		53,163	(1,303,683)	(424,801)	(2,512,884)
Taxation		(1,351)	26,818	(5,937)	(8,441)
Profit/(Loss) for the period		51,812	(1,276,865)	(430,738)	(2,521,325)
Profit/(Loss) attributable to:					
Equity holders of the Company		51,373	(1,277,384)	(432,587)	(2,523,988)
Non-controlling interest		439	519	1,849	2,663
Profit/(Loss) for the period		51,812	(1,276,865)	(430,738)	(2,521,325)
Earnings/(Loss) per share attributable to equity holders of the Company					
Basic (sen)		1.54	(38.22)	(12.94)	(75.52)
Diluted (sen)		N/A	N/A	N/A	N/A

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2012	Quarter ended 31/12/2011	Year ended 31/12/2012	Year ended 31/12/2011
Note	RM '000	RM '000	RM '000	RM '000
Profit/(Loss) for the period	51,812	(1,276,865)	(430,738)	(2,521,325)
Other comprehensive income: Part B,4				
(Loss)/Gain from cash flow hedges	(13,365)	12,570	49,628	41,780
Total comprehensive income/(loss) for the period	38,447	(1,264,295)	(381,110)	(2,479,545)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	38,008	(1,264,814)	(382,959)	(2,482,208)
Non-controlling interest	439	519	1,849	2,663
Total comprehensive income/(loss) for the period	38,447	(1,264,295)	(381,110)	(2,479,545)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>Note</u>	<u>As at 31/12/2012 RM '000</u>	<u>As at 31/12/2011 RM '000</u>	<u>As at 1/1/2011 RM '000</u>
<u>Non current assets</u>			
Aircraft, property, plant and equipment	12,853,554	9,073,907	7,663,357
Investment in associates	125,044	120,043	101,804
Investment in a jointly controlled entity	-	-	2,360
Other investments	57,038	54,599	54,604
Intangible assets	153,912	151,757	137,732
Other receivables	255,595	343,582	442,575
Deferred tax assets	1,021	765	3,495
	13,446,164	9,744,653	8,405,927
<u>Current assets</u>			
Inventories	331,164	362,267	430,849
Trade and other receivables	1,316,750	1,268,154	1,372,186
Tax recoverable	6,057	8,865	19,436
Derivative financial instruments	42,505	-	-
Negotiable instruments of deposit	-	101,073	139,206
Cash and bank balances	2,148,478	1,014,464	2,085,451
	3,844,954	2,754,823	4,047,128
<u>Current liabilities</u>			
Trade and other payables	2,343,126	2,643,899	2,240,044
Provision	1,330,001	1,188,165	934,967
Borrowings	1,338,748	1,379,411	293,867
Taxation	533	1,437	3,614
Derivative financial instruments	13,940	9,820	108,080
Sales in advance of carriage	1,663,026	1,705,943	1,677,346
Deferred revenue	224,036	205,307	232,823
	6,913,410	7,133,982	5,490,741
Net current liabilities	(3,068,456)	(4,379,159)	(1,443,613)
	10,377,708	5,365,494	6,962,314
<u>Financed by:</u>			
Equity attributable to equity holders of the Company:			
Share capital	3,342,156	3,342,156	3,342,156
Perpetual Sukuk	1,498,190	-	-
Reserves	(2,717,202)	(2,299,648)	182,010
	2,123,144	1,042,508	3,524,166
Non-controlling interest	14,847	13,639	13,078
Total equity	2,137,991	1,056,147	3,537,244
<u>Non current liabilities</u>			
Borrowings	8,209,782	4,290,583	3,414,913
Derivative financial instruments	29,716	18,566	10,155
Deferred tax liabilities	219	198	2
	8,239,717	4,309,347	3,425,070
	10,377,708	5,365,494	6,962,314
Net assets per share (RM)	0.64	0.32	1.06

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Attributable to equity holders of the Company										Non-controlling interest RM '000	Total Equity RM '000		
	Share capital RM '000	Perpetual Sukuk RM '000	Non-Distributable					Distributable					Total reserves RM '000	Total RM '000
			Equity component of RCPS RM '000	Share premium RM '000	Employee share option reserves RM '000	Cash Flow Hedge reserves RM '000	Capital redemption reserve RM '000	General reserves RM '000	Accumulated losses RM '000					
At 1 January 2012	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	
Loss for the year	-	-	-	-	-	-	-	-	(432,587)	(432,587)	(432,587)	1,849	(430,738)	
Other comprehensive income	-	-	-	-	-	49,628	-	-	-	49,628	49,628	-	49,628	
Issuance of Perpetual Sukuk	-	1,498,190	-	-	-	-	-	-	-	-	1,498,190	-	1,498,190	
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(34,595)	(34,595)	(34,595)	-	(34,595)	
Redemption of RCPS	-	-	(58,076)	-	-	-	41,775	(41,775)	58,076	-	-	-	-	
Expiry of ESOS	-	-	-	-	(88,938)	-	-	-	88,938	-	-	-	-	
Dividend declared	-	-	-	-	-	-	-	-	-	-	-	(641)	(641)	
At 31 December 2012	3,342,156	1,498,190	-	4,995,970	-	21,406	41,775	459,755	(8,236,108)	(2,717,202)	2,123,145	14,847	2,137,991	

**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		
	Share capital RM '000	Non-Distributable					Distributable					Total reserves RM '000	Total RM '000
		Equity component of RCPS RM '000	Share premium RM '000	Employee share option reserves RM '000	Cash Flow Hedge reserves RM '000	General reserves RM '000	Accumulated losses RM '000						
At 1 January 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 CASH FLOWS

	Year ended 31/12/2012 RM '000	Year ended 31/12/2011 RM '000
<u>Cash Flows From Operating Activities</u>		
Loss before taxation	(424,801)	(2,512,884)
Adjustments for:		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	730,262	928,469
- doubtful debts, net	13,595	39,428
- short term accumulating compensated absences, net	9,253	17,037
- inventories obsolescence, net	15,327	46,810
- stock loss	7,830	42,119
- unavailed credits on sales in advance of carriage	(210,620)	(186,337)
Aircraft, property, plant and equipment:		
- depreciation	545,448	423,573
- written off	2,362	25,462
- (writeback)/provision of impairment losses, net	(31,858)	426,558
- loss on disposal, net	42,478	56,429
Amortisation of intangible assets	32,570	33,420
Share of results of:		
- jointly-controlled entity	23,860	14,604
- associated companies	(22,602)	(25,332)
Interest expenses	235,259	153,486
Fair value change of derivatives	17,216	(60,660)
ESOS expense	-	550
Unrealised foreign exchange (gain)/loss	(189,968)	129,115
Interest income	(53,620)	(28,830)
Dividend income	(24,195)	(18,292)
Operating profit/(loss) before working capital changes	717,796	(495,275)
Decrease/(Increase) in inventories	7,944	(20,347)
(Increase)/Decrease in trade and other receivables	(10,513)	164,080
(Decrease)/Increase in trade and other payables	(354,364)	564,636
Decrease in provision	(588,426)	(675,271)
Increase in sales in advance of carriage	167,703	214,934
Increase/(Decrease) in deferred revenue	18,728	(27,516)
Cash used in operating activities	(41,132)	(274,759)
Net cash settlement on derivatives	21,728	(102,080)
Premium paid on derivatives	-	(24,886)
Interest paid	(236,176)	(197,773)
Taxes (paid)/refund	(4,269)	2,879
Net cash used in operating activities	(259,849)	(596,619)
<u>Cash Flows From Investing Activities</u>		
Purchase of:		
- aircraft, property, plant and equipment	(4,981,210)	(3,516,585)
- intangible assets	(34,724)	(47,445)
- investment in a jointly controlled entity	(23,860)	(12,244)
- other investment	(2,451)	-
Withdrawal of:		
- negotiable instruments of deposit	101,073	35,000
- deposits pledged with banks	41,173	106,024
Proceeds from:		
- disposal of aircraft, property, plant and equipment	1,003,872	1,216,076
- other investment	-	5
Interest received	31,484	29,429
Dividend received	37,356	25,385
Net cash used in investing activities	(3,827,287)	(2,164,355)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31/12/2012 RM '000	Year ended 31/12/2011 RM '000 (Restated)
<u>Cash Flows From Financing Activities</u>		
Proceeds from:		
- aircraft refinancing	914,724	1,033,879
- borrowings	8,658,520	1,160,418
- issuance of Perpetual Sukuk	1,498,190	-
Repayment of:		
- borrowings	(5,100,000)	(277,390)
- finance lease	(258,771)	(106,340)
RCPS		
- dividend paid	-	(12,454)
- redemption	(415,103)	-
Distribution to Perpetual Sukuk holders	(34,595)	-
Dividend paid to minority shareholders in subsidiaries	(641)	(2,102)
Net cash generated from financing activities	<u>5,262,324</u>	<u>1,796,011</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,175,188	(964,963)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	958,814	1,923,777
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	<u><u>2,134,002</u></u>	<u><u>958,814</u></u>
Cash and cash equivalents comprise:		
Cash on hand and at banks	795,122	564,115
Short term deposits	1,353,356	450,349
Cash and bank balances	2,148,478	1,014,464
Less: Deposits pledged with banks	(14,476)	(55,650)
Cash and cash equivalents as at 31 December	<u><u>2,134,002</u></u>	<u><u>958,814</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 Malaysian Financial Reporting Standards ("MFRS") 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 2011 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 2011.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing the condensed quarterly financial report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for period ending on or after 1 September 1998. By virtue of this transitional provision, the Group has recorded certain buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment, where there is no change to net assets.

The transition from FRS to MFRS has no significant impact on the Group's statement of financial position, financial performance and cash flows.

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 2011.

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.

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

5. UNUSUAL ITEMS

There were no unusual items for the financial year ended 31 December 2012.

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 2012.

7. SIGNIFICANT EVENTS

(i) On 18 December 2012, the Company entered into Memorandum of Understanding with ATR for the purchase of thirty six (36) brand new ATR72-600 aircraft worth RM3.0 billion. Of the thirty six (36) ordered, Firefly will take on twenty (20) new aircraft whilst sixteen (16) will be inducted into the fleet of its sister company MASwings.

(ii) On 27 November 2012, the Company entered into Aircraft Sale Agreement with Bank of Utah for buyback acquisition of ten (10) used B737-400 aircraft.

The Company has decided to buyback the leased aircraft that are scheduled to be returned ("End of Lease") in 2012. The agreed purchase price for each aircraft is USD6.4 million.

(iii) On 19 November 2012, the Directors of the Company executed a Master Facility Agreement with Turus Pesawat Sdn. Bhd. ("Turus Pesawat") in respect of a Bai' Bithaman Ajil Islamic financing arrangement of up to RM5.311 billion ("Financing Facilities").

Turus Pesawat is incorporated in Malaysia as a special purpose company, wholly-owned by the Ministry of Finance, Inc, in order to provide the Financing Facilities.

The Financing Facilities are to be utilised to finance the purchase of eight (8) aircraft comprising six (6) Airbus A380-800, one (1) Airbus A330-200F and one (1) Airbus A330-300 ("Aircraft") and other expenses in relation to the purchase thereof.

The tenure of the Financing Facilities shall be for a period of up to twenty (20) years from the date of each disbursement under the Financing Facilities.

The Financing Facilities are secured against the Aircraft.

(iv) On 2 May 2012, the Company announced that it has entered into a Supplementary Agreement to vary the terms and scope of the Collaboration Agreement between the Company, AirAsia Berhad ("AirAsia") and AirAsia X Sdn Bhd ("AAX").

There was no other significant event for the financial year ended 31 December 2012.

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

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

- (i) On 28 September 2012, the Company announced a notice to holders of Redeemable Convertible Preference Shares (RCPS) of RM0.10 each in relation to the conversion and maturity of the RCPS on 30 October 2012. The RCPS have been redeemed by the Company at the issue price of RM1 each within 30 days from the maturity date.
- (ii) On 12 June 2012, the Company has issued the first tranche of the Perpetual Sukuk at par value amounting to RM1 billion as part of the Junior Sukuk Programme which was approved by the Securities Commission on 24 May 2012. On 18 September 2012, the Company has issued the second tranche of the Perpetual Sukuk
 - (a) The Perpetual Sukuk is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any;
 - (b) The periodic distribution up to year 10 is 6.9% p.a. If MAS does not exercise its option to redeem at the end of the 10th year, the periodic distribution increases by 2.5%;
 - (c) Deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e. there will be no compounding);
 - (d) Perpetual in tenure, where MAS has a call option to redeem the Perpetual Sukuk at the end of the tenth year and on each periodic distribution date thereafter;
 - (e) MAS also has the option to redeem the Perpetual Sukuk if there is a change in accounting standards resulting in the Perpetual Sukuk no longer being recognised as equity capital;
 - (f) Payment obligations on the Perpetual Sukuk will at all times, rank ahead of other share capital instruments for the time being outstanding, but junior to the claims of present and future creditor of MAS (other than obligations ranking pari passu with the Perpetual Sukuk); and
 - (g) The Perpetual Sukuk is not rated.

There was no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial year ended 31 December 2012.

9. DIVIDEND PAID

There was no dividend paid during the financial year ended 31 December 2012.

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.

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

10. SEGMENTAL INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding the Group's operating segments for the financial year ended 31 December 2012 and 2011, 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 2012					
Revenue					
External revenue	11,335,819	1,863,333	87,460	-	13,286,612
Inter-segment revenue *	1,306,468	-	47,169	(1,353,637)	-
Total revenue	12,642,287	1,863,333	134,629	(1,353,637)	13,286,612

Results					
Segment loss before tax	(329,825)	(73,847)	(19,871)	(1,258)	(424,801)

	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	11,540,405	2,053,125	60,364	-	13,653,894
Inter-segment revenue *	1,210,970	-	44,210	(1,255,180)	-
Total revenue	12,751,375	2,053,125	104,574	(1,255,180)	13,653,894

Results					
Segment (loss)/profit before tax	(2,515,284)	(18,782)	10,454	10,728	(2,512,884)

Segment assets **					
At 31 December 2012	17,919,052	6,070,644	1,323,712	(8,147,334)	17,166,074
At 31 December 2011	12,555,805	732,648	950,869	(1,859,889)	12,379,433

* Inter-segment revenues are eliminated on consolidation.

** Segment assets do not include investment in associates (Dec '12: RM125.0 million, Dec'11: RM120.0 million) and investment in jointly-controlled entity (Dec'12: RM Nil, Dec'11: RM nil) 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 2012.

12. SUBSEQUENT EVENT

- (i) On 22 February 2013, the Company has acquired 250 ordinary shares of USD1.00 each in Malaysia Airlines Capital V Cayman Limited, an off-shore company for a consideration of USD250 (equivalent of RM775) for cash. With effect from that date, Malaysia Airlines Capital V Cayman Limited became a wholly-owned subsidiary of the Company.
- (ii) On 19 February 2013, in relation to the Memorandum of Understanding signed between MAS and ATR on 18 December 2012, the Company has entered into a Sale and Purchase Agreement with ATR for the purchase of twenty (20) firm and sixteen (16) option ATR72-600 aircraft.
- (iii) On 8 February 2013, the Company has entered into a Sale and Purchase Agreement with Viking Air Limited to purchase six (6) DHC6-400 aircraft worth approximately RM128 million. The aircraft which will be operated by MASwings for the Rural Air Services operations in Sabah & Sarawak, will replace the existing old aircraft.
- (iv) On 1 February 2013, the Company joined the premier oneworld airline alliance, offering a wider global network and a host of rewards for Enrich frequent flyers.

There was no other material subsequent event for the financial year ended 31 December 2012.

13. CHANGES IN THE COMPOSITION OF THE GROUP

- (i) On 2 July 2012, the Company has incorporated an off-shore company, Malaysia Airlines A330 Capital Labuan Limited with a paid-up capital of USD1.00 (equivalent to RM3.16). With effect from that date, Malaysia Airlines A330 Capital Labuan Limited became a wholly-owned subsidiary of the Company.
- (ii) 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.
- (iii) 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.
- (iv) 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 were no changes in the composition of the Group for the financial year ended 31 December 2012.

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.

	22/2/2013 RM '000
1. Loans	
- Unsecured	22,728
2. Tenure	
Loans due within one year	12,667
Loans due later than one year and not later than five years	10,061
	22,728
3. Loans by currency denomination	
Euro	22,728
(b) Others	
Bank guarantees given to third parties	340,671
Performance bonds given to third parties	439
	341,110

(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 31/12/2012 RM '000	As at 31/12/2011 RM '000 (Audited)
Approved and contracted for	8,312,620	10,764,213
Approved but not contracted for	269,212	13,994
	8,581,832	10,778,207

The outstanding capital commitments relate to purchase of aircraft 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	Quarter ended	Year ended	Year ended
	31/12/2012 RM '000	31/12/2011 RM '000	31/12/2012 RM '000	31/12/2011 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/payable	61,273	54,319	234,802	234,240
- Rental income and others	(4,888)	(4,898)	(19,552)	(19,592)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services rendered	86,346	128,876	356,083	429,695
- Rental income and others	(8,394)	(4,219)	(12,543)	(13,454)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/payable	733	1,078	4,307	4,240
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/payable	770	2,865	3,866	10,299
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/payable	-	1,288	1,572	4,206
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee paid/payable	12,081	7,127	35,967	24,954
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services paid/ payable	667	1,224	3,348	5,024
PMB, a fellow subsidiary:				
- Hire of aircraft paid/payable	46,003	-	220,094	-
PMB, holding company:				
- Hire of aircraft paid/payable	-	57,409	-	271,805
Aircraft Business Malaysia Sdn. Bhd., a related party:				
- Aircraft lease rental paid/payable	60,512	-	241,980	-
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/payable	-	70,409	-	248,211
QPR Holdings Limited, a Club substantially owned by certain Directors of the Company:				
- sponsorship deals	-	5,983	3,936	5,983
AirAsia X Sdn. Bhd., a related party:				
- passenger re-accomodation agreement	-	-	11,710	-

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

17. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2012 RM '000	As at 31/12/2011 RM '000 (Audited)
Amount owing to fellow subsidiary	(34,208)	-
Amount owing by related party		
- due within one year	52,024	30,936
- due after one year	35,918	80,366
Amount owing by associated companies	25,685	-
Amount owing to associated companies	<u>(60,374)</u>	<u>(68,773)</u>

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

1. REVIEW OF PERFORMANCE

The Group recorded an operating profit of RM43.8 million for the fourth quarter ended 31 December 2012 as compared to RM1,320.6 million loss for the quarter ended 31 December 2011.

The Group recorded a profit after tax of RM51.8 million for the fourth quarter ended 31 December 2012, compared to RM1,276.9 million loss after tax in the same quarter last year. The profit after tax is inclusive of unrealised foreign exchange gain of RM69.5 million (Quarter ended 31 December 2011: RM21.7 million gain), finance costs of RM78.0 million (Quarter ended 31 December 2011: RM43.9 million) and fair value change of derivative of RM14.6 million gain (Quarter ended 31 December 2011: RM27.7 million gain).

Total operating revenue has increased by 1% to RM3,662.2 million for the current quarter this year compared to the same quarter last year. The operating revenue for Airline Operations has increased by 1% to RM3,472.0 million and Cargo Services has decreased by 6% to RM491.0 million. The increase in Airline Operations revenue was mainly due to increase in traffic by 7%. However, yield decreased by 2%. The decrease in operating revenue for Cargo Services was due to 3% decrease in load tonnage and capacity.

Total operating expenditure has reduced by 23% to RM3,822.5 million for the current quarter compared to the same quarter last year. Operating expenditure in Airline Operations decreased by 23% to RM3,342.6 million and operating expenditure in Cargo Services has decreased by 23% to RM479.9 million for the quarter. The decrease in operating expenditure in Airline Operations was due to lower non-fuel cost by 32% to RM2,040.6 million mainly from one off provisions made in 2011 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. The decrease in operating expenditure in Cargo Services was mainly from decrease in non-fuel cost by 28% to RM362.5 million. The decrease in non fuel cost was mainly due to impairment for freighter aircraft of RM90 million made in corresponding quarter last year .

2. PROFIT/(LOSS) 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 profit/(loss) from operations:

	Quarter ended 31/12/2012 RM '000	Quarter ended 31/12/2011 RM '000	Year ended 31/12/2012 RM '000	Year ended 31/12/2011 RM '000
Provision for/(Writeback of):				
- doubtful debts, net	7,654	125	13,595	39,428
- inventories obsolescence, net	209	22,753	15,327	46,810
Aircraft, property, plant and equipment:				
- depreciation	145,647	120,293	545,448	423,573
- (writeback)/provision of impairment loss	(29,396)	425,635	(31,858)	426,558
- loss/(gain) on disposal, net	37,428	(5,774)	42,478	56,429
Amortisation of intangible assets	17,780	8,732	32,570	33,420
Interest expense	78,005	37,999	235,259	153,486
Interest income	(35,011)	(4,519)	(53,620)	(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 2012.

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

3. FAIR VALUE CHANGE OF DERIVATIVES

This represents the movement of mark-to-market (MTM) of the ineffective portion of cash flow hedges for the remaining hedging contracts as at 31 December 2012 as compared to 1 January 2012 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2012	Quarter ended 31/12/2011	Year ended 31/12/2012	Year ended 31/12/2011
	RM '000	RM '000	RM '000	RM '000
(i) Gain/(Loss) from fuel hedging contracts	6,357	26,317	(3,393)	72,550
(ii) Loss from foreign currency hedging contracts	(7,036)	(181)	-	(1,626)
(iii) Gain/(Loss) from interest rate hedging contracts	15,249	1,555	(13,823)	(10,264)
	14,570	27,691	(17,216)	60,660

4. OTHER COMPREHENSIVE INCOME

This represents the movement of mark-to-market (MTM) of the effective portion of cash flow hedges for the remaining contracts as at 31 December 2012 as compared to 1 January 2012 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2012	Quarter ended 31/12/2011	Year ended 31/12/2012	Year ended 31/12/2011
	RM '000	RM '000	RM '000	RM '000
(i) (Loss)/Gain from fuel hedging contracts	(11,507)	10,209	55,781	(15,564)
(ii) Gain/(Loss) from foreign currency hedging contracts	34	3,698	(1,077)	70,562
(iii) Loss from interest rate hedging contracts	(1,892)	(1,337)	(5,076)	(13,218)
	(13,365)	12,570	49,628	41,780

5. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's operating profit of RM43.8 million is RM39.8 million favourable when compared to the preceding quarter profit of RM4.0 million. The Group's profit after tax for the quarter of RM51.8 million is RM14.3 million favourable when compared to the preceding quarter profit of RM37.5 million.

Total operating revenue increased by 10% to RM3,662.2 million when compared to the previous quarter mainly from increase in passenger load and higher recovery of surcharges.

Total operating expenditure increased by 10% to RM3,822.5 million mainly due to passenger and aircraft related expenses. Fuel cost has increased by 7% to RM1,419.4 million over the preceding quarter.

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

6. CURRENT YEAR PROSPECTS

Malaysia Airlines expects 2013 to continue to remain challenging. Fuel prices remain high, edging towards the higher-end of the price range seen over the last 2 years. Competition from excess fleet capacity in the South East Asia region remains. Meantime, economic uncertainty in the Eurozone, US and China markets continues.

The International Air Transport Association (IATA) describes entering the new year 2013 with guarded optimism. While business confidence is up and the Eurozone situation is more stable than 12 months ago and the US has avoided the fiscal cliff, IATA forecasts significant headwinds ahead. Fuel prices continue to remain high and global GDP growth is projected at just 2.3%. However, the improved business confidence should help cargo markets to recover in 2013. Overall, IATA projects 2013 to see 4.5% growth in passenger markets and 1.4% growth in cargo demand. This is expected to contribute to a marginal improvement in net profit margins at 1.3% in 2013 from 1.0% in 2012.

Within this environment, Malaysia Airlines continues to accelerate implementation of its Business Plan to increase revenue and yields and reduce costs. Aggressive marketing and promotions, better capacity management, improved cost management and driving productivity for better efficiencies system-wide remains the focus area.

Delivery of more new fuel efficient wide-body A330-300 and narrow-body B737-800 aircraft as part of Malaysia Airlines' fleet renewal programme continues in 2013. In February 2013, Malaysia Airlines joined the premier oneworld airline alliance, offering a wider global network and a host of rewards for Enrich frequent flyers. The arrival of the 5th and 6th A380 aircraft into the fleet by end-March 2013 will put the A380s exclusively for the popular Kuala Lumpur-London and Paris routes. These efforts will contribute towards better products, thus improving the airline's performance.

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 2012.

8. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM '000	RM '000	RM '000	RM '000
Current period				
- Malaysian taxation	858	1,785	3,139	2,173
- Foreign taxation	764	986	4,045	4,512
	1,622	2,771	7,184	6,685
(Over)/Under provision in prior period	(271)	(1,053)	(1,012)	(1,170)
Deferred taxation	-	(28,536)	(235)	2,926
Total	1,351	(26,818)	5,937	8,441

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 27 November 2012, the Company announced that it proposes to undertake the following Proposals:

- (a) Proposed Capital Restructuring comprising:
 1. Proposed reduction of RM0.90 of the par value of each existing ordinary share of RM1.00 each in MAS pursuant to Section 64 of the Companies Act 1965 ("Act")("Proposed Par Value Reduction"); and
 2. Proposed reduction of the share premium account of MAS pursuant to Sections 64 and 60 of the Act;
- (b) Proposed Renounceable Rights Issue of new ordinary shares of RM0.10 each in MAS to raise gross proceeds of up to RM3,100 million after the Proposed Capital Restructuring; and
- (c) Proposed amendment to the Memorandum and Articles of Association of MAS ("M&A") to facilitate the implementation of the Proposed Par Value Reduction.

The Proposals' application has been submitted to Bursa Malaysia Securities Berhad ("Bursa") on 5 December 2012. On 18 December 2012, Bursa has approved the listing and quotation subject to the following conditions:

- (a) MAS and its adviser must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa pertaining to the implementation of the Proposals;
- (b) MAS and its adviser to inform Bursa upon the completion of the Proposals;
- (c) MAS to furnish Bursa with a written confirmation of its compliance with the terms and conditions of Bursa's approval once the Proposals are completed;
- (d) MAS to furnish Bursa with a certified true copy of the resolution passed by shareholders at extraordinary general meeting for the Proposals;
- (e) Payment of the balance of the processing fees together with a detailed computation of processing fees payable; and
- (f) Confirmation from the principal adviser that the Company complies with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements and a certificate of distribution of the shares in the format contained in Part B(1)(d) of Annexure Practice Note 21-A of the Listing Requirements.

On 7 January 2013, the Company made application for an extension until 14 February 2013 to issue circular in relation to the Proposals to shareholders. On 15 January 2013, approval has been received for the extension. On 6 February 2013, the circular was issued.

10. GROUP BORROWINGS

	As at 31/12/2012 RM '000	As at 31/12/2011 RM '000 (Audited)
(i) Short term borrowings		
Unsecured		
- Revolving Credit	628,902	581,360
- Term Loan	100,000	121,490
- Redeemable Cumulative Preference Shares ("RCPS")	-	419,628
Secured		
- Term Loan	104,500	73,633
- Finance Lease	505,346	183,300
	<u>1,338,748</u>	<u>1,379,411</u>

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

10. GROUP BORROWINGS (CONTINUED)

	As at 31/12/2012 RM '000	As at 31/12/2011 RM '000 (Audited)
(ii) Long term borrowings		
Unsecured		
- Term Loan	585,057	701,663
Secured		
- Term Loan	4,133,246	625,796
- Finance Lease	3,491,479	2,963,124
	<u>8,209,782</u>	<u>4,290,583</u>
Total	<u>9,548,530</u>	<u>5,669,994</u>
(iii) Currency denominations		
Ringgit Malaysia	5,046,369	2,182,589
US Dollars	3,779,999	2,624,380
Japanese Yen	722,162	863,025
	<u>9,548,530</u>	<u>5,669,994</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

Type of derivatives	Notional Value as at 31/12/2012	Fair Value as at 31/12/2012 Assets/ (Liabilities) RM 'Mil
(i) Fuel Hedging Contracts	Barrels 'Mil	RM 'Mil
Less than 1 year	2.0	42.5
(ii) Interest Rate Hedging Contracts	RM 'Mil	
Less than 1 year	566.1	(14.6)
1 year to 3 years	496.1	(9.0)
More than 3 years	923.3	(20.1)
	<u>1,985.5</u>	<u>(43.7)</u>
Total		<u>(1.2)</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 2012					
Realised (losses)/profit	(8,557,191)	6,952	(76,082)	200,574	(8,425,747)
Unrealised profit/(losses)	191,822	(2,143)	(40)	-	189,639
	<u>(8,365,369)</u>	<u>4,809</u>	<u>(76,122)</u>	<u>200,574</u>	<u>(8,236,108)</u>
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>

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 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 22 June 2012, this legal suit was settled out of court.

The salient terms of the settlement are essentially:

- i) The parties in KLHC Suit No: S3-22-634-2006 will complete the Sale and Purchase Agreement dated 16 September 1997 ("SPA") in which the remaining land purchased (a 21 acre portion of the land held under HS(D) 623, Mukim Ayer Hangat, Daerah Langkawi) to be effectively transferred to the Company upon payment of the agreed balance purchase price of RM4.0 million that is still outstanding under the SPA;
- ii) All Counter-claims in KLHC Suit No: S3-22-634-2006, SAHC Civil Suit No: MT3-22-365-2006 and this legal suit are to be withdrawn against the Company and parties related; and
- iii) The Company and parties related will withdraw its claims in the above legal suits.

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 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.

On 22 June 2012, this legal suit was settled out of court as part of the global settlement as mentioned in (a) above.

- (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.

The Court finally approved the Settlement Agreement on 2 August 2012.

(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 case has been settled with ACCC on 14 June 2012. Under the settlement, MASkargo will pay a penalty of AUD6.0 million plus contribution towards ACCC's costs of AUD0.5 million over a period of 24 months.

(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 and the motion was dismissed by the court on 11 May 2012.

On 5 September 2012, the Court granted the Company's motion to dismiss, and dismissed the Plaintiff's claims against the Company.

14. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2012.

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

15. EARNINGS/(LOSS) PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
(a) Basic earnings/(loss) per share				
Profit/(Loss) attributable to equity holders of the Company (RM'000)	51,373	(1,277,384)	(432,587)	(2,523,988)
Number of ordinary shares in issue ('000)	3,342,156	3,342,156	3,342,156	3,342,156
Earnings/(Loss) per share (sen)	<u>1.54</u>	<u>(38.22)</u>	<u>(12.94)</u>	<u>(75.52)</u>

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year ended 31 December 2012.

(b) **Diluted earnings/(loss) per share**

The Company does not have any potential dilutive ordinary shares as at reporting date.

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 28 February 2013.

By Order of the Board

Rizani bin Hassan (LS 0009520)
 Company Secretary
 Selangor Darul Ehsan
 28 February 2013

PART C - ADDITIONAL INFORMATION

1. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2012 RM '000	Quarter ended 31/12/2011 RM '000	Year ended 31/12/2012 RM '000	Year ended 31/12/2011 RM '000
(a) Revenue	3,866,332	3,678,176	13,756,411	13,901,421
(b) Profit/(Loss) from operations	43,807	(1,320,590)	(361,036)	(2,295,733)
(c) Profit/(Loss) before tax	53,163	(1,303,683)	(424,801)	(2,512,884)
(d) Profit/(Loss) for the period	51,812	(1,276,865)	(430,738)	(2,521,325)
(e) Profit/(Loss) for the period attributable to ordinary equity holders of the Company	51,373	(1,277,384)	(432,587)	(2,523,988)
(f) Basic earnings/(loss) per share (sen)	1.54	(38.22)	(12.94)	(75.52)
Diluted earnings/(loss) per share (sen)	N/A	N/A	N/A	N/A

	AS AT 31/12/2012	AS AT 31/12/2011 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.64	0.32

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2012 RM '000	Quarter ended 31/12/2011 RM '000	Period ended 31/12/2012 RM '000	Period ended 31/12/2011 RM '000
(a) Gross interest income	35,011	4,519	53,620	28,830
(b) Gross interest expense	(78,005)	(37,999)	(235,259)	(153,486)