

**MALAYSIAN AIRLINE SYSTEM BERHAD**  
**(COMPANY NO.: 10601-W)**  
**(INCORPORATED IN MALAYSIA)**  
**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

**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 third quarter ended 30 September 2014. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the quarterly condensed financial report.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Quarter ended 30/09/2014 RM '000</b>	<b>Quarter ended 30/09/2013 RM '000</b>	<b>Period ended 30/09/2014 RM '000</b>	<b>Period ended 30/09/2013 RM '000</b>
Operating revenue	3,325,389	3,791,064	10,193,812	10,774,352
Operating expenses	(3,551,186)	(3,840,827)	(10,876,037)	(10,897,072)
Other income	56,250	112,018	378,588	443,005
<b>Earnings Before Interest, Taxation, Depreciation &amp; Amortisation (EBITDA)</b>	<b>(169,547)</b>	<b>62,255</b>	<b>(303,637)</b>	<b>320,285</b>
Depreciation, amortisation and impairment	(218,420)	(238,446)	(677,998)	(653,875)
Fair value change of derivatives	(18,051)	4,706	1,489	14,616
Unrealised foreign exchange (loss)/gain	(42,172)	(86,085)	10,645	(175,738)
Finance costs	(123,760)	(121,160)	(364,634)	(331,475)
Share of post-tax results from investments accounted for using the equity method	345	8,222	20,763	11,335
<b>Loss before taxation</b>	<b>(571,605)</b>	<b>(370,508)</b>	<b>(1,313,372)</b>	<b>(814,852)</b>
Taxation	(4,006)	(2,730)	(10,343)	(12,163)
<b>Loss for the period</b>	<b>(575,611)</b>	<b>(373,238)</b>	<b>(1,323,715)</b>	<b>(827,015)</b>
Loss attributable to:				
Equity holders of the Company	(576,110)	(375,439)	(1,326,542)	(830,247)
Non-controlling interest	499	2,201	2,827	3,232
<b>Loss for the period</b>	<b>(575,611)</b>	<b>(373,238)</b>	<b>(1,323,715)</b>	<b>(827,015)</b>
<b>Loss per share attributable to equity holders of the Company</b>				
Basic (sen)	(3.45)	(2.25)	(7.94)	(6.67)
Diluted (sen)	(3.45)	(2.25)	(7.94)	(6.67)

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**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014 RM '000	Quarter ended 30/09/2013 RM '000	Period ended 30/09/2014 RM '000	Period ended 30/09/2013 RM '000
<b>Loss for the period</b>	<b>(575,611)</b>	<b>(373,238)</b>	<b>(1,323,715)</b>	<b>(827,015)</b>
Other comprehensive income:				
(Loss)/Gain from cash flow hedges	(149,886)	32,534	(194,799)	27,992
Share of other comprehensive income of an associate company	26	1,595	580	16,961
<b>Total comprehensive loss for the period</b>	<b><u>(725,471)</u></b>	<b><u>(339,109)</u></b>	<b><u>(1,517,934)</u></b>	<b><u>(782,062)</u></b>
Total comprehensive loss attributable to:				
Equity holders of the Company	(725,970)	(341,310)	(1,520,761)	(785,294)
Non-controlling interest	499	2,201	2,827	3,232
<b>Total comprehensive loss for the period</b>	<b><u>(725,471)</u></b>	<b><u>(339,109)</u></b>	<b><u>(1,517,934)</u></b>	<b><u>(782,062)</u></b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at 30/09/2014 RM '000	As at 31/12/2013 RM '000 (Audited)
<b><u>Non-current assets</u></b>		
Aircraft, property, plant and equipment	14,770,156	14,615,157
Investment in associates	174,068	152,305
Other investments	63,488	63,437
Intangible assets	157,728	149,079
Other receivables	980,980	1,023,137
Derivative financial instruments	13,891	24,941
Deferred tax assets	1,101	1,145
	<b>16,161,412</b>	<b>16,029,201</b>
<b><u>Current assets</u></b>		
Inventories	238,217	253,765
Trade and other receivables	1,649,016	1,596,152
Tax recoverable	3,236	5,076
Derivative financial instruments	4,508	100,337
Cash and bank balances	1,507,926	3,870,622
	<b>3,402,903</b>	<b>5,825,952</b>
<b><u>Current liabilities</u></b>		
Sales in advance of carriage	2,013,222	2,200,304
Deferred revenue	432,313	347,670
Trade and other payables	2,199,000	2,668,700
Provisions	775,750	803,988
Borrowings	1,493,913	1,254,388
Derivative financial instruments	87,771	1,970
Taxation	3,225	2,078
	<b>7,005,194</b>	<b>7,279,098</b>
Net current liabilities	<b>(3,602,291)</b>	<b>(1,453,146)</b>
	<b>12,559,121</b>	<b>14,576,055</b>
<b>Financed by:</b>		
Equity attributable to equity holders of the Company:		
Share capital	1,671,078	1,671,078
Perpetual Sukuk	1,498,190	1,498,190
Reserves	(725,008)	864,655
	<b>2,444,260</b>	<b>4,033,923</b>
Non-controlling interest	21,035	18,208
Total equity	<b>2,465,295</b>	<b>4,052,131</b>
<b><u>Non-current liabilities</u></b>		
Borrowings	10,088,782	10,517,788
Derivative financial instruments	4,941	6,013
Deferred tax liabilities	103	123
	<b>10,093,826</b>	<b>10,523,924</b>
	<b>12,559,121</b>	<b>14,576,055</b>
Net assets per share (RM)	0.15	0.24

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	Attributable to equity holders of the Company										Non-controlling interests RM '000	Total Equity RM '000
	Share capital RM '000	Perpetual Sukuk RM '000	Non-Distributable				Distributable			Total reserves RM '000		
Share premium RM '000			Capital redemption reserve RM '000	Cash flow hedge reserves RM '000	Foreign currency translation reserve RM '000	General reserves RM '000	Accumulated losses RM '000					
At 1 January 2014	1,671,078	1,498,190	1,735,716	41,775	119,653	17,141	459,755	(1,509,385)	864,655	4,033,923	18,208	4,052,131
(Loss)/Profit for the period	-	-	-	-	-	-	-	(1,326,542)	(1,326,542)	(1,326,542)	2,827	(1,323,715)
Other comprehensive (loss)/income	-	-	-	-	(194,799)	580	-	-	(194,219)	(194,219)	-	(194,219)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	(68,902)	(68,902)	(68,902)	-	(68,902)
<b>At 30 September 2014</b>	<b>1,671,078</b>	<b>1,498,190</b>	<b>1,735,716</b>	<b>41,775</b>	<b>(75,146)</b>	<b>17,721</b>	<b>459,755</b>	<b>(2,904,829)</b>	<b>(725,008)</b>	<b>2,444,260</b>	<b>21,035</b>	<b>2,465,295</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

	Attributable to equity holders of the Company										Non-controlling interests RM '000	Total Equity RM '000
	Share capital RM '000	Perpetual Sukuk RM '000	Non-Distributable				Distributable			Total reserves RM '000		
Share premium RM '000			Capital redemption reserves RM '000	Cash flow hedge reserves RM '000	Foreign currency translation reserve RM '000	General reserves RM '000	Accumulated losses RM '000					
At 1 January 2013	3,342,156	1,498,190	4,995,970	41,775	21,406	-	459,755	(8,236,108)	(2,717,202)	2,123,144	14,847	2,137,991
(Loss)/Profit for the period	-	-	-	-	-	-	-	(830,247)	(830,247)	(830,247)	3,232	(827,015)
Other comprehensive income	-	-	-	-	27,992	16,961	-	-	44,953	44,953	-	44,953
Capital reduction	(3,007,940)	-	(4,995,970)	-	-	-	-	8,003,910	3,007,940	-	-	-
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	(68,905)	(68,905)	(68,905)	-	(68,905)
Rights Issue	1,336,862	-	1,737,921	-	-	-	-	-	1,737,921	3,074,783	-	3,074,783
Rights Issue expenses	-	-	(2,205)	-	-	-	-	-	(2,205)	(2,205)	-	(2,205)
<b>At 30 September 2013</b>	<b>1,671,078</b>	<b>1,498,190</b>	<b>1,735,716</b>	<b>41,775</b>	<b>49,398</b>	<b>16,961</b>	<b>459,755</b>	<b>(1,131,350)</b>	<b>1,172,255</b>	<b>4,341,523</b>	<b>18,079</b>	<b>4,359,602</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Period ended 30/09/2014 RM '000</b>	<b>Period ended 30/09/2013 RM '000</b>
<b><u>Cash Flows From Operating Activities</u></b>		
<b>Loss before taxation</b>	<b>(1,313,372)</b>	<b>(814,852)</b>
Adjustments for:		
Provision for/(Writeback of):		
- aircraft maintenance and overhaul costs	328,011	189,567
- short term accumulating compensated absences, net	19,079	13,947
- inventories obsolescence, net	21,574	(9,996)
- doubtful debts, net	13,063	13,251
- unavailed credits on sales in advance of carriage	(210,944)	(293,286)
- stock loss	47	901
Aircraft, property, plant and equipment:		
- depreciation	647,700	631,168
- loss on disposal, net	15,329	683
- writeback of impairment losses, net	(2,252)	(9,820)
- written off	6,372	18,712
Finance costs	364,634	331,475
Amortisation of intangible assets	32,550	32,527
Unrealised foreign exchange (gain)/loss	(10,645)	175,738
Interest income	(57,898)	(85,998)
Share of post-tax results from investments accounted for using the equity method	(20,763)	(11,335)
Fair value change of derivatives	(1,489)	(14,616)
Dividend income	(4,613)	(2,564)
<b>Operating (loss)/profit before working capital changes</b>	<b>(173,617)</b>	<b>165,502</b>
Decrease/(Increase) in trade and other receivables	18,607	(351,083)
(Increase)/Decrease in inventories	(6,073)	9,256
Increase in sales in advance of carriage	23,863	1,035,385
Increase in deferred revenue	84,642	73,169
(Decrease)/Increase in trade and other payables	(503,880)	256,585
Decrease in provision	(356,249)	(289,218)
<b>Cash (used in)/generated from operating activities</b>	<b>(912,707)</b>	<b>899,596</b>
Net cash settlement on derivatives	29,304	29,516
Finance costs paid	(408,353)	(356,772)
Taxes paid	(7,331)	(7,998)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,299,087)</b>	<b>564,342</b>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of:		
- aircraft, property, plant and equipment	(1,488,226)	(3,253,555)
- intangible assets	(41,199)	(37,874)
- investment in a jointly controlled entity	-	(9,282)
- other investment	-	(9,273)
Proceed from disposal of aircraft, property, plant and equipment	611,158	846,477
- investment in associate	-	2,355
Interest received	57,898	85,998
Dividend received	4,613	11,610
Placement of deposits pledged with banks	(2,047)	(111,098)
<b>Net cash used in investing activities</b>	<b>(857,803)</b>	<b>(2,474,642)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Period ended 30/09/2014 RM '000</b>	<b>Period ended 30/09/2013 RM '000</b>
<b><u>Cash Flows From Financing Activities</u></b>		
Proceeds from:		
- rights issue	-	3,074,784
- borrowings	300,000	1,910,000
- aircraft refinancing	189,919	832,933
Repayment of:		
- finance lease	(271,931)	(486,324)
- borrowings	(356,935)	(166,164)
Distribution to Perpetual Sukuk holders	(68,905)	(68,905)
Rights issue expenses	-	(2,205)
<b>Net cash (used in)/generated from financing activities</b>	<b><u>(207,852)</u></b>	<b><u>5,094,119</u></b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(2,364,742)</b>	<b>3,183,819</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>3,745,941</b>	<b>2,134,001</b>
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>	<b><u>1,381,199</u></b>	<b><u>5,317,820</u></b>
<b>Cash and cash equivalents comprise:</b>		
Cash on hand and at banks	1,174,005	1,213,915
Short term deposits	333,921	4,229,479
Cash and bank balances	1,507,926	5,443,394
Less: Deposits pledged with banks	(126,727)	(125,574)
<b>Cash and cash equivalents as at 30 September</b>	<b><u>1,381,199</u></b>	<b><u>5,317,820</u></b>

## PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

### 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 2013 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 2013.

### 2. CHANGES IN ACCOUNTING POLICIES

The quarterly condensed financial report have been prepared on a going concern basis. Any change in the basis of preparation will be reviewed subsequent to the completion of the Proposed SCR as stated in Part B, Note 9 to the quarterly condensed financial report.

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 2013 except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") and amendments to MFRSs during the current financial period:

#### Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

At the date of authorisation of this quarterly condensed financial report, the MASB had issued several MFRSs and amendments but not yet effective and have not been adopted by the Group:

#### Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans - Employee Contributions
Annual Improvements to MFRSs 2010–2012 Cycle	
Annual Improvements to MFRSs 2011–2013 Cycle	

#### Effective for annual periods to be announced by MASB

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

The above MFRSs and amendments are expected to have no significant impact on the financial statements of the Group upon their initial application, except as discussed below:

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

### **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 2013.

### **4. SEASONALITY OR CYCLICAL NATURE OF OPERATIONS**

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

### **5. UNUSUAL ITEMS**

There were no unusual items for the financial period ended 30 September 2014.

### **6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

There were no material changes in estimates of amount reported for the financial period ended 30 September 2014.

### **7. SIGNIFICANT EVENTS**

- (i) On 8 March 2014, flight MH370 operated on a B777 aircraft which departed Kuala Lumpur bound for Beijing, carrying 227 passengers and 12 crew on board, disappeared from radar just one hour after take off. Despite a multinational search and rescue effort, the largest in history, there is still no trace of the aircraft to-date. Search operations continue in the southern Indian Ocean where the aircraft is suspected to have last flown.
- (ii) On 17 July 2014, flight MH17 operated on a B777 aircraft which departed Amsterdam bound for Kuala Lumpur, carrying 283 passengers and 15 crews on board, went down in eastern Ukraine, killing all on board.
- (iii) On 8 August 2014, the Board of Directors of the Company ("Board"), announced that it had on same date received a letter from Khazanah Nasional Berhad ("Khazanah"), proposing the privatisation of the Company by way of a selective capital reduction and repayment exercise ("Proposed SCR"). Details are further disclosed in Note 9, Part B of this announcement.

There was no other material significant event for the financial period ended 30 September 2014.

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

There was no issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 30 September 2014.

### **9. DIVIDEND PAID**

There was no dividend paid during the financial period ended 30 September 2014.

### **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.

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

10. Operating revenue has slightly decreased by 0.4% mainly due to lower seat factor of 0.4 percentage points to 73% due

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

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

The following tables present revenue and profit information regarding the Group's operating segments for the financial period ended 30 September 2014 and 2013, respectively.

	Airlines Operations RM'000	Cargo Services RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>For the period ended 30 September 2014</b>					
<b>Revenue</b>					
External revenue	8,734,176	1,400,074	59,562	-	10,193,812
Inter-segment revenue *	1,038,137	-	49,614	(1,087,751)	-
<b>Total revenue</b>	<b>9,772,313</b>	<b>1,400,074</b>	<b>109,176</b>	<b>(1,087,751)</b>	<b>10,193,812</b>
<b>Results</b>					
Segment (loss)/profit before tax	(1,183,033)	(160,568)	9,466	20,763	(1,313,372)
<b>For the period ended 30 September 2013</b>					
<b>Revenue</b>					
External revenue	9,316,831	1,396,244	61,277	-	10,774,352
Inter-segment revenue *	951,148	-	38,425	(989,573)	-
<b>Total revenue</b>	<b>10,267,979</b>	<b>1,396,244</b>	<b>99,702</b>	<b>(989,573)</b>	<b>10,774,352</b>
<b>Results</b>					
Segment (loss)/profit before tax	(743,976)	(92,020)	9,809	11,335	(814,852)
<b>Segment assets **</b>					
At 30 September 2014	20,124,837	813,805	1,788,380	(3,336,775)	19,390,247
At 31 December 2013	22,935,715	1,315,933	2,477,202	(5,026,002)	21,702,848

\* Inter-segment revenues are eliminated on consolidation.

\*\* Segment assets do not include investment in associates (Sep'14: RM174.1million, Dec'13: RM152.3 million) as these assets are managed on a group basis.

**11. VALUATION OF ASSETS**

There was no valuation of aircraft, property, plant and equipment for the financial period ended 30 September 2014.

**12. SUBSEQUENT EVENT**

(i) On 6 November 2014, a special resolution on the privatisation of the Company by way of a selective capital reduction and repayment exercise at the cash repayment sum of RM0.27 per ordinary share of RM0.10 each in the Company pursuant to Section 60 and 64 of the Companies Act, 1965 ("Proposed SCR") was duly passed by the Company's non-interested shareholders at the Extraordinary General Meeting ("EGM").

(ii) On 27 November 2014, Malaysia Airline System Berhad (Administration) Bill 2014, a Bill to facilitate the restructuring of MAS, was tabled and approved at the Dewan Rakyat. The bill outlines the special laws for the administration of the airlines, its wholly and partially owned subsidiaries.

There was no other material subsequent event for the financial period ended 30 September 2014.

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**13. CHANGES IN THE COMPOSITION OF THE GROUP**

On 11 April 2014, the Company incorporated an off-shore Company, MAS B738 EXIM (L) Limited with a paid-up capital of USD1.00 (equivalent to RM3.24) in cash. With effect from that date, MAS B738 EXIM (L) Limited became a wholly-owned subsidiary of the Company.

On 11 September 2014, Macnet CCN (M) Sdn Bhd, a wholly-owned subsidiary of the Company which was placed under Members' Voluntary Liquidation on 24 August 2007 and held its final meeting on 2 June 2014, was dissolved, pursuant to Section 272(5) of the Companies Act 1965.

There were no other changes in the composition of the Group for the financial period ended 30 September 2014.

**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.

	<b>24/11/2014</b> <b>RM '000</b>
1. Loan (unsecured)	<u>2,514</u>
2. Tenure	
Loan due within one year	<u>2,514</u>
3. Loan by currency denomination	
Euro	<u>2,514</u>
(b) Others	
Bank guarantees given to third parties	352,927
Performance bonds given to third parties	<u>1,434</u>
	<u>354,361</u>

(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.

(iii) Flight MH370

Following the disappearance of flight MH370, next-of-kin of the passengers are entitled to receive compensation for the losses they suffered. The compensation amounts payable to the next-of-kin of the passengers will be covered by the Company's aviation liability insurance policy and will be determinable upon submission and verification of the losses suffered by the respective next-of-kin.

These compensation amounts payable are expected to have no significant impact to the Company's financial statements.

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)**

(iv) Flight MH17

Following the catastrophic loss of flight MH17, next-of-kin of the passengers are entitled to receive compensation for the losses they suffered. The compensation amounts payable to the next-of-kin of the passengers will be covered by the Company's aviation liability insurance policy and will be determinable upon submission and verification of the losses suffered by the respective next-of-kin.

These compensation amounts payable are expected to have no significant impact to the Company's financial statements.

**15. CAPITAL COMMITMENT**

	<b>As at 30/09/2014 RM '000</b>	<b>As at 31/12/2013 RM '000 (Audited)</b>
Approved and contracted for	4,342,442	5,656,714
Approved but not contracted for	89,549	84,919
	<u>4,431,991</u>	<u>5,741,633</u>

The outstanding capital commitments relate to purchase of aircraft and other projects.

**16. SIGNIFICANT RELATED PARTY DISCLOSURES**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Quarter ended 30/09/2014 RM '000</b>	<b>Quarter ended 30/09/2013 RM '000</b>	<b>Period ended 30/09/2014 RM '000</b>	<b>Period ended 30/09/2013 RM '000</b>
Brahim's Airline Catering Sdn. Bhd., an associate:				
- Catering and other services cost	50,326	67,213	140,557	202,689
- Rental income and others	(5,376)	(4,888)	(19,495)	(14,664)
GE Engine Services (M) Sdn. Bhd., an associate:				
- Engine maintenance services cost	31,215	81,296	133,531	269,545
- Rental income and others	(1,518)	-	(5,060)	(1,034)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Transit and cabin services costs	1,367	1,401	4,224	3,383
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft maintenance services costs	1,044	1,472	4,205	4,282
Abacus International Holding Ltd., a company in which the Company has equity interest:				
- Computer reservation system access fee cost	3,018	8,423	19,686	23,963

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**16. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2014 RM '000	30/09/2013 RM '000	30/09/2014 RM '000	30/09/2013 RM '000
Evergreen Sky Catering Corporation, a company in which the Company has equity interest:				
- Catering services cost	773	1,051	2,508	2,668
PMB, a fellow subsidiary:				
- Aircraft lease rental cost	13,144	40,295	43,261	97,385
- Residual value sharing on sale of aircraft	-	-	-	(96,149)
Aircraft Business Malaysia Sdn. Bhd., a related party:				
- Aircraft lease rental cost	-	27,185	22,140	101,272
Turus Pesawat Sdn. Bhd., a related party:				
- Finance cost	55,563	55,563	165,265	170,590

**17. SIGNIFICANT RELATED PARTY BALANCES**

	As at 30/09/2014 RM '000	As at 31/12/2013 RM '000 (Audited)
Amount owing by PMB, a fellow subsidiary:		
- due within one year	29,797	37,783
- due later than one year	432,952	527,100
Amount owing by related parties	1,975	19,271
Amount owing by associated companies	8,086	4,652
Amount owing to associated companies	(101,788)	(61,644)
Loan from a related party	(5,310,000)	(5,310,000)

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

**1. REVIEW OF PERFORMANCE**

For the current quarter ended 30 September 2014, despite a 2% capacity increase, the Group's operating revenue decreased by 12% to RM3,325.4 million as compared to the same quarter last year. The double impact of MH370 and MH17 incidents and the continued intensified competition resulted in lower seat factor by 11.5 percentage points to 73%. Passenger yield declined by 2% to 21.9 sen. The Group's operating expenditure for the quarter also decreased by 7.5% primarily due to decrease in both fuel and non-fuel cost.

After accounting for depreciation, amortisation and impairment of RM218.4 million (2013: RM238.4 million), unrealised foreign exchange loss of RM42.2 million (2013: RM86.1 million loss), finance costs of RM123.8 million (2013: RM121.2 million) and fair value change of derivative of RM18.1 million loss (2013: RM4.7 million gain), the Group registered a loss after tax of RM576.1 million for the third quarter ended 30 September 2014 as compared to a loss of RM375.4 million previously.

For the nine-month ended 30 September 2014, the Group's operating revenue decreased by 5% to RM10,193.8 million as compared to previous financial period. Seat factor and yield declined by 6.3 percentage points and 5% respectively mainly due to the continued poor market sentiment as a result of the disappearance of flight MH370 and coupled with the loss of MH17 and intense competition both domestically and internationally.

The Group's operating expenses for the financial period was marginally lower by 0.2%. Fuel cost increased of 7% due to capacity increase and weakening of Ringgit against US Dollar was offset against the lower non-fuel cost of 5%.

After accounting for depreciation, amortisation and impairment of RM678.0 million (2013: RM653.9 million), unrealised foreign exchange gain of RM10.6 million (2013: RM175.7 million loss), finance costs of RM364.6 million (2013: RM331.5 million) and fair value change of derivatives of RM1.5 million (2013: RM14.6 million), the Group registered a loss after tax of RM1,326.5 million in the period ended 30 September 2014 as compared to RM830.2 million previously.

The Group's EBITDA for the 9 months to 30 September 2014 was negative RM303.6 million compared to a positive RM320.3 million for the same period last year.

The Group's cash balance as at 30 September 2014 was RM1.5 billion.

**2. LOSS FOR THE PERIOD**

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 for the period:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014 RM '000	Quarter ended 30/09/2013 RM '000	Period ended 30/09/2014 RM '000	Period ended 30/09/2013 RM '000
Provision for/(Writeback of):				
- doubtful debts, net	3,123	7,565	13,063	13,251
- inventories obsolescence, net	9,437	9,029	21,574	(9,996)
Aircraft, property, plant and equipment:				
- depreciation	215,249	224,840	647,700	631,168
- writeback of impairment losses, net	(8,181)	-	(2,252)	(9,820)
- (gain)/loss on disposal, net	(4,862)	(6,006)	15,329	683
Amortisation of intangible assets	11,352	13,606	32,550	32,527
Finance costs	123,760	121,160	364,634	331,475
Interest income	(11,361)	(42,513)	(57,898)	(85,998)

Other than the items highlighted above, there were no disposal of unquoted investment and properties during the quarter and financial period ended 30 September 2014.

**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 30 September 2014 as compared to 1 January 2014 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014	Quarter ended 30/09/2013	Period ended 30/09/2014	Period ended 30/09/2013
	RM '000	RM '000	RM '000	RM '000
(i) (Loss)/Gain from fuel hedging contracts	(8,184)	4,225	4,183	5,465
(ii) Loss from foreign currency hedging contracts	(3,768)	-	(1,332)	-
(iii) (Loss)/Gain from interest rate hedging contracts	(6,099)	481	(1,362)	9,151
	<b>(18,051)</b>	<b>4,706</b>	<b>1,489</b>	<b>14,616</b>

**4. OTHER COMPREHENSIVE INCOME**

Included in other comprehensive income is gain/(loss) from cash flow hedges. This represents the movement of mark-to-market (MTM) of the effective portion of cash flow hedges for the remaining contracts as at 30 September 2014 as compared to 1 January 2014 which comprised the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014	Quarter ended 30/09/2013	Period ended 30/09/2014	Period ended 30/09/2013
	RM '000	RM '000	RM '000	RM '000
(i) (Loss)/Gain from fuel hedging	(183,075)	32,286	(188,245)	(8,014)
(ii) Gain from foreign currency hedging contracts	23,038	-	4,178	-
(iii) Gain/(Loss) from interest rate hedging contracts	10,151	248	(10,732)	36,006
	<b>(149,886)</b>	<b>32,534</b>	<b>(194,799)</b>	<b>27,992</b>

**5. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

Operating revenue has slightly decreased by 0.4% mainly due to lower seat factor of 0.4 percentage points to 73% due to MH370 and MH17 incident and intense competition domestically and regionally. However, yield slightly improved by 1%.

Operating expenses decrease by 2% compared to the preceding quarter. Fuel cost was lower by 3% and non-fuel cost lower by 1%.

The Group's EBITDA is negative RM169.5 million compared to the preceding quarter of negative RM32.9 million.

The Group's loss after tax for the current quarter was RM576.1 million (Quarter Ended 30 June 2014: RM307.0 million loss). Included in the quarter loss was depreciation, amortisation and impairment of RM218.4 million (Quarter Ended 30 June 2014: RM223.3 million), unrealised foreign exchange loss of RM42.2 million (Quarter Ended 30 June 2014: RM51.9 million gain) and finance cost of RM123.8 million (Quarter Ended 30 June 2014: RM119.0 million).

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

**6. CURRENT YEAR PROSPECTS**

Internationally, worldwide passenger traffic increased during Q3 2014 compared with the corresponding period last year. Signs of an improvement in the demand environment after a slowdown earlier in the year were reflected in recent data by IATA showing a resumption in air travel growth. Domestic travel demand, on the other hand, has softened.

Whilst declining fuel prices have helped stem losses in our quarterly result, Malaysia Airlines continues to struggle despite efforts to reduce the financial bleeding. Certain markets, particularly China, continue to pose challenges to return to previous levels. However, we are encouraged with recovery in other markets as reflected in the higher new booking intakes systemwide compared to the previous year.

On 6 November 2014, the special resolution in respect of the Proposed SCR as set out in the Notice of Extraordinary General Meeting ("EGM") dated 15 October 2014 was overwhelmingly passed by the Company's minority shareholders.

With the privatization and transformation of Malaysia Airlines continuing to gather pace, the Group remains focused on driving revenue through aggressive marketing and promotions, better capacity management and optimising asset utilisation.

**7. PROFIT FORECAST OR PROFIT GUARANTEE**

The Group has not provided any profit forecast or profit guarantee in respect of the financial period ended 30 September 2014.

**8. TAXATION**

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014 RM '000	Quarter ended 30/09/2013 RM '000	Period ended 30/09/2014 RM '000	Period ended 30/09/2013 RM '000
Current period				
- Malaysian taxation	749	1,406	2,827	2,555
- Foreign taxation	2,526	1,741	7,545	4,054
	3,275	3,147	10,372	6,609
Under/(Over) provision in prior year:				
- Malaysian taxation	1,667	(393)	2,602	(2,104)
- Foreign taxation	(936)	-	(2,631)	7,682
Deferred taxation	-	(24)	-	(24)
<b>Total</b>	<b>4,006</b>	<b>2,730</b>	<b>10,343</b>	<b>12,163</b>

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 8 August 2014, the Board of Directors of the Company ("Board"), announced that it had on same date received a letter from Khazanah Nasional Berhad ("Khazanah"), proposing the privatisation of the Company by way of a selective capital reduction and repayment exercise at the cash repayment sum of RM0.27 per ordinary share of RM0.10 each in the Company pursuant to Section 60 and 64 of the Companies Act, 1965 ("Act") ("Proposed SCR").

The Proposed SCR will enable all ordinary shareholders appearing on the Register of Depositors of the Company at the close of business on a date to be announced later, other than Khazanah ("Entitled Shareholders"), to receive a total repayment amount of RM1,382.0 million which represents a cash amount of RM0.27 for each ordinary share of RM0.10 in the Company ("MAS Share") ("SCR Offer Price") held by the Entitled Shareholders.

The Proposed SCR will be effected via the following:

- (a) the reduction of the issue and paid-up share capital of the Company from RM1,671.1 million comprising 16,710,781,200 MAS Shares to RM1,159.2 million comprising 11,592,389,200 MAS Shares by way of cancelling all MAS Shares held by the Entitled Shareholders. As at 7 August 2014, the Entitled Shareholders hold 5,118,392,000 MAS Shares; and
- (b) the reduction of the share premium account of the Company by RM870.1 million from RM1,735.7 million to RM865.6 million.

Upon successful completion of the Proposed SCR, Khazanah will become the sole ordinary shareholder of the Company.

The Proposed SCR is subject to and conditional upon the following being obtained:

- (a) approval of the Securities Commission Malaysia ("SC") for an exemption under Practice Note 44 of the Malaysian Code on Take-Overs and Mergers, 2010 and its consent to the circular, explanatory statement and independent advice letter to be issued to the shareholders of the Company;
- (b) approval of the shareholders of the Company via a special resolution at an extraordinary general meeting ("EGM") to be convened. The Proposed SCR must be approved by at least 50% in number and 75% in value of the disinterested shares that are cast either in person or by proxy at the EGM and the value of the votes cast against the Proposed SCR must not be more than 10% of the votes attaching to all disinterested shares;
- (c) the grant of an order from the High Court of Malaya approving the reduction of the issued and paid-up share capital and share premium of the Company pursuant to Sections 60 and 64 of the Act;
- (d) consent of the relevant creditors/lenders of MAS, if required; and
- (e) approvals/consents of any other relevant authorities, if required.

The target completion of the delisting is by the end of the year.

On 29 August 2014, the Board received a letter from Khazanah in relation to a proposed restructuring of MAS ("Proposed Restructuring") and a proposed investment by Khazanah in MAS to facilitate the Proposed Restructuring ("Proposed Investment").

The Proposed Investment is estimated to total up to RM6.0 billion (inclusive of funding required for the Proposed SCR). The disbursements of funds to MAS pursuant to the Proposed Investment, will be undertaken between 1 December 2014 and 31 December 2016 across three phases and are conditional on the implementation and completion of certain key initiatives by MAS. The detailed terms of the Proposed Investments are to be set out in an agreement to be entered by Khazanah and MAS.

The Proposed Restructuring and the Proposed Investment are conditional on the successful completion of the Proposed SCR and the delisting of MAS from the Official List of the Main Market of Bursa Malaysia Securities Berhad.

On 6 November 2014, a special resolution on the Proposed SCR was duly passed by the Company's non-interested shareholders at EGM.

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

**10. GROUP BORROWINGS**

	<b>As at 30/09/2014 RM '000</b>	<b>As at 31/12/2013 RM '000 (Audited)</b>
(i) Short term borrowings		
Unsecured		
- Revolving Credit	368,590	66,565
- Term Loan	228,400	356,998
Secured		
- Term Loan	185,870	185,117
- Finance Lease	711,053	645,708
	<u>1,493,913</u>	<u>1,254,388</u>
(ii) Long term borrowings		
Unsecured		
- Term Loan	-	178,107
Secured		
- Term Loan	5,882,246	6,409,017
- Finance Lease	4,206,536	3,930,664
	<u>10,088,782</u>	<u>10,517,788</u>
Total	<u>11,582,695</u>	<u>11,772,176</u>
(iii) Currency denominations		
Ringgit Malaysia	6,022,576	6,019,833
US Dollars	4,812,415	4,955,210
Japanese Yen	747,704	797,133
	<u>11,582,695</u>	<u>11,772,176</u>

**11. DERIVATIVE FINANCIAL INSTRUMENTS**

<b>Type of derivatives</b>	<b>Notional Value as at 30/09/2014 Barrels 'Mil</b>	<b>Fair Value as at 30/09/2014 Assets/ (Liabilities) RM 'Mil</b>
(i) Fuel Hedging Contracts		
Less than 1 year	4.4	(97.4)
1 year to 3 years	1.7	4.1
	<u>6.1</u>	<u>(93.3)</u>
(ii) Forex Hedging Contracts	<b>RM 'Mil</b>	
Less than 1 year	910.6	14.7
(iii) Interest Rate Hedging Contracts	<b>RM 'Mil</b>	
Less than 1 year	83.2	(0.5)
1 year to 3 years	212.7	(0.5)
More than 3 years	793.8	5.3
	<u>1,089.7</u>	<u>4.3</u>
Total		<u>(74.3)</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 accumulated losses of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Company and Subsidiaries RM'000	Associated Companies RM'000	Jointly Controlled Entity RM'000	Consolidation Adjustments RM'000	Group Accumulated Losses RM'000
<b>As at 30 September 2014</b>					
Realised (losses)/profit	(2,918,422)	57,309	(143,921)	87,978	(2,917,056)
Unrealised profit/(losses)	13,592	(1,120)	(245)	-	12,227
	<u>(2,904,830)</u>	<u>56,189</u>	<u>(144,166)</u>	<u>87,978</u>	<u>(2,904,829)</u>
<b>As at 31 December 2013</b>					
Realised (losses)/profit	(1,779,859)	35,861	(118,836)	355,395	(1,507,439)
Unrealised losses	(218)	(1,435)	(293)	-	(1,946)
	<u>(1,780,077)</u>	<u>34,426</u>	<u>(119,129)</u>	<u>355,395</u>	<u>(1,509,385)</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) (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.

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 also dismissed portions of the claims relating to flights originating in Asia on the basis of lack of jurisdiction. These rulings have, according to the Company's solicitors from the United States of America, significantly reduced the potential amount of claims. On 11 June 2013, the Company entered into a settlement agreement amounting to USD950,000 which is subject to Court approval. On 11 August 2014, the court has provided preliminary approval for the settlement. US counsel will update the Company on final decision on the settlement terms by the court.

**(b) 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 ("Commerce Commission") in relation to its air freight investigation under Section 27 of the New Zealand Commerce Act. The Statement of Claim does not indicate any quantum of fines that might be ultimately imposed.

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

**13. MATERIAL LITIGATION (CONTINUED)**

**(b) Statement of Claim from Commerce Commission of New Zealand (Continued)**

On 31 January 2013, the Company and the Company's wholly owned cargo subsidiary Malaysia Airlines Cargo Sdn. Bhd. ("MASkargo") entered into a confidential settlement agreement ("Settlement Agreement") with the Commerce Commission in relation to the proceedings. Following entry into the Settlement Agreement, the proceedings were discontinued against the Company on 19 February 2013 and the Company has made no admission of liability in relation to the proceedings and MASkargo was added as a second defendant to the proceedings on 15 February 2013 and made certain limited admissions in relation to the proceedings.

A hearing was held in the New Zealand High Court in relation to the penalty to be imposed against MASkargo in relation to the proceedings on 19 February 2013, and a judgment was issued on 22 April 2013. The Court has ordered in the judgment that MASkargo pays a penalty of NZD2.6million plus contribution towards Commerce Commission's costs of NZD0.7 million, payable in four instalments over 18 months. This represents a settlement of approximately RM8.4 million (applying the exchange rate of NZD1=RM2.564) in total, with payment guaranteed by MAS. The final instalment of NZD750,000 was paid by MASkargo to the Commerce Commission in October 2014.

**(c) Notice of Proposed Decision by the Competition Commission of Malaysia**

On 6 September 2013 the Company had been served with a Notice of Proposed Decision by the Competition Commission of Malaysia ("MyCC") pursuant to Section 36 of the Competition Act 2010 ("the Act").

The decision is premised on an alleged breach by the Company and Air Asia (collectively, AirAsia Berhad and AirAsia X Sdn Bhd) of Section 4(2)(b) of the Act in entering into the Comprehensive Collaboration Framework of 9 August 2011, an agreement that has as its object the sharing of markets in air transport services sector within Malaysia. The particular routes under scrutiny were the Kuala Lumpur-Kuching, Kuala Lumpur-Kota Kinabalu, Kuala Lumpur-Sandakan and Kuala Lumpur-Sibu routes.

As further provided under the Act, a proposed financial penalty of RM10 million has been imposed on the Company representing an amount no more than 10% of the Company's worldwide turnover over the period of the alleged infringement.

The Company submitted its written representation to the MyCC on 17 October 2013 and the oral representation took place on 15 January 2014. The Company has on 10 April 2014 received from the MyCC its Notice of Finding of Infringement (the "Notice") dated 10 April 2014 and its decision dated 31 March 2014 (the "Decision"). The said Notice and Decision maintains its findings of infringement and the penalty of RM10 million as provided under the Notice and Proposed Decision dated 6 September 2013. The Company's solicitors have lodged an appeal on 29 April 2014 to the Competition Appeal Tribunal against that decision. In light of the appeal, the execution of the Decision has now been temporarily stayed. It is anticipated that the hearing of the appeal will take place within the first half of 2015. The Company and its subsidiaries are committed to comply with all applicable laws, including competition laws, in the countries of operation.

**(d) Silkways Cargo Service Ltd ("Silkways") vs MAS**

On 11 November 2012, the Company instituted a claim against Silkways (a former General Sales Agent of the Company) pursuant to a Side Letter dated 1 March 2009 to a general sales agency agreement (cargo) dated 1 March 2009 made between the Company and Silkways. The claim was for the sum of USD150,000 plus interest of USD13,125 for the shortage of cargo sale for the period from March 2011 to February 2012 as Silkways was supposed to achieve a total sale of USD8.5 million but Silkways only obtained a total sale of USD5.2 million.

On 15 November 2012 the Company filed an additional claim against Silkways for the sum of approximately BDT262,243,578.94 for, among others, losses suffered in connection with cargo sales, passenger ticket sales, goodwill losses, and loss of business.

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

**13. MATERIAL LITIGATION (CONTINUED)**

**(d) Silkways Cargo Service Ltd (“Silkways”) vs MAS (Continued)**

The Company is currently waiting for a decision by the District Court of Dhaka on the abovementioned claims.

In response to the claims, Silkways had on 24 November 2013 filed a counterclaim against the Company for the sum of BDT2,786,416,328 for, among others, commission charges, loss of business and good will. The Company's solicitors had on 6 July 2014 filed a written statement in reply to this counterclaim, and are currently waiting for decision by the District Court of Dhaka.

**14. DIVIDENDS**

The directors do not recommend any dividend for the financial period ended 30 September 2014.

**15. LOSS PER SHARE**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014	Quarter ended 30/09/2013	Period ended 30/09/2014	Period ended 30/09/2013
<b>(a) Basic loss per share</b>				
Loss attributable to equity holders of the Company (RM'000)	(576,110)	(375,439)	(1,326,542)	(830,247)
Weighted average number of ordinary shares in issue ('000)	16,710,781	16,710,781	16,710,781	12,440,248
Loss per share (sen)	<u>(3.45)</u>	<u>(2.25)</u>	<u>(7.94)</u>	<u>(6.67)</u>

Loss 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 period ended 30 September 2014.

**(b) Diluted 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 November 2014.

By Order of the Board

Rizani bin Hassan (LS 0009520)  
Company Secretary  
Selangor Darul Ehsan  
28 November 2014.

**PART C - ADDITIONAL INFORMATION**

**1. SUMMARY OF KEY FINANCIAL INFORMATION**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014 RM '000	Quarter ended 30/09/2013 RM '000	Period ended 30/09/2014 RM '000	Period ended 30/09/2013 RM '000
(a) Revenue	3,381,639	3,903,082	10,572,400	11,217,357
(b) Earnings Before Interest, Taxation, Depreciation & Amortisation	(169,547)	62,255	(303,637)	320,285
(c) Loss before taxation	(571,605)	(370,508)	(1,313,372)	(814,852)
(d) Loss for the period	(575,611)	(373,238)	(1,323,715)	(827,015)
(e) Loss attributable to ordinary equity holders of the Company	(576,110)	(375,439)	(1,326,542)	(830,247)
(f) Basic loss per share (sen)	(3.45)	(2.25)	(7.94)	(6.67)
Diluted loss per share (sen)	(3.45)	(2.25)	(7.94)	(6.67)

	AS AT 30/09/2014	AS AT 31/12/2013 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	0.15	0.24

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2014 RM '000	Quarter ended 30/09/2013 RM '000	Period ended 30/09/2014 RM '000	Period ended 30/09/2013 RM '000
(a) Interest income	11,361	42,513	57,898	85,998
(b) Finance costs	(123,760)	(121,160)	(364,634)	(331,475)