



MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2008

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 2008. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000 (Restated)	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000 (Restated)
Continuing Operations				
Operating revenue	3,764,132	4,056,783	15,035,303	14,630,231
Operating expenses	(3,800,197)	(3,858,422)	(15,198,257)	(14,357,514)
Other operating income	102,304	80,722	466,001	288,242
Residual value sharing on sale of aircraft by Penerbangan Malaysia Berhad	-	(19,517)	-	209,333
Gains on sale of properties	13	1,198	2,410	104,935
Profit from operations	66,252	260,764	305,457	875,227
Finance costs	(20,058)	(11,105)	(60,770)	(46,886)
Share of results from associated companies	3,647	(2,627)	19,974	12,570
Profit before taxation	49,841	247,032	264,661	840,911
Taxation	(3,219)	(4,779)	(19,086)	(29,590)
Profit for the period from continuing operations	46,622	242,253	245,575	811,321
Discontinued Operations				
Results for the period from discontinued operations (Refer Part A, Note 13)	-	-	122	41,422
Profit for the period	46,622	242,253	245,697	852,743
Attributable to:				
Equity holders of the Company	46,180	241,925	244,312	851,418
Minority Interest	442	328	1,385	1,325
Profit for the period	46,622	242,253	245,697	852,743
Earnings per share attributable to equity holders of the Company				
Basic (sen)				
Continuing operations	2.76	16.49	14.61	55.23
Discontinued operations	-	-	0.01	2.82
	<u>2.76</u>	<u>16.49</u>	<u>14.62</u>	<u>58.05</u>
Diluted (sen)				
Continuing operations	2.76	15.41	14.61	51.60
Discontinued operations	-	-	0.01	2.64
	<u>2.76</u>	<u>15.41</u>	<u>14.62</u>	<u>54.24</u>

Note:

The comparative figures have been reclassified to conform with current year's presentation as reflected in Note 17 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31/12/2008 RM '000	As at 31/12/2007 RM '000 (Restated)
Aircraft, property, plant and equipment	2,464,823	2,060,879
Investment in associated companies	73,268	58,447
Other investments	64,946	66,325
Negotiable instruments of deposits	250,000	340,000
Prepaid lease payments on land	17,431	17,613
Amount owing by a fellow subsidiary	202,423	243,377
Intangible assets	106,253	103,162
Other receivables	124,519	72,878
Deferred tax assets	1,348	4,007
	3,305,011	2,966,688
<u>Current assets</u>		
Inventories	379,730	365,266
Trade and other receivables	2,020,112	1,807,949
Negotiable instruments of deposits	795,000	485,000
Cash and bank balances	3,571,743	4,434,338
	6,766,585	7,092,553
Non-current assets held for sale	-	2,740
	6,766,585	7,095,293
<u>Current liabilities</u>		
Trade and other payables	2,408,825	3,006,391
Provision	817,703	681,828
Short term borrowings	425,000	-
Short term borrowing (finance lease liability)	8,411	-
Provision for taxation	5,001	4,432
Sales in advance of carriage	1,222,410	1,563,394
	4,887,350	5,256,045
Net current assets	1,879,235	1,839,248
	5,184,246	4,805,936
Equity attributable to equity holders of the Company	4,185,698	3,934,893
Share capital - ordinary shares	1,671,002	1,670,992
Redeemable Convertible Preference Shares (RCPS)	58,076	58,076
Reserves		
Share premium	4,007,446	4,007,510
Reserve	577,732	529,410
Accumulated losses	(2,128,558)	(2,331,095)
Minority interest	11,278	11,056
Total equity	4,196,976	3,945,949
<u>Long term liabilities</u>		
Long term borrowings	873,336	859,672
Long term borrowing (finance lease liability)	112,241	-
Deferred tax liabilities	1,693	315
	5,184,246	4,805,936
Net assets per share (RM)	2.50	2.35

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000 (Restated)
Cash Flows From Operating Activities		
Profit before taxation from:		
Continuing operations	264,661	840,911
Discontinued operations	122	43,218
Adjustments for :-		
Provision for aircraft maintenance and overhaul costs	498,964	633,754
Depreciation of aircraft, property, plant and equipment	327,619	344,610
Losses incurred due to delay in delivery of A380	-	58,385
Interest expenses	58,595	46,841
Grant of ESOS	48,327	27,880
Aircraft, property, plant and equipment written off, net	35,287	22,503
Unrealised foreign exchange loss	90,424	27,743
Amortisation of intangible assets	24,359	13,206
Amortisation of prepaid lease payments on land	182	582
Gain/(Loss) on disposal of aircraft, property, plant and equipment, net	14	(53,917)
Discount on redemption of Redeemable Preference Shares in an associates	-	3,229
Writeback of unavailed credits on sales in advance of carriage	(324,078)	(252,193)
Interest income	(222,746)	(106,050)
(Writeback)/provision for doubtful debts, net	(58,165)	108,697
Writeback of impairment losses for aircraft, property, plant and equipment	(45,254)	(2,101)
Gain on disposal of other investment	(24,732)	-
Share of results of associated companies	(19,974)	(12,570)
Dividend income	(16,586)	(21,691)
Gain on disposal of non-current assets held for sale	(2,410)	(52,840)
(Writeback of)/provision for inventories obsolescence, net	(2,374)	26,672
Gain on disposal of subsidiary	-	(36,145)
Operating profit before working capital changes	632,235	1,660,724
Increase in inventories	(12,090)	(5,180)
(Increase)/decrease in trade and other receivables	(200,842)	(19,683)
Decrease in amount owing to holding company	(90,848)	(171)
(Decrease)/increase in trade and other payables	(529,270)	469,588
Decrease in provision	(363,089)	(299,640)
(Decrease)/increase in sales in advance of carriage	(16,905)	613,526
Cash (used in)/generated from operating activities	(580,809)	2,419,164
Interest paid	(28,363)	(39,825)
Taxes paid	(14,480)	(8,753)
Net cash (used in)/generated from operating activities	(623,652)	2,370,586
Cash Flows From Investing Activities		
Purchase of aircraft, property, plant and equipment	(763,813)	(411,303)
Net placement for negotiable instruments of deposits	(220,000)	(825,000)
Purchase of intangible assets	(27,450)	(36,006)
Interest received	187,708	91,720
Proceeds from disposal of aircraft, property, plant and equipment	42,236	72,944
Proceeds from disposal of other investments	26,112	33,173
Dividend received	21,739	43,276
Proceeds from disposal of non current assets held for sale	4,876	151,732
Proceed from disposal of a subsidiary	-	372,190
Net cash used in investing activities	(728,592)	(507,274)
Cash Flows From Financing Activities		
Proceeds from/(repayment of) short term borrowings	425,000	(1,050,000)
Proceeds from finance lease	120,651	-
Issuance of shares pursuant to ESOS	38	-
Proceeds from Right issue	-	1,127,920
Proceeds from long term borrowings	-	500,000
Proceeds from issuance of RCPS	-	417,748
Dividend paid	(41,775)	-
Dividend paid on RCPS	(12,532)	-
Dividend paid to minority interest in subsidiaries	(1,163)	(5,515)
Settlement on conversion of RCPS	(474)	-
Expenses incurred on issuance of Rights share exercise	(96)	(3,826)
Net cash generated from financing activities	489,649	986,327
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(862,595)	2,849,639
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	4,434,338	1,584,699
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3,571,743	4,434,338

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Attributable to equity holders of the Company					Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000				
At 1 January 2008	1,670,992	58,076	4,007,510	529,410	(2,331,095)	2,205,825	3,934,893	11,056	3,945,949
Final dividends for financial year ended 2007	-	-	-	-	(41,775)	(41,775)	(41,775)	-	(41,775)
Profit for the year	-	-	-	-	244,312	244,312	244,312	1,385	245,697
Rights shares' expenses	-	-	(97)	-	-	(97)	(97)	-	(97)
ESOS									
- Grant of ESOS	-	-	-	48,327	-	48,327	48,327	-	48,327
- Exercise of options	10	-	28	-	-	28	38	-	38
- ESOS provision reversal	-	-	5	(5)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(1,163)	(1,163)
At 31 December 2008	1,671,002	58,076	4,007,446	577,732	(2,128,558)	2,456,620	4,185,698	11,278	4,196,976

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Attributable to equity holders of the Company					Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
	Share capital RM '000	Equity component of RCPS RM '000	Non-distributable Share premium RM '000	Distributable Reserves RM '000	Accumulated losses RM '000				
At 1 January 2007	1,253,244	-	3,301,164	501,530	(3,182,513)	620,181	1,873,425	15,246	1,888,671
Profit for the year	-	-	-	-	851,418	851,418	851,418	1,325	852,743
Rights shares									
- Rights expenses	-	-	(3,826)	-	-	(3,826)	(3,826)	-	(3,826)
- Issue of ordinary shares	417,748	-	710,172	-	-	710,172	1,127,920	-	1,127,920
RCPS	-	58,076	-	-	-	-	58,076	-	58,076
Grant of ESOS	-	-	-	27,880	-	27,880	27,880	-	27,880
Dividends	-	-	-	-	-	-	-	(5,515)	(5,515)
At 31 December 2007	1,670,992	58,076	4,007,510	529,410	(2,331,095)	2,205,825	3,934,893	11,056	3,945,949

1. ACCOUNTING POLICIES

The quarterly condensed financial report has been prepared in accordance with:

- (i) The requirement of the Financial Reporting Standards ("FRS") Standard 134 - Interim Financial Reporting; and
- (ii) Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad

and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2007. These explanatory notes attached to the quarterly condensed financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

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 2007.

2. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

There was no qualification of the Group's Audited Annual Financial Statements for the financial year ended 31 December 2007.

3. 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.

4. UNUSUAL ITEMS

There were no unusual items for the financial year ended 31 December 2008.

5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

- (i) During the financial year ended 31 December 2008, the Group reviewed its estimate of unavailed credits on sales in advance of carriage. This relates to tickets sold, fuel and insurance surcharges and administrative fees which are not utilised upon expiry of their validity which the Group recognises as revenue. The Group revised its estimate for the quarter using historical data and trends. The revision was accounted for prospectively as a change in accounting estimates and as a result of this, the Group has not recognised any additional income for the quarter and RM102 million for the financial year ended 31 December 2008 to the Group's profit before tax.
- (ii) The FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of aircraft, property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of spare engines, repairable and rotatable aircraft spares from 7 to 15 years to 7 to 20 years with effect from 1 January 2008. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM20 million.

6. SIGNIFICANT EVENTS

- (i) On 20 August 2008, the Company entered into a Memorandum of Understanding with GMR Hyderabad International Airport Limited, India (GHIAL) to set up a Maintenance, Repair and Overhaul facility to provide maintenance services on narrow and wide body aircraft at the Rajiv Gandhi International Airport in Hyderabad, India. On 28 November 2008, the Company announced that both parties are working towards developing the business plan and finalising the details of the intended venture.
- (ii) On 31 March 2008, the Company announced its narrowbody fleet acquisition plan in ordering up to 55 B737-800 aircraft, of which a firm order was placed for 35 B737-800 aircraft with an option for another twenty (20) aircraft. The total cost of the 55 aircraft is USD4.2 billion at list prices. The Company also has the option to swap the B737-800 to the larger B737-900. The delivery of the first aircraft is expected from September 2010 onwards. The Company also announced that it would take delivery of all six (6) A380-800 in 2011 with the first aircraft to be delivered in January and the sixth in August. The Company is now looking into the widebody aircraft replacement and will intensify its discussion with the manufacturers. The fleet acquisition plan is to support the Company's Business Transformation Plan in its network expansion.
- (iii) On 28 February 2008, the Company entered into a sale and purchase agreement with Avions De Transport Regional, GIE (ATR) to purchase five (5) ATR72-500 aircraft plus an option to purchase another five (5) of the same for the operations of its subsidiary, MASwings Sdn. Bhd. (formerly known as Absolute Competence Sdn. Bhd.). The catalogue price of the aircraft is USD17.9 million, beginning with the first delivery in August 2008.

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

- (iv) On 19 December 2007, Malaysian Aerospace Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company had signed a Memorandum of Understanding with Qantas to establish a joint venture company to provide airframe maintenance services from Malaysia. On 30 December 2008, the Company announced that there is no material change in the status and both parties are finalising the details of the joint venture agreement.
- (v) On 1 March 2007, the Company entered into a conditional Share Purchase Agreement ("SPA") for the disposal of 100% equity of the Company's wholly-owned subsidiary, MAS Hotel & Boutiques Sdn. Bhd. ("MHB"), a company involved in the business of providing hotel and boutique facilities, to Kingdom Langkawi B.V.

On 5 April 2007, the SPA was partially completed and MHB was disposed with a gain of RM36.1 million. Full completion of the SPA was subject to the fulfilment of a final condition precedent in relation to the transfer of a Mangrove Land by March 2008. The consideration for the said land of RM35 million and its related gain was deferred subject to the fulfilment of the condition precedent.

On 31 March 2008, the condition precedent in relation to the transfer of the Mangrove Land was not fulfilled and no extension of time was agreed between both parties. Accordingly:

- (a) The transfer of the Mangrove Land by the Company to the purchaser did not take place;
- (b) The deferred consideration of RM35 million was not paid by the purchaser to the Company, as consideration for the transfer of the Mangrove Land; and
- (c) The purchaser or MHB (whose sole shareholder is the purchaser after the partial completion) was not required to purchase the Mangrove Land from the Company.

There were no other significant events for the financial year ended 31 December 2008.

7. ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

On 6 August 2008 and 20 August 2008, the company issued 2,000 and 8,300 new ordinary shares of RM1 each respectively for cash pursuant to MAS Employee Share Options Scheme (ESOS) at exercise prices of between RM3.82 and RM3.94 per ordinary share.

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial year ended 31 December 2008.

8. DIVIDEND PAID

A first and final tax exempt dividend of 2.50 sen per ordinary on 1,670,991,820 number of shares amounting to RM41,774,796 in respect of the financial year ended 31 December 2007 was paid on 31 July 2008.

9. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Individual Quarter ended 31/12/2008		Cumulative Quarter ended 31/12/2008	
	Operating revenue RM '000	Operating profit/(loss) RM '000	Operating revenue RM '000	Operating profit RM '000
Airline operations	3,408,696	93,815	13,535,082	295,595
Cargo services	618,300	(14,148)	2,590,983	22,392
Catering services	2,962	610	10,497	1,999
Others	15,127	(350)	94,872	6,652
	4,045,085	79,927	16,231,434	326,638
Eliminations	(280,953)	(13,675)	(1,196,131)	(21,181)
Total	3,764,132	66,252	15,035,303	305,457

10. VALUATION OF ASSETS

There was no valuation of aircraft, property, plant and equipment for the financial year ended 31 December 2008.

11. SUBSEQUENT EVENT

There was no material subsequent event for the financial year ended 31 December 2008.

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

- i) On 18 March 2008, the Company subscribed for an additional 14,999,998 ordinary shares of RM1.00 each in the share capital of FlyFirefly Sdn. Bhd, a wholly owned subsidiary by way of loan capitalisation.
- ii) On 22 September 2008, the Company acquired one (1) ordinary shares of USD1.00 of an off-shore Company under the name of Kelip-kelip Labuan Limited for a purchase consideration of RM3.50 by way of cash. With effect from that date, Kelip-Kelip Labuan Limited became a fully owned subsidiary of the Company.

There were no other changes in the composition of the Group for the financial year ended 31 December 2008.

13. DISCONTINUED OPERATIONS

As at 31 December 2007, MHB and Syarikat Pengangkutan Senai Sdn. Bhd. ("SPS") were classified as discontinued operations. As at 31 March 2008, MHB disposal has been completed (refer Part A, Note 6(v)). SPS ceased its operations since 15 August 2007 and as at 31 December 2008, SPS' assets disposal has been completed.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- (i) Contingent liabilities

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

MAS continues to be the named lessee or borrower of finance leases and 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.

		19/02/2009
		RM '000
1.	Secured / Unsecured	
	Loans	
	- Secured	119,500
	- Unsecured	82,239
	Finance leases (secured)	425,846
		<u>627,585</u>
2.	Tenure	
	Loans and leases due within one year	142,422
	Loans and leases due after one year	485,163
		<u>627,585</u>
3.	Loans by currencies in Ringgit Malaysia	
	US Dollar	545,346
	French Franc	82,239
		<u>627,585</u>
(b)	Others	
	Corporate guarantees given to third parties	5,321
	Bank guarantees given to third parties	830,413
	Bank guarantees given to PMB on aircraft lease	20,799
	Performance bonds given to third parties	5,505
		<u>862,038</u>
(ii)	Contingent assets	

The Company has the right to receive from PMB 80% of the profit arising from the eventual realisation of certain aircraft assets unbundled to PMB under the Agreement for Aircraft and Finance Agreements Unbundling. The profit will be computed based on the excess of the value realised over the decayed cost of the aircraft. The decayed cost for each aircraft at future dates is stipulated by the WAU Agreement. Based on the published industry price data, MAS share of the profit on disposal if the applicable aircraft were to be disposed as at 19 February 2009 is RM929.71 million.

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

15. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	46,777	73,281	201,684	234,678
- Rental income and others	(7,888)	(4,963)	(23,047)	(20,088)
- Shared services billed	-	(409)	(113)	(2,801)
GE Engine Services (M) Sdn. Bhd., an associate:				
-Engine maintenance services rendered and purchase of aircraft, property and equipment	62,020	106,503	333,654	428,485
- Rental income and others	(3,559)	(3,846)	(11,765)	(15,361)
- Shared services billed	(35)	(61)	(139)	(288)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,412	1,988	5,499	5,868
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	2,795	2,136	10,118	7,864
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	769	1,217	5,194	5,973
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	273	232	1,801	1,858
Abacus International Holding Ltd., a company in which the Company has substantial shareholding:				
- Computer reservation system access fee paid/ payable	10,785	5,810	38,451	39,922
Evergreen Sky Catering Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	1,202	2,039	7,686	9,132
Miascor Catering Services Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	279	330	1,375	633
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	138,674	148,079	541,148	639,592
- Cost incurred/(residual value sharing) on sale of aircraft	-	19,517	-	(209,333)
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	63,970	70,632	265,751	283,846

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

16. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2008 RM '000	As at 31/12/2007 RM '000 (Audited)
Amount owing from/(to) holding company	18,998	(71,860)
Amount owing by a related party	3,178	9,346
Amount owing by a fellow subsidiary		
- due within one year	44,641	52,591
- due after one year	202,423	243,377
Amount owing from associated companies	3,261	524
Amount owing to associated companies	25,686	49,347

17. CHANGES IN PREVIOUS QUARTER PRESENTATION

The following disclosures for the quarter/year ended 31 December 2007 have been restated to conform with the current period's presentation:

Quarter ended 31 December 2007

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	4,009,642	47,141	4,056,783
Operating expenses	(3,811,281)	(47,141)	(3,858,422)

Year ended 31 December 2007

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	14,686,130	(55,899)	14,630,231
Operating expenses	(14,413,413)	55,899	(14,357,514)

As at 31 December 2007

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Trade and other receivables	1,799,781	8,168	1,807,949
Trade and other payables	(2,998,223)	(8,168)	(3,006,391)
Negotiable instruments of deposits - Non current*	-	340,000	340,000.00
Negotiable instruments of deposits - Current*	-	485,000	485,000
Cash and Bank	5,259,338	(825,000)	4,434,338
	5,259,338	-	5,259,338

* Negotiable instruments of deposits (NIDs) are deposits placed for its yield and are held to maturity. The principal of the instrument is protected upon maturity. If the NIDs are redeemed or sold prior to maturity, certain amount from the initial deposits may be forfeited.

The reclassification of NIDs from Cash and Bank Balances to NIDs in the current financial year is to reflect the terms and conditions of the deposits.

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 RM66.2 million for the fourth quarter ended 31 December 2008 (Quarter ended 31 December 2007: RM260.8 million profit) mainly due to lower operating revenue in line with the declining trend in global travel and cargo movements resulting from current economic downturn.

2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Operating profit for the quarter increased from RM44.3 million to RM66.2 million and profit after tax for the quarter is also slightly higher from RM38.4 million to RM46.6 million due to lower operating expenses from RM4,070.3 million to RM3,800.2 million mainly due to decrease in fuel price compared to preceding quarter (average jet fuel price of USD95 per barrel in quarter ended 31 December 2008 as compared to USD160 per barrel in quarter ended 30 September 2008).

3. CURRENT YEAR PROSPECTS

The airline industry is being hard hit by the global economic crisis, with the worst downturn seen since the Great Depression in the 1930s. The International Air Transport Association has forecast that the global airline industry will lose a further USD2.5 billion despite the fall in the fuel price. Whilst airlines have tried to reduce capacity in tandem with contracting demand, the sudden sharp decline in demand and passenger load has caused heavy fare discounting in many markets.

For the first quarter of 2009, demand is expected to be weak with forward sales booking generally below the level seen in 2008, especially on long haul UK/Europe, Australian and US routes and to markets that are adversely impacted by the economic crisis. This has led to yield pressure as airlines proceed to reduce fares and fuel surcharges to encourage the consumer to travel.

While MAS remains focused on implementing its business transformation which is anchored on the 4-pillar strategy of dynamic pricing, network optimisation, cost management and innovation, the weak demand expected for much of 2009 remains a major concern. In addition to monitoring market demands closely to manage capacity and cost tightly, MAS has recently implemented 'Dual Pricing', Everyday Low fares and Value Fares (MHlow, MHbasic, MHsmart, MHflex) in order to increase its customer base, market share and seat factor amid the extremely challenging business environment.

The Business Transformation Plan ("BTP 2") lays out the strategies in becoming a Five Star Value Carrier. The Management is intensifying efforts to generate additional revenue and to reduce costs to sustain profitability in this challenging business environment.

For 2008, the Group's has achieved a net income after tax of RM244.3 million. Based on BTP 2, the Group meets its threshold net income after tax level of RM150 million - RM399 million.

For 2009, the Group's targets are: RM499 million loss - RM50 million net income (on target), RM51 million - RM500 million (exceeding) and RM501 million - RM1 billion (outstanding).

4. 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 2008.

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

5. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000
Continuing operations				
Current period				
- Malaysian taxation	(3,226)	413	6,279	1,376
- Foreign taxation	2,812	1,848	7,392	7,392
	(414)	2,261	13,671	8,768
Under/(Over) provision in prior period	(484)	(16,077)	1,378	(16,771)
Deferred taxation	4,117	18,595	4,037	37,593
Total	3,219	4,779	19,086	29,590

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.

6. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were disposals of local and overseas properties resulting in a gain of RM2.4 million for the financial year ended 31 December 2008.

7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were disposals of quoted securities outside Malaysia resulting in a gain of RM24.7 million for the financial year ended 31 December 2008.

As at 31 December 2008, the Group has no quoted securities.

8. CORPORATE PROPOSALS

There were no proposals made during and subsequent to the financial year ended 31 December 2008.

9. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES

The Group as at 31 December 2008 has lease obligations amounting to RM244.8 million (31 December 2007: RM219.0 million) which are covered by interest bearing funds amounting to RM235.9 million (31 December 2007: RM202.3 million) placed with financial institutions at the inception date of the respective lease arrangements under defeasance arrangements. The defeased lease obligations, together with the related funds placements and payments, are therefore not included in these financial statements.

		As at 31/12/2008 RM '000	As at 31/12/2007 RM '000
(i) Short term borrowings			
Unsecured	(a)	425,000	-
Secured - Finance Lease liability	(b)	8,411	-
		<u>433,411</u>	<u>-</u>
(ii) Long term borrowings:			
Unsecured	(c)	500,000	500,000
Redeemable Cumulative Preference Shares	(d)	373,336	359,672
		<u>873,336</u>	<u>859,672</u>
Secured - Finance Lease liability	(b)	112,241	-
		<u>985,577</u>	<u>859,672</u>

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

9. GROUP BORROWINGS, DEBT AND EQUITY SECURITIES (CONTINUED)

- (a) As at 31 December 2008, the Group has drawdown net amount of RM425.0 million under its revolving credit facilities. The facilities are unsecured with an effective weighted interest rate at 4.32% per annum.
- (b) The Group has entered into a Finance Lease contracts for two of its ATR aircraft.
- (c) On 30 January 2007, the Company and CIMB Bank Berhad ("CIMB Bank") entered into a Facility Agreement whereby CIMB Bank agreed to make available to the Company a term loan facility of up to the maximum principal amount of RM500 million ("Term Loan"), and a Subscription Agreement in relation to the issuance by the Company of an aggregate of 500 redeemable preference shares of RM0.10 each ("RPS") at an issue price of RM1.00 per share to CIMB Bank.

Pursuant to these agreements, the Company had on 31 January 2007 drawdown the Term Loan of RM500 million with CIMB Bank and issued 500 RPS to CIMB Bank. The issuance of RPS to CIMB Bank provides the Company with an option to service the Term Loan through payment of non-cumulative tax-exempt dividend on the RPS or through payment of interest subject to prevailing laws and regulations.

The term loan interest for Year 1 (2007) is fixed at 5.58% per annum, Year 2 (2008) and final year (2009) is KLIBOR plus 1.53% per annum. The loan is unsecured and repayable in one (1) bullet repayment at the end of three (3) years from the drawdown date with interest payable for every six (6)-month period.

- (d) On 5 November 2007, the Company issued 417,747,955 RCPS of RM0.10 each at an issue of RM1.00 per share in conjunction with the issuance of Rights shares. The total proceeds received from the issuance of the RCPS is split between liability component and equity component. At the date of issue the fair value of the liability component is estimated by discounting the future contractual cash flows at the prevailing market interest rate available to the Group. The difference between the total issue price of the RCPS and the fair value assigned to the liability component, representing the conversion option is accounted in shareholder equity.

On 6 August 2008 and 20 August 2008, the Company issued 2,000 and 8,300 ordinary shares of RM1.00 each in MAS respectively as a result of exercise of options representing 10,300 ordinary shares of RM1.00 each under the MAS Employee Share Options Scheme (ESOS).

Except for the above, there were no other issuance, cancellation, repurchases, resales and repayment of debt and equity securities during the financial year.

10. FINANCIAL INSTRUMENTS

- (a) As at 19 February 2009, the Group has entered into various fuel hedging transactions for periods up to 31 December 2011 in lots totalling 17,350,000 barrels.

The fuel hedging programme is closely monitored and is subject to the vagaries of the market such as geopolitical events, the economic situation and weather conditions.

The accounting policy adopted is to charge related expenses as fuel cost in the financial statements upon the expiry of fuel hedging contracts.

- (b) As at 19 February 2009 the Group has entered into various interest rate hedging contract transactions for periods up to 13 December 2016 for a total notional amount of RM2,344million.

The accounting policy adopted is to charge the related expenses against the underlying expenses being hedged.

The fixed interest rates relating to interest rate hedging contracts as at 19 February 2008 vary from 2.15% to 5.00% per annum.

- (c) As at 19 February 2009, the Group has entered into foreign currency forward contracts and options amounting to RM2,301.6 million for periods up to 10 December 2009.

The accounting policy adopted is to recognise exchange gains and losses relating to these foreign currency forward contracts and options in the income statement in the same period as the underlying hedged item.

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

11. MATERIAL LITIGATION

(a) Shahjalal Aviation Systems Ltd. ("Shahjalal") vs MAS

Shahjalal was a general sales agent and had filed a claim in Dhaka, Bangladesh against MAS for a sum of BDT2,670.0 million (RM175.7 million) purportedly due to them on account of commission charges, loss of business and goodwill under the general sales agency. MAS had earlier filed a claim against Shahjalal for a sum of BDT152.0 million (RM10.0 million) which was subsequently reduced to BDT87.8 million (approximately RM4.6 million) after adjustments of the bank guarantee and other amounts, together with interest, on account of unremitted passenger and cargo sales.

The Court had delivered judgment on 13 January 2009 that MAS' claim for the amount of USD1.5 million (approximately RM5.4 million) from Shahjalal is decided in MAS' favour. The claims filed by Shahjalal against MAS for unlawful termination of a general sales agency agreement has been dismissed.

(b) Arbitration Proceedings by ACL Advanced Cargo Logistic GmbH ("ACL") vs MAS

On 16 September 2004, MAS received notice that ACL had initiated proceedings against MAS at the International Court of Arbitration in Paris, France. The claim against MAS for alleged breach of a ground handling contract ("ACL Agreement") is damages in the sum of EURO62.7 million (approximately RM300 million).

On 23 April 2007, MAS received a partial award from the Arbitral Tribunal dated 4 April 2007 declaring that MAS has breached the ACL agreement but made no ruling on MAS' liability to compensate ACL for the damages suffered as a result of the breach. The Arbitral Tribunal has fixed the hearing on the quantum of damages and costs from 3 until 6 November 2008. ACL has since in its statement of claim on quantum, revised its claim to EURO34.1 million (approximately RM168 million).

The partial award makes no monetary award and, at this time, has no ascertainable financial and operational effect on the Company and the Group. The legal effect is being analysed by MAS' Malaysian and Swiss counsels.

(c) Securiforce Sdn Bhd and Securiforce Hi-Tech Cargo Sdn Bhd (collectively, the "Plaintiffs") vs MAS and Malaysia Airlines Cargo Sdn Bhd ("MASKargo")

The Plaintiffs served a writ of summons and statement of claim on MAS and its wholly-owned subsidiary, MASKargo, on 16 June 2005. The Plaintiffs' claim is for special damages of RM4.9 million and general damages of RM250 million as well as unspecified exemplary damages as a consequence of what is alleged by the Plaintiffs to be a termination by MAS, in breach of a purported contract consisting of various documents involving services rendered by the Plaintiffs to MAS and MASKargo. MAS and MASKargo are challenging the claim.

(d) 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, MAS and MASKargo filed a civil suit in Malaysia against its former Executive Chairman, Tan Sri Tajudin bin Ramli and three (3) other Defendants. The claim against the Defendants is for losses amounting to RM174.6 million for, amongst others, breach of fiduciary duties committed by the Defendants and conspiracy to defraud MAS. 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.

(e) MAS, MAS Golden Holidays Sdn Bhd and MAS Hotels and Boutiques Sdn Bhd (collectively, the "Plaintiffs"), vs Tan Sri Tajudin bin Ramli, Naluri Corporation Berhad, Promet (Langkawi) Resorts Sdn Bhd ("Promet"), Kauthar Venture Capital Sdn Bhd ("Kauthar") and Pakatan Permai Sdn Bhd (collectively the "Defendants")

On 26 May 2006, the Plaintiffs filed a civil suit ("Original Suit") in the High Court at Kuala Lumpur against its former Executive Chairman, Tan Sri Tajudin bin Ramli and four (4) other Defendants for damages of approximately RM90 million together with further damages to be assessed, resulting from inter alia breach of fiduciary duties and/or knowingly assisting or benefiting from such breach of fiduciary duties.

In response to the Original Suit, Tan Sri Tajudin bin Ramli, Promet and Kauthar had on 9 October 2006 jointly filed and served a defence and counterclaim ("Counter Claim") on the Plaintiffs, MAS 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.

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

11. MATERIAL LITIGATION (CONTINUED)

(f) Arbitration Proceedings by Air Maldives Limited ("AML") vs MAS

On 15 May 2007, MAS received Notice from the Secretariat of the ICC International Court of Arbitration in Paris, France that AML had commenced arbitration proceedings against MAS for alleged continuous breaches of MAS duties under a Management Agreement between MAS and AML dated 16 January 1996 ("Arbitration").

Pending further particulars of AML's claim in the Arbitration, the effects of the claim on the financial position of MAS cannot be ascertained. MAS is currently seeking legal advice to challenge the claim.

(g) MAS vs Air Maldives Limited

On 11 February 2004, MAS filed a suit at the High Court of Malaya against AML to claim for the sum of USD35.5 million being unpaid fees and charges payable by AML to MAS for airline related services rendered by MAS pursuant to numerous agreements. The writ of summons was served by MAS on AML on 25 July 2007. AML has entered appearance on 22 October 2007. AML had on 19 March 2008 served their defence together with a counterclaim of USD 43.6million on MAS.

MAS is seeking legal advice in relation to the counterclaim and has filed an application to stay the counterclaim.

(h) Statement of Objections from the European Commission

On 27 December 2007, MAS and MASKargo were served with "Statement of Objections" from the European Commission in relation to its air freight investigation under Article 81 of the European Community Treaty, the general prohibition against anti-competitive behaviour. The Statement of Objections is a routine stage in the European Commission's investigations under the said Article 81 and is not a final determination of an infringement, nor does the Statement of Objections indicate any quantum of fines that might be ultimately imposed.

The MAS Group has sought legal advice and replied to the Statement of Objections from the European Commission.

- (i) Meor Adlin vs MAS**
- (j) Stephen Gaffigan vs MAS**
- (k) Micah Abrams vs MAS**
- (l) Donald Wortman vs MAS**
- (m) Bruce Hut vs MAS**
- (n) Dickson Leung vs MAS**

Between 18 January and 26 March 2008, MAS 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 MAS 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 recently served complaint does not make any mention of the quantum of damages sought against MAS. MAS is currently seeking legal advice in relation to the complaint.

(o) Statement of Claim from Commerce Commission of New Zealand

On 15 December 2008, Malaysian Airline System Berhad ("MAS") 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. Similar documents were also served to a number of airlines. The Statement of Claim does not indicate any quantum of fines that might be ultimately imposed.

MAS and its lawyers are reviewing the Statement of Claim.

12. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2008.

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

13. EARNINGS PER SHARE

	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000	Period ended 31/12/2008 RM '000	Period ended 31/12/2007 RM '000
(a) Basic earnings per share				
Profit attributable to equity holders of the Company for:				
Continuing operations	46,180	241,925	244,190	809,996
Discontinued operations	-	-	122	41,422
	<u>46,180</u>	<u>241,925</u>	<u>244,312</u>	<u>851,418</u>
Weighted average number of ordinary shares in issue ('000)	1,671,002	1,466,713	1,670,996	1,466,713
Basic earnings per share for (sen):				
Continuing operations	2.76	16.49	14.61	55.23
Discontinued operations	-	-	0.01	2.82
	<u>2.76</u>	<u>16.49</u>	<u>14.62</u>	<u>58.05</u>

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial year ended 31 December 2008.

(b) Diluted earnings per share

	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000
Weighted average number of ordinary shares in issue ('000)	1,671,002	1,466,713	1,670,996	1,466,713
Effects of dilution resulting from RCPS ('000)	-	103,148	-	103,148
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,671,002</u>	<u>1,569,861</u>	<u>1,670,996</u>	<u>1,569,861</u>
Diluted earnings per share for (sen):				
Continuing operations	2.76	15.41	14.61	51.60
Discontinued operations	-	-	0.01	2.64
	<u>2.76</u>	<u>15.41</u>	<u>14.62</u>	<u>54.24</u>

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary shares in issue during the financial year ended 31 December 2008, adjusted to assume the conversion of dilutive potential ordinary shares.

There is no dilutive EPS for the current quarter and year as the effect of potential dilution is anti dilutive.

14. 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 26 February 2009.

By Order of the Board

Rizani bin Hassan (LS 05125)
Company Secretary
Selangor Darul Ehsan
26 February 2009

PART C - ADDITIONAL INFORMATION

1. ECONOMIC PROFIT

- (a) As prescribed by the GLC Transformation Programme, the reporting of economic profit ("EP") is made every quarter. EP is an indicative measure of value creation by the business in a specific period. It is a reflection of how much return a business has generated after operating expenses and capital costs.
- (b) The Economic Profit of the Group for the quarter and year ended 31 December 2008 is RM63 million (2007: RM277 million) and RM45 million (2007: RM439 million) respectively. The drop in EP is more significant than the Group results performance for the financial year as it does not take into account of certain non-operational items such as higher interest income and gain on sale of other investment in current financial year and residual value sharing on sale of aircraft by PMB and gain on sale of properties in previous financial year. The drop in EP is comparable with the Group results performance for the quarter due to offsetting impact of interest income, foreign exchange losses and residual value sharing on sale of aircraft by PMB.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2008 RM 'Mil	Quarter ended 31/12/2007 RM 'Mil Restated	Year ended 31/12/2008 RM 'Mil	Year ended 31/12/2007 RM 'Mil Restated
Earnings Before Interest and Tax	83	274	138	520
Adjusted Tax	1	14	(15)	8
NOPLAT	84	288	123	528
Average Invested Capital	1,436	587	1,353	1,163
WACC (%)	5.76%	7.65%	5.76%	7.65%
Economic Charge	21	11	78	89
Economic Profit	63	277	45	439

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

2. HEADLINE KEY PERFORMANCE INDICATOR (KPI) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

- (a) The Headline KPI has been set and agreed by the Board and management of the Group as part of the broader KPI framework that the Group has in place, as prescribed under the GLC Transformation programme, and is disclosed on a voluntary basis.

Headline KPI	Achievement
Net Income	Meet threshold level of RM150 million - RM399 million

The Headline KPI is a target or aspiration set by the Group as a transparent performance management practice. The Headline KPI shall not be construed as either forecast, projection or estimate of the Group or representations of any future performance, occurrence or matter as the Headline KPI is merely a set of target/ aspiration of future performance aligned to the Group's strategy.

PART C - ADDITIONAL INFORMATION (CONTD)

3. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000 (Restated)	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000 (Audited)
(a) Revenue	3,866,449	4,119,186	15,503,714	15,232,741
(b) Profit before tax	49,841	247,032	264,783	884,129
(c) Profit for the period	46,622	242,253	245,697	852,743
(d) Profit for the period attributable to ordinary equity holders of the Company	46,180	241,925	244,312	851,418
(e) Basic earnings per share (sen)	2.76	16.49	14.62	58.05
(f) Proposed dividend per share (sen)	-	2.50	-	2.50

	AS AT 31/12/2008	AS AT 31/12/2007 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	2.50	2.35

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2008 RM '000	Quarter ended 31/12/2007 RM '000	Year ended 31/12/2008 RM '000	Year ended 31/12/2007 RM '000
(a) Gross interest income	54,393	36,147	222,746	106,050
(b) Gross interest expense	(17,936)	(11,090)	(58,595)	(46,841)