



Malaysia Airlines reports first quarter loss

National airline announces plans to address issues

Kuala Lumpur, 22 August 2005 – Malaysia Airlines today released its first quarter results for the period ending June 2005. While total revenue increased by 17% to RM2.8 billion, the airline posted a post-tax quarterly loss of RM280.7 million.

These are the first quarter figures for the shortened nine-month financial year ending 31 December 2005.

The group's operating expenditure increased 29% or RM701 million to RM3.1 billion, primarily attributed to high fuel prices. Fuel costs rose by 58% to RM1.1 billion, a significant rise from RM706 million previously.

When announcing the results on behalf of the company, Chairman Dato' Dr. Mohamed Munir Abdul Majid acknowledged that the first quarter loss was a result of several factors, not merely limited to fuel prices.

"This is a reality check. The company has not been making operating profits, even since the WAU (Widespread Asset Unbundling). The profits that have been reported are an accounting profit, attributable to gains from one-off benefits, not from sustainable operational performance," he said.

"We recognise the issues that currently exist within Malaysia Airlines and we have a planned and systematic approach to address them. Most importantly, we are committed to meeting these challenges and will take the necessary steps to create better focus on performance improvement."

He expressed the company's clear resolve to restructure its approach towards managing the company, and to drive real change in the organisation.

A Drive for Change

Elaborating on the change plans for Malaysia Airlines, Dato' Dr. Munir said, "We will focus on significant short-term improvement initiatives and implement a longer term plan to improve operating performance as well," he added.

He outlined the new approach:

- restructure management along clear lines of business – Commercial, Operations, and Business Services.
- simplify the scope of operations to focus on activities that are fundamental to flying a profitable commercial airline, and build a competitive cost base.
- leverage core assets – people, location, network – to build a long term sustainable position in the world airline industry.

Detailing the first steps for the company's drive for change Dato' Dr. Munir said the management structure will be revised. An Executive Committee headed by the Chairman and comprising the positions of managing director, executive director and representatives from the three lines of business – Commercial, Operations and Business Services -- has been established. (See Appendix B)

Dato' Dr Munir said Tengku Azmil Zahrudin bin Raja Abdul Aziz has been appointed the new Executive Director, responsible for strategic matters at the corporate level, and driving the change programme across the organisation. Tengku Azmil Zahrudin, a chartered accountant, is currently the CEO of PMB and a member of the MAS Board.

"This new structure is designed to focus on streamlining the operations of Malaysia Airlines and enhance the cost and operational efficiencies of the organisation," he continued.

Managing Director Retires

Dato' Dr. Munir also announced that Dato' Ahmad Fuaad Dahalan, Managing Director of Malaysia Airlines had, for personal reasons, sought early retirement and would be stepping down from this role as of today. He recorded his thanks to Dato' Fuaad for his contribution and service to the company over the last 32 years, and wished him well for the future.

He said the company will begin the search for a new Managing Director. In the interim, the chairman would assume the responsibilities of the role.

On the future

Dato' Dr Munir stated the airline industry worldwide would continue to face challenges and uncertainties. Nevertheless, he expressed confidence that Malaysia Airlines would be able to meet those challenges and come out stronger all-round.

"We have focus, we have resolve and commitment, and we have confidence," he said.

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APPENDIX A:

Financials – A Closer Look

HIGHLIGHTS OF FIRST QUARTER ENDED 30 JUNE 2005

- Total revenue of RM 2.8 billion, improved by 17% from RM2.4 billion previously.
- International passenger revenue of RM2.0 billion, improved by 22% from RM 1.7 billion.
- Cargo revenue of RM 607 million, improved by 11% from RM 549 million.
- Fuel cost of RM 1.1 billion, increased by 58% or RM 408 million, driven primarily by high fuel prices.
- Loss after tax of RM 280.7 million, from a profit after tax of RM 26.6 million.

- As at 30 June 2005, cash balance reduced to RM1.5 billion from RM2.2 billion on 31 March 2005.
- The primary use for the funds was to finance the on-going investments to improve product and service standards, including airline retrofit exercises and various operational and support services systems.
- Shareholders funds decreased by 8% to RM3.1 billion
- Total assets decreased by 5% to RM7.0 billion and net tangible assets per share decreased by 9% to RM2.43 per share.

- Passenger uplift increased by 0.4 million to 2.3 million when compared to the corresponding period in the previous financial year
- Revenue passenger km (RPK) growth of 21% exceeded the available seat km (ASK) growth of 5%
- These figures meant an improvement in both seat factor and yield, which improved by 9.1 points and 0.5% to 70.6% and 18.5 sen respectively
- The RPK:ASK ratio has increased to 4.1:1 from 1.7:1 when compared to the corresponding period in the previous financial year

- Cargo load tonnage flown improved by 8% to 136,000 million kg
- Load factor improved by 3.3 pts to 62%

Appendix B

