

**MALAYSIAN AIRLINE SYSTEM BERHAD**  
**(COMPANY NO.: 10601-W)**  
**(INCORPORATED IN MALAYSIA)**  
**UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 MARCH 2004**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

|   | INDIVIDUAL QUARTER                     |  | CUMULATIVE QUARTER                  |                                     |
|---|--|--|-------------------------------------|-------------------------------------|
|   | Quarter Ended<br>31/03/2004<br>RM '000 | Quarter Ended<br>31/03/2003<br>RM '000 | Year Ended<br>31/03/2004<br>RM '000 | Year Ended<br>31/03/2003<br>RM '000 |
| Operating revenue                                   | 2,426,886                              | 1,972,581                              | 8,587,826                           | 8,674,578                           |
| Operating expenses*                                 | (2,302,362)                            | (1,945,567)                            | (8,585,241)                         | (8,724,179)                         |
| Other income  | 47,215                                 | 74,129                                 | 192,994                             | 189,807                             |
| Profit from operations                              | <u>171,739</u>                         | <u>101,143</u>                         | <u>195,579</u>                      | <u>140,206</u>                      |
| Finance costs                                       | (961)                                  | -                                      | (5,916)                             | (148,212)                           |
| Gain/(Loss) on sale of aircraft and engines         | (3,331)                                | (20,680)                               | 56,751                              | 128,125                             |
| Gain on sale of properties                          | -                                      | 29,958                                 | -                                   | 29,958                              |
| Gain on execution of WAU                            | -                                      | 118                                    | -                                   | 229,504                             |
| Gain on sale of investment                          | -                                      | -                                      | 91,476                              | -                                   |
| Share of profits/(losses) from associated companies | 3,821                                  | (37,628)                               | 7,275                               | (45,646)                            |
| Profit before taxation                              | <u>171,268</u>                         | <u>72,911</u>                          | <u>345,165</u>                      | <u>333,935</u>                      |
| Taxation *  | 123,347                                | 12,286                                 | 117,543                             | 5,017                               |
| Profit after tax                                    | <u>294,615</u>                         | <u>85,197</u>                          | <u>462,708</u>                      | <u>338,952</u>                      |
| Minority interest                                   | (109)                                  | 621                                    | (1,565)                             | (2,421)                             |
| Net profit after tax                                | <u><u>294,506</u></u>                  | <u><u>85,818</u></u>                   | <u><u>461,143</u></u>               | <u><u>336,531</u></u>               |
| <b>Earnings per share</b>                           |  |  |                                     |                                     |
| Basic (sen)   | 23.50                                  | 7.28                                   | 36.80                               | 38.65                               |

\* The items for the quarter ended 31 March 2003 and financial year ended 31 March 2003 have been restated to reflect the effect of change in the accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.

**(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2003)**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

|                                    | AS AT<br>31/03/2004<br>RM '000 | AS AT<br>31/03/2003<br>RM '000 |
|------------------------------------|--------------------------------|--------------------------------|
| Fixed assets                       | 1,661,974                      | 1,819,203                      |
| Investment in associated companies | 35,629                         | 29,725                         |
| Long term investments              | 125,996                        | 122,540                        |
| Deferred taxation assets *         | 126,232                        | 309                            |
| Current assets                     |                                |                                |
| Stocks                             | 369,419                        | 362,342                        |
| Trade debtors                      | 999,827                        | 1,050,489                      |
| Other debtors                      | 1,105,706                      | 1,401,515                      |
| Cash and bank balances             | 2,190,893                      | 932,186                        |
|                                    | <u>4,665,845</u>               | <u>3,746,532</u>               |
| Current liabilities                |                                |                                |
| Trade creditors                    | 1,481,120                      | 1,399,642                      |
| Other creditors *                  | 918,815                        | 873,425                        |
| Provision for taxation             | 24,674                         | 26,613                         |
| Other liabilities                  | 1,153,723                      | 842,056                        |
|                                    | <u>3,578,332</u>               | <u>3,141,736</u>               |
| Net current assets                 | 1,087,513                      | 604,796                        |
|                                    | <u><b>3,037,344</b></u>        | <u><b>2,576,573</b></u>        |
| Shareholders' funds                | 3,023,984                      | 2,562,841                      |
| Share capital - ordinary shares    | 1,253,244                      | 1,253,244                      |
| Reserves                           |                                |                                |
| Share premium                      | 3,301,164                      | 3,301,164                      |
| General reserve                    | 501,530                        | 501,530                        |
| Accumulated losses *               | (2,031,954)                    | (2,493,097)                    |
| Minority interests                 | 12,098                         | 11,082                         |
| Other long term liabilities        |                                |                                |
| Deferred taxation                  | 1,262                          | 2,650                          |
|                                    | <u><b>3,037,344</b></u>        | <u><b>2,576,573</b></u>        |

\* The balances as at 31 March 2003 have been restated to reflect the effect of change in the accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2003)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|  | <b>CUMULATIVE QUARTER</b>                    |  |
|--|--|--|
|  | <b>Year Ended<br/>31/03/2004<br/>RM '000</b> | <b>Year Ended<br/>31/03/2003<br/>RM '000</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |  |  |
| <b>Profit before taxation *</b>                                | <b>345,165</b>                               | <b>333,935</b>                               |
| Adjustments for :-   |  |  |
| Share of results in associated companies                       | (7,275)                                      | 45,646                                       |
| Depreciation   | 214,258                                      | 699,809                                      |
| Gain on sale of aircraft and spare engines                     | (56,751)                                     | (128,125)                                    |
| Gain on execution of WAU                                       | -  | (229,504)                                    |
| Gain on sale of properties and equipment                       | (1,721)                                      | (30,444)                                     |
| Gain on partial disposal of subsidiary                         | (91,476)                                     | -  |
| Loss on disposal of investment                                 | 684  | 1,888  |
| Gain on liquidation of investments                             | (25,358)                                     | -  |
| Provision for doubtful debts                                   | 1,564  | 39,637                                       |
| Amortisation of deferred income, net                           | -  | (46,931)                                     |
| Unrealised foreign exchange (gain)/losses                      | 1,153  | (6,584)                                      |
| Aircraft spares, property and equipment written off            | 36,938                                       | 18,247                                       |
| Writeback of unavailed credits on sales in advance of carriage | (236,746)                                    | (46,706)                                     |
| Writeback of impairment loss                                   | (3,200)                                      | -  |
| Dividend income  | (5,852)                                      | (4,373)                                      |
| Interest income  | (58,874)                                     | (14,580)                                     |
| Interest expense   | 5,916  | 148,212                                      |
| <b>Operating profit before working capital changes</b>         | <b>118,425</b>                               | <b>780,127</b>                               |
| Increase in consumable spares and stores                       | (9,743)                                      | (10,215)                                     |
| Decrease in debtors  | 361,862                                      | 240,070                                      |
| Increase in creditors *  | 323,178                                      | 112,939                                      |
| Increase in sales in advance of carriage                       | 379,667                                      | 231,047                                      |
| <b>Cash generated from operating activities</b>                | <b>1,173,389</b>                             | <b>1,353,968</b>                             |
| Interest paid  | (3,078)                                      | (210,319)                                    |
| Taxes paid   | (18,856)                                     | (13,153)                                     |
| <b>Net cash generated from operating activities</b>            | <b>1,151,455</b>                             | <b>1,130,496</b>                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |  |  |
| Proceeds from sale of other investments                        | 20,303                                       | 30,159                                       |
| Purchase of aircraft, property and equipment                   | (283,090)                                    | (734,400)                                    |
| Proceeds from liquidation of investments                       | 25,358                                       | -  |
| Advances to associated companies                               | -  | (25,463)                                     |
| Proceeds from partial disposal of subsidiary company           | 140,662                                      | -  |
| Proceeds on sale of aircraft, property and equipment           | 145,348                                      | 3,570,377                                    |
| Interest received  | 55,008                                       | 6,341  |
| Dividend received  | 4,213  | 3,149  |
| <b>Net cash generated from investing activities</b>            | <b>107,802</b>                               | <b>2,850,163</b>                             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |  |  |
| Drawdown of term loans   | -  | 2,050,000                                    |
| Repayment of term loans and finance leases                     | -  | (5,510,550)                                  |
| Dividend paid to minority interest in a subsidiary             | (550)  | (5,117)                                      |
| <b>Net cash generated (used in) financing activities</b>       | <b>(550)</b>                                 | <b>(3,465,667)</b>                           |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>               | <b>1,258,707</b>                             | <b>514,992</b>                               |
| <b>CASH AND CASH EQUIVALENTS AS AT 01 APRIL</b>                | <b>932,186</b>                               | <b>417,194</b>                               |
| <b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>                | <b>2,190,893</b>                             | <b>932,186</b>                               |

\* The items as at 31 March 2003 have been restated to reflect the effect of change in accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2003)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2004**

|   | Share<br>Capital<br>RM '000 | Non-distributable<br>Share Premium<br>RM '000 | General<br>Reserves<br>RM '000 | Accumulated<br>Losses<br>RM '000 | TOTAL<br>RM '000 |
|---|-----------------------------|---|--------------------------------|----------------------------------|------------------|
| <b>At 31 March 2003, as previously stated</b> | 1,253,244                   | 3,301,164                                     | 501,530                        | (2,441,064)                      | 2,614,874        |
| Prior year adjustment *                       | -                           | -   | -                              | (52,033)                         | (52,033)         |
| <b>At 31 March 2003, as restated</b>          | 1,253,244                   | 3,301,164                                     | 501,530                        | (2,493,097)                      | 2,562,841        |
| Net profit for the period                     | -                           | -   | -                              | 461,143                          | 461,143          |
| <b>At 31 March 2004</b>                       | 1,253,244                   | 3,301,164                                     | 501,530                        | (2,031,954)                      | 3,023,984        |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2003**

|  | Share<br>Capital<br>RM '000 | Redeemable<br>Convertible<br>Preference<br>Shares<br>RM '000 | Non-<br>distributable<br>Share Premium<br>RM '000 | General<br>Reserves<br>RM '000 | Accumulated<br>Losses<br>RM '000 | TOTAL<br>RM '000 |
|--|-----------------------------|--|---|--------------------------------|----------------------------------|------------------|
| <b>At 31 March 2002</b>  | 770,000                     | 8,000  | 2,715,919   | 501,530                        | (2,780,159)                      | 1,215,290        |
| Prior year adjustment *  | -                           | -  | -   | -                              | (49,469)                         | (49,469)         |
| <b>At 31 March 2002, as restated</b>   | 770,000                     | 8,000  | 2,715,919   | 501,530                        | (2,829,628)                      | 1,165,821        |
| 6 November 2002<br>Reclassification of Redeemable<br>Convertible Preference Shares<br>to debt  | -                           | (8,000)  | (792,000)   | -                              | -                                | (800,000)        |
| 15 January 2003<br>Issuance of 483,243,865 new<br>ordinary shares at RM3.85 as<br>consideration for the liabilities<br>assumed by PMB. | 483,244                     | -  | 1,377,245   | -                              | -                                | 1,860,489        |
| Net Profit for the period  | -                           | -  | -   | -                              | 336,531                          | 336,531          |
| <b>At 31 March 2003</b>  | 1,253,244                   | -  | 3,301,164   | 501,530                        | (2,493,097)                      | 2,562,841        |

\* The prior year adjustment was made pursuant to the change in accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2003).

**1. Accounting Policies**

The accounting policies and methods of computation used in the preparation of the Group's Annual Report for the year ended 31 March 2003 have been applied in the preparation of the quarterly financial statements. During the financial year ended 31 March 2004, the Group adopted the following MASB standards for the first time:

- MASB 25 Income Taxes
- MASB 27 Borrowing Costs
- MASB 28 Discontinuing Operations
- MASB 29 Employee Benefits

The adoption of MASB 27 and MASB 28 have not given rise to any adjustments to the opening balances of accumulated losses of prior and current year or changes in comparatives. The effect of adopting MASB 25 and MASB 29 are tabulated below:

|                      | Previously<br>Stated<br>31.3.2003<br>RM'000 | Effect of<br>MASB 25<br>RM'000 | Effect of<br>MASB 29<br>RM'000 | Restated<br>31.3.2003<br>RM '000 |
|----------------------|---|--------------------------------|--------------------------------|----------------------------------|
| Other creditors      | 821,083                                     | N/A                            | 52,342                         | 873,425                          |
| Deferred tax assets  | -   | 309                            | N/A                            | 309                              |
| Accumulated losses   | (2,441,064)                                 | 309                            | (52,342)                       | (2,493,097)                      |
| Net profit after tax | 339,095                                     | 51                             | (2,615)                        | 336,531                          |
| Earnings per share   | 38.95                                       | N/A                            | N/A                            | 38.65                            |

**2. Qualification of Preceding Audited Annual Financial Statements**

There was no qualification of the Group's Audited Annual Financial Statements for the year ended 31 March 2003.

**3. Unusual Items**

There was no unusual item for the year ended 31 March 2004.

**4. Significant Event**

The disposal of 70% shares in wholly owned MAS Catering Sdn Bhd by the Company to Gubahan Saujana Sdn Bhd for a cash consideration of RM175 million was completed on 1 December 2003.

**5. Seasonality or Cyclical 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 that of the economies of the countries in which the Group operates as well as seasonal, health and security factors.

**PART A – EXPLANATORY NOTES PURSUANT TO MASB 26, PARAGRAPH 1 (CONTINUED)**

**6. Issuance, Cancellation or Repayment of Debt and Equity Securities**

There was no issuance, cancellation or repayment of debt and equity securities for the year ended 31 March 2004.

**7. Dividend Paid**

No dividend was paid during the year ended 31 March 2004.

**8. Segmental Information\*\***

| By Business Activity | QUARTER ENDED 31 MARCH 2004  |                              | YEAR ENDED 31 MARCH 2004     |                                     |
|----------------------|------------------------------|------------------------------|------------------------------|-------------------------------------|
|                      | Operating Revenue<br>RM '000 | Profit Before Tax<br>RM '000 | Operating Revenue<br>RM '000 | Profit/(Loss) Before Tax<br>RM '000 |
| Airline operations   | 2,088,053                    | 155,067                      | 7,306,476                    | 273,188                             |
| Cargo services       | 520,235                      | 11,984                       | 1,999,756                    | 96,509                              |
| Catering services #  | 3,515                        | 1,361                        | 115,445                      | (24,381)                            |
| Others               | 18,672                       | 3,165                        | 66,258                       | 7,516                               |
|                      | 2,630,475                    | 172,577                      | 9,487,935                    | 352,832                             |
| Eliminations         | (203,589)                    | (1,309)                      | (900,109)                    | (7,667)                             |
| <b>Total</b>         | <b>2,426,886</b>             | <b>171,268</b>               | <b>8,587,826</b>             | <b>345,165</b>                      |

\*\* The presentation of segmental information has been changed to include inter-company eliminations.

# The business activity for catering services from MAS Catering Sdn Bhd is accounted for up to 30 November 2003.

**9. Valuation of asset**

There was no revaluation of aircraft, property and equipment for the year ended 31 March 2004.

**10. Material Subsequent Event**

There was no material event subsequent to 31 March 2004.

**11. Changes in Composition of Company/Group**

The disposal of 70% shares in the wholly owned subsidiary, MAS Catering Sdn Bhd, to Gubahan Saujana Sdn Bhd was completed on 1 December 2003, thus changing it from a wholly owned subsidiary to an associated company. There were no other changes in the composition of the Group during the current quarter.

**12. Contingent liabilities and Contingent assets**
**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 the Government of Malaysia. As such, the outstanding balance of the borrowings assumed by PMB is included within the Group's contingent liabilities.

|   | <b>17 May 2004</b><br><b>RM'000</b> |
|---|-------------------------------------|
| <b>1. Secured/Unsecured</b>                       |                                     |
| Loans   |                                     |
| - Secured   | 1,048,282                           |
| - Unsecured                                       | 147,665                             |
| Finance leases (secured)                          | 2,669,355                           |
|   | 3,865,302                           |
| <b>2. Tenure</b>                                  |                                     |
| Loans due within one year                         | 1,046,001                           |
| Loans due after one year                          | 2,819,301                           |
|   | 3,865,302                           |
| <b>3. Loans by currencies in Ringgit Malaysia</b> |                                     |
| US Dollars  | 3,624,213                           |
| EURO  | 147,665                             |
| British Pounds                                    | 93,424                              |
|   | 3,865,302                           |
| <b>(b) Others</b>                                 |                                     |
| Corporate guarantee given to third party          | 5,509                               |
| Bank guarantee given to third party               | 146,447                             |
| Performance Bonds given to third party            | 640                                 |
|   | 152,596                             |

**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 realized over the decayed cost of the aircraft. The rate of decay for each aircraft at future dates is stipulated by the WAU agreement. Based on the published industry price data, MAS's share of the profit on disposal if the applicable aircraft were to be disposed as at 31 March 2004 is RM855.4 million.

**PART A – EXPLANATORY NOTES PURSUANT TO MASB 26, PARAGRAPH 1 (CONTINUED)**

|  | Quarter<br>Ended<br>31.3.2004<br>RM'000 | Year<br>Ended<br>31.3.2004<br>RM'000 |
|--|---|--------------------------------------|
| <b>13. Significant Related Party Transactions</b>  |   |                                      |
| Catering services paid to Evergreen Sky Catering Corporation   | 2,172                                   | 7,465                                |
| Catering services paid to Miascor Catering Services Corporation  | 323                                     | 1,251                                |
| Catering services paid to associated company, Taj Madras Flight Kitchen Private Limited                                      | 580                                     | 1,985                                |
| Catering services paid to associated company, LSG Sky Chefs-Brahim's Sdn. Bhd. (formerly known as MAS Catering Sdn. Bhd.)    | 49,756                                  | 79,088                               |
| Computer reservation system access fee paid to Abacus International Holding Ltd.   | 11,965                                  | 38,199                               |
| Engine maintenance services rendered by associated company, GE Engine Services (M) Sdn. Bhd.                                 | 125,737                                 | 442,235                              |
| Line maintenance and aircraft interior cleaning services paid to associated company, Pan Asia Pacific Aviation Services Ltd. | 804                                     | 2,950                                |
| Aircraft component repair services paid to associated company, Hamilton Sunstrand Customer Support Centre (M) Sdn. Bhd.      | 2,709                                   | 10,765                               |
| Aircraft power plant unit overhaul services paid to associated company, Honeywell Aerospace Services (M) Sdn. Bhd.           | 1,700                                   | 7,086                                |
| Hire of aircraft paid to holding company, Penerbangan Malaysia Berhad  | 78,919                                  | 315,210                              |
| Aircraft lease rental paid to Aircraft Business Malaysia Sdn. Bhd.   | 57,072                                  | 227,569                              |
| Rental of premises paid to Asset Global Network Sdn. Bhd.  | 17,852                                  | 71,410                               |
| Rental of premises and services rendered to associated company, GE Engine Services (M) Sdn. Bhd.                             | (4,352)                                 | (15,412)                             |
| Shared services billed to LSG Sky Chefs-Brahim's Sdn Bhd   | (8,989)                                 | (8,989)                              |

Note: The above amounts include transactions for domestic operations.



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

**1. Review of Performance**

The Group registered an operating profit of RM171.7 million for the fourth quarter ended 31 March 2004 compared to an operating profit of RM101.1 million for the same quarter last year. The net profit after tax of RM294.5 million was higher compared to RM85.8 million for the same quarter last year. The higher net profit was also contributed by the recognition of deferred tax assets mainly at the subsidiary, MAS Kargo Sdn Bhd, of RM122.3 million arising from the turnaround of MAS Kargo resulting in the potential tax benefits from the unutilised tax losses.

**2. Comparison with Preceding Quarter's Results**

Operating revenue for the quarter increased to RM2,426.9 million from RM2,390.3 million in the preceding quarter. The Group registered a higher net profit after tax of RM294.5 million compared to RM230.1 million in the preceding quarter. The higher net profit was also contributed by the recognition of deferred tax assets as elaborated in note 1 above.

**3. Current Year Prospects**

Traffic demand for the fourth quarter continues to recover, aided by recovery in tourism as well as improved economic growth from the major developed economies.

Despite an improved economic environment, fares are unlikely to go up given the intense competition on Asian and regional services coupled with increased capacity coming on-line from the new low cost carriers. For FY04/05, Malaysia Airlines' network strategy is aimed at maximising the opportunities in China and India while North Asia, Asean and Australia will continue to feature strongly in our growth plans.

The prospects for cargo remain favourable with IMF forecasting a much higher trade volume in 2004. With additional belly space capacity injection from the increased passenger services to Asia, India and freighter space to Europe, cargo will continue to contribute positively to Malaysia Airlines' operations.

The volatility in fuel prices and tensions in the Middle East will put pressure in the operating costs of the airline industry. The Group will closely monitor developments and adapt its strategies to meet these challenges

Subject to the above, the Group expects another satisfactory performance in the coming financial year.

**4. Taxation**

The taxation for the period under review is as follows: -

|   | INDIVIDUAL QUARTER                    |                                       | CUMULATIVE QUARTER                 |                                    |
|---|---------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
|   | Quarter Ended<br>31.03.2004<br>RM'000 | Quarter Ended<br>31.03.2003<br>RM'000 | Year Ended<br>31.03.2004<br>RM'000 | Year Ended<br>31.03.2003<br>RM'000 |
| Current year's provision                |                                       |                                       |                                    |                                    |
| - Malaysian                             | 253                                   | 2,974                                 | (800)                              | (864)                              |
| - Foreign                               | (3,694)                               | (980)                                 | (7,171)                            | (3,134)                            |
|   | (3,441)                               | 1,994                                 | (7,971)                            | (3,998)                            |
| (Under)/over provision in prior years   | (425)                                 | 9,226                                 | (425)                              | 9,226                              |
| Deferred tax assets                     | 127,311                               | 88                                    | 127,311                            | 88                                 |
| Share of associated companies' taxation | (98)                                  | 978                                   | (1,372)                            | (299)                              |
|   | <b>123,347</b>                        | <b>12,286</b>                         | <b>117,543</b>                     | <b>5,017</b>                       |

**4. Taxation (continued)**

The Group provided Malaysian taxation for its subsidiaries. There is no provision for Malaysian taxation for the Company as the Company has been granted an extension of the tax exemption status up to financial year ending 31 March 2005 by the Ministry of Finance on its chargeable income in respect of all sources of income vide the Income Tax (Exemption) (No. 25) Order 2001. The net deferred tax asset recognized for the quarter is RM 122.3 million arising from previously unrecognized tax losses of a subsidiary.

**5. Profit on Sales of Unquoted Investment and/or Properties**

There was no sale of unquoted investment and/or properties for the year ended 31 March 2004.

**6. Purchase or Disposal of Quoted Securities**

- a) The Company on 16 June 2003 and 15 December 2003 sold US Government Treasury Strip amounted to USD2,752,878 and USD2,590,232 respectively under a defeasance arrangement for its fixed rate debts payment.
- b) As at 31 March 2004 the Group has the following quoted securities: -

|   | In Malaysia<br>RM '000 | Outside Malaysia<br>RM '000 |
|---|------------------------|-----------------------------|
| Total investment at cost                                    | 32                     | 1,377                       |
| Carrying Value  | 32                     | 1,377                       |
| Total investment at market value at end of reporting period | 108                    | 26,294                      |

**7. Corporate Proposals**

There are no new proposals made for the year ended 31 March 2004.

**8. Group Borrowings and Debt Securities**

The Group as at 31 March 2004 has lease obligations amounting to RM1,723.0 million (31 December 2003: RM1,703.3 million) which are covered by funds placed with and payments made to financial institutions at the inception dates of the respective lease agreements under defeasance arrangements. The defeased lease obligations, together with the related funds placements and payments, are therefore not included in these financial statements.

#### **9. Financial Instruments**

As at 17 May 2004, the Group has entered into various fuels hedging transactions to cover from 1 April 2004 to 31 December 2005, in several lots totaling 3,870,000 barrels.

The fuel hedging exercise is closely monitored and various hedging instruments are strategically applied to mitigate any price volatility or spike as Jet Kerosene is an international commodity and is subject to the vagaries of the market due to geopolitical events, economic situation, weather conditions, etc.

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

The estimated impact from fuel hedging contracts when marked to market is favourable.

#### **10. Material Litigation**

**Vantage Aviation Services Ltd. vs. Malaysian Airline System Berhad**  
**Shahjalal Aviation Systems Ltd vs. Malaysian Airline System Berhad**  
**JP Anandan vs. Malaysian Airline System Berhad**

These cases are still pending. The Directors are of the view that the above cases filed against the Company are without merit.

#### **11. Dividend**

The Board of Directors recommends a final dividend of 2.5 sen tax exempt (2003 : nil) for shareholders' approval at the forthcoming Annual General Meeting.

#### **12. Earnings Per Share**

- a) The basic earnings per share for the year is calculated by dividing the net profit of RM461.1 million (2003 : RM336.5 million) by 1,253.2 million (2003 : weighted average of the number of shares issued during the year, 870.6 million) shares.
- b) Diluted earnings per share is not presented in the financial statements as there are no dilutive potential of ordinary shares outstanding as at 31 March 2004.

#### **13. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of directors on 24 May 2004.

By Order of the Board

Rizani bin Hassan (LS 05125)  
Company Secretary

Kuala Lumpur  
24 May 2004

**SUMMARY OF KEY FINANCIAL INFORMATION**

Summary of Key Information for the financial quarter ended 31 March 2004

|  | INDIVIDUAL QUARTER                     |  | CUMULATIVE QUARTER                  |                                     |
|--|--|--|-------------------------------------|-------------------------------------|
|  | Quarter Ended<br>31 Mar 2004<br>RM'000 | Quarter Ended<br>31 Mar 2003<br>RM'000 | Year Ended<br>31 Mar 2004<br>RM'000 | Year Ended<br>31 Mar 2003<br>RM'000 |
| 1. Total Revenue                           | 2,426,886                              | 1,972,581                              | 8,587,826                           | 8,674,578                           |
| 2. Profit before tax *                     | 171,268                                | 72,911                                 | 345,165                             | 333,935                             |
| 3. Profit after tax and minority interest* | 294,506                                | 85,818                                 | 461,143                             | 336,531                             |
| 4. Net profit for the period *             | 294,506                                | 85,818                                 | 461,143                             | 336,531                             |
| 5. Basic earnings per share (sen) *        | 23.50                                  | 7.28                                   | 36.80                               | 38.65                               |
| 6. Fully diluted earnings per share (sen)  | -                                      | -                                      | -                                   | -                                   |
| 7. Dividend per share (sen)                | 2.5                                    | -                                      | 2.5                                 | -                                   |
| 8. Net tangible assets per share (RM)*     | -                                      | -                                      | 2.41                                | 2.04                                |

\* Items 2, 3, 4, 5 and 8 for the quarter ended 31 March 2003 and financial year ended 31 March 2003 have been restated to reflect the effect of the change in the accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.

**ADDITIONAL INFORMATION**

|                             | INDIVIDUAL QUARTER                     |  | CUMULATIVE QUARTER                  |                                     |
|-----------------------------|--|--|-------------------------------------|-------------------------------------|
|                             | Quarter Ended<br>31 Mar 2004<br>RM'000 | Quarter Ended<br>31 Mar 2003<br>RM'000 | Year Ended<br>31 Mar 2004<br>RM'000 | Year Ended<br>31 Mar 2003<br>RM'000 |
| 1. Profit from operations * | 171,739                                | 101,143                                | 195,579                             | 140,206                             |
| 2. Gross interest income    | 16,778                                 | 4,145                                  | 58,874                              | 14,580                              |
| 3. Gross interest expense   | 961                                    | -                                      | 5,916                               | 148,212                             |

\* Item 1 for the quarter ended 31 March 2003 and financial year ended 31 March 2003 have been restated to reflect the effect of the change in the accounting policy to comply with MASB 25 (Income Taxes) and MASB 29 (Employee Benefits) as disclosed in Part A, Note 1 of this announcement.