

Annual General Meeting
FY 04/05
Financial Period Ending 31 March 2005

19th September, 2005

Agenda

- Highlights
- Operating Performance
- System-wide Financials
- Business Achievements
- Going Forward
- Q & A

Highlights

- **Profit after tax of RM326.1 million, a decrease from RM 461.1 million**
 - Revenue increased by 29% to RM11.4 billion driven by growth in passenger & cargo operations
 - Total costs increased by 29% to RM11.0 billion, primarily due to increase in fuel cost
 - Previous year profit after tax included deferred tax asset of RM127.3 million
 - Increased reliance in other income in achieving profitability

- **As at 31 March 2005, net cash balance remains at RM 2.2 billion. Internal cash used to fund capital expenditures, including aircraft retrofit**

- **Shareholders funds increased by 10% to RM 3.3 billion**

- **Proposed final dividend of 2.5 sen per share**

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Operating Performance – Revenue improvement

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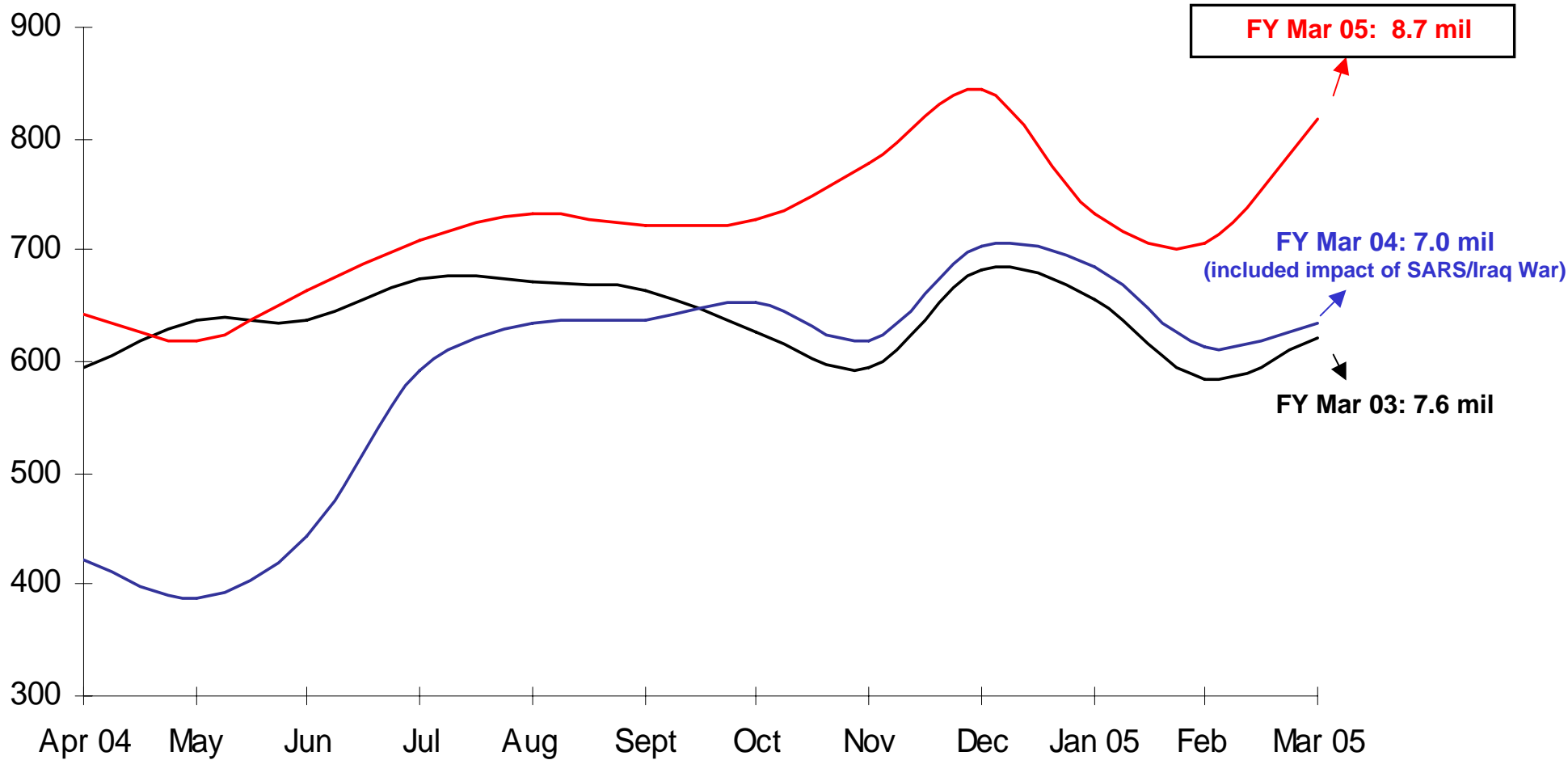
- **Improved sales & yield management led to improvement in revenue**
 - International passenger numbers increased by **24% to 8.7 million pax**
 - International passenger **RPK growth of 19% exceeded ASK growth of 17%**, which led to an increase in seat factor of **1.6 points to 69%**
 - Passenger yield grew by **2.7% to 18.9 sen/rpk**

 - Cargo load tonnage flown increased by 21% to 532 million kg, while capacity increased by 31%, which led to a decrease in load factor of 3.9 points to 61%
 - Cargo yield increased marginally by 0.7% to 76.3 sen/ftk

- **Total costs increased by 29%, primarily due to:**
 - Increase in fuel expenditure of 64% to RM3.4 billion
 - Associated cost increase related to network expansion

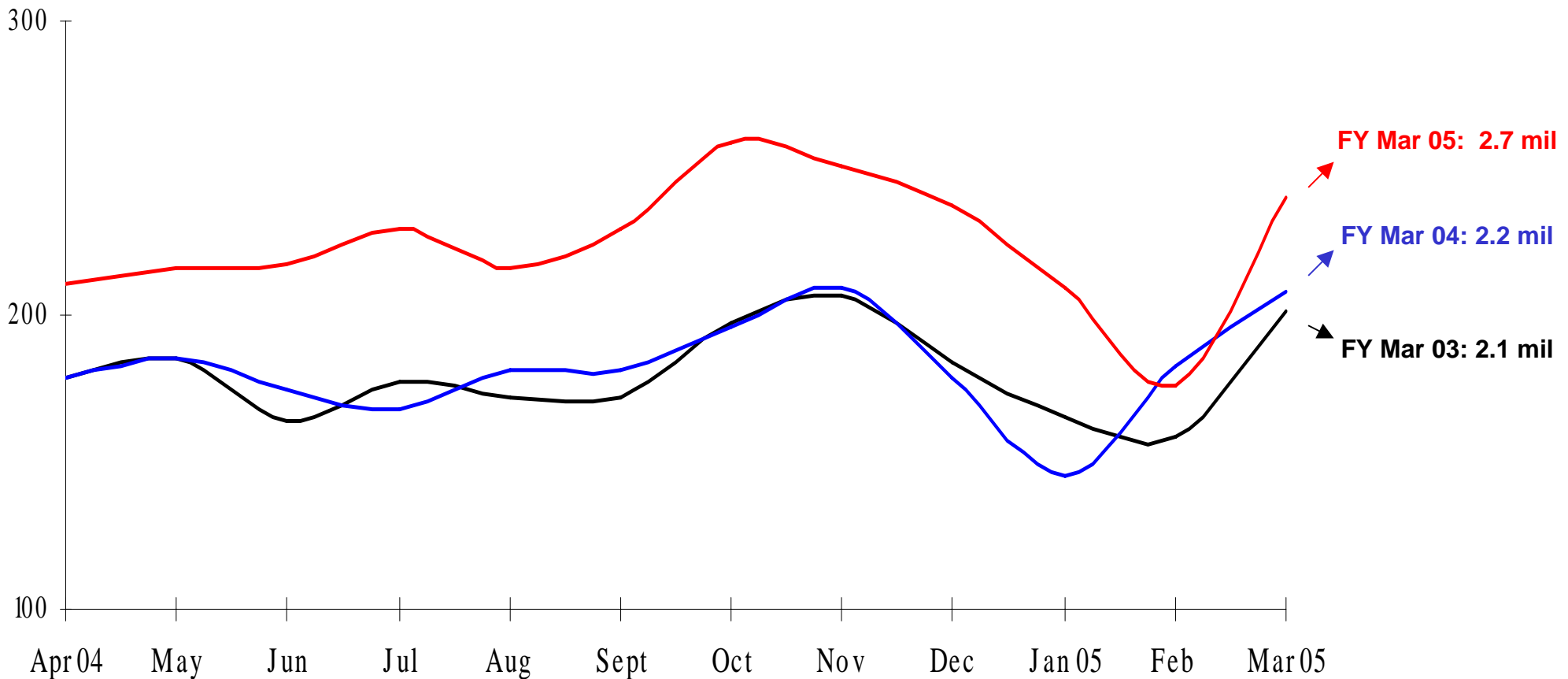
Passenger Traffic – strong market penetration

Monthly Passengers Traffic ('000)



Cargo Tonnage Flown – 23% increase

Monthly Load Tonne Kilometres (million kg)



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Profit & Loss – International

RM mil	FY 04/05	FY 03/04	% Change
Total Revenue	11,364.3	8,780.8	28.9
Operating Cost	9,055.7	6,917.3	30.9
EBITDAR	2,308.6	1,863.5	23.9
Capital costs & other	1,991.1	1,673.8	18.9
Profit/(Loss) from Operations (after Finance Charges)	317.5	189.7	67.4
Sale of Assets	25.8	148.2	(82.6)
Share of Associated Companies	21.2	7.3	190.4
Profit/(Loss) before tax	364.5	345.2	5.6
Tax & Minority interests	(38.4)	115.9	(66.9)
Profit/(Loss) after Tax	326.1	461.1	(29.3)

Revenue – International

RM mil	FY 04/05	FY 03/04	% Change
Passenger	7,825.3	6,334.3	23.5
Cargo	2,340.5	1,604.3	45.9
Other	785.1	649.2	20.9
Total Operating Revenue	10,950.9	8,587.8	27.5
Other Income [^]	413.4	193.0	114.2
Total Revenue	11,364.3	8,780.8	29.4

[^] Includes writebacks on debts and impairment losses, rental income and lease rental, interest and dividend income, disposal gains and others

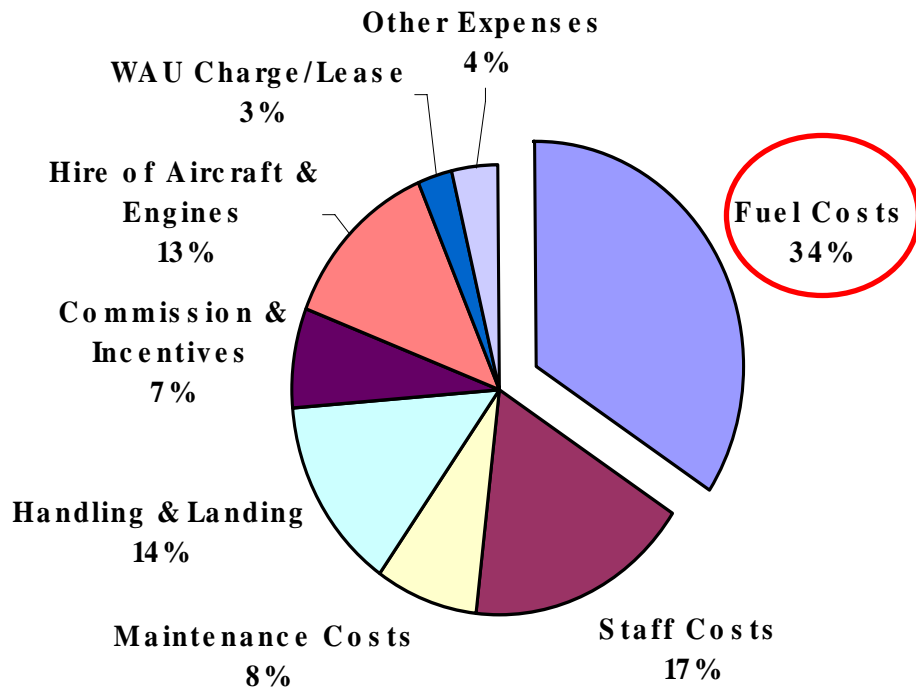
Expenditure – International

RM mil	FY 04/05	FY 03/04	% Change
Fuel Cost	3,383.1	2,016.8	67.7
Staff Cost	1,486.3	1,256.5	18.3
Handling & Landing Fees	1,403.4	1,250.3	12.2
Commissions & Sales Incentives	707.8	620.8	14.0
Aircraft Maintenance & Overhaul	657.4	660.4	(0.5)
Advertising & Promotions	217.1	201.5	7.7
CRS Fees	95.7	84.7	13.0
Others	1,104.9	826.3	33.7
Operating Cost	9,055.7	6,917.3	30.9
Hire of Aircraft & Engines	1,367.2	1,118.9	22.2
WAU Leases & Charges	309.8	264.1	17.3
Depreciation	206.9	173.8	19.0
Rentals	96.5	99.5	(3.0)
Hire of Equipment	10.6	11.6	(8.6)
Finance Charges	0.1	5.9	(98.3)
Capital costs & other	1,991.1	1,673.8	19.0
Total Expenditure	11,046.8	8,591.1	28.6

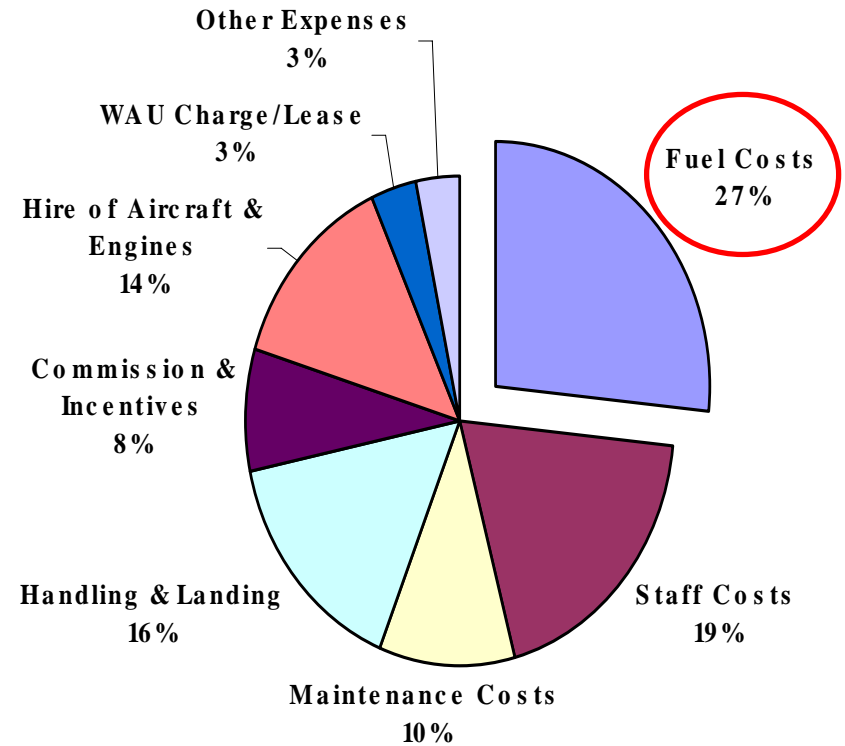
Fuel cost increases represent 56% total cost increases

International Expenditure Analysis

FY 04/05



FY 03/04



Balance Sheet – Cash position maintained

RM mil	FY 04/05	FY 03/04	% Change
Cash	2,194.6	2,190.9	0.2
Other Current Assets	2,452.0	2,033.1	20.2
Non Current Assets	2,645.0	2,265.5	16.8
Deferred Tax Assets	103.2	126.2	(18.2)
Total Assets	7,394.8	6,615.7	11.8
Liabilities	(4,064.4)	(3,578.3)	(13.6)
Net Assets	3,330.4	3,037.4	9.6
<i>Represented by:</i>			
Shareholders Funds	3,318.7	3,024.0	9.7
Minority Interests	10.7	12.1	(11.6)
Deferred Taxation	1.0	1.3	(23.1)
	3,330.4	3,037.4	9.6

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Business achievements – Corporate recognition

- **Delivery of products, services & operational standards recognized**
 - Awarded 5-Star Airline rating by Skytrax - 1 of 4 global airlines to receive this rating
 - Recipient of Skytrax World's Best Cabin Staff Award for 2004 for fourth consecutive year
 - MASkargo recognized as "Asia's Top 3 Air Cargo Carrier" by the Asian Freight & Supply Chain Awards for third consecutive year
 - MASkargo first airline to receive the OHSAS 18001:1999 certification for Advanced Cargo Centre (ACC) in KLIA

- **Recognition brand presence & visibility**
 - 3 Gold Awards - World Promax Awards
 - Advertiser of the Year 2003/2004 - Kancil Awards
 - Best ASEAN Marketing & Promotional Campaign - ASEANTA Awards

Commercial Achievements–Network and Fleet

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- **Building viable & sustainable network while increasing market span into China & India**
 - New destinations: Chengdu, Kunming, Xi'an, Ahmedabad, Kolkata

- **Improving market penetration through increases in frequencies & capacity to pre-existing destinations**
 - Frequency increases according to the market strategy:
 - Asia: Beijing, Shanghai, Hong Kong, Bangalore, Hyderabad, Nagoya, Osaka, Phnom Penh & Yangon, Dhaka, Hanoi, Medan, Saigon, Siem Reap & Yangon
 - Europe: Paris
 - Middle East: Beirut
 - Capacity increases: Chennai (upgrade from B777-200 to B747-400), Bombay (upgrade from A330-300 to B777-200) & Cairo (upgrade from A330-200 to B777-200)

- **Fleet strength continues to grow**
 - Took delivery of 2 new Boeing 777-200 in Nov 04 & Dec 04 respectively, first in the region to be equipped with electronic flight bag
 - Leased 1 A330-300 from International Financial Leasing Corporation in May 2004

Commercial Achievements –Product

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- **“An Experience Redefined”, retrofit of 17 Boeing 747 & 17 Boeing 777 fleet receives positive feedback**
 - Installation of new sleeper beds in premium classes complemented by advanced audio video on demand in all classes on Boeing wide-body aircraft
 - 50% of Boeing wide-body aircrafts will be retrofitted by Dec 05. Total completion expected by Sep 06

- **Project Relish initiatives introduced progressively**
 - Expanding signature dishes & improve F&B to different market segments

- **Kerb-side drop off area at KLIA enhancing check-in experience for premium passengers**

Commercial Achievements –Distribution

- **Diversification of distribution channels to develop direct customer relationships**
 - Malaysia Airlines Travel Fair attracted 180,000 visitors & generated turnover of RM115 million
 - Internet booking facility generated turnover of RM37 million - will be enhanced with global partnerships & rollouts to all territories.

- **Alliance strategy & code share developments in preparation towards eventual ASEAN open-skies**
 - Signed tripartite code share agreement with Singapore Airlines & Silk Air
 - Signed code share agreements with Garuda Indonesia, Philipines Airlines & Vietnam Air

- **Growth in charter operations**
 - Successful high-end & specialised charters, e.g. Bill Clinton & Real Madrid football team
 - First mover marketing tool to penetrate & develop new markets, including China

Commercial Achievements – MASKARGO

- **MASkargo increased frequencies, extending network & expanding secondary hubs**
 - Freighter network extended to Basel, Switzerland & Manchester, United Kingdom
 - Frequencies increased into Amsterdam, Netherlands & Frankfurt, Germany
 - First foreign airline to operate cargo warehouse in Hangzhou beginning Jan 05.
Shanghai no.1 station for MASkargo worldwide

- **Utilizing technology to enhance service offerings while reducing costs**
 - First corporate company to transact electronically via the Financial Processing Exchange (FPX) gateway of Bank Negara
 - Implemented global e-commerce programme – enhanced MASkargo website through the e-sales facility & the electronic billing, presentment & payment system

Operations Achievements - MRO

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- **The development of the Malaysian International Aerospace Centre (MIAC) will enhance MAS position as a one-stop MRO Centre**
 - Collaboration with Leading Edge for boutique painting services
 - Collaboration with Aviation Partner Boeing on installation of fuel saving winglets for B737's
 - Partnership with Thales for an A380 in-flight entertainment repair & support centre
 - Investment in B747 simulator to enhance training capabilities for both internal & external clients

Business updates in Q1 FY 2005

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- **Continue to receive awards for product & service standards excellence**
 - No. 1 in Favourite Airline Food & No. 2 in Favourite Airline Overall categories in the Smart Travel Asia Favourite Airline Poll 2005

- **87 additional flights to the Middle East mounted to cater for seasonal demand**

- **Ongoing development of brand presence & visibility in key markets**
 - Sponsorship of the English Premier League to reach more than 190 million households

- **High profile charters - Manchester United, Real Madrid & Barcelona Asia Tours**

- **MoU signed with Composites Technology Research Malaysia for the setting up of a composite repair centre**

- **Implementing measures to ensure organisational readiness in realising business objectives**
 - Increasing supply of technical workforce to ensure continuous & sufficient supply for current & future requirements
 - Extending performance management system to Managers & Executives

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MAS will drive a comprehensive change programme to address current operating performance

- **MAS made a loss after tax of RM280.7 million in the first quarter of FY2005 (financial year end changed to December effective 1 April 05)**

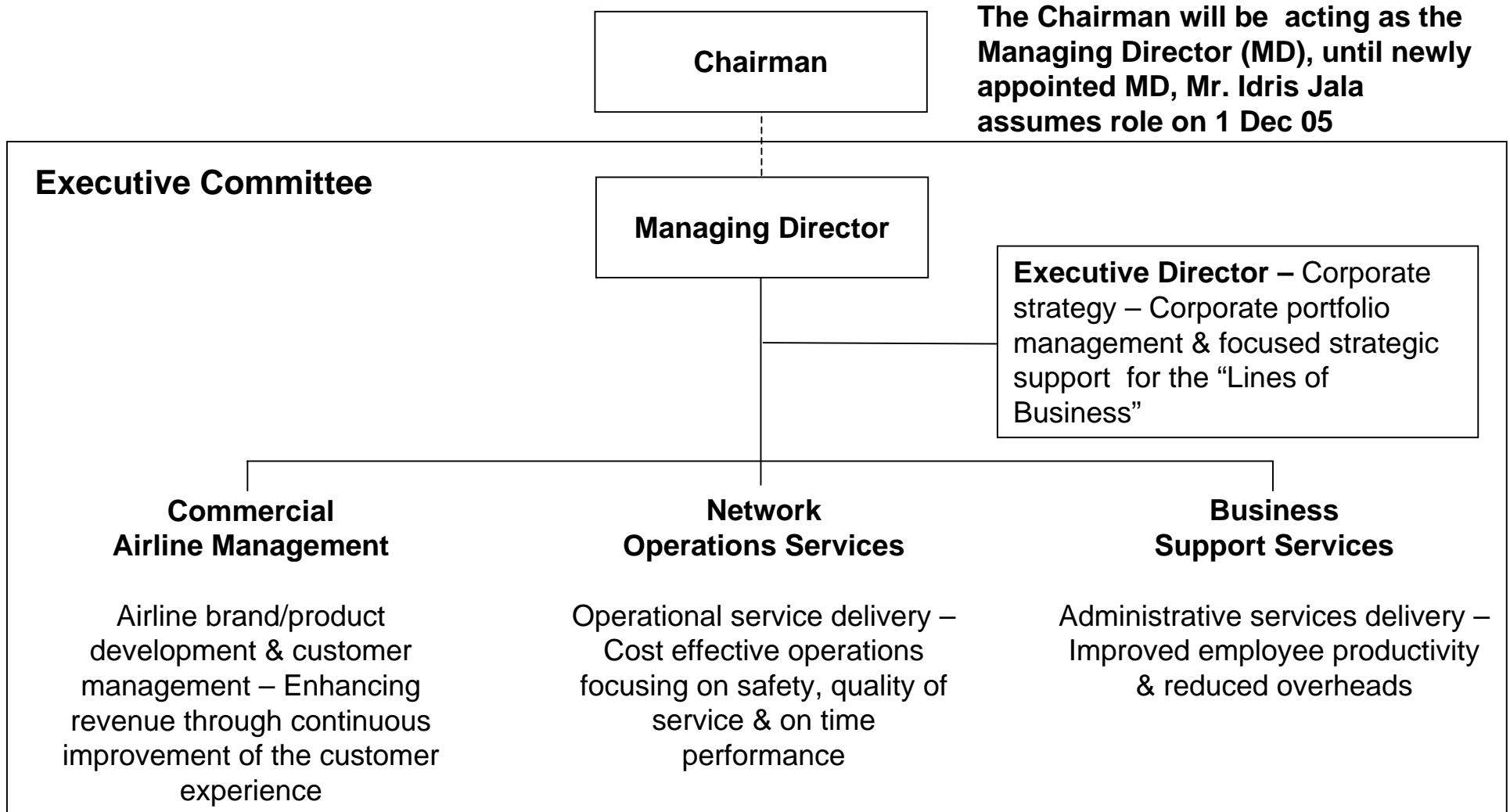
- **Will implement a 5 year change programme that aims to improve profitability by up to RM 1 billion**
 - Restructure the organisation to focus on the key areas of business value
 - Develop comprehensive change plans to deliver the targeted improvement
 - Implement focused short term improvement projects to deliver immediate impact on the bottom line

- **Committed to transforming MAS into a sustainably profitable global airline, with strength in its local & regional network**

- **Will take a leading position in driving the GLC transformation agenda**

The organisation has been redesigned to focus on value

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A New Managing Director

- **Mr. Idris Jala from Sarawak appointed Managing Director & Chief Executive Officer effective 1 December 2005**
- **Currently the Vice President, Shell Malaysia Gas & Power & Managing Director Shell MDS (M) Sdn Bhd**
 - Credited for turning around Shell Middle Distillates Synthesis Malaysia Sdn Bhd to a profitable position in 2003
 - In 1998, Idris was appointed the Country Chairman and Managing Director of Shell in Sri Lanka, and led turnaround of its LPG business there
- **Began career with Shell in 1982**
- **Bachelor Degree (Hons) (B.Soc Sc) in Development Studies/Management in University Sains Malaysia in 1982**
- **Masters Degree in Industrial Relations from University of Warwick, United Kingdom in 1986**



A new Executive Director in support

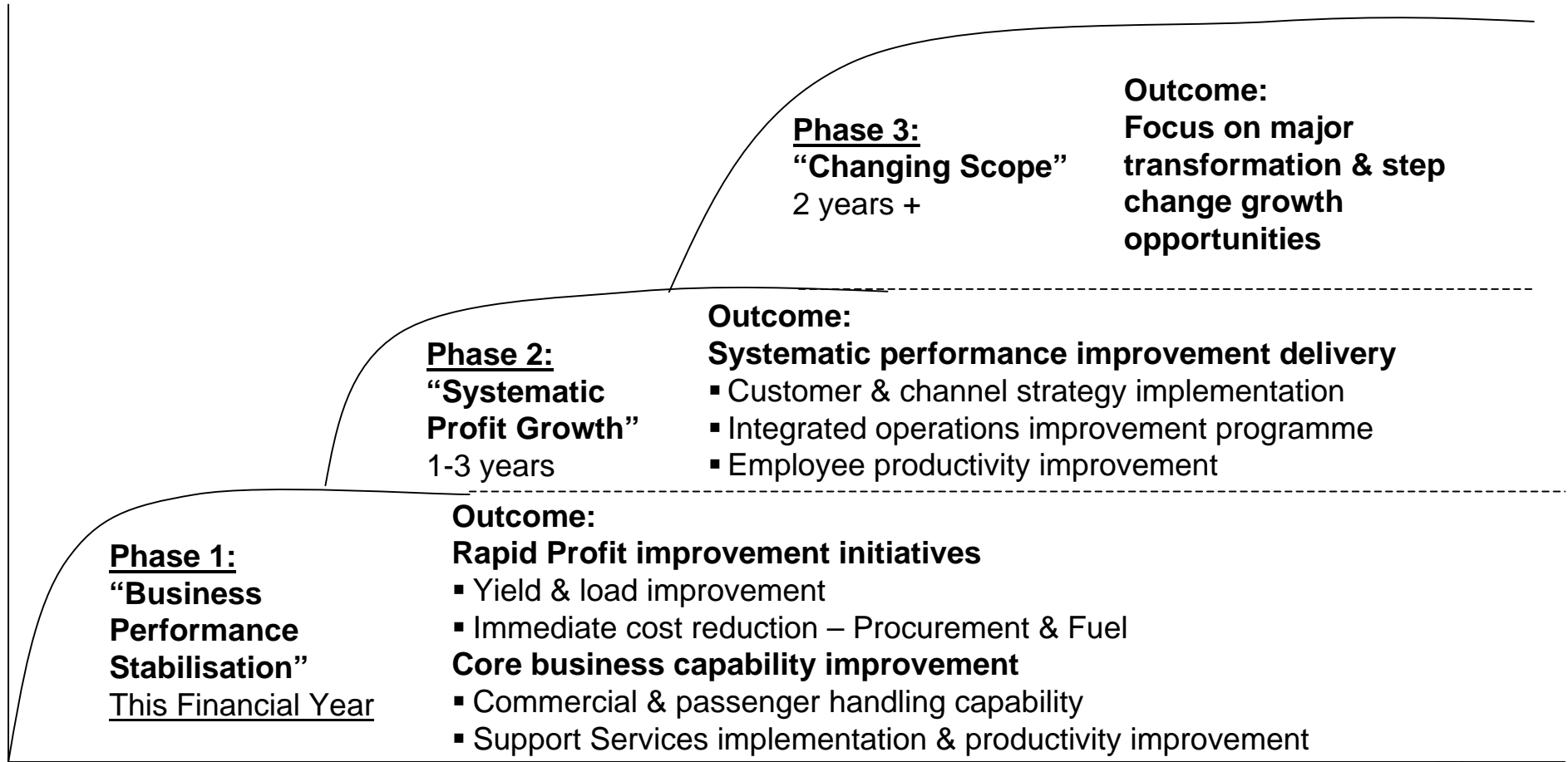
- **Tengku Azmil Zahrudin bin Raja Aziz from Terengganu appointed Executive Director effective 23 August 2005**
 - Responsible for strategic matters at the corporate level while driving the change programme across the organization.
- **Chief Executive Officer of Penerbangan Malaysia Berhad prior to current appointment**
 - Appointed to the Malaysia Airlines Board as Non-Independent & Non-Executive Director on 23 August 2004.
- **Previously attached to the Audit & Business Advisory Services Division, PricewaterhouseCoopers in London & Hong Kong.**
- **Double First Class degree in Economics from University of Cambridge**
- **Associate Member of Malaysian Institute of Accountants & Institute of Chartered Accountants in England and Wales**



Planning focus – A five year journey achieving milestones every year

DELIVERING THE OPERATING STRATEGY

Value



Phase 1: Rapid Profit Improvement Initiatives

Commercial

- **Revenue enhancement** – Initial plans developed & strategic consultants engaged
 - Yield improvement – Focused price and fuel surcharge increases implemented
 - Sales force effectiveness
 - Network optimisation – Restructuring of poor performing routes underway

Operations

- **Fuel conservation** – Team in place targeting 10% improvement
- **Corporate procurement** – pilot already completed delivering **RM 25 million per annum savings on a cost base of RM 70 million**, business wide roll-out underway
- **Overhead reduction** – Corporate wide programme underway

Business Services

- **IT Outsourcing** – Completed, significant increase in service levels, conversion of costs from fixed to variable, increased rate of IT development & implementation
- **Support Services Centre** – Consolidation & improvement of Finance, HR & IT operations underway

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