



**Annual General Meeting FY 05**  
***9 Month Financial Period Ending***  
***31 December 2005***

*26 June 2006*

# 2005 Financial Results



# OVERVIEW OF GROUP PROFIT & LOSS FY2005 vs FY2004 (9-month results)

	FY2005 RM Million (9mths)	FY2004 RM Million (9mths)	Variance %
<b>Revenue</b>			
Traffic Revenue			
Passenger	5,909	5,451	+8
Fuel Surcharge	406	88	+361
Other Passenger Revenue	155	193	-20
Cargo	1,760	1,688	+4
Other Revenue	802	831	-3
	<b>9,082</b>	<b>8,251</b>	<b>+9</b>
<b>Expenditure</b>	<b>10,329</b>	<b>8,024</b>	<b>+29</b>
Finance Charges	(6)	(0)	>100
Taxation	(20)	(23)	+13
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>(1,273)</b>	<b>204</b>	<b>&gt;-100</b>
Share of Associates	12	15	-20
Minority Interest	(4)	(2)	+100
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(1,265)</b>	<b>217</b>	<b>&gt;-100</b>

# PASSENGER OPERATING PERFORMANCE FY2005 vs FY2004

Items	FY2005 9-month	FY2004 9-month	Variance (%)
Passenger Revenue (including Fuel Surcharge) (RM Mil)	6,305	5,539	+14
Available Seat Km (Mil km)	44,669	42,995	+4
Revenue Passenger Km (Mil km)	31,858	28,911	+10
Seat Factor (%)	71.3	67.2	+4 ppts
Yield (Sen/RPK) (including Fuel Surcharge)	19.8	19.2	+3
Yield (Sen/RPK) (excluding Fuel Surcharge)	18.6	18.9	-2

# CARGO OPERATING PERFORMANCE FY2005 vs FY2004

Items	FY2005 9-month	FY2004 9-month	Variance (%)
Cargo Revenue (including Fuel Surcharge) (RM Mil)	1,760	1,688	+4
Capacity Tonne Km (Mil km)	3,148	3,376	-7
Load Tonne Km (Mil km)	1,951	2,064	-5
Load Factor (%)	62.0	61.1	+0.9 ppt
Yield (Sen/LTKM) (including Fuel Surcharge)	90	82	+10
Yield (Sen/LTKM) (excluding Fuel Surcharge)	75	74	+1

# EXPENDITURE FY2005 vs FY2004 (9-month results)

Costs	FY2005 (RM mil)	Variance (RM million)	
Fuel Costs	3,535	+1,017	Average price increased by +38% accounted for 96% of the increase. Consumption increased by +4%
Staff Costs	1,217	+209	Revision to pilots and cabin crew salary & allowance accounted for 54% of the increase. The rest are due to other staff salary increment.
Handling & Landing	1,218	+203	Increase due to additional +7% number of trips and increase in airport charges.
Hire of Aircraft & Engines (inc WAU)	1,457	+224	Mainly due to increase in LIBOR Rate from 2.3% to 4.5% and addition of 2 new B777 aircrafts
Maintenance Costs	635	+119	Accruals for heavy maintenance costs due to aircraft utilisation, partly set off by lower freighter costs due to reduction in fleet size. Supplier credit received in 2004 also reduced the maintenance costs for FY2004.
Sales Comm, Meal & Inflight	887	+117	Commission rose due to higher sales. Meal & other Inflight costs increased mainly relates to higher load and passenger numbers.
Provision for Doubtful Debts	46	+46	Provision made for overdue bills over 1 year
Others	1,334	+360	Includes non-recurring items
	<u>10,329</u>		

# FUEL COST vs FUEL SURCHARGE

	Apr -Dec 05	FY 03/04	Variance RM'000
<b>Fuel Cost</b>			
Price (RM/AG)	6.8060	3.4687	1,940
Volume (million AG)	540	581	(279)
Less: Hedging gain (RM million)	(170)	-	(170)
<b>Total (RM million)</b>	<b>3,508</b>	<b>2,017</b>	<b>1,491</b>
<b>Fuel surcharge</b>			
Passenger (RM million)	406	-	406
Cargo (RM million)	302	84	218
<b>Total (RM million)</b>	<b>708</b>	<b>84</b>	<b>624</b>
<b>Fuel surcharge as a % of fuel price increase</b>			<b>32%</b>



# BALANCE SHEET

RM mil	31 Dec 05	31 Mar 05	%Change
Cash	1,179.4	2,194.6	(46.3)
Other Current Assets	2,284.2	2,333.5	(2.1)
Non Current Asset	2,773.4	2,645.0	4.9
Deferred Tax Assets	92.5	103.2	(10.4)
<b>Total Assets</b>	<b>6,329.5</b>	<b>7,276.3</b>	<b>(13.0)</b>
<b>Liabilities</b>	<b>(4,292.9)</b>	<b>(3,945.9)</b>	<b>8.8</b>
<b>Net Assets</b>	<b>2,036.6</b>	<b>3,330.4</b>	<b>(38.8)</b>
<i>Represented by:</i>			
Shareholders Funds	2,022.6	3,318.7	(39.1)
Minority Interests	13.2	10.7	23.3
Deferred Taxation	0.8	1.0	20.0
	<b>2,036.6</b>	<b>3,330.4</b>	<b>(38.8)</b>

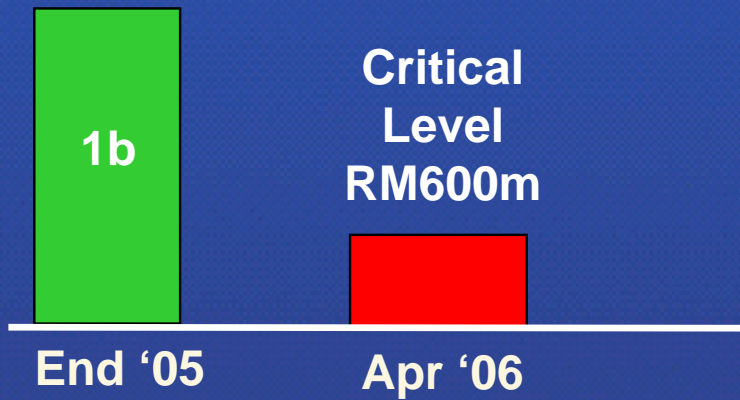
# **Business Turnaround Plan**

**(Announced 27 Feb 2006)**



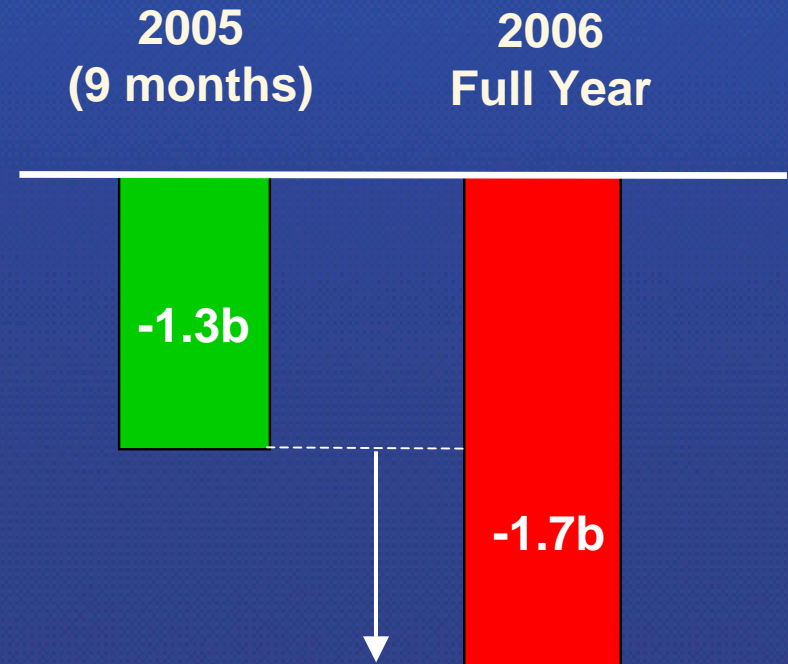
# 01

## Cash Crisis

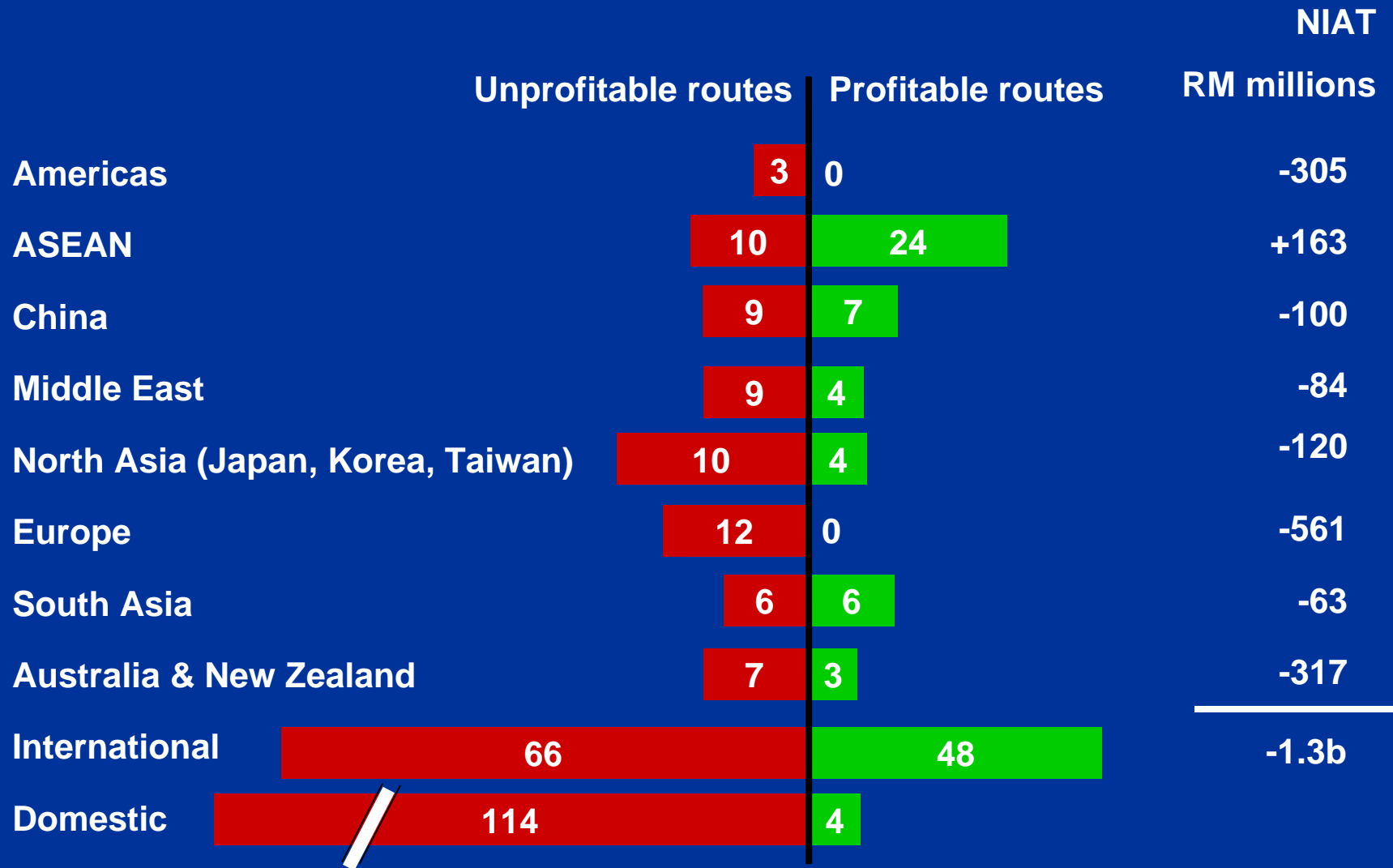


# 02

## Profit Crisis



# Most routes are losing money

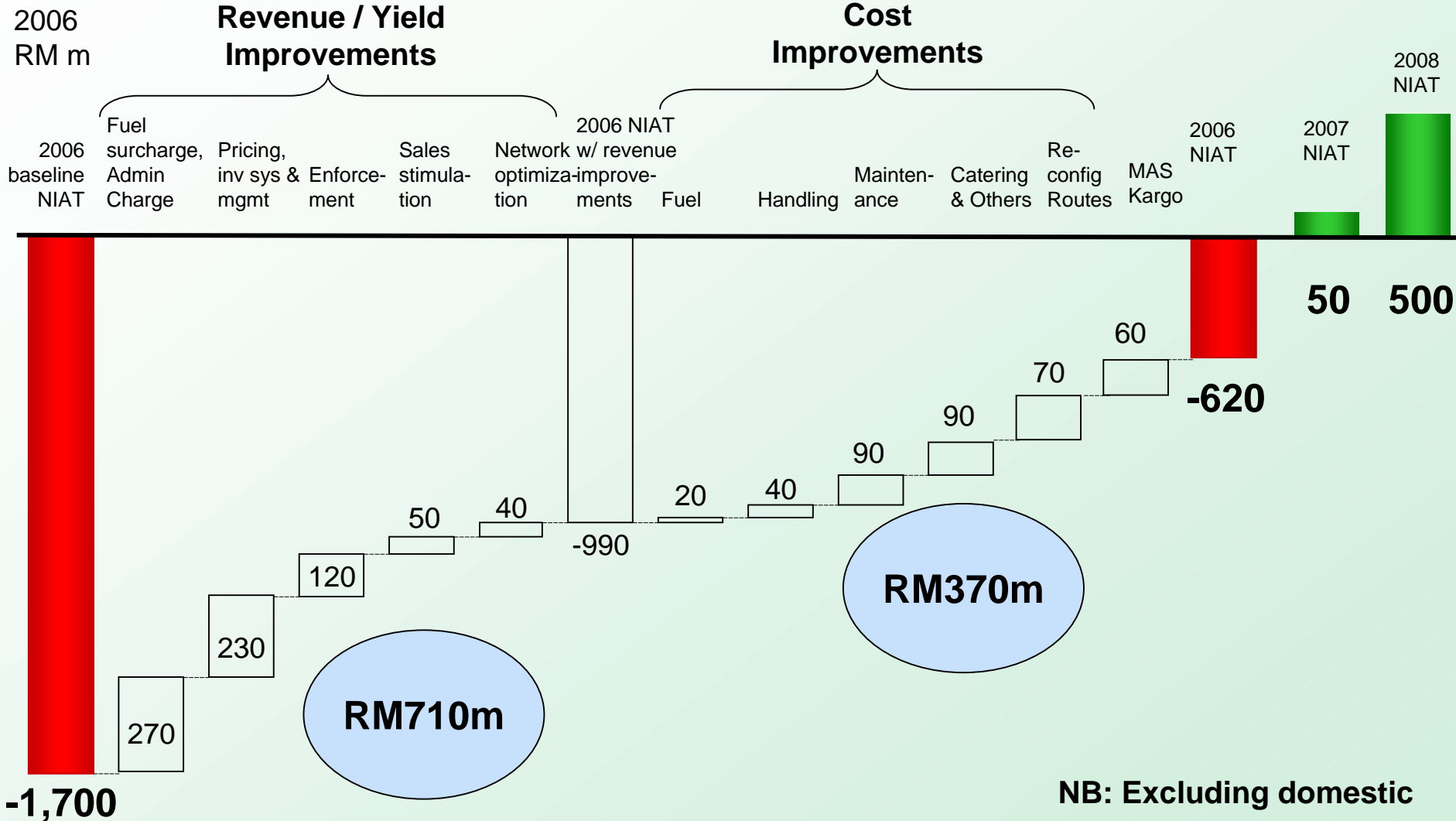


# Prognosis of our business fundamentals

- ✓ **Excellent products and services**
- ✓ **Competitive cost**
- ✓ **Comparable load factor**
  
- ✗ **Low yield**  
(18.9 sen/RPK vs. industry average 22 – 32 sen/RPK)
- ✗ **Inefficient network**  
(not configured to match our target customers and markets)
- ✗ **Low productivity**



# Profit turnaround RM1.1b improvement in 2006



# Network Review



# What would a major UK carrier do to serve the SEA market?



BA flies only to 2 hubs

# MAS currently flies to 10 European destinations direct

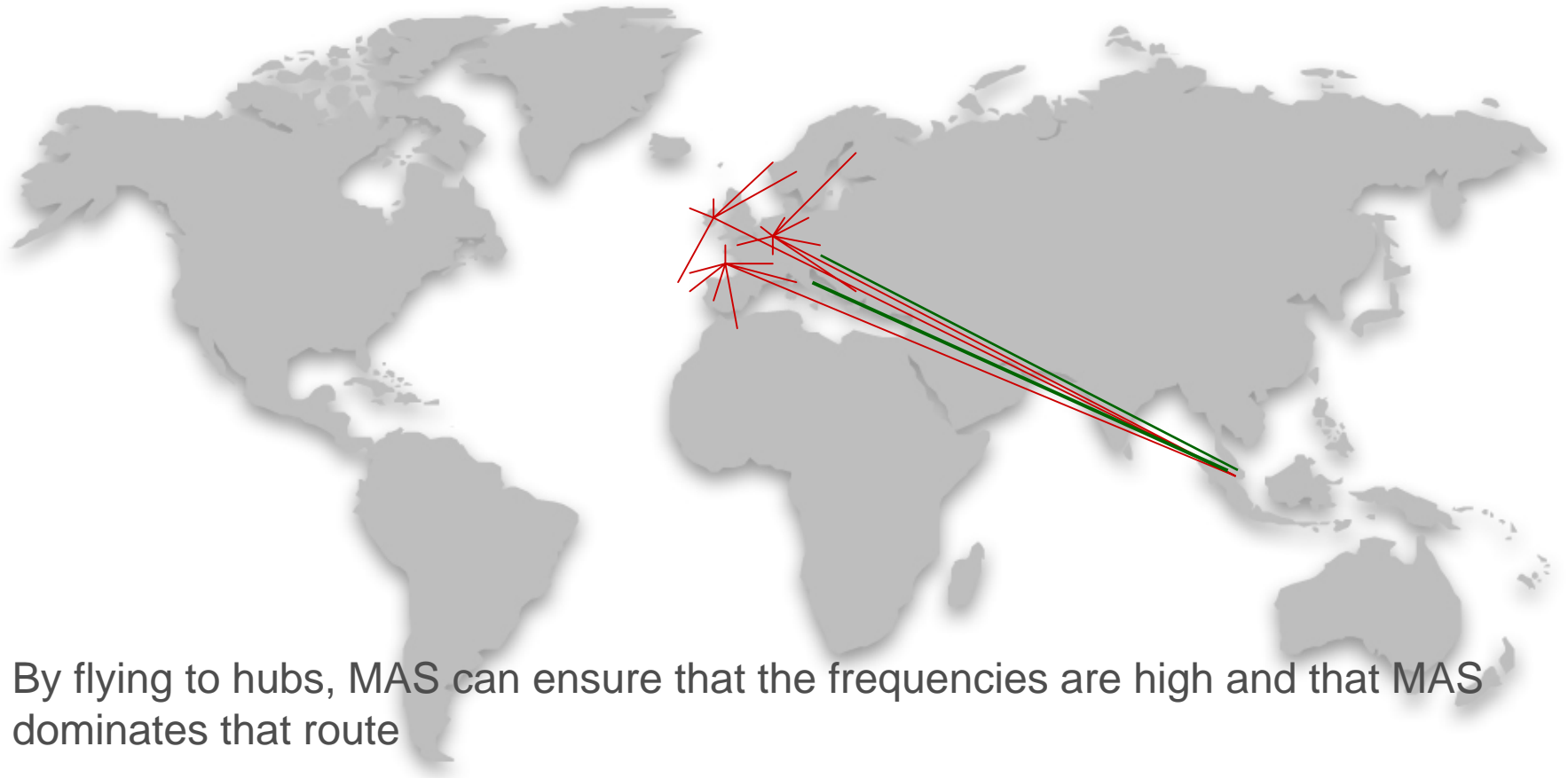


We fly to LHR, MAN, CDG, AMS, ZRH, ARN, FRA, VIE, ROM and IST

We do not have enough business traffic or point to point leisure traffic for a lot of our European routes

Our frequencies are low for some destinations

# Europe is better served with mix of **hub-and-spokes** and **point-to-point** (in transition)



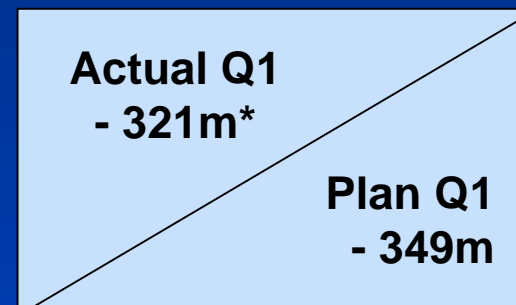
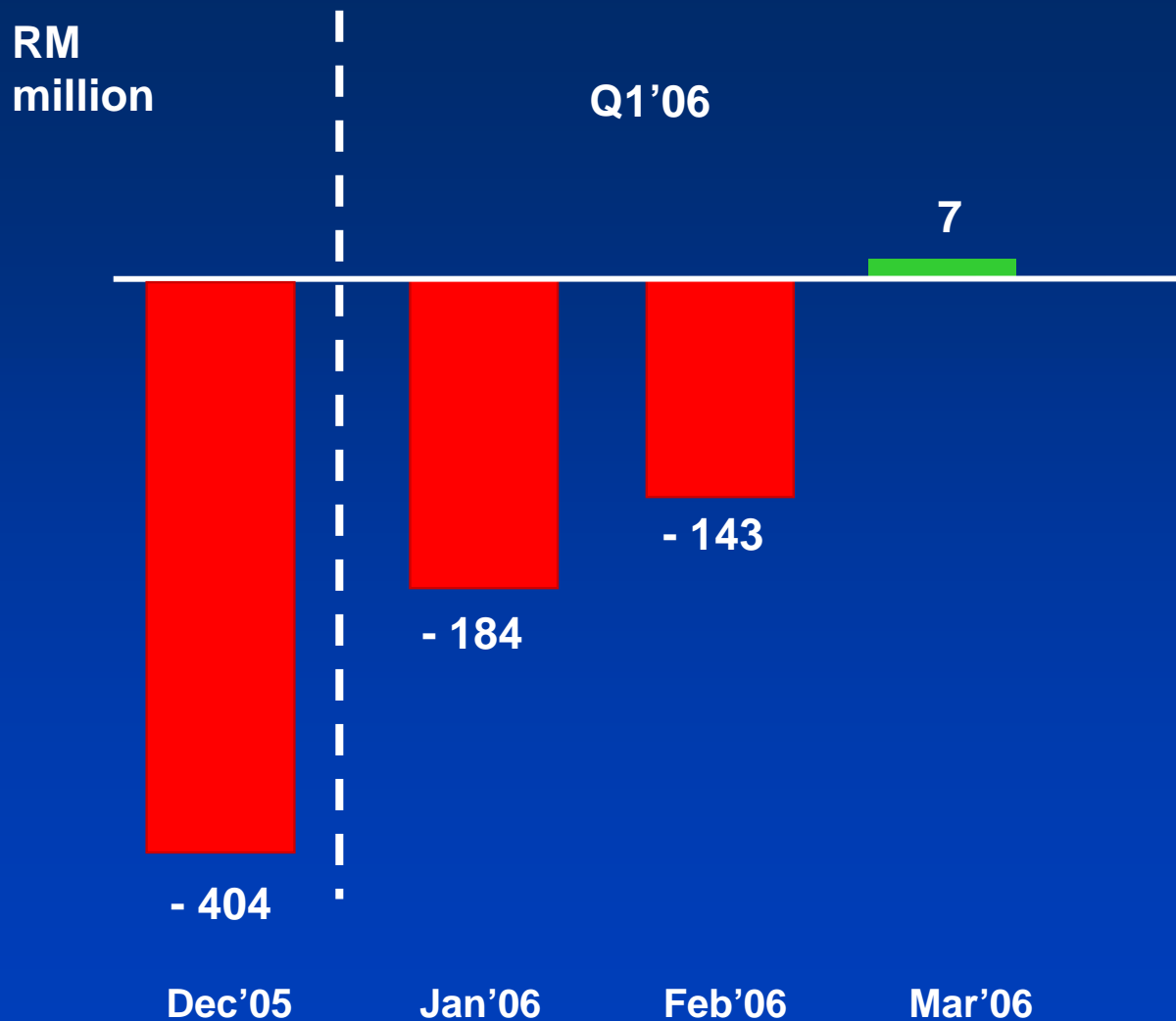
By flying to hubs, MAS can ensure that the frequencies are high and that MAS dominates that route

Partnerships with regional airlines in the hubs can ensure that connectivity to other destinations are preserved

# Recent Developments



# We are improving our P&L



\* Includes non-recurring items (RM34million)

# Group Monthly P&L

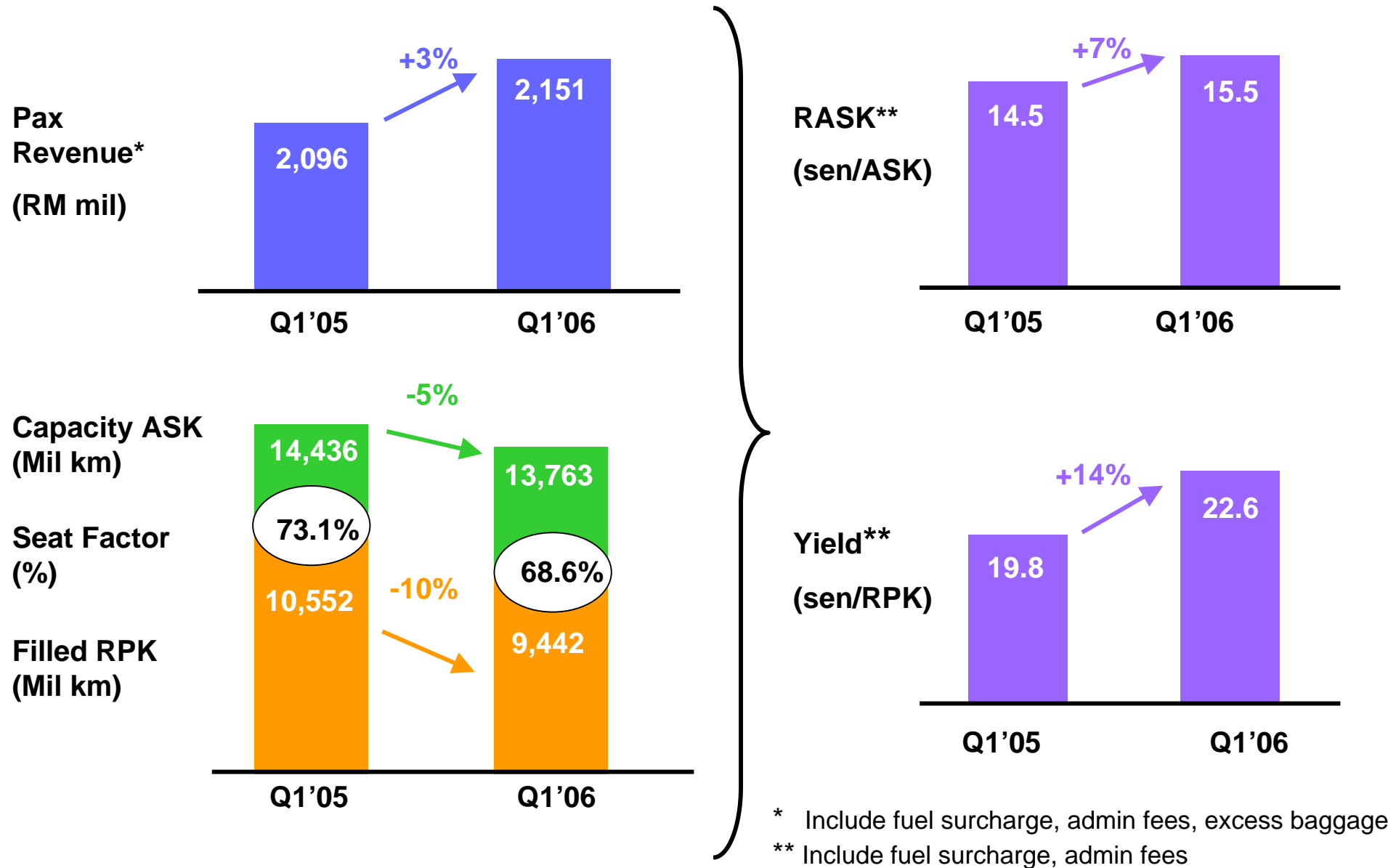
	Jan'06	Feb'06	Mar'06	Q1'06
<b>Total Revenue</b>	<b>1,048</b>	<b>925</b>	<b>1,060</b>	<b>3,033</b>
<b>Operating Expenditure</b>	<b>1,229</b>	<b>1,066</b>	<b>1,047</b>	<b>3,343</b>
<b>Net Profit/(Loss) After Tax*</b>	<b>-184</b>	<b>-143</b>	<b>+7</b>	<b>-321</b>

\*Includes adjustment for share of associates and minority interest

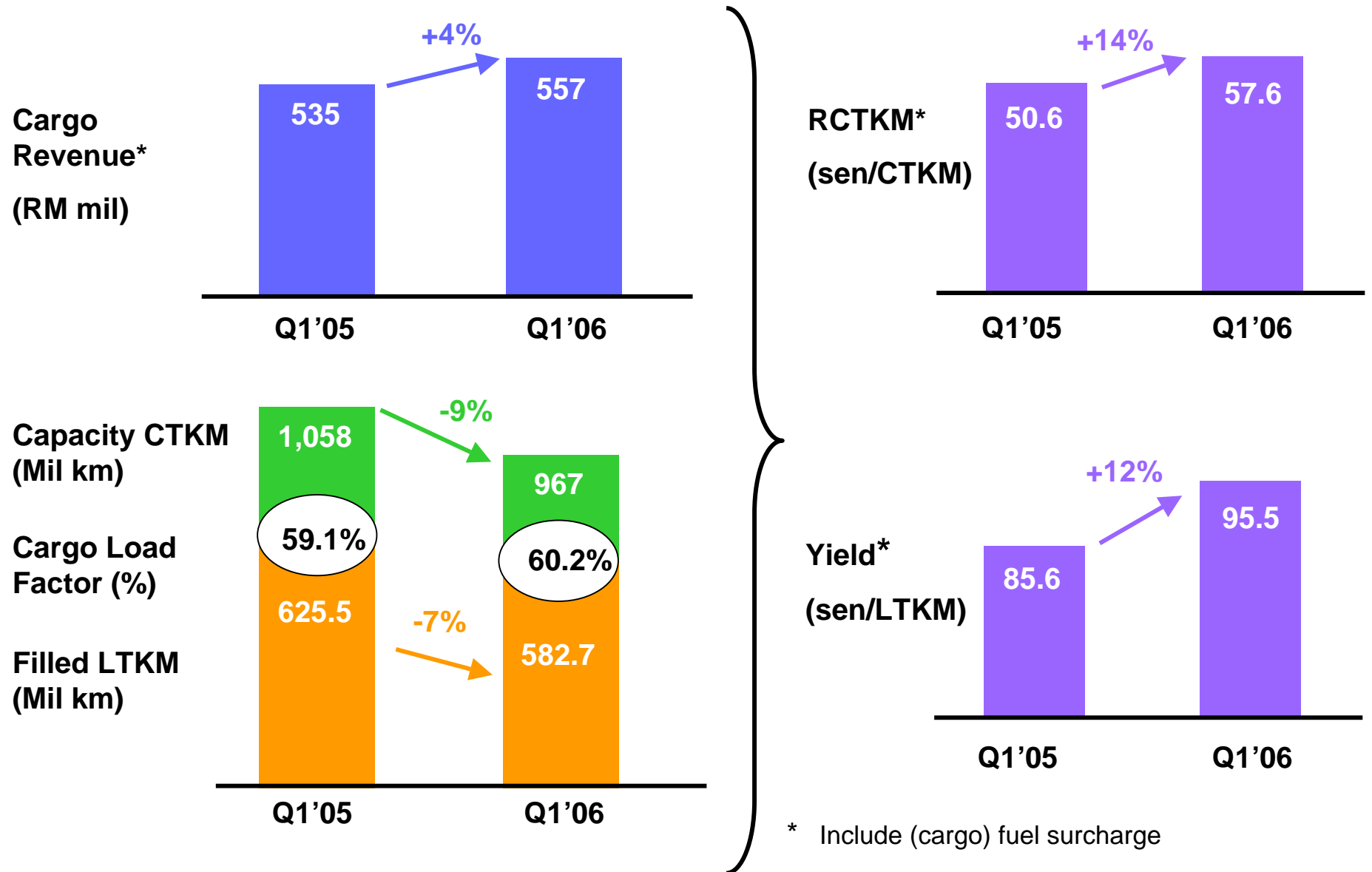
## Key trends:

- Revenue is improving
- Cost is reducing
- P&L is showing an uptrend

# Passenger: We have improved revenue and yield



# Cargo: We have improved revenue, yield and load



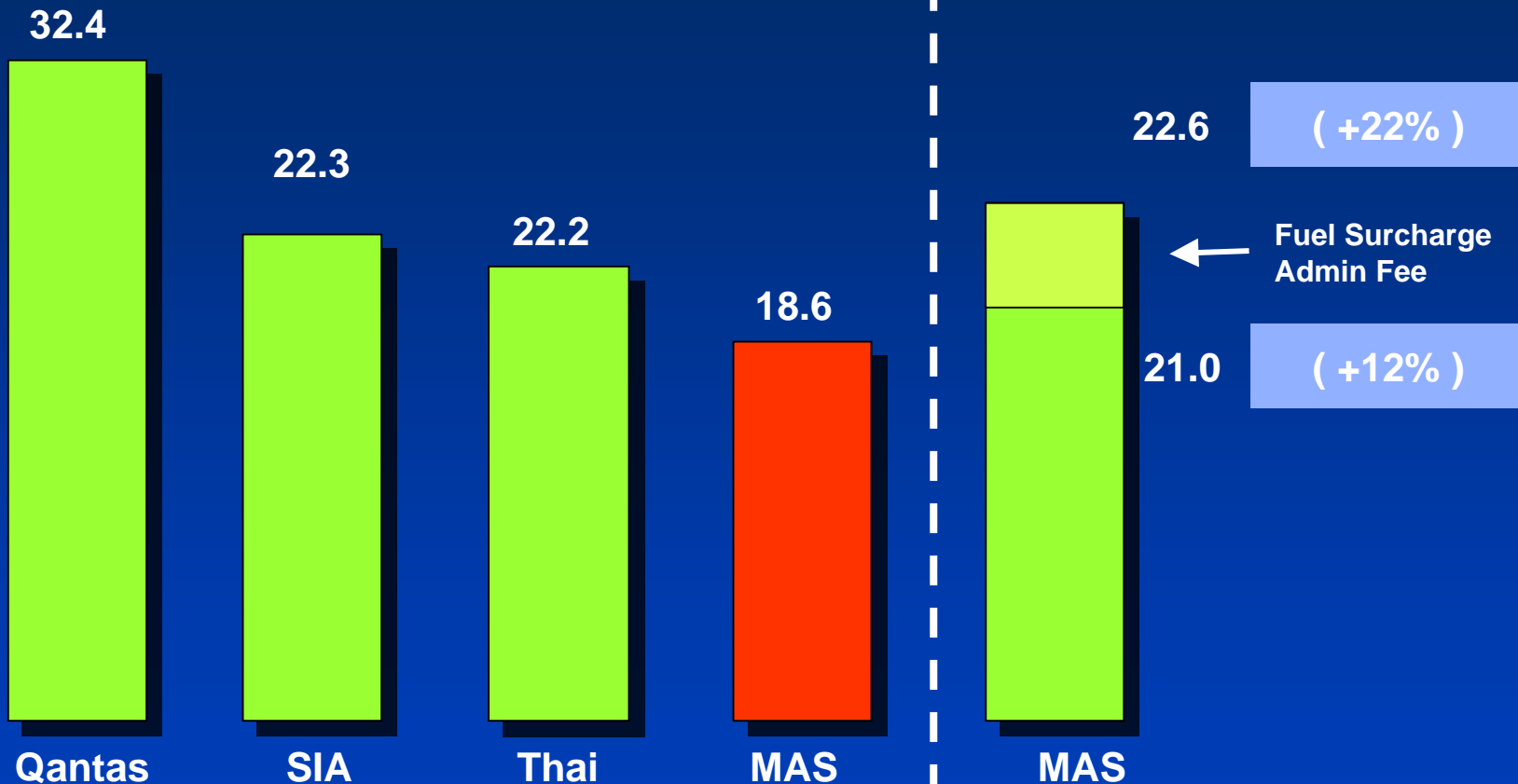
NB: 2 freighters removed from cargo fleet

# We are closing the gap on pax yield

Sen/RPK

## 2005 Benchmark

## Q1'06



Fuel Surcharge  
Admin Fee

Pax revenue (excluding fuel surcharges) used for yield

# Network Restructuring

	No. of routes (Before)	No. of routes (After)	Reduction
<b>International</b>	<b>114</b>	<b>90</b>	<b>24*</b>
<b>Domestic</b>	<b>118</b>	<b>19</b>	<b>99</b>




**Manpower rightsizing ongoing (May-Jun 2006) via MSS**

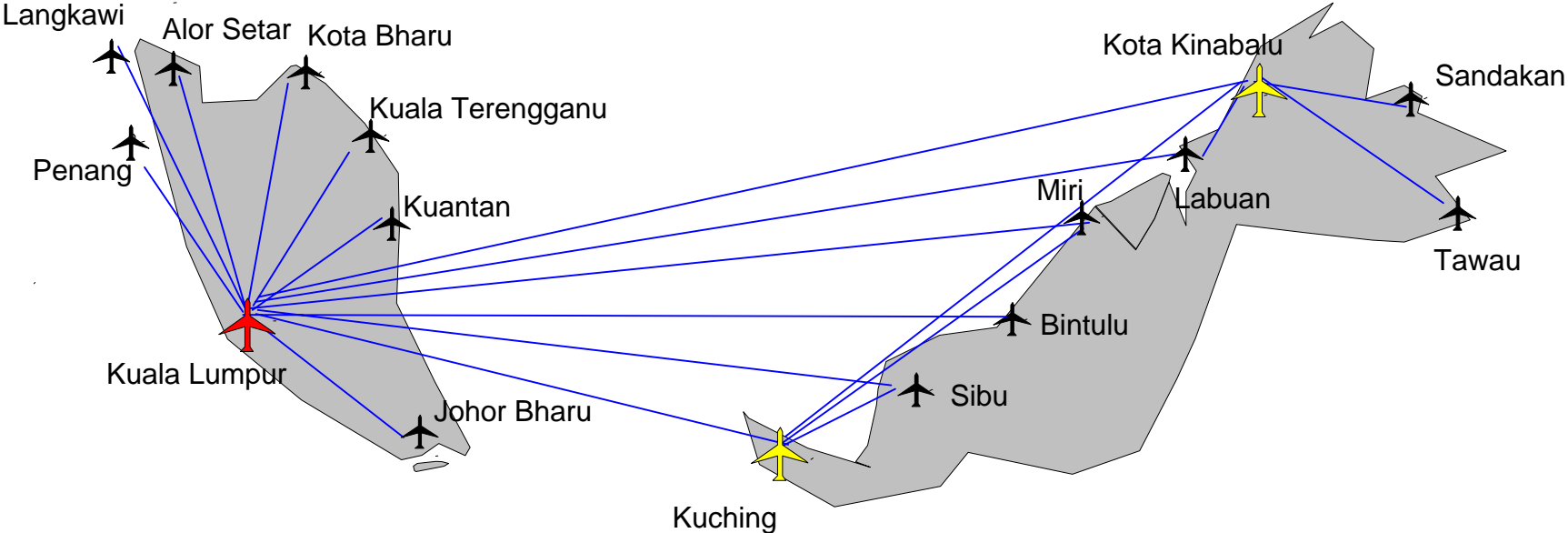


# International Network Restructuring

	PHASE 1	PHASE 2	PHASE 3
<b>Timeframe</b>	Immediate	3 – 6 Months	6 + Months
<b>Action</b>	Reroute via KLIA as primary hub	Cut routes after exhausting route profitability actions	Apply hub-and-spokes and point-to-point
<b>Routes</b>	<b>Effective late-March:</b> ✓ LHR-LGK-KUL LHR-PEN-KUL FRA-KUL-KCH SYD-KCH-KUL KUL-KCH-PER	<b>Effective 1<sup>st</sup> April:</b> ✓ Calcutta, Ahmedabad Pontianak  <b>Effective 1<sup>st</sup> May:</b> ✓ Manchester, Padang  <b>Effective 1<sup>st</sup> June:</b> ✓ Vienna, Xian	<b>Service review including:</b> Zurich, Frankfurt, New York, Los Angeles, Fukuoka, Cairo, Chengdu, Dubai, Istanbul, Beirut, Stockholm and other destinations

# Domestic Route Rationalization

-  Main Hub
-  Secondary Hub
-  Regular airport



**Domestic routes reduced from 118 to 19 trunk routes**  
**To take effect from 1 August 2006**  
**19 trunk routes would encompass 95% of all international “feeder” routes**

# Post Domestic Route Rationalization

**MAS assumes P&L for domestic routes**

**Expect to turnaround the domestic sector in 2007**

**Our strategy post domestic rationalization**

- Improve customer value propositions
- Increasing frequency on domestic routes
- Cut cost (including manpower rightsizing)
- Competitive pricing



# Business Turnaround “The MAS Way”

**VISION:**  
Going Beyond Expectations

**MISSION:**  
To be a profitable airline

**STRATEGY:**  
**BUSINESS TURNAROUND**  
To achieve sustained profitability by going beyond expectations on 5 thrusts



# What we have done so far ...

## Flying to Win Customers

Revenue Enhancement Programme / Route Profitability Project / Network Review / Customer Experience Lab / PSS

## Mastering Operational Excellence

Fuel Efficiency / Maintenance Efficiency / Procurement/ Contracts / Cost Reduction

## Financing and Aligning the Business on P&L

Cash Generation / External Financing / MIS / Working Capital / Capital Mgmt

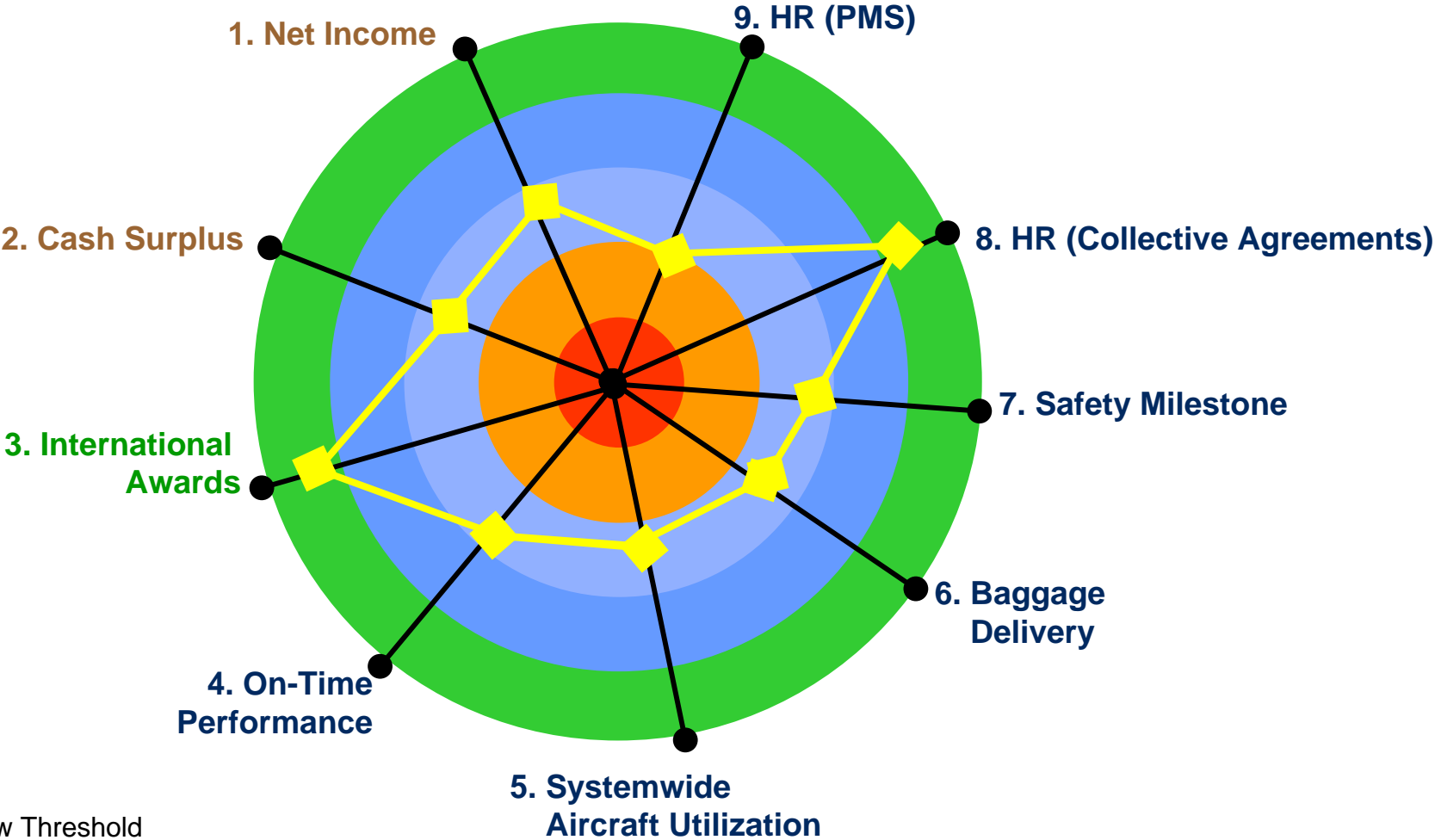
## Unleashing Talents and Capabilities

Rallying Organisation / Collective Agreement / People Actions / Performance Scorecard / Right-sizing

## Winning Coalitions

Shared Assets / Affinity Card / Alliance / Collaboration / Leverage GLCs

# Overall Performance (Corporate Scorecard)



- Region
- Below Threshold
  - Below Target
  - On Target
  - Exceeding
  - Outstanding

\* Preliminary self-assessment

**SKYTRAX**

- 1) **Global Winner for  
'Economy Class Onboard  
Service Excellence 2006'**
- 2) **Best Cabin Staff Award  
2006 (Top 3)**
- 3) **Best Airline 2006 (Top 10)**

**Travel Weekly**  
THE CHOICE OF TRAVEL PROFESSIONALS

**Best Airline to Asia**

Reader's  
Digest | **RD**.com

**Reader's Digest Trusted  
Brand Platinum Award  
2006**

**Global Traveler**

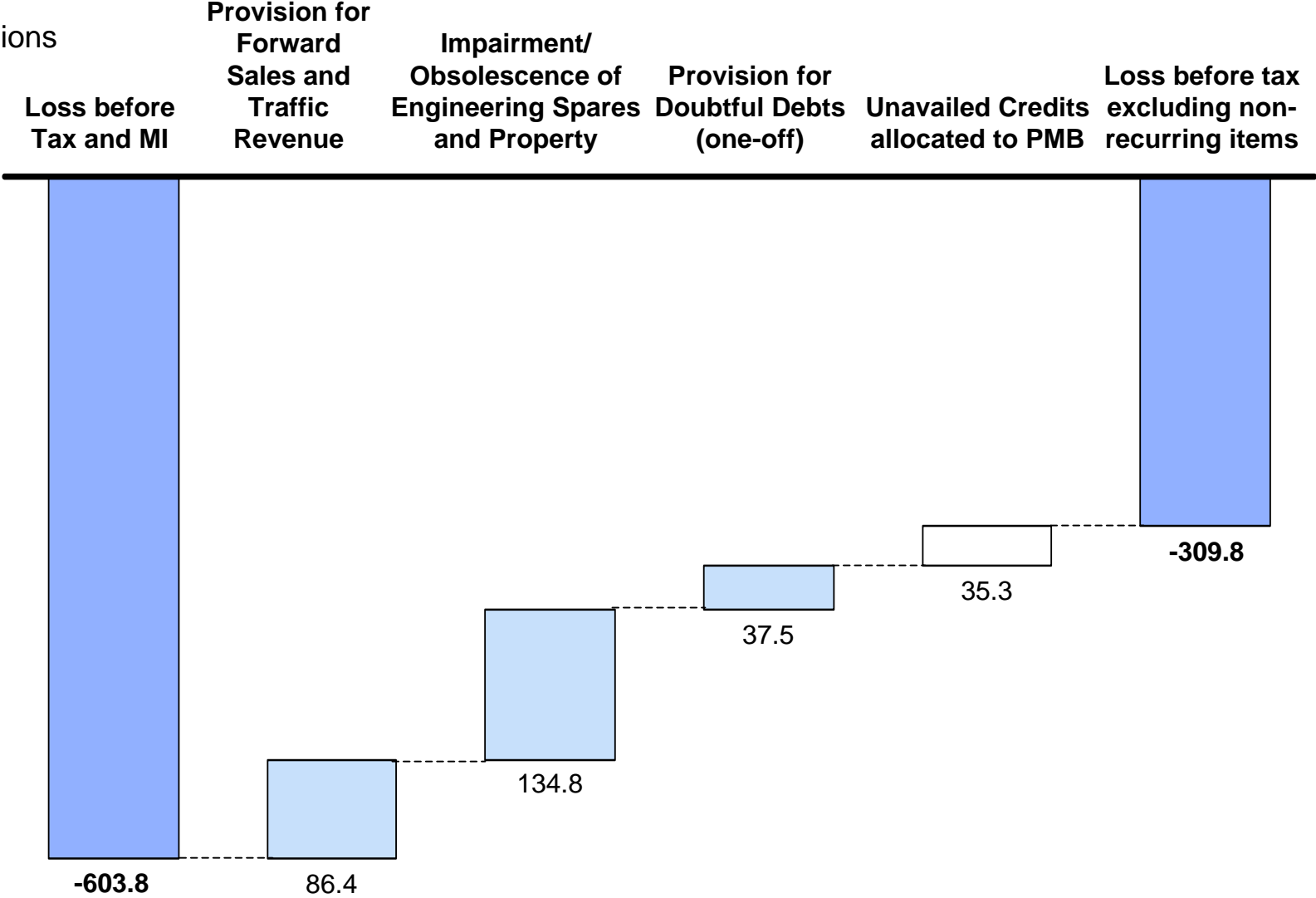
**Best New Business Class  
Seat**

**Thank you**



# Non-recurring items

RM millions



Source: Group Reporting