

the journey continues...



...possessing a clear understanding
of our **strength** and what it
takes to be **successful**.

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CoverMessage As we embark on a new journey, we look at ourselves deep within to identify our inherent potentials. Possessing the unique ability to comprehend market insights and strategically position ourselves as an organisation with limitless opportunities. We strive to sustain the momentum to continuously improve all aspects of business operations whilst fulfilling the needs of all customers. Creating and enhancing value for shareholders and the MAHB brand.

We believe that whenever we have reached the end of one exciting journey, another new journey will immediately begin.

7th annual general meeting

The Pan Pacific Kuala Lumpur International Airport
Wednesday, 7 June 2006, 11.00 a.m.

MissionStatement To provide aviation gateway to Malaysia with a network of airports that will facilitate development of tourism, and the economy as a whole, through providing a cost effective aviation infrastructure and services at the highest international standards, meeting the needs of all customers.

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1

Strong heritage

at a glance

KL International Airport (KLIA)

- Asia Pacific's Premier Air Transportation and Cargo Transshipment hub.
- A greenfield site covering 10,000 hectares.
- Environmental conscious and themed "An Airport in the Forest and Forest in the Airport".
- Capable to accommodate up to 25 million pax per annum & 1.2 million tonnes of cargo.
- 2 full service runways, 106 aircraft stands and 46 gates.
- 216 check-in counters and 26 custom counters.
- The distance between the Main Terminal Building and the Satellite Building is 1.2 km, and linked by Aerotrain.
- 86 retail and 28 food and beverage outlets await visitors.
- Available from within the terminal is the Airside Transit Hotel with 80 rooms and The Pan Pacific Hotel Kuala Lumpur International Airport with 441 rooms.
- The Total Airport Management System (TAMS) links more than 42 systems, which interfaces and integrates communication network.

The Low Cost Carrier Terminal-KLIA (LCCT-KLIA)

- Specifically built and custom-made to meet the Low-Cost Carrier Business Model.
- Constructed on a fast track basis beginning June 2005 at a cost of RM108 million with a simple set-up and centralised operations.
- The 35,290 square meters Terminal is designed and built to facilitate the passengers of international and domestic departures/arrival within a single floor operation area.
- LCCT-KLIA is capable of handling 10 million passengers a year and is fully air-conditioned.
- Facilities & Services include: Check-in Counters, Baggage Carousels, Car Park lots, Retail and F&B outlets, Service Counters, Foreign Exchange Counters, Auto Teller Machine (ATM), Duty Free Shops, pay phones, taxi & bus service, prayer rooms and Arrival & Departure Lounges.



2 full
service
runways

106 aircraft
stands

Our Journey...

- 1999 **5th** in the 15 to 25 mppa category for leisure passengers (based on IATA Global Airport Monitor 2000).
- 2000 **Best airport** in the Asia Pacific for category 15 to 25 mppa by Airport Service Excellence 2000.
- 2001 **2nd** best airport in **worldwide** survey by Skytrax Research, a British based air travel industry research company.
- 2002 KLIA in the **top five** for the **World's Best Airports** category in the Business Traveller magazine 'Asia Pacific Readers' Poll 2002'.
- 2003 KLIA is among **top five airports** in the **world** in terms of overall passenger satisfaction in a survey by International Air Transport Association (IATA) Global Airport Monitor.
- 2004 KLIA is **3rd Best Airport Worldwide** in a survey by AETRA, a customer satisfaction benchmarking programme.

voted World's





KL International Airport (KLIA) was voted Best Airport in the 15-25 million passengers per annum category in the recently announced **AETRA** 2005 results.

Best Airport'05

... We have definitely arrived.



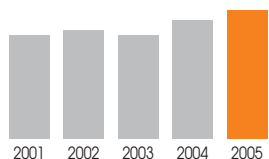
Thanks for the vote of confidence.
It has been an absolute pleasure to serve all.

2

Financial growth

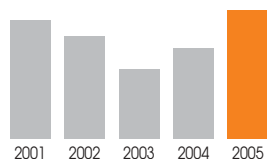
Key Financial Highlights

1,112.8



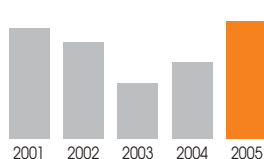
Revenue
RM Million

279.0



Profit Before Taxation
RM Million

17.0



Earnings Per Share
Sen

Turnover increased by 8.6% to RM1,112.8 million (2004: RM1,024.7 million)

Profit before tax rose by 42.6% to RM279.0 million (2004: RM195.6 million)

Earnings per share surged by 54.5% to 17 sen per share (2004: 11 sen)

INCOME STATEMENT

YEAR ENDED 31 DECEMBER	2005 RM million	2004 RM million	Change in %
Revenue	1,112.8	1,024.7	8.6%
Operating Profit	372.8	290.9	28.15%
Financing Costs	(6.7)	(6.8)	-1.47%
Share of Results of Associated Companies	7.2	7.7	-6.49%
Profit Before Taxation	279.0	195.6	42.6%
Taxation	(96.8)	(70.4)	37.5%
Net Profit Attributable to Shareholders	182.2	125.2	45.5%
Earnings Per Share	17	11	54.5%

BALANCE SHEETS

YEAR ENDED 31 DECEMBER	2005 RM million	2004 RM million	Change in %
Property, Plant and Equipment	2,884.5	2,915.1	-1.05%
Investments	145.7	135.0	7.93%
Non Current Assets	30.0	28.1	-6.76%
Current Assets	979.3	1,000.9	-2.16%
Current Liabilities	(340.3)	(504.8)	-32.59%
	3,669.2	3,574.3	3.49%
Share Capital	1,100.0	1,100.0	0.00%
Reserves	1,556.2	1,397.6	11.35%
Shareholders' Equity	2,656.2	2,497.6	6.35%
Minority Interest	—	—	0.00%
Non Current Liabilities	1,043.0	1,076.7	-3.13%
	3,699.2	3,574.3	3.49%
Net Tangible Assets Per Share (RM)	2.41	2.27	6.17%

Group 5-Year Summary

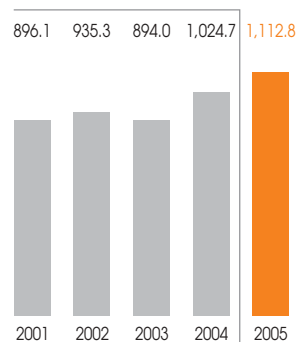
CONSOLIDATED INCOME STATEMENT

Amount in RM (Million)	2005	YEAR ENDED 31 DECEMBER			
		2004	2003	2002	2001
Revenue	1,112.8	1,024.7	894.0	935.3	896.1
Profit Before Taxation	279.0	195.6	151.6	221.8	256.9
Taxation	(96.8)	(70.4)	(66.9)	(71.0)	(78.8)
Net Profit	182.2	125.2	84.7	150.8	178.1
Minority Interest	—	—	—	—	1.9
Net Profit Attributable to Shareholders	182.2	125.2	84.7	150.8	180.0
Earnings Per Share (sen)	17	11	8	14	16

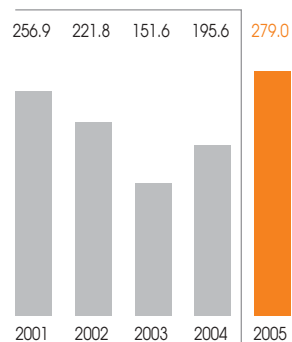
CONSOLIDATED BALANCE SHEET

Amount in RM (Million)	2005	AS AT 31 DECEMBER			
		2004	2003	2002	2001
Property, Plant and Equipment	2,884.5	2,915.1	2,696.6	2,519.9	2,279.1
Investments	145.7	135.0	123.5	124.0	140.7
Non Current Assets	30.0	28.1	25.6	23.6	31.9
Current Assets	979.3	1,000.9	708.9	613.7	553.8
Current Liabilities	(340.3)	(504.8)	(352.7)	(375.9)	(479.6)
	3,699.2	3,574.3	3,201.9	2,905.3	2,525.9
Share capital	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0
Reserves	1,556.2	1,397.6	1,288.3	1,235.3	1,168.2
Shareholders' Equity	2,656.2	2,497.6	2,388.3	2,335.3	2,268.2
Minority Interest	—	—	—	—	28.3
Non Current Liabilities	1,043.0	1,076.7	813.6	570.0	229.4
	3,699.2	3,574.3	3,201.9	2,905.3	2,525.9
Net Tangible Assets Per Share (RM)	2.41	2.27	2.17	2.12	2.06

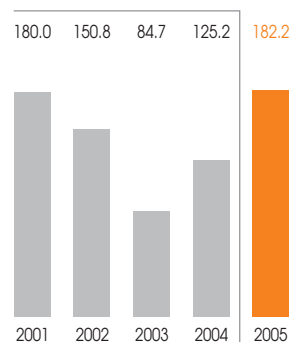
5-Year Financial Highlights



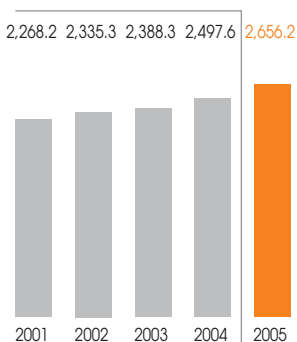
Revenue
RM Million



Profit Before Taxation
RM Million



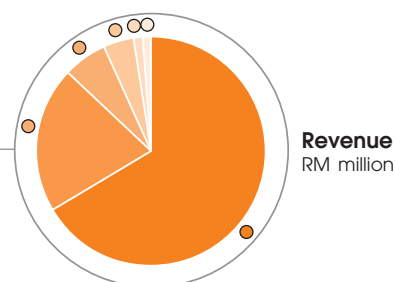
Net Profit Attributable to Shareholders
RM Million



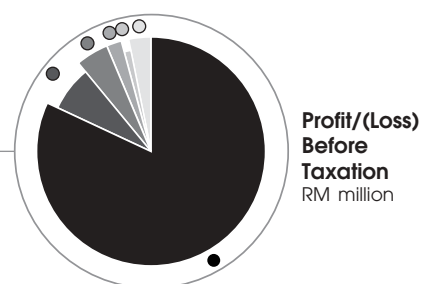
Shareholders' Equity
RM Million

Group Segmental Analysis

- **Airport Services** RM739.2 million
- **Retail** RM229.3 million
- **Events Management** RM69.1 million
- **Hotel** RM47.7 million
- **Agriculture and Horticulture** RM14.4 million
- **Others** RM13.1 million

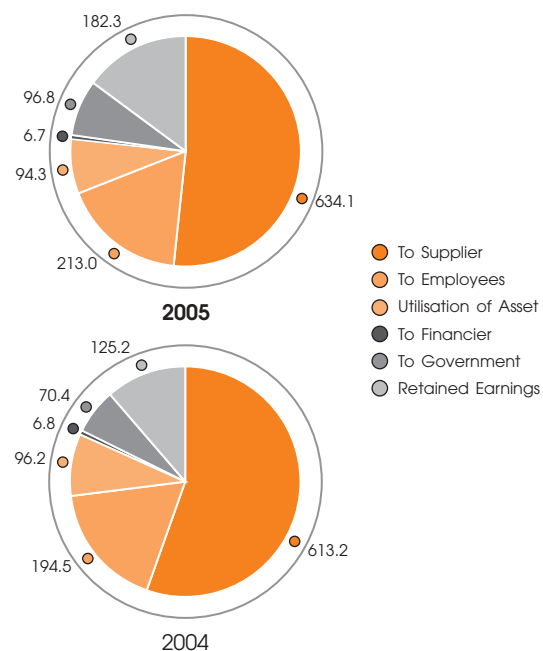


- **Airport Services** RM258.0 million
- **Retail** RM22.3 million
- **Events Management** RM(14.6) million
- **Hotel** RM6.7 million
- **Agriculture and Horticulture** RM(3.3) million
- **Others** RM9.9 million

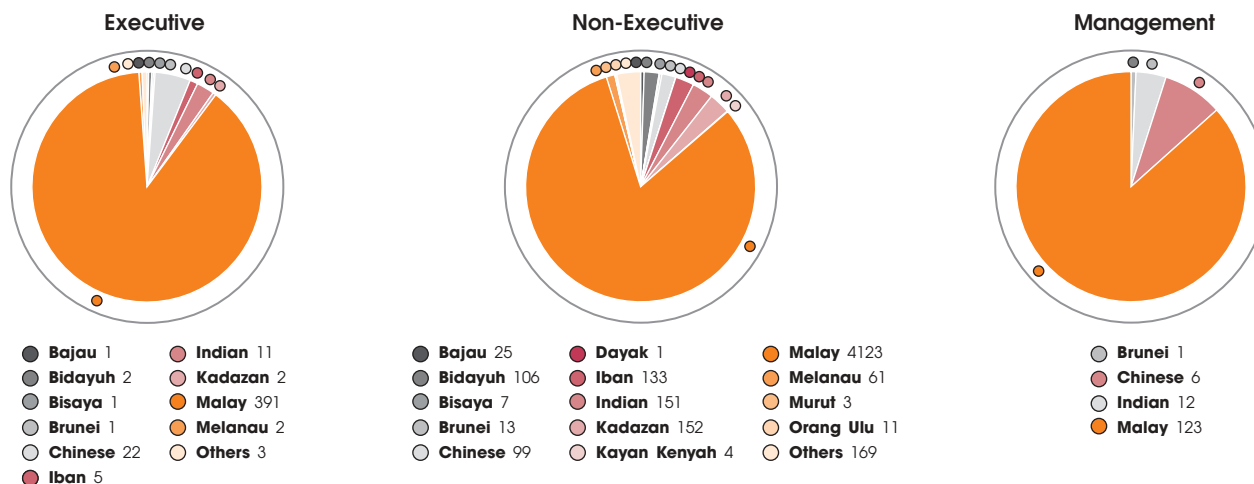


Statement of Distribution

	2005 RM Million	2004 RM Million
Current income available for distribution	1,227.1	1,106.2
Distribution		
To supplier		
– Purchase of goods and services	634.1	613.2
To employees		
– Employment costs	213.0	194.5
Utilisation of assets		
– Depreciation	94.3	96.2
To financier		
– Finance costs	6.7	6.8
To government		
– Taxation	96.8	70.4
Retained for re-investment and future growth and dividend payment		
– Current year	182.3	125.2
	1,227.1	1,106.2



Statement of Workforce



Group Quarterly Performance

In RM Million	First Quarter	Second Quarter	2005 Third Quarter	Fourth Quarter	Year 2005
FINANCIAL PERFORMANCE					
Operating Revenue	297.6	266.3	263.5	285.4	1,112.8
Operating Profit	96.9	88.6	115.7	71.6	372.8
Profit Before Tax	72.7	65.2	93.1	48.0	279.0
Profit Attributable to Shareholders	49.4	41.0	60.3	31.6	182.3
Earnings Per Share (sen)*	4.49	3.73	5.48	2.87	16.57

In RM Million	First Quarter	Second Quarter	2004 Third Quarter	Fourth Quarter	Year 2004
FINANCIAL PERFORMANCE					
Operating Revenue	276.1	234.4	251.5	262.7	1,024.7
Operating Profit	52.3	40.7	48.9	149.0	290.9
Profit Before Tax	30.8	16.5	24.7	123.6	195.6
Profit Attributable to Shareholders	18.5	9.0	9.0	88.7	125.2
Earnings Per Share (sen)*	1.68	0.82	0.82	8.06	11.4

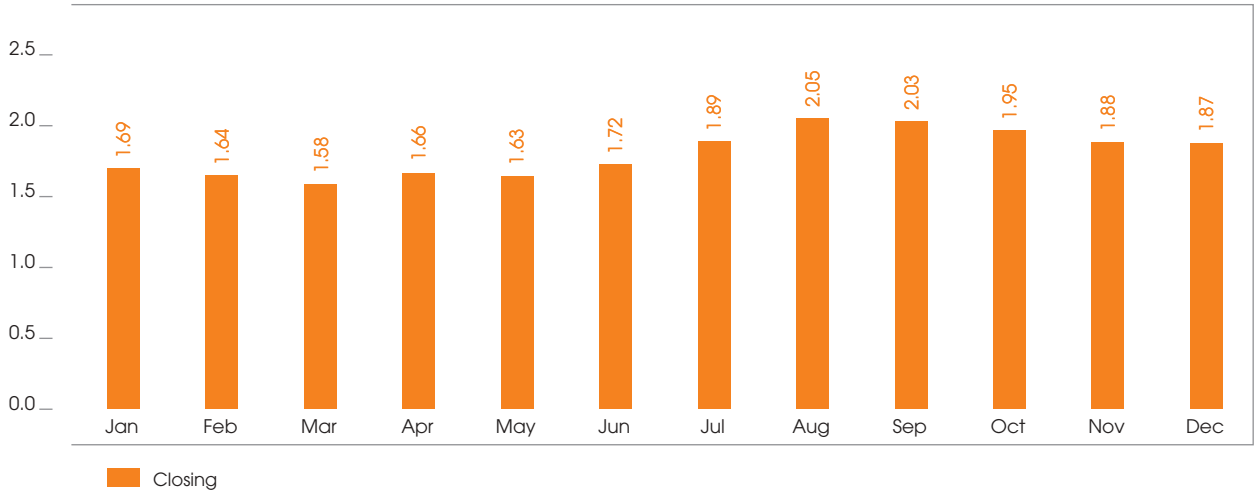
* Quarterly earnings per share is based on the weighted average number of ordinary shares in issue during the quarter whereas the year-to-date earnings per share is based on the weighted average number of ordinary shares in issue during the year.

Share Price and Volume Traded

2005 MONTHLY TRADING VOLUME & HIGHEST-LOWEST SHARE PRICE

	2005											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume	1,343.00	1,525.7	2,575.8	2,125.2	839.5	7,464.5	5,272.2	3,758.1	3,025.8	1,961.5	1,328.6	3,654.1
Highest	1.70	1.69	1.62	1.68	1.64	1.74	1.90	2.07	2.04	1.97	1.89	1.88
Lowest	1.66	1.53	1.58	1.64	1.62	1.69	1.87	2.03	2.02	1.93	1.86	1.86

SHARE PRICE MOVEMENT



financial calendar

20 MAY 2005

Book Closure for determining the entitlement of the final dividend of 3 sen per share (less 28% Malaysian Income Tax) for the financial year ended 31 December 2004.

26 MAY 2005

6th Annual General Meeting of the Company.

27 MAY 2005

Announcement of the unaudited consolidated 1st quarter results for the three months ended 31 March 2005.

17 JUNE 2005

Date of payment of the final dividend for the financial year ended 31 December 2004.

25 AUGUST 2005

Announcement of the unaudited consolidated 2nd quarter results for the six months ended 30 June 2005.

25 NOVEMBER 2005

Announcement of the unaudited consolidated 3rd quarter results for the nine months ended 30 September 2005.

24 FEBRUARY 2006

Announcement of the unaudited consolidated 4th quarter results for the twelve months ended 31 December 2005.

16 MAY 2006

Issuance of Notice of the 7th Annual General Meeting, Notice of Book Closure for Payment of Dividend and Annual Report for the financial year ended 31 December 2005.

7 JUNE 2006

7th Annual General Meeting of the Company.

28 JUNE 2006

Book Closure for determining the entitlement of the final dividend for the financial year ended 31 December 2005.

18 JULY 2006

Date of payment of the final dividend for the financial year ended 31 December 2005.

Handling **41.6** million passengers per annum



approximately
twice the population size of Malaysia



3

A clear strategy

Chairman's Statement dear shareholders,

A great deal of hard work has come to fruition in the past years. Building on the momentum established in 2004, the year under review ended 31 December 2005 was another record-breaking one for Malaysia Airports Holdings Berhad (MAHB).

Without a doubt, the highlight of the year was the Award bestowed on the KL International Airport (KLIA) as the World's Best Airport in the 15-25 million passengers per annum (mppa) category in the AETRA 2005 survey. This was no mean feat considering the fact that the programme covered 66 airports worldwide and we were up against some of the largest and most

progressive airports. Winning this Award is a Malaysian achievement, a testimony that the country has indeed come of age and is able to hold its own against the world's best. All Malaysians should take pride in this Award, and in turn be inspired to be world achievers.

There was also good news on the financial front. New heights were scaled

in terms of Group profits before tax and revenue. Operationally, the MAHB system of airports continued to record satisfactory growth in passenger and cargo traffic in a year that saw an unprecedented hike in oil prices. The KLIA alone achieved an impressive 13.9% year-on-year increase in international passenger traffic.



MAHB's successes over the past years, and indeed to date, would not have been realised without the hard work, commitment and dedication of its management and staff. Our people bring remarkable depth of passion and skills to their jobs, with an unsatiable appetite for accomplishments and results. It is this passion that will enable MAHB to achieve even more, as we move forward with a renewed sense of mission and purpose.

FINANCIAL PERFORMANCE

For the year under review ending 31 December 2005, the MAHB Group registered a consolidated profit before tax (PBT) of RM279.0 million, which is the highest level of pre tax profits posted since the Group was listed on Bursa Malaysia in 1999. This represents a significant increase of 42.7% from RM195.6 million recorded in the previous financial year. The Group's PBT was achieved on the back of turnover of RM1.1 billion, which is the highest ever recorded since the Group was incorporated in 1992.

The airport services business segment remained by far the biggest contributor to MAHB Group's revenue in 2005, which had shown a revenue growth of 8.4%. However, the Group has also seen growth in revenue contribution from other business segments, most notably the retail business segment which had grown by 10.5% in 2005.

OPERATIONAL HIGHLIGHTS

Despite increase in fuel prices, impact of the Asian tsunami disaster and the possibility of Avian Flu becoming a global pandemic, the demand for air travel remained buoyant. Consequently, the global aviation industry continued to record positive growth in 2005, with passenger and cargo traffic movements at airports operated by the group growing by 5.4% and 4.4%, respectively.

Total passenger traffic in MAHB's system of airports increased by 5.4% to 41.6 million passengers in 2005. As the main international gateway to Malaysia, the KLIA was the top performer, handling 23.2 million passengers – an improvement of 10.2% from 21.1 million

achieved the previous year. At the year-end, a total of 51 international airlines were operating at KLIA, an increase from 46 recorded previously. Apart from the flood that closed Alor Star Airport for 5 days in November 2005, the airport has produced a fairly clean record in terms of airport and aircraft incidents.

The year 2005 was also a busy one in terms of ongoing efforts to improve operations and our system of airports. This is covered in detail in the Managing Director's Review of Operations, but I would like to focus on two developments that will have a significant bearing on our future operations. The first is the completion of the Low Cost Carrier Terminal-KLIA (LCCT-KLIA), the first purpose-built low cost carrier terminal in the world. Built on a fast-track basis within nine months, it was completed ahead of schedule and officially opened by the Prime Minister of Malaysia, Y.A.B. Dato' Seri Abdullah Haji Ahmad Badawi on 23 March 2006. The RM108 million LCCT-KLIA which was constructed by the Government of Malaysia, is an extension to the existing facilities of the KLIA and has a capacity to handle 10 mppa.

MAHB is also shifting into higher gear in readiness for the start of Airbus 380 (A380) operations at the KLIA. Modification works involving the upgrading of the KLIA to meet the International Civil Aviation Organisation (ICAO) Code F requirements. Work has commenced in March 2006 for targeted completion a year later. As a precursor to one of aviation industry's most anticipated events, the 555-seater, double-decker A380 aircraft touched down at the KLIA on 17 November 2005 for airport compatibility verification tests. The maiden visit was part of Airbus' Asia-Pacific tour of airports in the region and Malaysian Airline System Bhd. will take delivery and operate six A380 from Airbus, with the first two aircraft to be delivered in 2007.

MAHB continued to make headway in efforts to increase revenue from its commercial activities. During the year, the Retail Optimisation Project (ROP) was implemented for KLIA, the objective being to improve the retail and food and beverage (F&B) offerings at the airport. Implemented in stages to prevent disruptions to normal operations, the shopping area of the Satellite

Building of KLIA will be transformed into spacious malls with a host of new products and brands. In 2005, revamp was undertaken at the Domestic Contact Pier at KLIA, with the introduction of The Flying Emporium was created towards catering to passengers on domestic flights who up to now represents a largely untapped revenue source. The retail and F&B facilities at our other airports are also being upgraded to inject a new look and vibrancy. In the near future, travelers can expect an improved shopping ambience along with new brands and products.

GOING FOR NUMBER ONE

Companies are challenged now more than ever before to meet the growing expectations of today's discerning customers. Each year, we expand considerable resources, efforts and energy to further enhance the services and facilities offered at all our airports. Our accreditation to the ISO system of quality management, Aerodrome Certification and participation in the Green Globe 21 programme are all part of a multi-pronged approach to

achieve MAHB's Mission to provide world-class airport services to all its customers.

Ultimately, the customer is the arbiter of our success. Over the years, KLIA has won numerous awards and accolades from various travel-related surveys organisations. Arguably, one of the most widely used criterion in the industry as a measure of service excellence is the annual AETRA Airport Customer Satisfaction Survey, jointly administered by the Airports Council International (ACI) and the International Air Transport Association (IATA). Ever since we began participating in the survey in 1999, KLIA was always among the top 10 airports and has been steadily moving up the ranks. In 2004, we came tantalising close to the top prize, when KLIA was voted second Best Airport in the 15-25 million passengers per annum (mppa).

Having come this close, we set our sights in 2005 to be Number One. As mentioned in last year's report, a key initiative launched was the Airport Customer Satisfaction and Performance Programme (ACSPP) to benchmark us against the best in the industry. The first

order of business was to set up a committee comprising representatives from various parties, including airlines and service providers at the airports such as Malaysia Airlines, Immigration Department and the Royal Malaysian Customs. From our own service level measurement study and based on the quarterly results released by AETRA, we were able to identify the areas that needed improvements. This was followed up by study trips to the top performing airports to further understand their business model and how we could improve ourselves. The various parties, with clear lines of accountability, then drew up action plans for improvement for implementation. At each stage of the programme, staff and the various operators involved were kept abreast of developments through campaigns, training and other activities. This ensured total commitment and a sense of ownership in the ACSPP.

Winning the Award for Best Airport in our category means much more than just bragging rights. It represents the degree of commitment and the hard work invested not only by MAHB but all the service providers and operators at the

airport. The results from the worldwide benchmarking survey were derived from over 100,000 questionnaires completed from passenger survey conducted at 66 airports throughout 2005. The survey covers 28 service-related parameters under the broad headings of access and connectivity, airport services and facilities, security and immigration, airport environment, arrival services and airline services.

However, we are well aware of the fact that past and present achievements are no guarantee for future success. As I see it, MAHB is still a work-in-progress, with many more chapters to be written in its corporate history. Now that we know what we are capable of achieving, we have raised the bar.

In the AETRA survey, KLIA bagged Third Place for the overall Best Airport Worldwide category. Building on the momentum we have established, the top spot is within our capabilities. We can compete on equal terms on most of the key parameters, but the difference usually comes to one thing – going the extra mile to serve the customers. Tipping the scale in our

favour calls for a culture that demands excellence and we are getting there. In this all-out effort to improve our global standing, we seek your assistance. Should you have any complaints or suggestions to improve our facilities and services, please log on to www.malaysiaairports.com.my and have your say. We appreciate your suggestions and constructive criticisms, so that we can serve you even better.

FULFILLING A NATIONAL ASPIRATION

As an entity serving the nation's interest, MAHB has a bigger agenda, which is to fulfil the national aspiration to transform KLIA into a regional aviation hub. This may seem ambitious to some, but KLIA has the right package to achieve this goal. A key factor in our favour is that KLIA is an airport planned for the future. We are still at Phase 1 development, but the masterplan has mapped out development plans for the year 2020 and beyond when passenger traffic has been projected at 100 million mppa. With KLIA's huge land bank, there will be no problems with regards to future development and airport expansion programmes.

KLIA already has the makings of a regional hub. Passenger traffic has been on the rise for several years and has reached a critical mass for future accelerated growth. More airlines are coming to KLIA, thereby improving the connectivity factor- the main criterion for a hub. The opening of the LCCT has made KLIA a complete and integrated airport catering to passengers of all categories. Come 2007, it will be one of a handful of airports in the world capable of handling the super jumbo A380 aircraft.

MAHB has been aggressively promoting KLIA at the various industry forums and through personal visits to the respective airline headquarters. We are confident that more airlines will take advantage of the fact that KLIA is a non-restricted airport where normal operations are allowed 24 hours a day. Besides offering among the lowest total cost of operations to airlines per air transport movement in the region, it is noted for maintaining high safety standards and providing premium quality airport services. We also offered attractive packages to airlines in early stage of their operations. They have been very

appreciative of the incentives extended to them during the lean times experienced at the height of the Severe Acute Respiratory Syndrome (SARS) outbreak and start of the Iraqi War.

Finally, I believe that the 21st Century belongs to Asia, with the rise of the region's two economic powerhouses, namely China and India. KLIA is ideally positioned to tap emerging opportunities as more and more Chinese and Indian travelers take to the skies. The World Trade Organisation estimates that as many as 100 million Chinese tourists will be travelling abroad by 2020.

Other than the airport itself, Malaysia is a haven for visitors, be it for business or pleasure. The country enjoys political stability, broad economic growth and the strong bilateral agreements with many countries. Malaysia itself has much to offer in terms of tourist attractions and its rich wildlife, local cuisine, history and culture. From pristine coastlines, to the oldest tropical rainforests in the world to shopping for the latest haute couture fashion items, there is something for everyone. As keepers of the country's international gateways, we are working

closely with Tourism Malaysia, airlines, hotels, travel agents and other related service providers to sell Malaysia to the world.

A HIGH PERFORMANCE CULTURE

Having a vision is not enough. Ultimately, everything depends on execution and to achieve all we have set out to do, we will continue to rely heavily on the intellectual capital of our human resources. To prepare our people for greater tasks at hand, we are in the process of fostering a high performance culture across the organisation.

This is in line with the Government's plan to transform and improve the efficiency and effectiveness of Government Linked Companies (GLCs). Last year, I reported that as part of this plan, MAHB was the first among the GLCs to implement a Key Performance Indicators (KPI) programme. This was rigorously implemented at the senior management level with the development of individual scorecards. Now into its second year, we are seeing the benefits of KPIs as key levers for the success of the Group.

On 29 July 2005, the Government of Malaysia announced 10 transformation initiatives for GLCs to transform themselves into world-standard organisations. Going forward, we have set up a Transformation Management Office (TMO) reporting directly to the Managing Director. The TMO's main objective is to initiate and coordinate the transformation process leading to the creation of a high performance culture across the Group. With the desired culture in place, we will be able to operate our airports more efficiently and profitably, and at the same time deliver results to our shareholders, customers and employees.

Spearheaded by the TMO, we identified seven Key Focus Areas (KFAs), among which are: increasing the company's profitability, economic value added (EVA), share price, service levels, efficiency and people development. The Regional Airports will be the final Key Focus Area whereby more promotional effort will be placed on them. Having identified the KFAs, a series of brainstorming workshops was

organised at various levels to generate initiatives that would contribute towards enhancing the Group's performance. Based on the outcome of these workshops, the Management has approved seven Strategic Initiatives for implementation:

- Reengineer processes and review costs for greater efficiency
- Centralise procurement
- Increase concession income by improving positioning, product mix and space utilisation
- Enhance capabilities and leadership qualities
- Develop and market intensively value proposition for international airports
- Update and implement airport and land development masterplan
- Manage stakeholders proactively

The above initiatives have been adopted by Management and consolidated into the Group's 5-Year Strategy and Business Plan. As a Group built on performance, this is a critical first step we must take to shape a brighter future for MAHB.

OUTLOOK & PROSPECTS

Just how the future plays out is not easy to predict. The biggest unknown facing the industry is the direction of fuel prices and concerns about future supplies. The impact of Avian Flu is another question mark, and it would be catastrophic to the industry should it become widespread. Barring all these uncertainties, the ACI projects a 4.1% increase in global passenger traffic for 2006. Cargo traffic is forecasted to grow at a higher rate of 5.4%. However, analysts are of the opinion that Asian-Pacific markets still have lots of potential, with tourist arrivals expected to grow by 10.6%.

With the expectations that the Malaysia gross domestic product (GDP) will expand at a faster rate of 6% in 2006, passenger and freight traffic in MAHB's system of airports is projected to grow. Significant growth in numbers is expected to come from the LCC sector, where we already have a head start with three airlines operating from the LCCT-KLIA. KLIA is expected to continue the momentum of the last two years, albeit at a more moderate pace.

Taking a reality check, there remain challenges to be faced. As a commercial entity, a *raison d'être* of MAHB's existence is to ensure growing returns for its respective stakeholders. But as a national entity providing a vital service to the economy, we cannot ignore other considerations as well. In operating a system of airports whose geographical spread is beyond compare in the region, the fact is that some of these airports are not profitable. Yet, in the interest of passenger safety and security, we cannot compromise on the high standards we have set ourselves.

Now into its eighth year, KLIA has been ageing gracefully, but maintenance costs have been increasing. Moreover, it will also be nearing capacity, and we will need to incur infrastructure investment to keep pace with the expected growth in traffic. The same is true of the other airports within MAHB's corporate stable. Moving into the 2006 financial year, major redevelopment works are underway or have been planned for no less than seven domestic airports to address infrastructure

deficiencies. Maintaining our system of airports to the same high standards of excellence we have set ourselves, and which our customers have come to expect of us, will be an ongoing and major challenge.

APPRECIATION

In a year of accomplishments, it is a privilege to work with a great team of people. The performance of management and staff in the past year has been exemplary. They are truly the life-blood of the organisation.

I also wish to acknowledge the collective responsibility, professionalism and wisdom of my fellow directors on the Board.

MAHB also owes a great deal of its success to the support and cooperation of various parties comprising the Ministry of Transport, Ministry of Finance, Khazanah Nasional Berhad, airlines and our concessionaires. Not to be left out are officials from Tourism Malaysia, Immigration, Customs and Quarantine as well as the Police and Fire Departments.

Naturally, my gratitude is also extended to the millions of customers from Malaysia and all over the world, and of course, our shareholders for their loyalty.

Encik Izlan bin Izzah and Dato' Ahmad Fuaad bin Mohd Dahalan were appointed to the Board on 1 June 2005 and 25 August 2005 respectively. On behalf of the Board, I welcome the new members and we look forward to benefiting from their knowledge and experience.

My appreciation to all of you is sincere because you are the driving force behind our success.

Tan Sri Datuk Dr. Aris Othman
Chairman

29,221.01 square metres of retail space



the **average** size of 24
Olympic size **swimming pools**



4

Meeting expectations

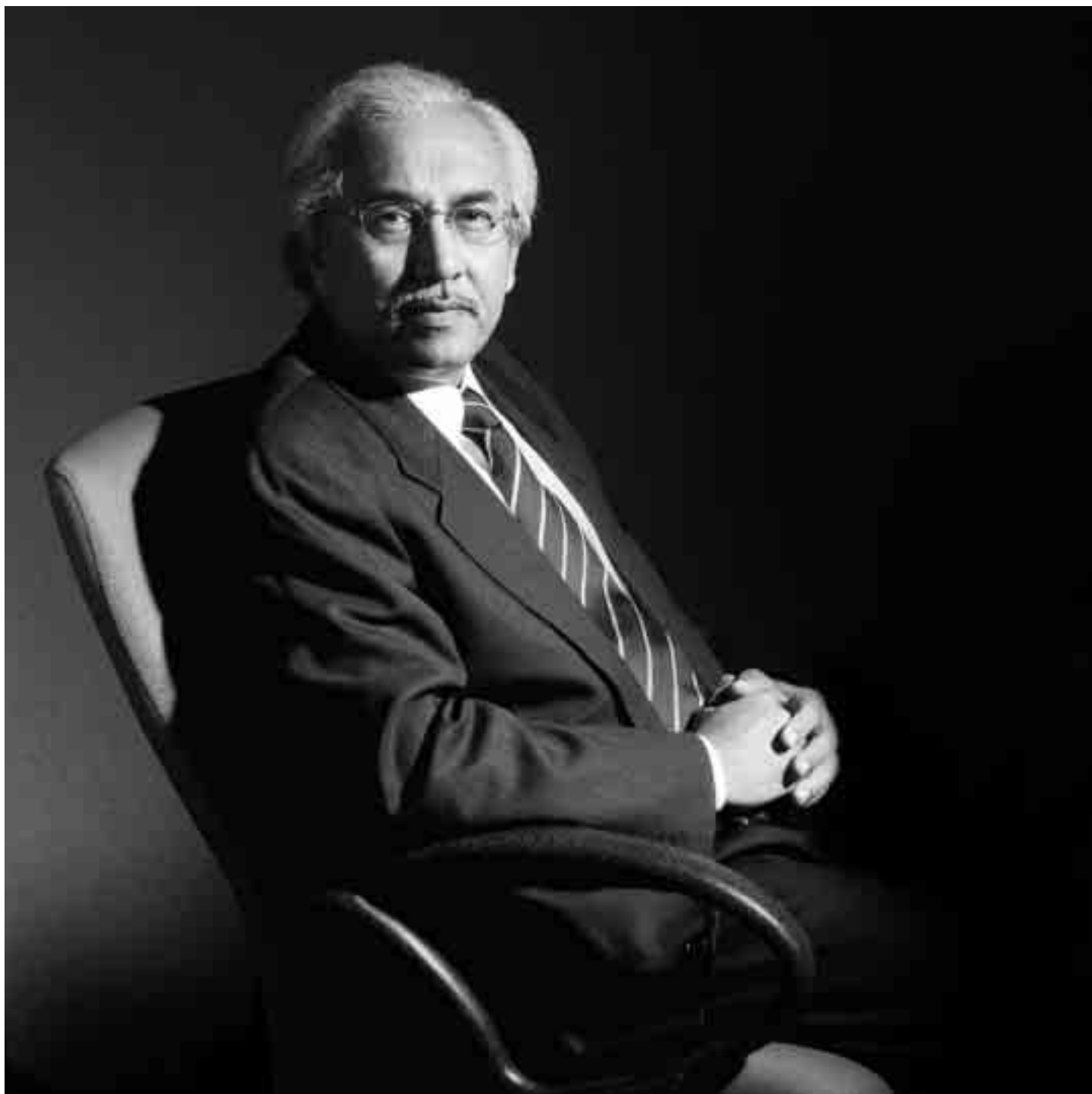
Managing Director's review of operations

In almost all aspects, 2005 was a satisfying and rewarding year for Malaysia Airports Holdings Berhad (MAHB). New ground was broken when KL International Airport (KLIA) was voted the Best Airport in the World (15-25 million passengers per annum) in the AETRA 2005 survey.

Much more than just an MAHB achievement, all Malaysians should stand tall knowing that they have a world-class facility in their own country. This has been borne out by 100,000 travellers from all over the world who took part in the AETRA survey.

However, the AETRA Award should not eclipse the fact that we were the recipient of many other awards and accolades. KLIA was voted second runner-up in the Favourite Asian Airport category in the fifth annual TIME Readers' Travel Choice Awards. Skytrax

Research, a British-based air travel research company, also ranked us among the top 10 airports in the 2005 World Airport Awards survey. For the fifth time in six years, Business Asia Magazine voted the Pan Pacific Kuala Lumpur International Airport as 'Best Airport





Hotel in Asia 2005'. The year 2005 proved to be another winning year for Malaysia Airports (Niaga) Sdn. Bhd. operating under its brand name Eraman Malaysia. Besides taking top honours for the Raven Fox Awards, Eraman Malaysia retained its Superbrand status and won the 2005/2006 Service & Courtesy Excellence Award from Malaysia Retailers Association.

Matching the commendable achievements on the financial front, the year under review also bore good operational results. Despite significant challenges that threatened to derail the momentum established in the past two years, total passenger and cargo traffic in MAHB's system of airports continued to grow. Topping the list of projects completed in 2005 was the Low Cost Carrier Terminal-KLIA (LCCT-KLIA),

recently commissioned on 23 March 2006. All the other projects identified for implementation in 2005 were also completed on schedule.

Although much was accomplished last year, there is still much to do and our journey is far from over. Having come this far, the one thing that can derail our growth momentum is complacency. However, following the implementation of the Key Performance Indicators (KPI) and with the newly set up Transformation Management Office (TMO) driving the change process, we are evolving towards becoming a results oriented organisation. What we have achieved in 2005 provides a useful platform to move forward to be a truly world class entity.

5.4% passenger
traffic
increased

Operating Environment

The year 2005 was relatively uneventful for the aviation industry. Although the year began with some uncertainty in the aftermath of the devastating Asian tsunami, thankfully it does not have any impact on air travel to this region. Unlike previous years, there were no terrorist related incidents in 2005. Even though the outbreak of Avian Flu was a cause for concern, it was largely contained.

As it turned out, the biggest threat to the industry was the unprecedented increase in oil prices. Fuel prices peaked

in 2005 to average USD53 per barrel, compared with USD22 per barrel in 2003 putting tremendous pressure on the operating cost of the airlines. This was largely offset by surcharges imposed on passengers by the airlines, but it had minimal impact on demand. Global passenger traffic rose 6% in 2005, with more than four billion passengers taking to the skies. Freight traffic also increased by 3% to 78.7 million metric tons (mt). The Asia-Pacific region continued to record growth rates higher than the global average, attesting to its tremendous potential. With lower operating and labour costs, low cost carriers are mushrooming in this region and continue to add new numbers to passenger traffic growth.





Operational Highlights

aeronautical operations

The MAHB system of airports handled a total of 41.6 million passengers in 2005, an increase of 5.4%. Total cargo traffic at all airports rose 4.4% to 999,295 mt, while total commercial aircraft movements increased 3.2% to 469,655.

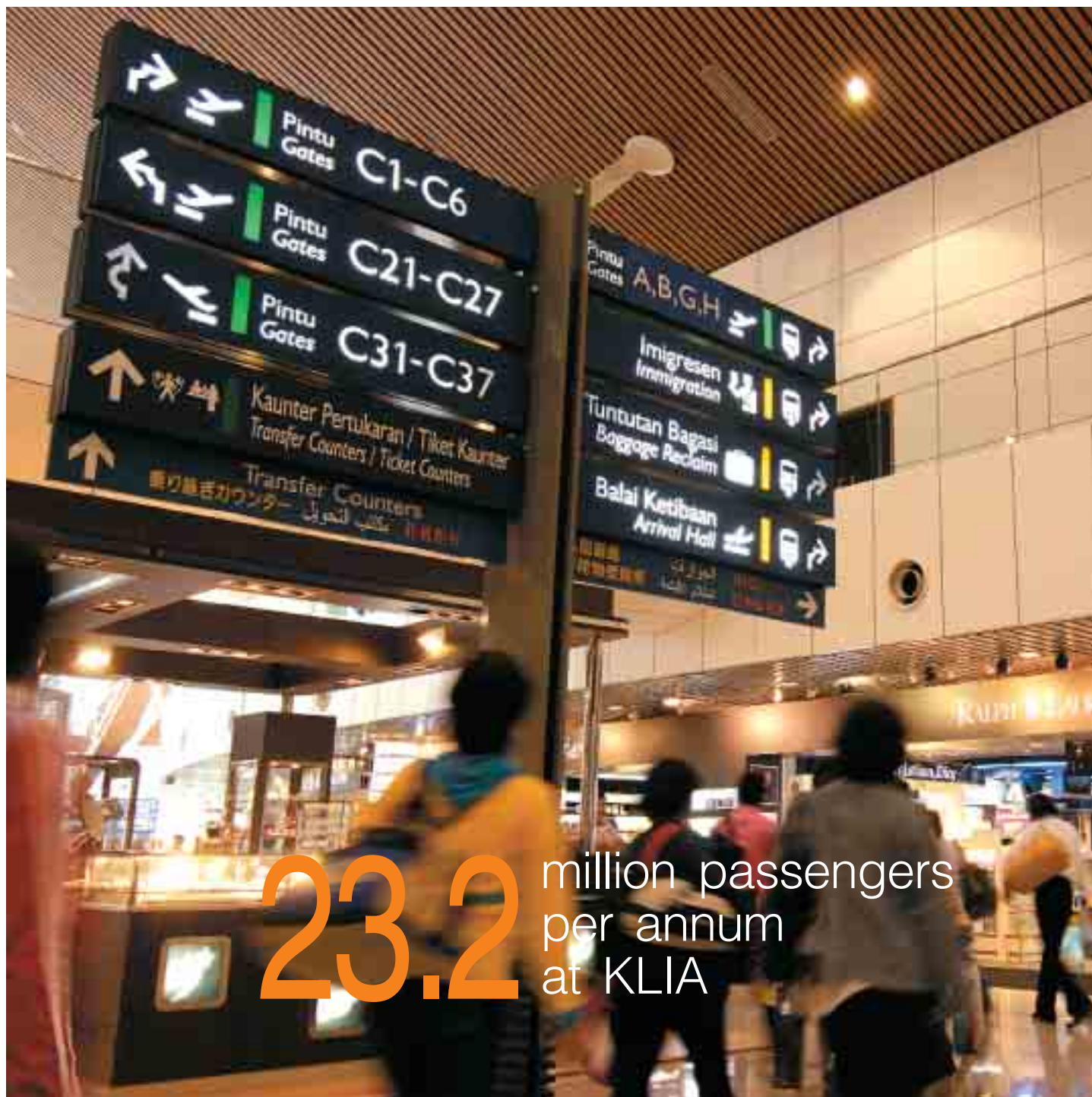
Passenger traffic performance could have been better, but the cumulative effects of natural disasters, opening of new highways and a change in foreign labour policy all took its toll on the domestic sector. Moreover, AirAsia's contribution towards the growth of the domestic sector in 2005 was not as robust previously as there was some shifting of capacity to the international market. LCCT-KLIA faced some shortage of capacity during the year owing to insufficient numbers of aircraft to keep pace with its rapid expansion. The new

Airbus 320 orders placed by AirAsia will hopefully eliminate this shortfall in 2006.

The KLIA recorded an impressive 10.2% increase in passenger traffic. While the international traffic grew by 13.9%, domestic passenger movements only recorded a smaller 4.3% increase. Of the 23.2 million passengers handled, 64% was international traffic. The international market share continued to increase by another 2% from 2004. During the year, cargo traffic increased by 0.3% to 653,654 mt. Apart from the high price of

fuel, which led to an increase in freight charges worldwide, the lower growth rate for cargo was also attributed to the shift in the operations of Transmile Air and DHL to Subang.

KLIA remained on course to be a regional aviation hub, holding its own against other airports in nearby countries. Thanks to an intense year long marketing and promotional effort, we have brought in eight new airlines to operate at KLIA. As of year-end 2005, a total of 51 airlines operated at KLIA, compared with 46 for





675
million
tonnes of
cargo
transported

the previous corresponding period. Besides attending the major aviation industry forums, MAHB presented marketing proposals including route analyses, to targeted airlines from all over the world. We will continue to relentlessly pursue our marketing efforts, and we hope that for the year 2006, new names will be added to the list.

Consistent with MAHB's objective to promote a high performance culture, we have sought registration to internationally recognised ISO quality management system. Within KLIA, the number of operating units and divisions certified to ISO 9001:2000 has increased with the addition of the Free Commercial Zone in 2005. The other four international airports and 10 domestic airports have also been certified. Another five domestic airports will undergo the audit process by SIRIM in mid-2006 as a prerequisite to certification.

As reported last year, the KLIA received the Aerodrome Certification from the Department of Civil Aviation (DCA) in May 2004. This is a requirement of the International Civil Aviation Organisation (ICAO) to promote aviation safety by ensuring that all international airports provide uniform safety conditions for all

aircrafts. In 2005, the Aerodrome Certification was also awarded to other four international airports at Kuching, Kota Kinabalu, Langkawi and Penang. Tawau also became our first domestic airport to be certified, in 2005. The Miri Airport has undergone compliance audit and is in the process of attaining certification. MAHB is aiming for all other domestic airports to obtain Aerodrome Certification by the end of 2006.

KLIA has the distinction of being the first airport in the Asia Pacific region to earn Green Globe 21 (GG 21) Certification, a global benchmarking and improvement programme for sustainable travel and tourism. During the year under review, the KLIA GG 21 certification was renewed following a stringent re-certification process. This is covered in detail later in this report.

During 2005, we continued to make headway in improving the facilities throughout the entire MAHB system of airports. The Chairman in his statement has already touched on the opening of the LCCT-KLIA. Designed on a modular concept, it has the capacity to serve 10 million passengers. AirAsia is expected to increase the number of LCC passengers to at least five million in 2006, a 25%

increase from four million achieved in 2004. Currently utilised by AirAsia and its sister airlines from Indonesia and Thailand, all LCCs are welcome to use the terminal. We have already received enquiries from another two low cost airlines.

The other big project taking shape is upgrading works in readiness for Airbus 380 operations scheduled to begin in 2007. KLIA existing runways are already capable of handling the new super jumbo. However some modification works will be required of the taxiways and Terminal Building at three gate stands. Key upgrading works are also required for aircraft services. As we go into print, work has already commenced for planned completion in May 2007.

Besides the KLIA, MAHB operates four other international airports, 16 domestic airports and 18 STOLports (short take-off and landing ports) throughout Malaysia. Major redevelopment works are currently underway in not less than seven airports. At the Penang International Airport, runway resurfacing and associated works are due for completion in August 2006. The Kuching International Airport is being redeveloped, with a new terminal building to be completed in 2006. The runway and taxiway will be completed

in March 2008. The redevelopment of the Sibul Airport has been carried out, while the Alor Star and Kuala Terengganu Airports will be completed in May 2006 and January 2007 respectively. The rehabilitation of the runway at the Kota Kinabalu International Airport is still in progress, as is the redevelopment of the Labuan Airport, targeted for completion in November 2008.

In October 2005, one of the country's premier mobile telecommunications companies opened a service centre at KLIA's international Arrival Hall. The Celcom centre is equipped with the standard features of a full-fledged service centre. It is fully capable of offering services related to postpaid, prepaid, international roaming and 3G services, as well as handling customer enquiries. With the centre fully functioning, we are better able to serve the needs of domestic and international customers by providing them with a full suite of telecommunication services.

Most recently, with the signing of a memorandum of understanding (MoU) with IATA on 23 February 2006, MAHB became the first airport operator in Southeast Asia to implement IATA's Simplifying the Business (StB) programme.



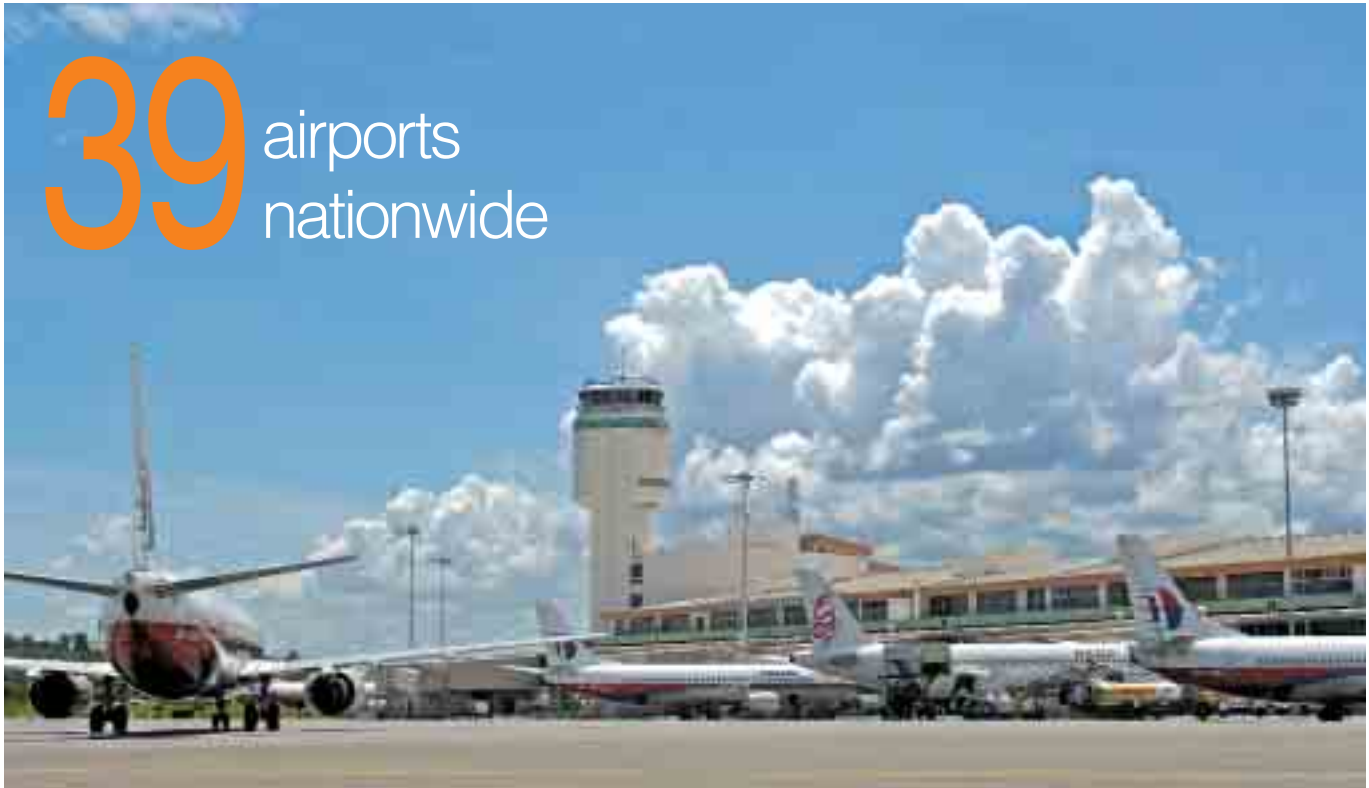
The StB programme calls for the implementation of Common Use Self-Service (CUSS) ticketing kiosks, Bar-Coded Boarding Passes (BCBP) and Radio Frequency Identification (RFID) for baggage management among others. While the primary aim of the StB programme is to benefit passengers by improving efficiency and simplifying the travelling experience, there would also be cost savings from more efficient operations. The programme will be implemented at KLIA initially, but will eventually be extended to other MAHB airports around the country.

Managing Director's Review of Operations (cont'd.)

With our feet firmly planted in Malaysia, MAHB is also looking to the international marketplace for new business opportunities. We have already established a foothold in India where we are providing airport operation and technical services for the development, operation and maintenance of the new

Hyderabad International Airport. MAHB is now actively pursuing other opportunities unfolding in India, as projects for the restructuring and modernisation of several airports get underway. Beyond the Indian sub-continent, MAHB is also pursuing projects in Kazakhstan and Saudi Arabia.

39 airports
nationwide





Operational Highlights

commercial activities

MAHB's Commercial Services Division (CSD) manages the non-aeronautical activities of the Group, generating revenue from the rental of commercial space for retail, food and beverage (F&B) outlets, lounges, offices, service counters, storage areas, advertising and promotional activities at the KLIA and other airports nationwide.

It also derives income from the car park facilities and Airside Transit Hotel (ATH) managed by Malaysia Airport (Properties) Sdn. Bhd..

During the year under review, CSD remained focused on achieving the following main objectives:

- Increase non-aeronautical revenue of airport services business segment from the present 35% to 50% within the next several years
- Improve the retail and F&B offerings at KLIA under the Retail Optimisation Project (ROP)

- Enhance existing facilities and services at all airports

Airport shopping has become an integral part of air travel. Many passengers arrive at airports early to ensure they have sufficient time to browse around the shops and purchase goods at duty-free prices. And like shopping, having a bite or something to drink is all part of the airport experience. At MAHB's system of airports, there is still significant unlocked potential to be fully exploited to increase commercial revenue yields.

To unlock this potential, several initiatives were launched during the year.

Under the ROP for KLIA, the shopping area of the Satellite Building is being transformed. The cabin concept with singular brands dominating the retail scene will soon be placed with wide-open malls featuring multiple products and brands to entice even the most jaded airport shopper. Throughout 2005, CSD has been negotiating new tenancy agreements with existing and

prospective tenants. On the strength of their performance, the Satellite Building will still house world renowned brands such as Harrod's of London's Knightsbridge alongside top international brands like Dior, Hermes, Mont Blanc, Coach and Burberry. Coming attractions include specialty shops and many more big names in the fashion and accessories industry. In line with the vision to make KLIA the Number One shopping destination in the region, our Low Price Guarantee programme ensures that prices of goods are comparable, if not lower, than those set by retail counterparts elsewhere.

CSD is working closely with an interior design consultant to combine aesthetics with functionality, creating the right ambience at the Satellite Building for an ultimate shopping experience. F&B outlets will also be improved, not only in terms of appearance but variety. Passengers dying for a coffee fix can now find comfort at the familiar Starbucks Coffee, while Noodle House can whet the appetite with a satisfying meal. These are but a taste of things to come. The next phase of development will see a large food court with alfresco dining facilities added to the upper tier of the

Satellite Building. Fully implemented, the Satellite ROP will increase the retail and F&B floor space by 60% from the present 6,110 sq. meters.

What used to be a non-commercial area in the Domestic Contact Pier has been transformed into The Flying Emporium catering to passengers on domestic flights. Adopting the same open mall concept, some 1,960 sq. meters of retail space will be created upon its completion. With the opening of The Flying Emporium, domestic passengers are checking in earlier to purchase duty free and non-duty free goods at great prices. Shoppers can browse the spacious walkways for international brands in all product categories such as watches, chocolates, confectioneries, perfumes, toys, luggage, gifts and souvenir items. In terms of F&B outlets, travellers have a choice of the ubiquitous Burger King or the local Chicken Rice Shop.

Another big project undertaken by CSD in 2005 was the placement and development of retail and F&B outlets at the LCCT-KLIA. Working against a very tight schedule, renovations works were all completed in record time. The

same open mall concept has been adopted at strategic locations in the newly opened terminal. Apart from two duty-free emporiums, the LCCT-KLIA also houses two general emporiums, two pharmacies, one fashion store and five F&B outlets.

Progress was also made in upgrading the retail and F&B facilities in the other airports. Major redevelopment works are ongoing at the Kuching International Airport, Sultan Abdul Halim Airport in Alor Star and the Sultan Mahmud Airport in Kuala Terengganu. When completed, better space planning and the introduction of Anchor tenants, specialty stores, new brands and products will transform these airports into veritable shopping havens.

Meanwhile, other facilities such as the car-park building and the Airside Transit Hotel (ATH) have undergone major upgrades and refurbishment. A new car park system has been installed to ensure better service to users. The parking rooftop, which was under-utilised, is being converted into an airline office.



86 retail
outlets under
our wings



Operational Highlights business activities

Malaysia Airports Management & Technical Services Sdn. Bhd. (MAMTS)

As the consulting arm of MAHB, the primary functions of MAMTS are to establish, develop, manage, operate and maintain all forms of businesses, services and facilities in relation to airport operations and services. MAMTS is an MS ISO 9001:2000 quality management system certified company. The scope of ISO certification covers the provision of technical advisory and consultancy services for the management of airport cleaning services, monitoring of the quality of airport services and project management consultancy.

In a bid to improve the depth and breadth of its services, MAMTS increased its 49% stake in Urusan Teknologi Wawasan Sdn. Bhd. (UTW) to the present 75%. The acquisition was completed on 24 January 2006, making UTW a subsidiary of MAMTS. With UTW under its wing, MAMTS can now expand into MAHB-related operation and maintenance business for M&E systems and generate new revenue streams. These services can also be marketed globally through UTW, in line with MAHB's ongoing efforts to become an

international player. MAMTS and UTW are redefining and streamlining their respective business portfolios to optimise business synergies in 2006.

Operationally, MAMTS had a busy and eventful year. On the home front, MAMTS was involved in the design, construction, completion, testing and commissioning of a new terminal building and associated works for the Alor Setar Airport. The airport is targeted for commissioning by May 2006. MAMTS also played a leading role in the group

RM66.1 million worth of
projects managed
by MAMTS in 2005



wide effort to win the Best Airport Award for KLIA. It sets the ball rolling by providing the service level measurement on KLIA for the AETRA benchmarking programme based on a customer feedback survey. The measurement was designed based on the latest marketing index from participating airports in the AETRA programme.

MAMTS is also actively supporting MAHB's overseas business ventures in the area of airport management. Since May 2005, it has been providing staff as well as technical, operational and IT expertise for the new Hyderabad International Airport in India. MAMTS is also leading the bid process for new projects in India, Turkey, Kazakhstan and Saudi Arabia.



Malaysia Airports (Niaga) Sdn. Bhd. (ERAMAN MALAYSIA)

Eraman Malaysia has more than 40 retail outlets at the KLIA, carrying a wide range of products. On the strength of its performance, the company has been given an extension until 2011 for the Duty Free Emporiums it operates at the Satellite Building. Eraman Malaysia's F&B Division also operates 24 outlets in the KLIA, providing a smorgasbord of culinary offerings, from simple fast food to Asian and Western gastronomical delights.

Overriding initial fears that dark clouds looming in the horizon could derail growth in the aviation industry, 2005

turned out to be another stellar year for the company with gross sales improving by 10%. While Malaysians still constitute the biggest customer segment, Mainland Chinese and Indian travellers are increasingly making their presence felt. They have now overtaken the Japanese and Korean as the second and third biggest spenders at our retail outlets.

As the retail arm of MAHB, Eraman Malaysia's marketing and promotional efforts have been geared to enhance the KLIA's standing as a shopping and dining hub and also improve the

28
food and
beverage
outlets

The Commercial Division is responsible for the following main objectives:

- To increase non-aeronautical revenue
- To transform KLIA into a preferred shopping destination in the Asian region
- To increase average dollar spending per passenger
- To enhance existing facilities and services at the Airports

revenue stream from commercial activities. Living up to the marketing tagline, 'A Promise of Excitement', practically every month of the year featured a campaign, bazaar or shopping extravaganza. These events also provided the opportunity to showcase Malaysia's unique cultural heritage and diverse attractions. Thus, a mock Malay wedding ceremony was organised in conjunction with 'Funtastic Week 2005' much to the delight of visitors, while children were entertained with a sand art demonstration. At the 'Proud to Be Malaysian' campaign in conjunction with Merdeka Day, various local artistes and disc jockeys made it an event to remember. The KLIA Ramadhan Fest has become a regular fixture in KLIA's calendar of events.

Besides infusing KLIA with the festive spirit for the month-long duration, visitors were given a tantalising glimpse of what Malaysia has to offer in its handicraft, culture and cuisine.

In striving to improve sales and escalate commercial revenues, Eraman Malaysia has joined forces with the Business Management Faculty of Universiti Teknologi Mara (UiTM) to develop a pioneering training module. During the year, a total of 220 staff from Eraman Malaysia attended a 'Let's Get Back to Basics of Retailing' training programme conducted by UiTM lecturers. Through such structured training modules tailored to our specific needs, we hope to inject greater professionalism among retail staff.



MAB Agriculture-Horticulture Sdn. Bhd. (MAAH)

MAHB has a significant land bank comprising 7,225 hectares of plantations around the KLIA and the Kota Bharu airport. The cultivation and management of oil palms and coconut trees on the land is the principal activity of MAAH. In 2005, the company earned revenue of RM17.5 million, 82% of which was generated by the sale of fresh fruit bunches. In addition to its work on the plantation, MAAH also undertake some of the landscaping activities of the Group, utilising plants and shrubs grown on the company's own nursery.



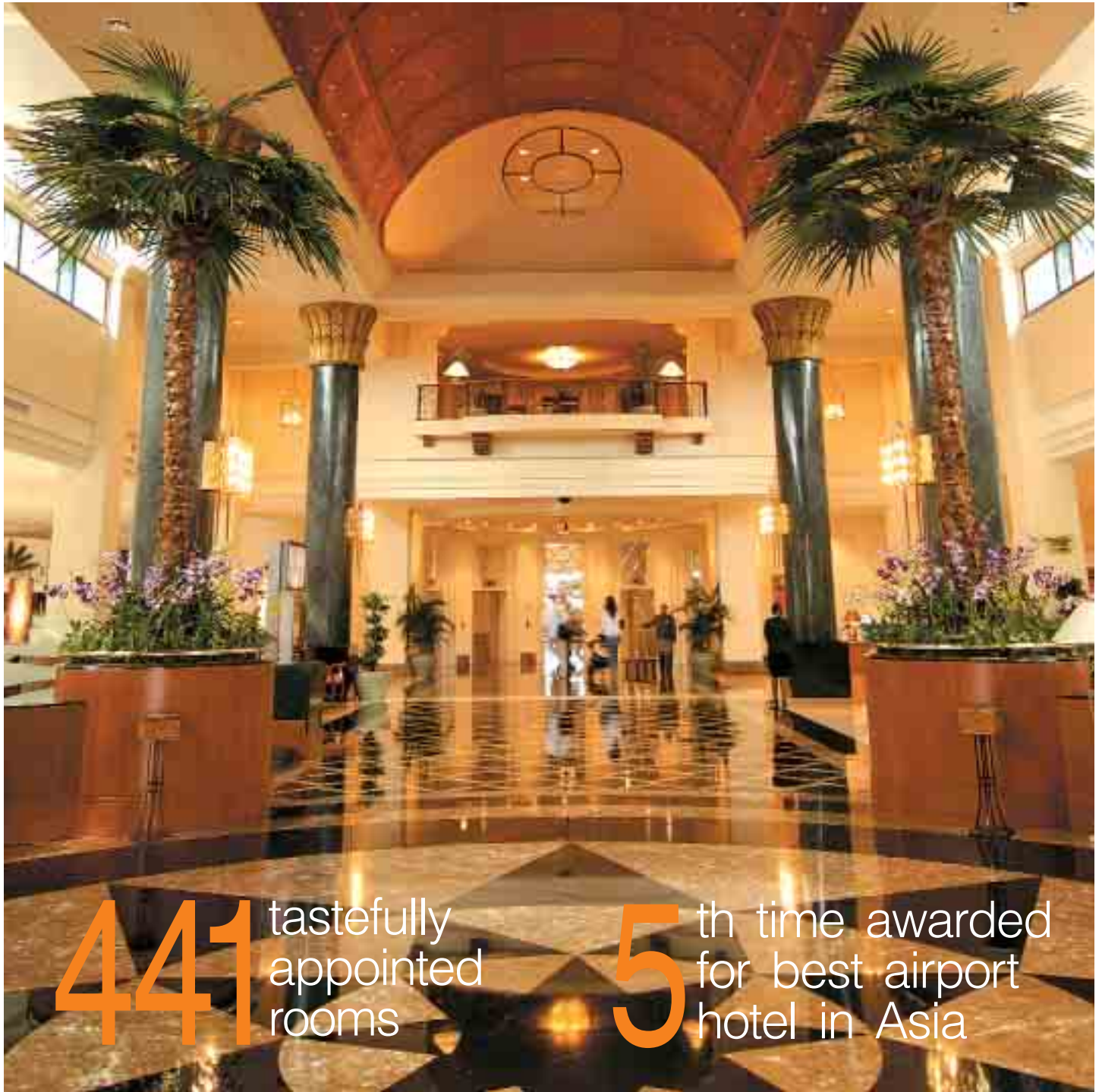
K.L. Airport Hotel Sdn. Bhd. (KLAH)

Through its wholly owned subsidiary, KLAH, MAHB has vested interest in the luxury-class hotel known as the Pan Pacific Kuala Lumpur International Airport.

Last year, the Pan Pacific Kuala Lumpur International Airport was voted 'Best Airport Hotel in Asia 2005' by Business Asia Magazine. This is the fifth time in six years that the hotel has bagged the award, one of the most coveted prizes in the highly competitive Asia-Pacific hotel industry. Competing hotels are judged on a range of criteria that include special business services, business club and lounge facilities, conference and convention facilities and rewards programmes.

Strategically located within easy access to the KL International Airport and

Sepang International Circuit, the Pan Pacific Kuala Lumpur International Airport has become the hotel of choice among business travellers and motor-sport enthusiasts. The hotel's well-appointed facilities include a 24-hour health and fitness centre, 5 food & beverage outlets, banquet facilities and can accommodate up to 1,700 guests with nine separate meeting rooms and connections to high-speed internet from anywhere within the hotel premises. As an added service, hotel guests can now check-in at the Pan Pacific Kuala Lumpur International Airport's new airport reception counter located at the baggage reclaim area of the international arrival hall. They will then be ferried to the hotel by a buggy shuttle service provided on a complimentary basis.



441 tastefully
appointed
rooms

5th time awarded
for best airport
hotel in Asia

Malaysia Airports Technologies Sdn. Bhd. (MA TECH)

In a business world increasingly dominated by technology, MA Tech has positioned itself as the Information and Communication Technology (ICT) enabler for the Group. MA Tech's expertise in providing ICT solutions to airport systems has resulted in improvements to end-users. The company has been accredited to the ISO 9001:2000 quality system for five consecutive years, while its certification to OHSAS 18001:1999 has entered its third year. In 2005, MA Tech retained its BS 7799, Part 2 certification, which is the international standard for Information Security Management Systems.

During the year in review, MA Tech embarked on IT Service Management to achieve enhanced service delivery for process improvement. Capitalising on breakthrough methodologies for fast implementation of new platforms and rapid rollout of new applications, MA Tech has been able to achieve continual efficiency gains and productivity improvements.

MA Tech is continually improving the Total Airport Management System (TAMS), MAHB's technologically superior computer-based distributed management overlay and the key to what makes the KLIA one of the most operationally efficient airports in the

world today. In its quest to provide service excellence, MA Tech is taking the lead in promoting the concept of 'Simplifying the Business' (StB), in line with IATA's and ACI's initiatives in making air travel a more efficient experience.

Some of MA Tech's key achievements in its efforts to enhance systems availability in 2005 include:

- Replacement of KLIA Flight Information System from the old CRT Display Monitor to the latest TFT LCD Monitor
- Enhancement of the Information Broker, a TAMS integration tool, from DCA/Encna to MQ series
- Migration and replacement exercise for KLIA's gate allocation system
- Implementation of additional CCTV at baggage handling areas
- Commissioning of a Business Intelligence System to facilitate the preparation of statistical reports and analysis for aircraft and passenger traffic movements
- Implementation of the first in the world SITA Airport-Hub in KLIA in collaboration with Societe Internationale de Telecommunications Aeronautiques (SITA). This is an IP-VPN network connectivity that allows airlines to access SITA Global Messaging System Network (GMSNet).



245

ICT personnel
managing
TAMS

In the coming financial year, MA Tech will continue to focus on improving operational and cost effectiveness vis-à-vis process and system standardisation. The key objectives for 2006 will be to:

- Improve ICT governance at MAHB group-wide
- Focus on deploying leading-edge technology to further streamline operations and achieve improved operating margins and performance
- Continue with its commitment to deliver quality services and continual process development initiatives

Malaysia Airports (Properties) Sdn. Bhd. [MA (P)]

An investment holding company, MA (P) also manages and operates the Airside Transit Hotel (ATH), the Southern Common Amenities and Facilities (SCAF) and car parks at KLIA. The 80-room Airside Transit Hotel (ATH) is located at the Satellite 'A' Building, KLIA for the convenience of transit passengers. Located within the vicinity of the cargo complex, the SCAF has retail and banking facilities catering mainly for employees at the airport. MA (P) also operates a short-term car park with 6,208 parking bays and a long-term car park within the vicinity of the KLIA. With the opening of the Low Cost Carrier Terminal-KLIA (LCCT-KLIA) towards the end of March 2006, MA (P) now manages the LCCT-KLIA parking area as well.

Asia Pacific Auction Centre Sdn. Bhd. (APAC)



Through APAC, the Group operates a world-class 'one stop total clearance', an auction centre located at Subang, which commenced operation in late 2000. Since its appointment as the Malaysian Government's official auctioneer in 2004, APAC has endowed its prominence further as an established

and leading auction centre. The year 2005 recorded a 36% growth in transacted value to RM136.0 million, compared to RM100 million achieved previously.

In 2005, APAC conducted a total of 82 auctions, ranging from motor vehicles, machinery and general goods. This included a 2-day Regional Machinery Auction and an exclusive maiden auction of 28 prestige motor vehicles, netting aggregate sales in excess of RM7 million. Other event highlights included were the hosting of Export Furniture Exhibition 2005 and the 2005 International Forklift Competition. Both events attracted participants and visitors from Malaysia as well as overseas.

RM136
million total APAC
transacted value

Sepang International Circuit Sdn. Bhd. (SIC)



A subsidiary of MAHB, SIC manages and operates the Sepang Formula 1 racing circuit located at the periphery of KLIA. It also promotes and organises major international motor sport events and Formula One being the most prestigious. Since its opening in 1999, the circuit has become a benchmark for future international tracks. Both SIC and the circuit has won accolades such as 'The World's Best Organised Grand Prix' from the Formula One Management and 'Most Beautiful Circuit in the World' from Festival Automobile International. Besides the Formula One Grand Prix, SIC is promoting the Sepang F1 circuit as a motor-sports hub. Currently SIC promotes and organises five (5) major international events i.e. Formula One, World MotoGP, Japan GT, Merdeka Millennium Endurance and A1 Grand Prix.

1st inaugural
A1 Grand Prix
2005



5

Acting responsibly

enhancing business relations

MAHB's participation at major international forums and conferences is a key strategy to enhance business relations with the major players in the global aviation industry. More than 100 industries related meetings were held in 2005. MAHB attended the major meetings such as the Arabian Travel Mart, China Mission, New Route Asia, Air Cargo Europe, 116th and 117th IATA Schedules Conference, ACI Forum, World Route Development Forum, Aviation Outlook Summit 2006 and the Pacific Area Travel Association forum.

The World Route Development Forum or better known as Routes is one of the most important platforms for MAHB to fast track its marketing efforts to attract more new airlines to come to KLIA and other international airports. Routes have a strategic role in the aviation sector as a platform for airlines and airports to meet at a single place. As the largest

networking event in the industry, it brings together airport and airline development professionals from around the globe. At the last Routes 2005 in Copenhagen, MAHB met up with no less than 28 international airlines.

Malaysia will be the first Asian country to host the 11th Routes in 2008, breaking the tradition of giving the host job to an European country. MAHB has won the bid to host the forum amidst keen competition from other airport operators in the region. We already have the experience of successfully hosting the spin-off edition of World Routes – the New Route Asia – for three straight years. MAHB's partners for the Routes 2008 will be the Ministry of Transport, Ministry of Tourism, Tourism Malaysia, Malaysia Airlines, Kuala Lumpur City Hall and Express Rail Link Sdn. Bhd.. About 2,000 delegates are expected to come to Kuala Lumpur for the event.

Given the magnitude of the task facing our Safety & Security Division, MAHB depends a great deal on the cooperation and support of many agencies. Over the years, we have established good working relations with Polis Diraja Malaysia (PDRM), Internal Security Ministry, various government security officers and enforcement agencies such as the Department of Civil Aviation (DCA), Customs, Immigration, Road Transport Department and airport authorities throughout the world. Through networking with these agencies, we have been able to exchange useful information and follow up on leads as preventive security measures.

MAHB enjoys a mutually beneficial working relationship with members of the media, carefully cultivated over the years. Our top management has regular dialogue and briefing sessions with the media to provide them with updates on

Managing Director's Review of Operations (cont'd.)

airport developments. These are supplemented with familiarisation tours of our new facilities. Under an agreement signed in November 2005, MAHB collaborated with the Malaysian Press Institute (MPI) in training journalists to further enhance their knowledge of airport operations. In December 2005, an Airport Literacy Programme was held for journalists at Pan Pacific Kuala Lumpur International Airport.

The Malaysia Airports Media Hunt is an annual event to further enhance MAHB's relationship and networking with the media. It is also an effort on the part of MAHB to express its gratitude to the media for their support and cooperation over the years. The 2005 event attracted the participation of various media organisations, with a total entry of 60 cars joining the motor hunt from Subang to Kuantan. To promote and introduce our airport to the participants, Kuantan Airport was selected as one of the venue they have to enter to get their clues.

In November 2005, the inaugural Malaysia Airports Golf Invitational 2005 was held at Kuala Lumpur Golf & Country Club (KLGCC) to further enhance networking with our respective business partners. More than 120 participants comprising our staff, business partners, clients and representatives from the airlines, media, private and government agencies turned up for the event. In a convivial environment, away from the pressure of the office, the golf tournament served as a platform to build relationships and cement those already established.

382
trained
customer
relation
specialist



customer relationship management

To provide unsurpassed levels of customer service and support to all visitors, we are leaving no stone unturned. From little things, like leaving sweets at information counters to creating new facilities, we are constantly searching for new ideas.

Among the new initiatives introduced in 2005 is the employment of students from various institutions of higher learning to serve as 'airport ambassadors'. Through our observations, we realised there are two distinct seasons in a year that will see an influx of visitors from China and from the Arab-speaking countries. That is when our ambassadors come into the picture. Wearing a 'May I Help You' sign and conversant in both Mandarin and Arabic, our part-time ambassadors have proven their worth to visitors coming to the KLIA for the first time.

We also pay close attention to complaints and suggestions. A Family Lane has been created at the Immigration Arrival Hall with space allocated for family members to rest while waiting for their passports to clear. A special lane has also been created for disabled travellers, and all assistance is provided to meet their requirements. Another common complaint in the past has been the time taken to retrieve baggage. Owing to the

configuration of the airport, we are aware that it takes some time for the baggage to arrive. However, we have now improved the system so that the first baggage now arrives within 25 minutes. The time taken for the last baggage to arrive has been shortened to 40 minutes from the previous 55 minutes.

In the interest of passenger safety, KLIA has one of the most stringent security measures in place. However, more security can also mean more time. To prevent long queues forming, an additional screening facility has been installed at the link bridge for international departing passengers. And for arriving passengers at the end of a long journey, we know that the last thing they want is to be harassed by touts. Thus we have our security personnel dressed in plain clothes to put an end to touting.

Passengers on domestic flights are also receiving more attention. Domestic passengers on long transits or caught up

in a delay can now spend time shopping at the newly opened Flying Emporium. Alternatively, upon request, they can be issued transit passes to enable them to leave the waiting area.

One of the most important initiatives introduced last year is the eventual migration to the E-Airport concept. During the year, MAHB signed a five-year contract with SITA Inc to equip KLIA with the latest technology for common-use check-in and boarding systems. Equipped with 36 self-service check-in kiosks and a modern suite of baggage reconciliation systems, the application of SITA's common-use terminal equipment integrated network and terminal application is an integral part of KLIA's major move to upgrade its information technology as it prepares for increased passenger numbers.

safety & security: no compromises

Safety and security are among critical parameters in the AETRA airport customer satisfaction survey. In 2005, the MAHB system of airports handled 41.6 million passengers, a figure that is projected to grow in the coming years. At this level of responsibility and with so much at stake, there can be no room for complacency or compromises. The safety and security of all Malaysian airports has been under the purview of the Aviation Security Division (AVSEC) since its formation in 1978.

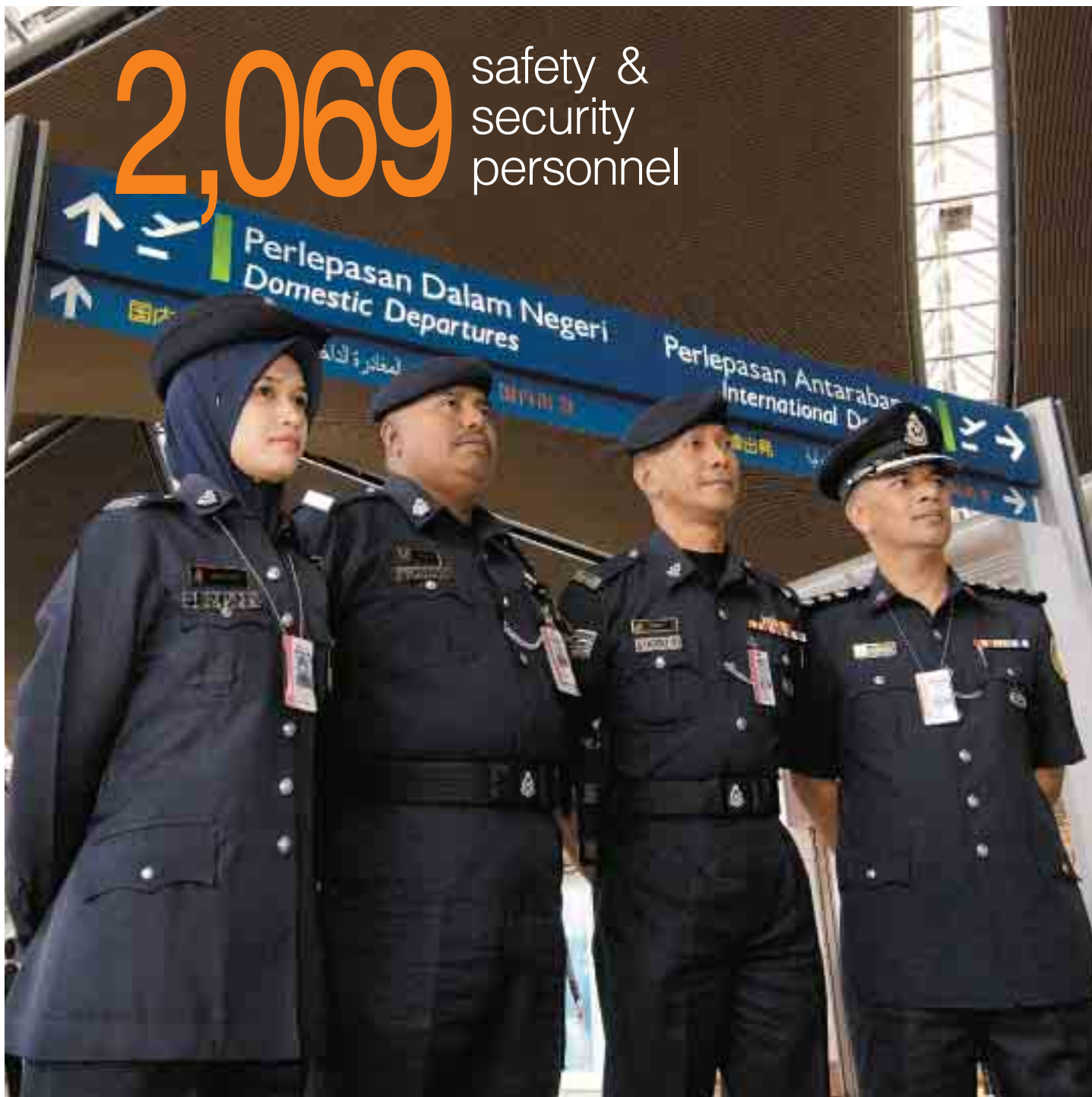
At the upper echelons, a corps of knowledgeable and experienced security professionals. Our officers are highly skilled professionals trained at the Polis DiRaja Malaysia (PDRM) Academy. As the imminent threat of terrorism becomes reality, our officers have been given extensive training and exposure on the use of sophisticated security equipment, weapons, surveillance and

explosive detectors. Since 1993, Malaysia Airports Training Center (MATC) serves as the ICAO-accredited Aviation Security (AVSEC) Training Centre for Asia Pacific region. Testifying to their competence, three AVSEC officers have been certified as ICAO Instructors to conduct the training programme. One AVSEC officer has also been certified as ICAO Auditor under the Universal Security Audit Programme (USAP).

In striving for continual improvements in its security systems, AVSEC has been accredited to MS ISO 9002: 2000 quality system since 2001. During the year in review, MAHB continued to implement measures to beef up security in its system of airports. Airlock Aviation PLC, an international security consultant based in the United Kingdom, was commissioned to carry out a security audit at the KLIA in September 2005. Quoting verbatim from the report, the consultant observed that aviation security at the KLIA is "exceptionally well-organised, well-trained, highly disciplined and efficient department with an effective command and control structure". Although the report made reference to incidents of pilferage, it acknowledged that this is a problem that cannot be eliminated completely. It also noted that incidents of pilferage at the KLIA are 'quite small' as compared with other airports audited by the same consultant.

The consultant's findings verified that all security systems in place at the KLIA are in compliance with international standards. MAHB's comprehensive

2,069 safety & security personnel



Airport Security System covers a broad spectrum of areas that includes passenger screening, cabin and checked baggage screening, airport pass system, access control system, integrated surveillance system and biometric fingerprint technology system.

The year in review also saw the formation of an AVSEC Intelligence and Investigation Unit, headed by a Senior Police Officer currently on attachment from PDRM. The main functions of this specialised unit are to gather, collate and analyse intelligence information from internal and external sources to pre-empt terrorist and criminal activities. It will also set up and oversee the AVSEC Taskforce Teams for all Malaysian airports, the primary function of the teams being to conduct overt and covert operations, system penetration test, to prevent any untoward acts. Resulting from all these measures, the crime index in MAHB's system of airports has been reduced significantly.

When the cabinet approved the establishment of AVSEC, it was agreed that aviation security personnel should have the same enforcement powers as

the auxiliary police force. However, each force had its own uniform and a different identity. In 2005, PDRM gave its permission for aviation security personnel to wear the same easily identifiable dark blue uniform as their counterparts in the police force. A change of uniform may seem insignificant. But looking at the bigger picture, and from the public's perspective, the new uniforms have strengthened the reassuring omni-presence of the police at the airports. This has helped create a sense of greater security, while serving as a deterrent to criminals. A new logo has also been designed in tandem with the uniform change.

During the year, the AVSEC force was further strengthened with the addition of 168 security personnel, bringing the total number of the force to 1,816 by end of the year. Another 224 recruits are currently undergoing training at the Malaysia Airports Training Centre in Penang.

Although the primary roles of AVSEC are the prevention of acts of sabotage and hijacking of an aircraft, we also carry out other duties such as anti-touting and anti-crime patrolling and traffic

control. In 2005, AVSEC personnel arrested 1,700 touts at the KLIA who were subsequently handed to the police. Following the recent amendment to the Road Traffic Act 1987, an anti-touting law will be enforced in 2006. With his new provision, the tout issue will be dealt with more effectively. Haphazard parking and traffic congestion at the KLIA was another area that needed our attention. Working alongside the police to control the traffic flow, we have now resolved this problem.

MAHB is continually reviewing the security system at all airports. In our efforts to stay ahead, we will invest in state-of-the-art technology such as x-ray machines, explosives and surveillance equipment. Through this and other initiatives, which will be implemented in future, we remain true to our conviction that security is an obligation to ourselves and a responsibility to others.

towards a safer & healthy work culture

Going forward in achieving our mission, having a safe and healthy work culture completes all expectations of a world-class facility. Beginning in our own backyard, we remain steadfast to our commitment to inculcate a safe and healthy work culture. We continuously strive to create a safer and healthier work environment for the well-being of our workforce.



To prevent unsafe working practices and to improve the safety and occupational health performance of staff, various training programmes and campaigns were conducted throughout the year to equip them with appropriate safety

knowledge. These include Dengue Campaign; City Survival Training for Ladies; Fire Safety Awareness and Survival Tips; Basic Introduction to Occupational Safety and Health; KLIA Joint Apron Safety Campaign; Risk Management Training and a site visit to Westport, Port Klang.

Complementing the above, we published monthly Airport Safety Bulletin to disseminate safety and health information to all staff. The bulletin focused on relevant safety and health issues such as 'How Does the Occupational Safety and Health Act 1994 Affect You as an Employer and Employee' and 'Know your Roles and

Responsibilities in Establishing a Safe and Healthy Workforce'.

The introduction of Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Diseases (NADOPOD) Regulation 2004 under the Occupational Safety and Health Act 1994 strengthen the requirement that all accidents should be reported as soon as practicable. Hence, an important notice in relation to the NADOPOD was issued to all operating units, thereby formalising the reporting of all accidents in respect of safety and health. This was followed by a series of awareness programmes to continuously remind and encourage

staff to report all work-related accidents and illnesses, including minor incidents and near misses. By keeping such records, we are able to learn from past mistakes, and hopefully prevent recurrences.

On top of these regular programmes, we are also prepared to cope with any ad-hoc situations such as the haze that affected certain parts of the country in August last year. At the height of the haze, which caused respiratory problems among many Malaysians, we did our best to mitigate the situation by distributing facemasks to all staff.

The year 2006 will see even more comprehensive programmes launch to inculcate a 'Safety First' work culture. Key initiatives will include programmes focusing on Job Safety Analysis and Risk Management as a professional management tool to achieve excellence. Other activities will include site visits, internal as well as external training programmes and comprehensive audit.

It is hoped that with the implementation of the above plan it will enhance establishment of the safe and healthy work culture in Malaysia Airports.

722
fire & rescue
personnel





developing our human capital

MAHB thrives on vision and ambition. Right from the outset, our aspiration was to be the world's best airport. This was achieved in 2005. Looking to the future, we have now set our sights on being a world-class organisation. To achieve this objective, we recognise the pivotal role that our human capital plays in driving the organisation. To this end, MAHB launched a key initiative to enhance the professional performance of its human capital in developing the Career Development Programme (CDP).

MAHB is one of the first government-linked companies (GLC) to introduce a CDP as an integral part of its human resource development efforts. This is in response to the Government's clarion call to improve the efficiency and effectiveness of GLCs under the Transformation Programme (TP) launched by the Prime Minister on 29 July 2005. The CDP is in line with one of the initiatives underscored in the TP, namely the management and development of leaders and human capital.

Adopting a holistic approach, CDP is a comprehensive programme that addresses the career paths and succession planning of employees, especially those at the middle and senior management levels. Among its primary objectives is the creation of a pool of talents, which is critical in ensuring a continual supply of highly competent airport personnel to meet MAHB's present and future needs.

The CDP encompasses a total of ten programmes to address the career progression of MAHB's workforce:

- Fast-Track Airport Managers Development Programme (FT AMDP)
- Airport Managers Development Programme (AMDP)
- Corporate Career Pathing Programme (CCP)
- Specialist Development Programmes (SDP)
- Management Trainee Programme (MTP)
- International Collaboration (IC)
- Education Assistance Programme
- Employment Transition Programme
- Education Sponsorship Programme
- Foreign Language Proficiency Programme

The above programmes were designed to cover all phases of the employees' lifecycle; from the moment they join the Company until the end of their employment. By implementing these programmes, our intention is to give employees the opportunity and platforms to explore their career options, gain exposure and related job experience.

The CDP is being implemented in two phases. The first six programmes (FT-AMDP, AMDP, SDP, CCP, MTP and IC) have already been fully developed and implemented during 2005. The remaining four programmes will be implemented in 2006.

The year 2005 was also a progressive year for the implementation of the Human Performance Management (HPM) appraisal system. Previously, the performance appraisal system was managed using different parameters for executives and non-executives. In 2005, the Competency-based HPM appraisal system was for the first time, uniformly extended to all employees across the organisation.

In line with the Government's aspiration to inculcate a high performance culture in corporate Malaysia, MAHB has also

implemented an empirical means of performance management for all executive staff using Key Performance Indicators (KPIs). The implementation of KPIs was kicked-off in early 2005 involving more than 450 executive staff. In parallel with the implementation of KPIs, MAHB also initiated performance-linked compensation. Besides ensuring focus on the core business, the initiative has motivated and galvanised employees by linking rewards to performance.

MAHB today has a staff strength of 5,654, many of who have served the Group loyally for many years and contributing towards its success. In recognition of their contributions, 217 employees who have been with the Company for 25 years or more received the Loyal Service Award at separate ceremonies held in Kuching and KLIA.

In gearing up to achieve bigger things, the training of staff remained a priority. During the year, 156 training programmes were organised consisting of 227 sessions. A total of 3,454 staff members benefited from competency-based training programmes, while another 321 employees attended induction programmes for new recruits to the Company. Based on the 2004 year-end

assessment results, 627 staff attended tailor-made courses designed to close competency gaps identified in the said assessment. MAHB staff also benefited from the 13 training programmes offered by ICAO for its member countries.

When dealing with customers, a smile or polite greeting and a little courtesy can go a long way. In the drive to inculcate a customer-centric culture and achieve a new standard of customer satisfaction, we developed a customised programme to enforce Standard People Practices among frontline staff. The programme aims at educating frontline staff on the desired behaviour and practices in greeting people and managing customers. A total of 150 staff members attended this programme.

An extension of this programme is the Courtesy and Care programme being developed for frontline staff and other service providers who have direct dealings with customers. The programme will be rolled-out in 2006, for implementation at the KLIA and other international airports namely Penang, Kota Kinabalu and Kuching.

6

Environmental
awareness

green globe 21 re-certification



KLIA has been conceptualised as a green airport. This has been reinforced by extensive landscaping in and around the airport with cascading waterfalls, tranquil fishponds and a lush tropical rainforest as its centrepiece.



Even as the KLIA continues to forge ahead in its expansion plans, we primarily remain committed to the continual identification, control and improvement of the environmental and social impacts of our operations.

As manifestation of this commitment, KLIA has the distinction of being the first environmentally friendly airport in the Asia Pacific region, having earned accreditation to the Green Globe 21 (GG 21) certification. GG 21 is the global benchmarking, certification and improvement programme for sustainable travel and tourism endorsed by 182 Governments at the United Nations Rio de Janeiro Earth Summit in 1992. It provides the environmental certification programme for the Pacific Asia Travel Association and is also endorsed by the World Tourism Organisation's global code of ethics for tourism, setting a framework of reference for the responsible and sustainable development of world tourism. Renewable annually, KLIA's certification requires the implementation of an integrated environmental management system.

In 2005, KLIA's Green Globe Certification was renewed for the second successive year after successfully undergoing an independent onsite assessment audit. Re-certification to GG 21 consisted of two parts: (a) a multi-stage surveillance audit to determine the extent of conformance with the requirement of GG 21, Version 1.2 and (b) collation and analysis of sustainability performance indicators benchmarked against GG 21 Standards.

register of environmental performance indicators

KLIA achieved Best Practice Level for energy consumption, potable water consumption and noise monitoring. All the other indicators scored above the baseline level. Maintaining GG 21 certification was a team effort, co-ordinated by a GG 21 Committee comprising representatives from the various operating units (OPU) and divisions.

Each OPU and division knew the role they had to play towards the GG 21 effort. As part of its ongoing outreach programme, MA (Sepang) organised a number of campaigns, exhibitions and tours besides lending its support to various charitable organisations. On the operational side, MA (Sepang) focused its efforts on preventive maintenance of the de-silting ponds to prevent the back-flow of water to the airside area and as a flood control mechanism.

MA (Sepang) has also embarked on a compost marking project utilising waste materials from landscaping activities and sludge from the wastewater treatment plant. The compost is now used as organic fertilisers for landscaping purposes, thereby reducing our dependence on chemical fertilisers. The paper recycling campaign continued to gain momentum. Staff members are now recycling used paper for photocopying and preparation of drafts. Besides deriving cost savings, we are driving home the point and reinforcing environmental awareness and responsibility among employees.

corporate social responsibility

MAHB considers it a moral obligation to play an active role in contributing towards society. This stems from our conviction that the enterprise and the community are inseparable and our success must therefore be inclusive. We are in the business for the long haul. Thus while growing our businesses, we have planted roots deep into the communities in which we operate.

Each year, we support many charitable organisations and worthy causes. Besides donations to orphanages and homes for old folks and disabled members of the community, we organise visits to the KLIA for the under-privileged. In 2005, under the New Straits Times School Sponsorship programme, we sponsored five schools in the Sepang district. This programme promotes the use of the newspaper as a teaching tool for students to improve their command of the English language.

We also donated old but still serviceable computers to schools in the Sepang area. Eraman Malaysia's annual Charity Gala Dinner 2005 netted a total of RM45,000, which was channeled to the National Cancer Council, an old folks' home and a paediatrics ward. Until recently, KLIA had set up collection boxes called Tabung KLIA at strategic locations in KLIA, for travellers to donate their loose change in any currency. The money collected has been donated to various charitable institutions in Malaysia.

Some of the more significant programmes we undertook included our participation in the Asian Tsunami relief effort in 2004/2005. At the height of the effort, four of our airports were used as transit points for relief operations. The United Nations World Food Programme used the Sultan Abdul Aziz Shah Airport at Subang as a forward staging area for relief supplies en route to Aceh, Sumatra. As MAHB's contribution towards the effort, we waived landing and parking charges for such humanitarian flights. By the time

the last flight took off in February 2005, the four airports had handled a total of 270 relief flights. At an average of RM2,420 per flight for landing and parking charges, the total waiver amounted to RM653,400.

Malaysia Airports also donated RM10,000.00 to the Malaysian tsunami disaster fund, the second time Malaysia Airports contributed for the victims. The second donation was made possible by a joint donation drive between Malaysia Airports and KLIA Airport Operators Committee (AOC), which represents all airlines operating at KLIA. Malaysia Airports also assisted in welcoming our heroes who had helped the tsunami victims in Aceh.

For the 7th anniversary celebration for KLIA in July, Malaysia Airports organised a few visits for orphans and school children. Other than visits, the orphans were treated with lunch and presented with school attire and souvenirs while donations were also made.

MAHB also waived the landing and parking charges for the DC10 aircraft operated by the International Orbis Flying Eye Hospital when it arrived at Subang Airport's Terminal 3 in November 2004. Orbis was in Malaysia for two

weeks at the invitation of the Tun Hussein National Eye Hospital and the Ministry of Health. During its stay, volunteer surgeons performed surgery on patients requiring specialist eye treatment and also trained local eye care professionals.

It is in ways like these that MAHB has gained the hard-earned respect of the community, and to be looked upon as a valued neighbour and trusted friend contributing towards the betterment of society.



The next time you visit KLIA, know that you are in an award-winning airport. Winning the AETRA Award has put Malaysia on the world map. People are more likely to associate KLIA with Malaysia rather than MAHB. Thus in winning the award, we have done the nation proud in the spirit of 'Malaysia Boleh'.

Air travel in the 21st Century is no longer looked upon as a luxury, but more as a necessity. A flotilla of low-cost airlines mushrooming all over the world is re-inventing the airline industry. New business models are meeting passenger expectations for lower fares. In Malaysia, we have AirAsia promoting air travel like never before. More people than ever before are now flying. But all this would not be possible without the existence of airports. We are the backbone of the tourism industry.

contributions to the nation

There was an estimated 16.5 million tourist arrivals to Malaysia in 2005, which generated estimated receipts of RM35 billion with an average spending of RM1,880 per person and 6.9 nights average length of stay. The travel and tourism sector is expected to account, directly and indirectly, for 14.6% of GDP and 1.34 million jobs or 12.6% of total employment in 2006. This sector is expecting growth of 7.9% in 2006 and by 6.3% in real terms from 2007 to 2016. (Source: The Sun, 23 March 2006)

We also support successful businesses that are the keys to economic development. KLIA is among the preferred airports in the region. Reasonable charges and the quality and quantity of connections available at KLIA attract businesses to Malaysia. In today's fast-paced business environment, more businesses are using air transportation as a means to ferry cargo and services across the globe. Cargo traffic has been rising steadily across MAHB's system of airports. Despite spiraling fuel costs, cargo traffic rose 4.4% in 2005 to 999,295 mt.

Airports are also catalysts for development. Our reach extends to some of the more remote areas of the country making them accessible in a matter of hours rather than days. When such backwaters are opened, development often follows as a matter of course, bringing a better quality and standard of life for rural Malaysians. As a result, whole areas have been transformed for the better.

More than anything else, we bring people together. In step with the stated objectives of the Government, we play our part in bridging the rural-urban divide. We now see a blurring of the distinctions with greater integration achieved between rural and urban folks, East and West Malaysia. Malaysians now travel beyond their home states to look for work or for tourism. In a country known for its many festive occasions, our airports allow Malaysians to 'balik kampung' or to return home to loved ones. Making this possible may not be our biggest contribution, but it is certainly the most rewarding.

planning the future

KLIA is expected to reach its maximum capacity of 25 million passengers per annum in two years time and the recently unveiled Ninth Malaysia Plan (9MP) has taken cognizance of this projection. Although the opening of the LCCT will take some pressure off KLIA in terms of capacity, there is still the need to begin planning now in view of the lead-times involved in getting projects off the ground to commissioning.



Under the 9MP, the Government will build an additional satellite building. Presently, one satellite building and two runways serve KLIA. To date, only about 25% of the 10,000-hectare area has been developed. Based on the masterplan KLIA would eventually have four runways and two mega-terminals, each with two linked satellite buildings and a LCCT. This will enable the airport to handle up to 100 million passengers.



The Government is also evaluating plans to develop land around KLIA into an Airport City. As envisaged, this will include hiking trails for jet-lagged travellers, a golf course, a theme park, a shopping centre, hotels and a wetlands nature preserve.

Meanwhile, MAHB is also expected to raise the Subang Airport's profile by utilising the land surrounding the airport's perimeter as a nucleus for further economic and commercial activities. This is in line with the Government's vision to position Malaysia as one of the global players in the aerospace industry by the year 2015.

On 12 August 2005, the Malaysia International Aerospace Centre (MIAC) was officially launched by the Malaysian Prime Minister, Y.A.B. Dato' Seri Abdullah Ahmad Badawi. He also announced the function of a consortium to spearhead the development of MIAC. Malaysia Airports will manage MIAC while the consortium comprising MIGHT, MAS, MAHB and NADI will act as an advisory body to Malaysia Airports.

The MIAC will bring together users and manufacturers involved in six main activities:

- Maintenance, repair and overhaul
- Helicopter Centre
- General Aviation Centre
- Aerospace Training Centre
- Aerospace Technology Centre
- Commercial Centre

While MAHB has made good progress in 2005, I have no illusions that we have still some distance to travel. We have been transparent in making known what we hope to achieve. At the same time we know that we have our work cut out for us. Cost reduction and productivity remain critical issues. We need to improve efficiency and seek creative ways to meet the growing demands of our customers. In the

dynamic environment in which we operate, we may need to re-look at our business model to transform MAHB into a more competitive and resilient organisation.

We must and we will do better!

Dato' Seri Bashir Ahmad Abdul Majid

Managing Director
Malaysia Airports Holdings Berhad



Moved **999,295** metric tonnes of cargo last year



the equivalent
of **333,000** commercial buses



7

Solid
structure

corporate information

BOARD OF DIRECTORS

TAN SRI DATUK DR. ARIS BIN OTHMAN
(Chairman)
(Non-Independent Non-Executive)

DATO' SERI BASHIR AHMAD
BIN ABDUL MAJID
(Managing Director)
(Non-Independent Executive)

DATO' ZAHARAAH BINTI SHAARI
(Non-Independent Non-Executive)

ESHAH BINTI MEOR SULEIMAN
(Non-Independent Non-Executive)

DATUK ALIAS BIN HAJI AHMAD
(Independent Non-Executive)

DATUK SITI MASLAMAH BINTI OSMAN
(Independent Non-Executive)

AHMAD KAMAL BIN ABDULLAH AL-YAFII
(Independent Non-Executive)

IZLAN BIN IZHAB
(Non-Independent Non-Executive)
Appointed as Director w.e.f.
1 June 2005

DATO' AHMAD FUAAD
BIN MOHD DAHALAN
(Non-Independent Non-Executive)
Appointed as Director w.e.f.
25 August 2005

GHO PENG SENG
(Alternate Director to
Eshah binti Meor Suleiman)
(Non-Independent Non-Executive)

LONG SEE WOOL
(Alternate Director to
Dato' Zaharaah binti Shaari)
(Non-Independent Non-Executive)

COMPANY SECRETARY

Sabarina Laila binti Mohd Hashim
(LS 0004324)

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Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
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Fax : 603-2094 9940/2095 0292

PRINCIPAL BANKERS

Malayan Banking Berhad
Bumiputra-Commerce Bank Berhad
Citibank Berhad

AUDITORS

Messrs. Ernst & Young
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 603-7495 8000
Fax : 603-2095 5332

REGISTERED OFFICE

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Sultan Abdul Aziz Shah Airport
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Selangor Darul Ehsan
Tel : 603-7846 7777
Fax : 603-7845 2254
Website : www.malaysiaairports.com.my
E-mail : sabarina@malaysiaairports.com.my

STOCK EXCHANGE LISTING

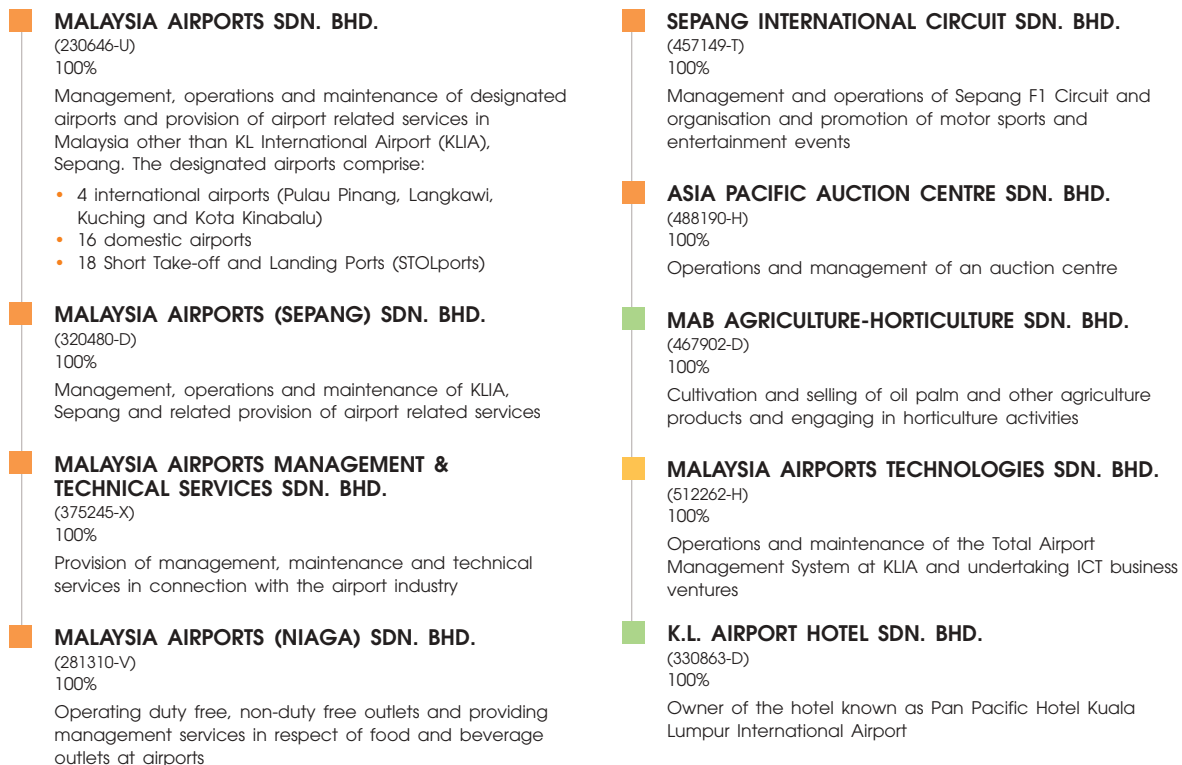
Main Board
Bursa Malaysia Securities Berhad





MALAYSIA AIRPORTS HOLDINGS BERHAD

group corporate structure



**MALAYSIA AIRPORTS (PROPERTIES)
SDN. BHD.**

(484656-H)
100%

Investment holding, management and operations of car park, Airside Hotel and Southern Common Amenities all at KLIA, Sepang

**URUSAN TEKNOLOGI WAWASAN
SDN. BHD.**

(459878-D)
75% *

Provision of mechanical, electrical and civil engineering services at KLIA, Sepang

**MALAYSIA AIRPORTS (MAURITIUS)
PRIVATE LIMITED**

(59049C1/GBL)
100%

Investment holding

**MALAYSIA AIRPORTS MANAGEMENT
& TECHNICAL SERVICES (LABUAN)
PRIVATE LIMITED**

(LL05298)
100% **

Dormant

AIRPORT VENTURES SDN. BHD.

(512527-U)
100%

Investment holding

ERAMAN (MALAYSIA) SDN. BHD.

(324329-K)
100%

Dormant. Intended principal activity is general trading

NECC SDN. BHD.

(521231-V)
100%

Undertaking the proposed development of the National Exhibition and Convention Centre at Subang. The activities of the Company have been suspended since 2001

**KUALA LUMPUR AVIATION FUELING
SYSTEM SDN. BHD.**

(395396-X)
20%

Development, management and operations of aviation fuelling system at KLIA, Sepang

**GAS DISTRICT COOLING (KLIA)
SDN. BHD.**

(351873-V)
12.5%

Owning and operating gas-fired district cooling plants for generating and sale of chilled water and electricity especially for the facilities at KLIA

* Subsidiary effective from 24 January 2006.

** Subsidiary effective from 7 April 2006.

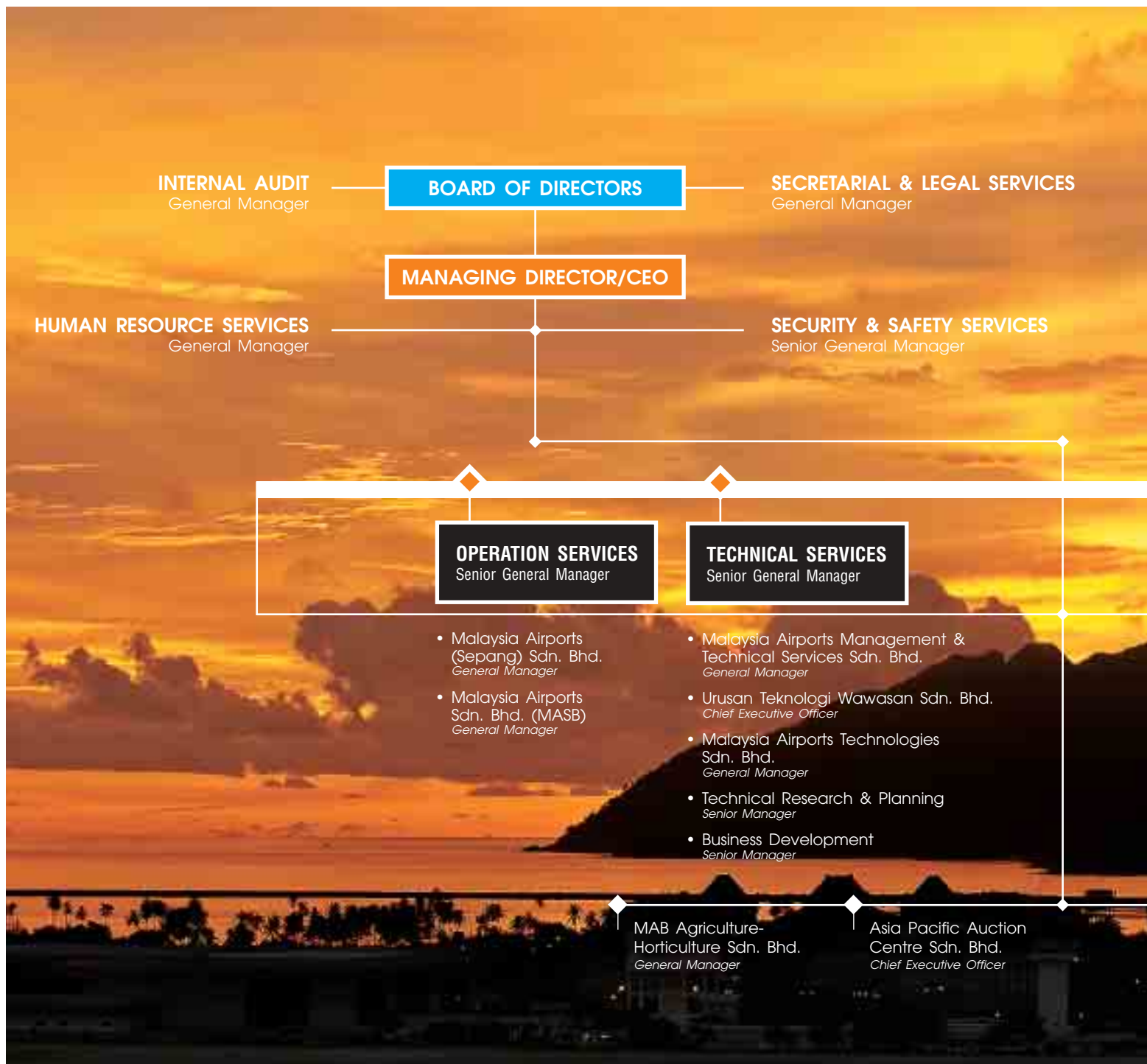
Wholly owned subsidiary of Malaysia Airports Holdings Berhad

Subsidiary of Airport Ventures Sdn. Bhd.

Subsidiary of Malaysia Airports (Properties) Sdn. Bhd.

Subsidiary of Malaysia Airports (Niaga) Sdn. Bhd.

Subsidiary of Malaysia Airports Management & Technical Services Sdn. Bhd.



group organisation structure

COMMERCIAL SERVICES

General Manager

- Malaysia Airports (Niaga) Sdn. Bhd.
Chief Executive Officer
- Malaysia Airports (Properties) Sdn. Bhd.
Senior Manager
- Commercial Malaysia Airports (Sepang) Sdn. Bhd.
Senior Manager
- Commercial Malaysia Airports Sdn. Bhd.
Senior Manager

PROCUREMENT AND CONTRACT

General Manager

CORPORATE SERVICES

General Manager

- Marketing
Senior Manager
- Corporate Communications
Senior Manager
- Public Relations KLIA
Senior Manager
- Research & Planning
Senior Manager
- Risk Management
Senior Manager
- Land Management
Manager

FINANCE

General Manager

- Finance Malaysia Airports Holdings Berhad
Senior Manager
- Finance Malaysia Airports (Sepang) Sdn. Bhd.
Senior Manager
- Finance Malaysia Airports Sdn. Bhd.
Senior Manager
- K.L. Airport Hotel Sdn. Bhd.
Manager
- Finance Malaysia Airports Technologies Sdn. Bhd.
Manager

Sepang International Circuit Sdn. Bhd.
General Manager