MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)

Malaysia Airports Corporate Office, Persiaran Korporat KLIA
64000 KLIA, Sepang, Selangor Darul Ehsan, Malaysia
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MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)

Annual Report 2011

MALAYSIA AIRPORTS

Annual Report 2011

MALAYSIA AIRPORTS HOLDINGS BERHAD
(487092-W)

These are exciting times for the aviation industry and especially for us at Malaysia Airports. In line with our business direction 'Runway to Success', we aim to be a world-class airport business.

In order to achieve this, we will create and implement strategic initiatives in the areas of increasing traffic growth, enhancing service excellence and commercial development.

As we continue on our journey, we are clearly taking flight towards a highly promising and successful future.


2013 KUL 290312
MAHB
TAKING
FLIGHT

13th Annual General Meeting

Date : 29th March 2012, Thursday

Time : 11.00 am

Venue: Ballroom, Level 1
Pan Pacific Kuala Lumpur
International Airport Hotel

KLIA NEXT GEN HUB

What's Inside...

OUR VISION

World-Class Airport Business

OUR MISSION

‘Providing World-Class Aviation Gateways; Managing Cost-Effective Airport Network And Services; And Exceeding The Expectations Of Customers, Shareholders And Other Stakeholders’

MEDIA HIGHLIGHTS


MAB kendali 34.3j penumpang
KLIA dijangka jadi hab pengangkutan udara
Another feather to ERL's cap at KLIA Awards 2010
KLIA claims 4th spot in SmartTravelAsia poll
MAHB, India's GMR in Maldives airport project
MAHB naik caj PSC, pendaratan pesawat
MAHB bina hab operasi helikopter
Concerned with convenience
Bersedia hadapi detik cemas
Malaysia Airports makes inroads in China
MAHB saingi 4 syarikat Eropah
MAB rai 2,000 kakitangan
Majlis erat silaturahim warga kerja
KOMUNITI
KLIA2 takes off
MAHB harap bidaan berjaya
"Malaysian model of moderate Islam has
MAHB, partner in Maldives venture

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to enclose herewith a copy of the Annual Report and Audited Financial Statements of Malaysia Airports Holdings Berhad ("the Company" or "MAHB") for the year ended 31 December 2011. The Annual Report also contains the Notice of the Thirteenth Annual General Meeting ("the AGM") and a map showing the location of the Meeting. The AGM will once again be held at Gateway Ballroom, Level 1, The Pan Pacific KLIA, Kuala Lumpur International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan on Thursday, 29 March 2012 at 11.00 a.m.

This year corresponds with our continuous drive in the implementation of our five-year business direction for 2010 to 2014, the "Runway to Success", which was unveiled in year 2010. It is therefore apt that the theme for our Annual Report is "Taking Flight".

The Annual Report and Audited Financial Statements provide comprehensive statements of our strategic direction, latest undertakings, achievements and awards, corporate responsibilities and governance-initiatives, as well as the Company's financial disclosures for the shareholders' attention and review. These documents can also be accessed at our corporate website at www.malaysiaairports.com.my.

For the year 2012, ten (10) resolutions are proposed for consideration at the AGM. The purpose and reasons for each of the resolutions are explained under the Explanatory Notes of the Notice of AGM. I hope that you will find the brief explanations helpful in order to make a better decision.

In line with the Company's dividend policy to distribute a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest annually, subject to availability of distributable reserves, the Board is recommending for the payment of final dividend consisting of a franked dividend of up to 14.14 sen per ordinary share less income tax of 25% amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00 for the financial year ended 31 December 2011. This is subject to the shareholders' approval at the AGM, and will be paid by 11 May 2012 to the respective ordinary shareholders who are registered in the Records of Depositors on 12 April 2012.

At the AGM, the Board is recommending the re-election of four (4) Directors who are due for retirement, namely, Tan Sri Bashir Ahmad bin Abdul Majid, Dato' Long See Wool, Datuk Siti Maslamah binti Osman and Eshah binti Meor Suleiman, and being eligible, offer themselves for re-election. Their biographical details are enclosed under the "Statement Accompanying Notice of AGM" from pages 12 to 15 of the Annual Report for your ease of reference.

I also believe that you should be able to comprehend the rest of the agenda/proposed resolutions which include, amongst others, the presentation of the audited financial statements, the proposed payment of Directors' fees, the re-appointment of the auditors, and the authority to issue and allot shares, whereby brief explanations are also provided under the "Explanatory Notes" for your understanding.

The Board believes that all the proposed resolutions as set out in the Notice of the AGM are in the best interest of the Company and its shareholders and further recommends that the shareholders vote in favour of all the resolutions.

Shareholders who are unable to attend the AGM would still be able to exercise their rights to vote, by completing the Proxy Form as enclosed in the Annual Report, according to the instructions as provided in the Form, and submit it to the Registered Office of the Company at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

I look forward to meeting all the shareholders at the forthcoming AGM and be able to share the latest issues and activities concerning the company.

Yours sincerely,

TAN SRI DATUK DR. ĀRIS BIN OTHMAN
Chairman
Malaysia Airports Holdings Berhad

NOTICE OF 13th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 13TH ANNUAL GENERAL MEETING OF MALAYSIA AIRPORTS HOLDINGS BERHAD ("MAHB" OR "THE COMPANY") WILL BE HELD AT GATEWAY BALLROOM, LEVEL 1, PAN PACIFIC KUALA LUMPUR INTERNATIONAL AIRPORT HOTEL, KUALA LUMPUR INTERNATIONAL AIRPORT, JALAN CTA 4B, 64000 KLIA, SEPANG, SELANGOR DARUL EHSAN ON THURSDAY, 29 MARCH 2012 AT 11.00 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

AS ORDINARY BUSINESS

RESOLUTION 1

To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.

Explanatory Note:-

Pursuant to Section 169 (1) of the Companies Act, 1965, it is the duty of the Board to present to the shareholders the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors.

RESOLUTION 2

To declare and approve the payment of final dividend consisting of a franked dividend of up to 14.14 sen per ordinary share less 25% income tax amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00, in respect of the financial year ended 31 December 2011 as recommended by the Directors.

Explanatory Note:-

In accordance with Article 154 of the Company's Articles of Association, the Board is recommending that the shareholders approve the payment of the final dividend. Should the above resolution be passed, the final dividend consisting of a franked dividend of up to 14.14 sen per ordinary share less 25% income tax amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00, in respect of the financial year ended 31 December 2011, will be paid by 11 May 2012 to the respective ordinary shareholders who are registered in the Records of Depositors on 12 April 2012.

RESOLUTION 3

To approve the payment of Directors' Fees for the financial year ended 31 December 2011.

Explanatory Note:-

In accordance with Article 112 of the Company's Articles of Association, the Board is recommending that the shareholders approve the payment of Directors' Fees totalling RM399,000.00 to the Non-Executive Directors for the financial year ended 31 December 2011.

RESOLUTION 4

To re-elect Eshah binti Meor Suleiman who shall retire in accordance with Article 129 of the Company's Articles of Association and being eligible, offers herself for re-election.

Explanatory Note:-

Article 129 stipulates that any newly appointed Director shall hold office only until the next following Annual General Meeting of the Company at which Director is due to retire under these Articles, when he shall retire but shall then be eligible for re-election.

RESOLUTION 5

To re-elect Tan Sri Bashir Ahmad bin Abdul Majid who shall retire in accordance with Article 131 of the Company's Articles of Association and being eligible, offers himself for re-election.

RESOLUTION 6
To re-elect Dato' Long See Wool who shall retire in accordance with Article 131 of the Company's Articles of Association and being eligible, offers himself for re-election.

RESOLUTION 7
To re-elect Datuk Siti Maslamah binti Osman who shall retire in accordance with Article 131 of the Company's Articles of Association and being eligible, offers herself for re-election.

Explanatory Note for Resolutions 5 to 7:-
Article 131 expressly states that in every subsequent Annual General Meeting, at least one-third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible to seek for re-election thereof.

RESOLUTION 8
To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Explanatory Note:-
Pursuant to Section 172 (2) of the Companies Act, 1965, shareholders are required to approve the re-appointment of Auditors who shall hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration thereof. The present auditors, Messrs. Ernst & Young have indicated their willingness to continue their services for another year.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

RESOLUTION 9
Ordinary Resolution
– Authority to Issue and Allot Shares

"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

Explanatory Note:-
This is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965, obtained from the shareholders at the last Annual General Meeting.

As at the date of the Notice, the Company has not issued any new shares pursuant to this mandate which was granted to the Directors at the 12th Annual General Meeting held on 28 April 2011 which will lapse at the conclusion of the 13th Annual General Meeting. However, on 30 January 2012, it was announced that the Company is proposing to undertake a proposed private placement of up to 110,000,000 new ordinary shares of RM1.00 each in MAHB ("Placement Shares"), representing up to 10% of the issued and paid-up share capital of MAHB, to investors to be identified via book-building ("Proposed Private Placement"). The details of the investors, the actual number of Placement Shares to be allocated and the issue price for the Placement Shares can only be determined upon completion of the book-building exercise. Barring any unforeseen circumstances, the Company expects to complete the Proposed Private Placement in the first (1st) half of 2012.

This mandate will allow the Company to complete the Proposed Private Placement or to provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to further placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Ordinary Resolution proposed above, if passed, will empower the Board to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company, subject to compliance with regulatory requirements. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

RESOLUTION 10
Special Resolution
– Proposed Amendments to the Articles of Association of the Company

"That, the Proposed Amendments to the Articles of Association of the Company as set out on page 16 of the Annual Report be and are hereby approved and adopted.

And that the Directors and Secretary be and are hereby authorised to take all steps as they may deem necessary and expedient in order to implement, finalise and give full effect to the proposed amendments to the Articles of Association of the Company."

Explanatory Note:-
The Special Resolution proposed above, if passed, will streamline the Company's Articles of Association to be in line with the latest Main Market Listing Requirements of Bursa Malaysia Securities Berhad, prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout.

To transact any other business of which due notice shall have been given.

NOTICE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

FURTHER NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the 13th Annual General Meeting to be held on 29 March 2012, final dividend consisting of a franked dividend of up to 14.14 sen per ordinary share less 25% income tax amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00, in respect of the financial year ended 31 December 2011, will be paid by 11 May 2012 to Depositors whose names registered in the Records of Depositors on 12 April 2012. A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 April 2012, in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

SABARINA LAILA BINTI DATO' MOHD HASHIM
LS 0004324
Company Secretary

Sepang
Selangor Darul Ehsan
7 March 2012

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. All resolutions at the Meeting will be decided on a show of hands, unless otherwise instructed.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in print or writing under the hand of the appointer or his duly constituted attorney, or if such appointer is a corporation, under its common seal or the hand seal of its attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

5. Please note that in order to attend and vote at the Meeting, a member must be registered in the Record of Depositors at 4.00 p.m. on 22 March 2012 in accordance with Article 48(2) of the Company's Articles of Association. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

6. Please be reminded that the AGM is a private meeting between the directors, shareholders, proxies, duly authorised representatives and the auditors. As such, non-shareholders are barred from entering the Meeting. However, any disabled shareholder may be allowed to enter the Meeting accompanied by a person who is not a shareholder.

7. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities amount ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

STATEMENT ACCOMPANYING THE NOTICE OF 13th ANNUAL GENERAL MEETING

Statement Accompanying Notice of 13th Annual General Meeting Made Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of Directors who are standing for re-election at the 13th Annual General Meeting as per Resolutions 4 to 7 of the Notice of 13th Annual General Meeting, respectively:

Name	**ESHAH BINTI MEOR SULEIMAN**
Age	57
Nationality	Malaysian
Qualification	• Master in Business Administration (MBA) in Finance, Oklahoma City University, USA • Diploma in Public Administration, National Institute of Public Administration (INTAN) • Bachelor of Economics (Hons), University of Malaya
Position on the MAHB Board	Non-Independent Non-Executive
Date first appointed to the MAHB Board	4 July 2011
Membership of MAHB Board Committees	• Board Procurement Committee • Board Nomination & Remuneration Committee
Working Experience	• Under Secretary, Investment, Minister of Finance (Incorporated) and Privatisation Division of the Ministry of Finance Malaysia ("MOF") (since 2006) • Various positions in the MOF, such as Principal Deputy Assistant Secretary and Deputy Under Secretary • Assistant Secretary, Government Procurement Management Division, MOF • Assistant Director, Macro Economic Section, Economic Planning Unit of the Prime Minister's Department
Occupation	Company Director
Any other directorships in public companies	• Malaysian Airline System Berhad (Alternate Director) • Telekom Malaysia Berhad (Alternate Director) • Pos Malaysia Berhad • Global Maritime Ventures Berhad (Subsidiary of Bank Pembangunan Malaysia Berhad)
Securities holdings in MAHB and subsidiaries	Nil
Any family relationship with Director and/or Major Shareholder of MAHB or any companies that have entered into any transactions with MAHB or its subsidiaries	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil
Number of MAHB Board Meetings attended in the financial year	5 out of 5 (appointed w.e.f. 4 July 2011)

Name	**TAN SRI BASHIR AHMAD BIN ABDUL MAJID**
Age	62
Nationality	Malaysian
Qualification	• Bachelor of Arts (Hons) Degree majoring in International Relations, University of Malaya
Position on the MAHB Board	Non-Independent Executive
Date first appointed to the MAHB Board	7 June 2003
Membership of MAHB Board Committees	Nil
Working Experience	• Aviation Advisor to Ministry of Transport • Various senior positions in Malaysian Airline System Berhad, such as Director of Corporate Planning, Commercial Director, Senior Vice-President Commercial and Executive Vice-President Airline
Occupation	Managing Director
Any other directorships in public companies	Nil
Securities holdings in MAHB and subsidiaries	Nil
Any family relationship with Director and/or Major Shareholder of MAHB or any companies that have entered into any transactions with MAHB or its subsidiaries	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil
Number of MAHB Board Meetings attended in the financial year	12 out of 12

STATEMENT ACCOMPANYING THE NOTICE OF 13th ANNUAL GENERAL MEETING

Name	**DATO' LONG SEE WOOL**
Age	57
Nationality	Malaysian
Qualification	• Bachelor of Arts (Hons), University of Malaya • Diploma in Public Administration, National Institute of Public Administration (INTAN)
Position on the MAHB Board	Non-Independent Non-Executive
Date first appointed to the MAHB Board	9 September 2008
Membership of MAHB Board Committees	• Board Procurement Committee • Board Risk Management Committee
Working Experience	• Secretary-General of Ministry of Transport ("MOT") • Deputy Secretary-General (Planning), MOT • Under Secretary (Aviation), Aviation Division, MOT • Assistant Secretary (Air Transport), Principal Assistant Secretary (Airport Development) of Aviation Division, MOT
Occupation	Company Director
Any other directorships in public companies	Nil
Securities holdings in MAHB and subsidiaries	Nil
Any family relationship with Director and/or Major Shareholder of MAHB or any companies that have entered into any transactions with MAHB or its subsidiaries	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil
Number of MAHB Board Meetings attended in the financial year	11 out of 12

Name	**DATUK SITI MASLAMAH BINTI OSMAN**
Age	64
Nationality	Malaysian
Qualification	• Fellow Member of the Chartered Institute of Management Accountants (United Kingdom) • Member of Malaysian Institute of Accountants
Position on the MAHB Board	Independent Non-Executive
Date first appointed to the MAHB Board	1 December 2003
Membership of MAHB Board Committees	• Board Audit Committee • Board Nomination & Remuneration Committee • Board Finance & Investment Committee
Working Experience	• Accountant General of Malaysia • Various positions in Government Agencies
Occupation	Company Director
Any other directorships in public companies	Nil
Securities holdings in MAHB and subsidiaries	Nil
Any family relationship with Director and/or Major Shareholder of MAHB or any companies that have entered into any transactions with MAHB or its subsidiaries	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil
Number of MAHB Board Meetings attended in the financial year	12 out of 12

PROPOSED AMENDMENTS TO THE **COMPANY'S ARTICLES OF ASSOCIATION**

The details of the proposed amendments to the Company's Articles of Association are as follows:-

Articles No.	Existing Articles	Amended Articles
Article 10	Every issue of shares or options to employees and/or Directors shall be approved by shareholders in general meeting and such approval shall specifically detail the amount of shares or options to be issued to each Director. Only Directors holding office in an executive capacity shall participate in such an issue of shares. PROVIDED ALWAYS that a Director not holding office in an executive capacity may so participate in an issue pursuant to a public issue or public offer.	Deleted.
Article 103(a)	Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	Where a member of the Company is an **exempt** authorised nominee **which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee** may appoint in respect of each **omnibus** account it holds. **An exempt authorised nominee refers to an authorised nominee defined under the Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Depositories Act.**
Article 103(b)	New Article – Qualification and rights of proxy to speak.	A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

LOCATION
OF THE AGM

Gateway Ballroom, Level 1
Pan Pacific Kuala Lumpur International Airport Hotel
Kuala Lumpur International Airport
Jalan CTA 4B, 64000 KLIA, Sepang
Selangor Darul Ehsan

Tel : 03-8787 3333
Fax : 03-8787 5555
Website : www.panpacific.com/KLairport/Overview.html

HOW
TO GET THERE?

BY CAR
The Pan Pacific Kuala Lumpur International Airport Hotel is 80 km drive from the Kuala Lumpur City Centre, 40 km drive from Petaling Jaya, and 30 km drive from Putrajaya/ Cyberjaya via the North-South Expressway Central Link (ELITE). The signposts are visibly placed with direction to the right location. Ample parking spaces are available at the Hotel and at the short term car park, KLIA.

BY EXPRESS RAIL LINK
The Express Rail Link service can be boarded at the KL Sentral Station.

ADDITIONAL
INFORMATION

MOBILE PHONES
Please ensure your mobile phones are switched off during the Meeting.

REGISTRATION
Please register your attendance at the registration desks which are clearly located at the front entrance of the Meeting hall.

Setting The Course

Our focus is geared towards providing world-class facilities and services for our customers and implementing strategic initiatives in the areas of increasing traffic growth, enhancing service excellence and driving commercial development.

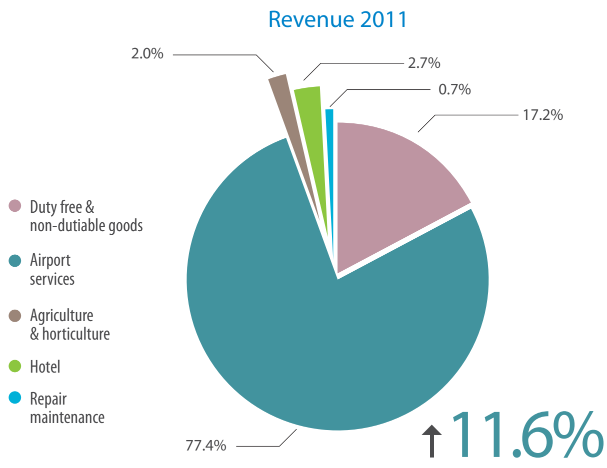
KEY FINANCIAL HIGHLIGHTS

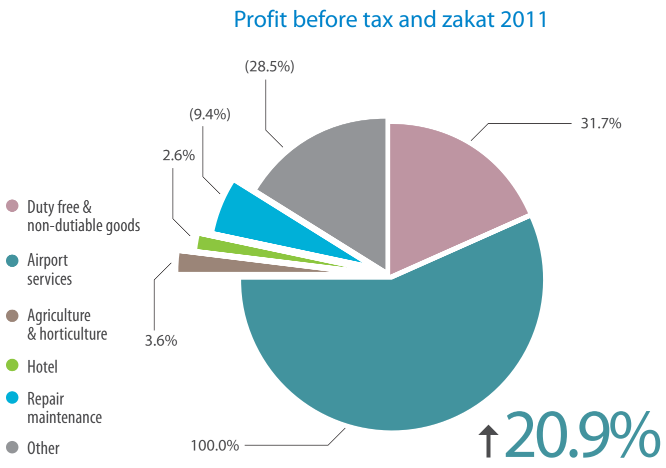
INCOME STATEMENT for the financial year ended 31 December 2011

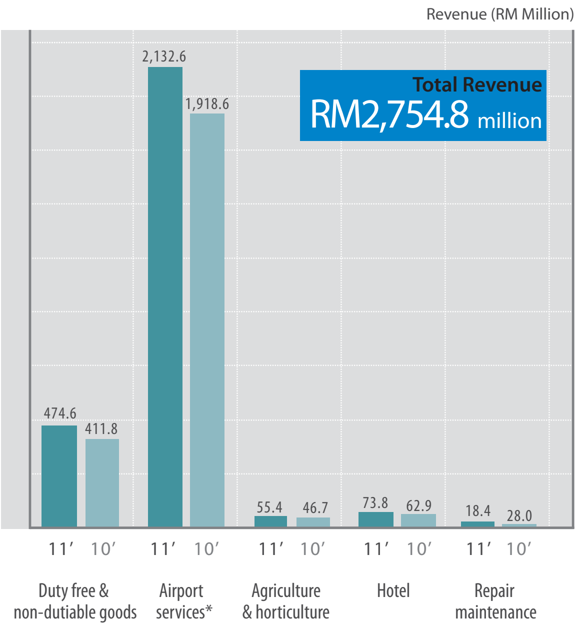
	2011 RM Million	Restated 2010 RM Million	% Change
Revenue	2,754.8	2,468.0	11.6
Operating profit	652.0	594.2	9.7
Finance costs	(18.8)	(39.8)	(52.7)
Share of results of associates	(59.8)	(79.4)	(24.8)
Share of results of jointly controlled entities	0.7	–	–
Profit before tax and zakat from continuing operations	574.1	475.0	20.9
Taxation and zakat	(172.9)	(157.5)	9.8
Profit from continuing operations, net of tax	401.2	317.5	26.4
Profit attributable to:			
Equity holders of the Company	401.1	316.8	26.7
Minority interests	0.1	0.7	(100.0)
	401.2	317.5	26.4
Earnings per share attributable to equity holders of the Company (sen per share)			
- basic, for profit from continuing operations	36.47	28.80	
Return on equity (%)	11.70	9.54	

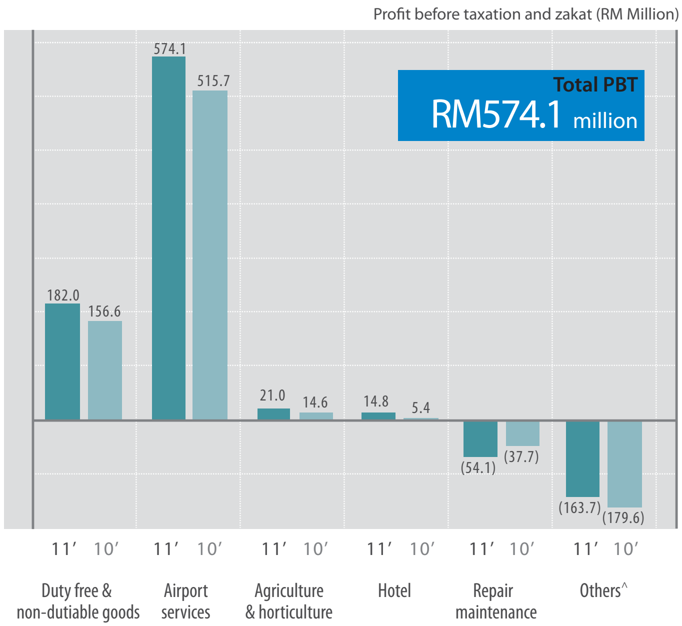
STATEMENT OF FINANCIAL POSITION as at 31 December 2011

	2011 RM Million	Restated 2010 RM Million	% Change
Assets			
Property, plant and equipment	320.2	293.0	9.3
Investments	333.9	315.9	5.7
Other non-current assets	5,130.8	4,205.9	22.0
Current assets	1,641.9	2,295.7	(28.5)
Assets of disposal group classified as held for disposal	0.4	0.5	(10.1)
Total assets	7,427.2	7,111.0	4.4
Equity and liabilities			
Share capital	1,100.0	1,100.0	–
Share premium	822.7	822.7	–
Retained earnings	1,625.2	1,387.0	17.2
Fair value adjustment reserve	0.8	0.1	–
Other reserve	2.6	–	–
Foreign exchange reserve	(4.4)	(5.4)	(18.4)
	3,546.9	3,304.4	7.3
Minority interests	–	5.5	(100.0)
Total equity	3,546.9	3,309.9	7.2
Non-current liabilities	3,001.5	3,073.6	(2.3)
Current liabilities	878.7	727.3	20.8
Liabilities of disposal group classified as held for disposal	0.1	0.2	(22.3)
Total liabilities	3,880.3	3,801.1	2.1
Total equity and liabilities	7,427.2	7,111.0	4.4
Net asset per share (RM)	3.22	3.01	7.2
Return on assets (%)	5.40	4.46	







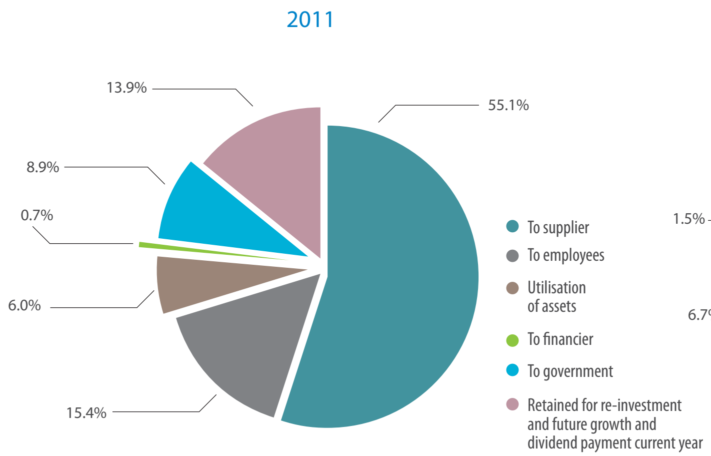


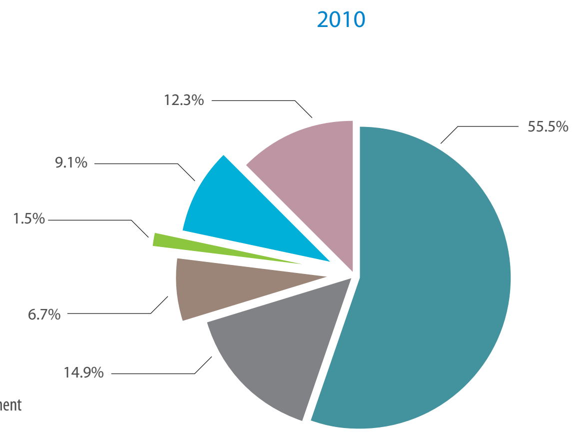
Note: The group segmental analysis above excludes inter-segment transactions.

* *Airport services revenues include IC 12 construction revenues amounting to RM820.5 million and RM655.1 million in FY2011 and FY2010 respectively.*

^ *Others includes share of results of associates.*

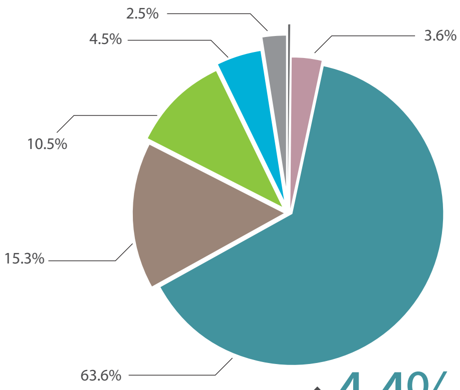
STATEMENT OF DISTRIBUTION





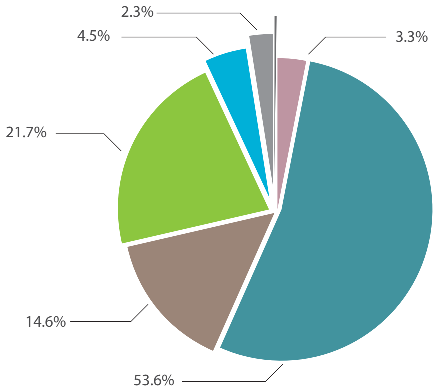
	2011 RM Million	%	2010 RM Million	%
Current income available for distribution	2,886.4		2,573.7	
To supplier Purchase of goods and services	1,591.1	55.1%	1,427.1	55.5
To employees Employment costs	443.7	15.4%	382.4	14.9
Utilisation of assets Depreciation	174.4	6.0%	172.5	6.7
To financier Finance costs	18.8	0.7%	39.8	1.5
To government User fee and taxation	257.2	8.9%	234.4	9.1
Retained for re-investment and future growth and dividend payment *current year*	401.2	13.9%	317.5	12.3
	2,886.4	100.0	2,573.7	100.0

Assets

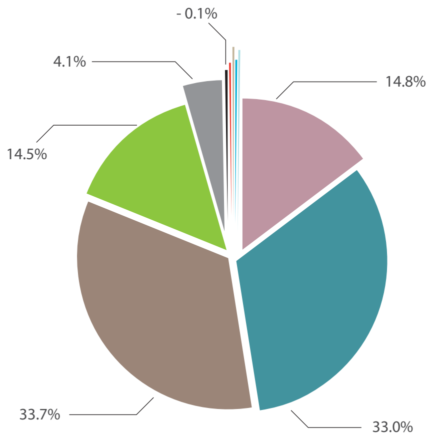


↑4.4%
Total assets

2011 RM Million	2010 RM Million	
266.2	237.8	Property, plant and equipment
4,727.2	3,812.5	Intangible assets
1,133.1	1,039.5	Trade & other receivables
778.3	1,539.8	Cash and cash equivalents
333.9	315.9	Investments
188.1	165.0	Other assets
0.4	0.5	Assets of disposal group classified as held for disposal
7,427.2	**7,111.0**	

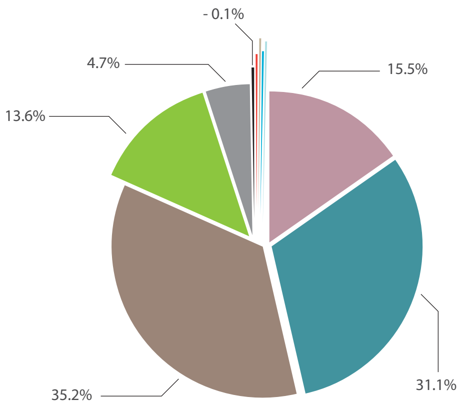


Equity and Liabilities

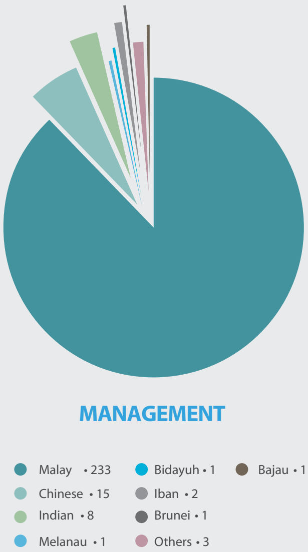


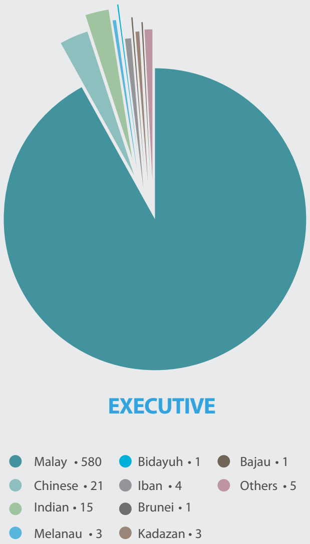
↑4.4%
Total equity and liabilities

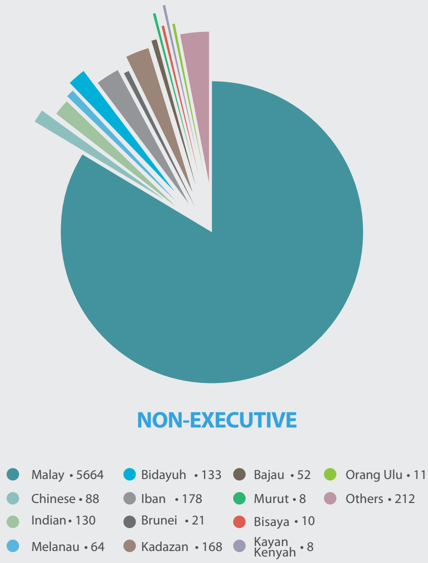
2011 RM Million	2010 RM Million	
1,100.0	1,100.0	Share capital
2,447.9	2,209.7	Reserves
–	5.5	Minority interests
2,500.0	2,500.0	Loan and borrowings
1,075.8	966.6	Trade and other payables
304.4	334.3	Other liabilities
0.2	0.2	Liabilities of disposal group classified as held for disposal
0.8	0.1	Fair value adjustment reserve
2.5	–	Other reserve
(4.4)	(5.4)	Foreign exchange reserve
7,427.2	**7,111.0**	



STATEMENT OF WORKFORCE







GROUP QUARTERLY PERFORMANCE

Year 2011 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2011
FINANCIAL PERFORMANCE					
Operating revenue	610.4	654.2	652.8	837.4	2,754.8
Profit before tax and zakat	133.0	134.1	145.1	161.9	574.1
Profit for the period	88.3	81.8	108.2	122.9	401.2
Earnings per share (sen)	8.02	7.45	9.83	11.17	36.47

Restated Year 2010 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2010
FINANCIAL PERFORMANCE					
Operating revenue	498.6	525.0	623.8	820.6	2,468.0
Profit before tax and zakat	119.7	81.0	91.7	182.6	475.0
Profit for the period	73.3	59.6	62.1	122.5	317.5
Earnings per share (sen)	6.65	5.42	5.65	11.08	28.80

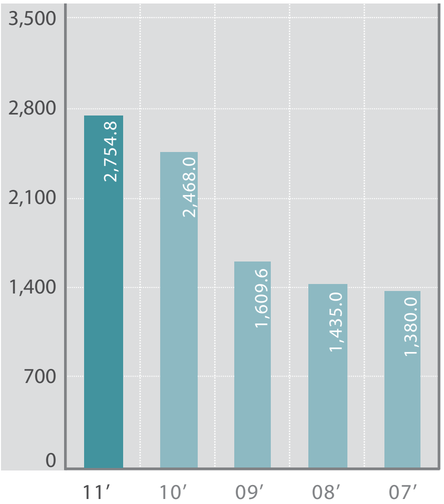
INCOME STATEMENT Year ended 31 December

	2011 RM Million	Restated 2010 RM Million	2009 RM Million	2008 RM Million	2007 RM Million
Revenue	2,754.8	2,468.0	1,609.6	1,435.0	1,380.0
Profit before tax and zakat from continuing operations	574.1	475.0	452.6	422.2	404.9
Taxation and zakat	(172.9)	(157.5)	(100.2)	(123.3)	(114.3)
Profit from continuing operations, net of tax	401.2	317.5	352.5	298.9	290.6
(Loss)/profit for the year from discontinued operations, net of tax	–	–	(1.4)	6.9	(1.3)
Profit for the year	401.2	317.5	351.1	305.8	289.3
Profit attributable to:					
Equity holders of the Company	401.1	316.8	350.4	305.2	288.9
Minority interests	0.1	0.7	0.7	0.6	0.4
Profit for the year	401.2	317.5	351.1	305.8	289.3
Earnings per share attributable to equity holders of the Company (sen per share)					
Basic, for continuing operations	36.47	28.80	31.98	27.12	26.37
Basic, for (loss)/profit from discontinued operations	–	–	(0.12)	0.63	(0.11)
Basic, for profit for the year	36.47	28.80	31.86	27.75	26.26

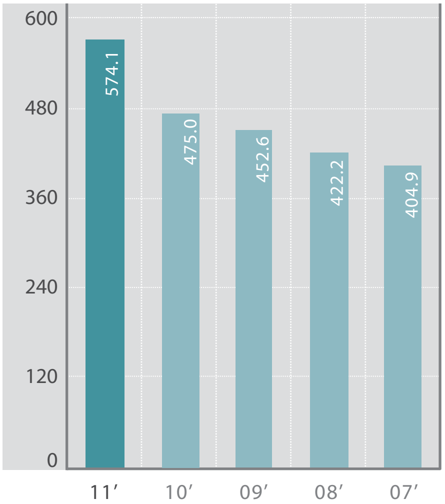
STATEMENT OF FINANCIAL POSITION Year ended 31 December

	2011 RM Million	Restated 2010 RM Million	2009 RM Million	2008 RM Million	2007 RM Million
Assets					
Non-current assets	5,784.9	4,814.8	4,210.2	3,584.8	3,215.5
Current assets	1,641.9	2,295.7	963.1	1,403.2	1,239.5
Assets of disposal group classified as held for disposal	0.4	0.5	0.5	4.3	–
Total assets	7,427.2	7,111.0	5,173.8	4,992.3	4,455.0
Equity					
Share capital	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0
Share premium	822.7	822.7	822.7	822.7	822.7
Retained earnings	1,625.2	1,387.0	1,421.4	1,257.0	1,096.7
Fair value of adjustment reserve	0.8	0.1	–	–	–
Other Reserve	2.6	–	–	–	–
Foreign Exchange Reserves	(4.4)	(5.4)	(2.0)	(1.2)	–
	3,546.9	3,304.4	3,342.1	3,178.5	3,019.4
Minority interests	(0.0)	5.5	4.7	4.1	3.6
Total equity	3,546.9	3,309.9	3,346.8	3,182.6	3,023.0
Non-current liabilities	3,001.5	3,073.6	1,114.8	434.6	112.0
Current liabilities	878.7	727.3	712.0	1,372.4	1,320.0
Liabilities of disposal group classified as held for disposal	0.1	0.2	0.2	2.7	–
Total liabilities	3,880.3	3,801.1	1,827.0	1,809.7	1,432.0
Total equity and liabilities	7,427.2	7,111.0	5,173.8	4,992.3	4,455.0
Net asset per share (RM)	3.22	3.01	3.04	2.89	2.75

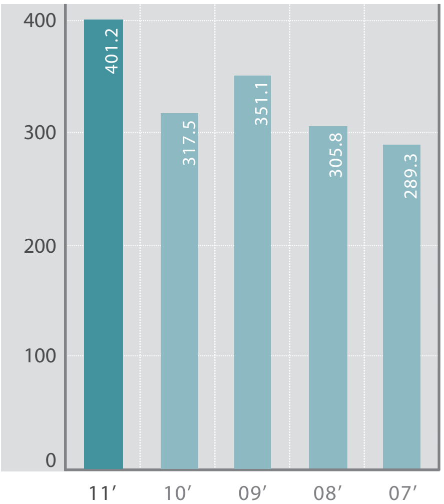
5-YEAR FINANCIAL HIGHLIGHTS



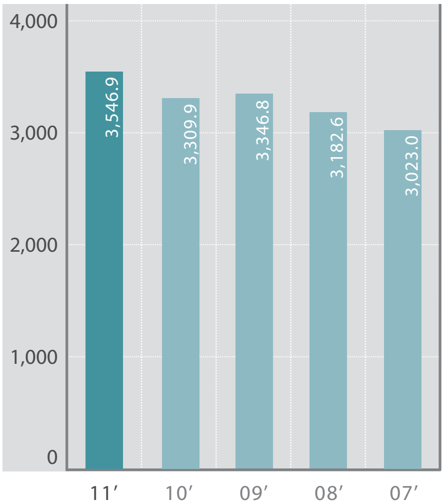
Revenue (RM Million)



Profit before taxation and zakat (RM Million)



Profit for the year (RM Million)



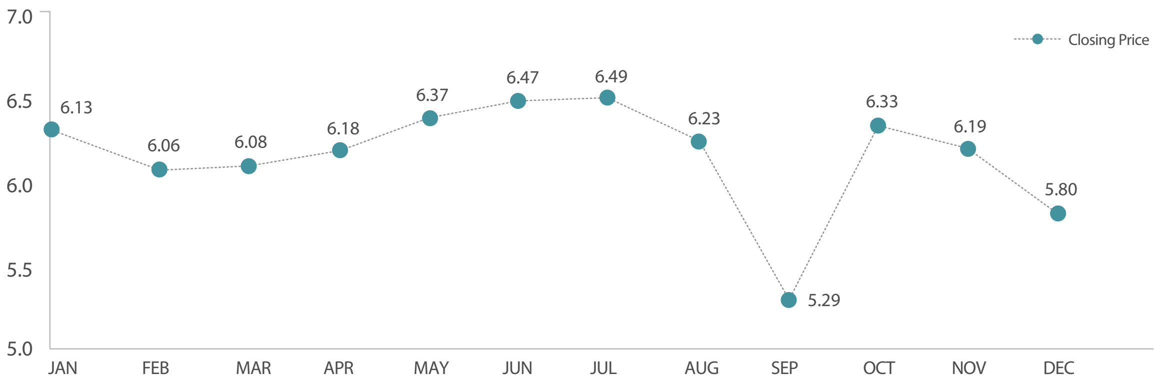
Total equity (RM Million)

SHARE PRICE, VOLUME TRADED & MARKET CAPITALISATION

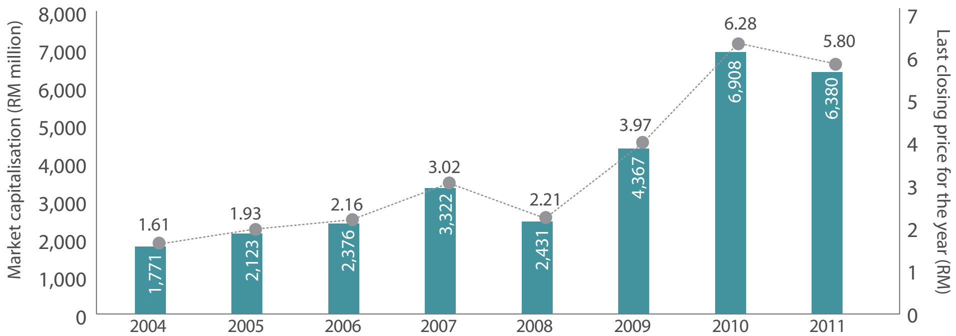
2011 Monthly Trading Volume & Share Price Statistics

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Volume ('000)	17,219	12,095	17,987	13,256	71,922	27,702	13,156	21,060	14,728	16,830	8,056	9,090
High (RM)	6.26	6.25	6.11	6.21	7.02	6.61	6.74	6.65	6.48	6.36	6.48	6.30
Low (RM)	5.95	5.90	5.95	6.02	5.96	6.28	6.32	5.72	5.20	4.50	5.94	5.42
Closing Price (RM)	6.13	6.06	6.08	6.18	6.37	6.47	6.49	6.23	5.29	6.33	6.19	5.80

Share Price Movement



Market Capitalisation



Headline KPIs	Target FY2011	Achievement FY2011	Actual FY2010 (Restated)
i) EBITDA (million)	RM773.4 m	RM826.5 m	RM766.6 m
ii) ROE	10.73%	11.70%	9.54%
iii) Airport Service Quality Awards	KLIA Ranking Top 5 Worldwide	– 25–40 mil pax category: KLIA ranked No. 4 – Worldwide: KLIA ranked No. 19	– 25–40 mil pax category: KLIA ranked No. 5 – Worldwide: KLIA ranked No. 14

KEY FINANCIAL PERFORMANCE

Malaysia Airports Holdings Berhad (Malaysia Airports) has again delivered a remarkable financial performance in the financial year ended 31 December 2011 (FY2011) with double-digit top-line and bottom-line growth despite volatile market conditions. The Group recorded revenues of RM2,754.8 million in FY2011, representing a growth of 11.6% compared to the RM2,468.0 million recorded in the financial year ended 2010 (FY2010). This was mainly driven by the strong performance in airport operations segment which was supported by robust air travel demand and higher contribution from retail and rental activities. Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 7.8% to RM826.5 million, from RM766.6 million in FY2010. Profit before tax and zakat (PBT) stood at RM574.1 million, representing an increase of 20.9% compared to the RM475.0 million registered in FY2010. The earnings per share (EPS) stood at 36.47 sen for FY2011, representing a 26.6% growth compared to the 28.80 sen recorded in FY2010.

This year is another year of commendable result as Malaysia Airports continues to consistently out perform its Headline Key Performance Indicators (Headline KPIs) target for FY2011. The Group achieved an EBITDA of RM826.5 million, significantly higher than the Headline KPIs target of RM773.4 million. The Group also delivered an impressive Return on Equity (ROE) of 11.70% in FY2011, surpassing the Headline KPI target of 10.73%, and a strong leap from the 9.54% achieved in FY2010.

IC INTERPRETATION 12: SERVICE CONCESSION ARRANGEMENTS

Malaysia Airports adopted IC Interpretation 12: Service Concession Arrangements (IC12) effective 1 January 2011. IC 12 addresses the accounting for "public-private" arrangements whereby a private sector operator involved in the construction and / or upgrading of infrastructure assets such as schools, roads and airports to be used in providing public service. The operator provides construction services to the grantor in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the service concession arrangements.

Under IC 12, Malaysia Airports (the operator) provides construction services to the Government of Malaysia (the grantor) in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the Operating Agreements. In accordance with the Financial Reporting Standard 138: Intangible Assets (FRS 138), Malaysia Airports recognises the intangible asset at its fair value. The fair value of the intangible asset is calculated by including certain mark-up on the actual costs incurred, estimated to reflect a margin based on the nature of works involved and consistent with other similar construction works. Malaysia Airports has applied mark-up of 4.5% and 7.5% on the construction costs incurred in respect of klia2 and Penang International Airport respectively.

In line with the requirement of Financial Reporting Standard 111: Construction Contracts (FRS 111), Malaysia Airports recognises the construction revenues and costs by reference to the stage of completion of the construction works of klia2 and Penang International Airport, which are public sector infrastructure assets and services currently being undertaken by Malaysia Airports. In FY2011 and FY2010, Malaysia Airports recognised the construction revenues in relation to the aforesaid projects amounting to RM820.5 million and RM655.1 million respectively. Malaysia Airports also recognised the construction costs amounting to RM782.3 million and RM626.7 million for the above projects in FY2011 and FY2010 respectively.

GROUP PROFITABILITY

Stripping out the effects of IC 12, revenues for FY2011 was RM1,934.3 million, which was 6.7% higher than the RM1,812.9 million registered in FY2010. EBITDA increased 6.8% to RM788.2 million in FY2011, from RM738.2 million recorded in FY2010. PBT for FY2011 was RM535.9 million, which was 20.3% higher than the RM445.5 million registered in FY2010.

The strong PBT growth for FY2011 was a result of lower interest on borrowings due to the settlement of short-term borrowings at the end of 2010, higher dividend received from investment in unquoted shares, lower share of associate losses, as well as the Group's cost saving initiatives resulting in lower professional fees, utilities and communication expenses.

OPERATIONS REVIEW

Despite the ongoing global economic crisis, the recent political upheavals in North Africa and Middle East, and the natural disasters in North Asia and Oceania, the travel and tourism industry remained robust for Malaysia in 2011. As an airport operator, Malaysia Airports has been enjoying steady growth from carriers. The continuous growth by the full service carriers and low cost carriers had significantly contributed towards the strong passenger throughput at our airports in 2011. Malaysia Airports recorded a double-digit passenger growth of 10.7% in 2011, with a total of 64.0 million passengers passed through the Group's 39 airports in Malaysia. Both international and domestic passenger movements registered strong growth at 10.3% and 11.1% respectively. The total passenger movements in KLIA improved by 10.6%, where both KLIA-MTB & LCCT recorded positive growth of 7.6% and 14.3% respectively. All other airports recorded an aggregate growth in total passenger movements of 10.8%. Total aircraft movements grew by 9.3% to 632,136 aircrafts, with the international sector recording a higher growth of 10.2% compared to the domestic sector, which registered a 8.9% growth.

The increase in operating revenues was attributed to stronger results from the airport operations segment, driven by strong air travel demand. Excluding the IC 12 effects, revenues generated by our airport operations segment improved by 6.7%, to RM1,786.7 million. Aeronautical revenues grew 2.3% to RM889.0 million on the back of stronger passenger numbers, while non-aeronautical revenue increased 11.3% to RM897.8 million in FY2011 underpinned by higher retail, rental and commercial activities resulting from the increased passenger volume.

The non-airport operations segment recorded revenues of RM147.6 million in FY2011, representing a growth of 7.3% from RM137.6 million recorded in FY2010, due to higher revenues recorded in the hotel segment and the agriculture and horticulture segment. The hotel segment grew 17.3% to RM73.8 million, mainly attributed to higher average room rate and food and beverages (F&B) income. Despite lower production volume, the agriculture and horticulture segment registered revenues of RM55.4 million in FY2011, which was 18.6% higher than the RM46.7 million registered in FY2010, due to higher fresh fruit bunch price. The project and repair maintenance segment recorded a decline of 34.3% to RM18.4 million in FY2011, mainly due to lower number of projects secured and reversal of management fees.

TYPES OF REVENUE: AERONAUTICAL AND NON-AERONAUTICAL REVENUE

Malaysia Airports' revenue base can be broadly classified under aeronautical and non-aeronautical revenues. Aeronautical revenue is mainly derived from airport operations business which entails the collection of passenger service charge (PSC), landing and parking fees, and other ancillary charges to airlines. Meanwhile, the non-aeronautical revenue is broadly derived from commercial activities in the airport operations business, as well as the non-airport operations business.

Commercial activities in the airport operations business comprises revenue from lease of commercial spaces (rental), operations of duty free and non-duty free outlets, management of F&B outlets, management and operations of airport parking facilities, advertising business, the Airside Transit Hotel and the Free Commercial Zone at KLIA.

The non-airport operations business includes revenue derived from Pan Pacific KLIA hotel operations, agriculture and horticulture activities, project and repair maintenance services and other activities that may be described in the Group's financial statement.

The non-aeronautical business continued to outperform the aeronautical business by contributing 54.0%, or RM1,045.4 million, to the Group's revenue (excluding IC 12 effect) and this is in line with the Group's long term plan to further grow this branch of business.

BUSINESS SEGMENTS

The Group's business segment is divided into 2 sub-groups i.e. airport operations and non-airport operations.

Airport operations comprise of airport services and operations of duty free and non-duty free outlets. Airport services include aeronautical revenue generated from operating, managing and maintaining designated airports in Malaysia and providing airport related activities; and non-aeronautical revenue derived from rental and other commercial activities. The revenues generated from operations of duty free and non-duty free outlets are non-aeronautical revenue.

The non-airport operations comprise of agriculture and horticulture activities, hotel operations and project and repair maintenance services. All non-airport operations income are considered non-aeronautical revenue.

Business Segment	Actual FY2011 (RM'000)	Actual FY2010 Restated (RM'000)	Variance (%)
I) Airport operations	2,607,219	2,330,381	11.9
1. Airport services:			
– Aeronautical	888,964	868,703	2.3
– Non-aeronautical (Rental and others)	423,179	394,722	7.2
– Construction revenue	820,502	655,147	25.2
2. Duty free and non-dutiable goods	474,574	411,809	15.2
II) Non-airport operations	147,610	137,623	7.3
– Hotel operations	73,783	62,885	17.3
– Agriculture and horiculture	55,390	46,698	18.6
– Project and repair maintenance	18,437	28,040	(34.2)
Total Revenue	**2,754,829**	**2,468,004**	**11.6**

SEGMENTAL REVENUE

1. Airport operations

(a) **Airport services:** This business segment comprises of aeronautical revenue from collection of passenger service charge (PSC), landing and parking fees, and other ancillary charges to airlines; and non-aeronautical revenue generated from rental and other commercial activities. The aeronautical revenue increased 2.3% to RM889.0 million on the back of stronger passenger numbers. It was however, impacted by the accrual of Airline Incentives in FY2011 amounting to RM91.8 million as compared to RM31.1 million accrued in FY2010. The airline incentives were granted to eligible airlines under the Airlines Recovery Program (ARP) announced on 18 November 2009 and effective for a period of three years ended 31 December 2011. Revenues from rental of space, advertising and other commercial segments grew by 7.2% to RM423.2 million in FY2011, contributed mainly by the addition of new tenants and upward revision of rental charged to some retail tenants effective December 2010, higher tenant occupancy rate in 2011 and increased carpark revenue due to higher passenger movements and larger number of airport visitors. Airport services segment also include construction revenues of RM820.5 million and RM655.1 million pursuant to the adoption of IC 12 in FY2011 and FY2010 respectively.

(b) **Duty free and non-dutiable goods:** This business segment includes the operations of duty free and non-duty free outlets and management of F&B outlets at designated airports. This business segment grew by 15.2%, ahead of overall passenger traffic growth of 10.7%, to RM474.6 million in FY2011. This was due to an increase in passenger volume and higher retail spending per passenger.

2. Non-airport operations

(a) **Agriculture and horticulture:** The agriculture and horticulture business segment activities include the cultivation and sale of oil palm and other agriculture products. Despite lower production volume, the agriculture and horticulture segment registered revenues of RM55.4 million in FY2011, which was 18.6% higher than the RM46.7 million registered in FY2010, due to higher fresh fruit bunch price (2011: RM681/79,681MT vs. 2010: RM543/83,370MT). The reduction in the total crop harvested was due to the 1,721 hectares of land surrendered for the construction of klia2 and other land development initiatives to date.

(b) **Hotel:** The hotel segment involves the management and operations of the Pan Pacific Hotel KLIA. The hotel segment grew 17.3% to RM73.8 million, mainly attributed to higher revenue from rooms, in line with the higher average room rates (2011: RM347.22 vs. 2010: RM318.89) and F&B income. The segment was also buoyed by the positive performance of the meeting, discount, wholesale and crew segments.

(c) **Project and repair maintenance services:** The main activities include provision of mechanical, electrical and civil engineering services and the airport business consulting, maintenance and technical services. This segment recorded a decline of 34.2% to RM18.4 million in FY2011, mainly due to less projects secured compared to the preceding year and some reversal of management fees.

Revenue	PBT	PAT
↑11.6%	↑20.9%	↑26.4%

GROUP FINANCIAL PERFORMANCE REVIEW

SEGMENTAL PROFITABILITY

Note: The following segmental profitability analyses exclude inter-segment transactions

1. Airport operations

   (a) **Airport services:** Following an increase in the airport services revenue, the segmental PBT grew 11.3% to RM574.1 million in FY2011, compared to the RM515.7 million recorded in FY2010. This was attributed to stronger passenger movements, addition of new tenants and upward revision of rental charged.

   (b) **Duty free and non-dutiable goods:** PBT for this segment grew 16.2% to RM182.0 million in FY2011, from RM156.6 million in FY2010. This was mainly due to higher revenue in line with stronger passenger growth and increased retail spending per passenger.

2. Non-airport operations

   (a) **Agriculture and horticulture:** The agriculture and horticulture business recorded PBT of RM21.0 million in FY2011, representing a 43.8% growth compared to RM14.6 million recorded in FY2010, due to improved margins resulting from higher revenue and marginally lower cost of sales.

   (b) **Hotel:** The hotel business recorded PBT of RM14.7 million in FY2011 compared to the RM5.4 million in FY2010, due to higher revenue and lower depreciation charges for the year.

   (c) **Project and repair maintenance services:** This segment recorded a loss before-tax of RM54.1 million in FY2011, compared to loss before-tax of RM37.7 million in FY2010 mainly due to lower revenue recorded.

ECONOMIC PROFIT

Economic Profit (EP) is used as a yardstick to measure shareholder value. EP is a measure of value created by a business during a single period reflecting how much return a business makes over its cost of capital, that is, the difference between the Company's rate of return and cost of capital. The Group recorded an economic profit of RM152.6 million for FY2011 as compared to RM157.8 million in FY2010. The lower EP was due to higher average invested capital resulting from cost incurred for the construction of klia2.

DIVIDENDS

Following the Group's improved financial performance, Malaysia Airports had declared and paid an interim dividend of 8.0% less 25% taxation per ordinary share on 29 December 2010 amounting to RM66.0 million (6.0 sen net per share). The Board of Directors also proposed a final dividend comprising of a franked dividend of up to 14.14 sen per ordinary share less 25% income tax amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00, for shareholders' approval at the forthcoming Annual General Meeting.

The total dividend payments of RM186.3 million represent a full year dividend payout ratio of 50.0% (excluding the effects of IC 12). This is in line with the Group dividend policy of at least 50% of Malaysia Airports' profit after tax and minority interest, subject to availability of distributable reserves.

EARNINGS PER SHARE AND RETURN ON SHAREHOLDERS' EQUITY

EPS stood at 36.47 sen in FY2011, significantly higher than the 28.80 sen recorded in FY2010. ROE was 11.70% compared to 9.54% recorded in FY2010.

FY2012 HEADLINE KPIs

Measures	FY2012 Headline KPIs
i) EBITDA	RM822.0 million
ii) ROE	10.42%
iii) Airport Service Quality Awards	25–40 mil pax category: KLIA Ranking Top 5

The Headline KPIs are targets or aspirations meant to drive Malaysia Airports' performance in 2012. These Headline KPIs are disclosed publicly on a voluntary basis, signaling Malaysia Airports' commitment towards transparent performance measures and good corporate governance.

These Headline KPIs should not be construed as forecasts, projections or estimates of Malaysia Airports or representations of any future performance, occurence or matter as the Headline KPIs are merely a set of well intended targets and positive aspirations of future performance aligned to the Company's strategy, mission and objectives.

The Headline KPIs are set based on Malaysia Airports' strategic plans and long term targets that were developed under Malaysia Airports' Five Year Business Direction (2010–2014) planning initiatives – with emphasis on the broader internal initiatives that are put in place for FY2012. It is also based on the assumption that there will be no significant changes in the prevailing economic and political conditions, present legislation and/or government regulations, as well as with the expectation that the businesses of the Group will continue to grow as expected.

AIRPORT PERFORMANCE BENCHMARK

Benchmarking is a widely accepted means to analyse business performance against objectives and to evaluate achievement levels as compared to other organisations' performance in the same industry. Airport performance benchmark could be categorised under financial and operational aspects. Airports globally have adopted performance benchmarking as a tool to enhance efficiency, improve services, reduce costs and identify strategic opportunities.

As many airports have transformed from being Government departments to commercial enterprises, priority has changed from focusing on operations to businesses which focus on commercial activities. As such, there has been increased interest in utilising benchmarking to improve performance where aviation industry liberalisation and globalisation have increased airport business complexity and competitiveness. In addition, airports nowadays have to meet challenges such as congested airport infrastructure, increased traffic and airlines requirements.

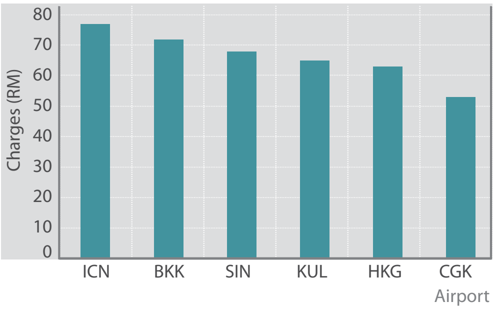
With various airport operational models such as fully privatised airports, partially privatised airports and publicly owned airports, airport benchmarking is not an easy task because of comparability issues. There are difficulties in making such comparisons on a level playing field. Among others, this is due to:

- Differences in activities performed, especially with respect to aeronautical and commercial services;
- Level of government involvement in relation to economic and social objectives;
- Traffic mix with respect to international, domestic and general aviation operations;
- Airport cost structure with respect to fixed and variable costs;
- Physical characteristic of airports;
- Forms of ownership and management;
- Differences in development financing;
- Varying regulatory framework;
- Differences in economic conditions; and
- Accounting practices in different countries

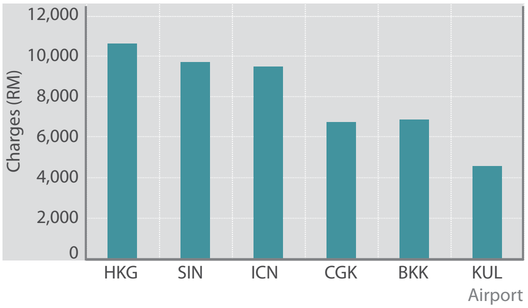
The International Civil Aviation Organisation (ICAO) produces annually airport financial statistics but it is published not early enough, while the financial information on airports in this region and globally are limited and difficult to obtain. In addition, for airport operators that are listed, the available data from published accounts is for the whole Group and may not be broken down individually. For example, Malaysia Airports Holdings Berhad is a listed entity but financial information on Kuala Lumpur International Airport is not published on an individual basis.

Other organisations which have done airport benchmarking include Airports Council International, Skytrax and International Air Transport Association (IATA). Figures from IATA suggest that Kuala Lumpur International Airport continues to be competitive in terms of passenger service charges & passenger security service charges and landing charges compared against other airports in the region.

International Passenger Service & Related Charges Paid by Passengers



Landing Charges B747-400



Source: IATA Airport Charges Monitor

On the passenger traffic side, preliminary traffic data released by Airports Council International (ACI) shows that KLIA registered good growth in 2011 with better economic growth, in particular during the first half. The traffic performance of the related airports is as follows:

Airport	2011	% Change
Hong Kong International Airport (HKG)	52.8 million	↑ 6.0
Soekarno Hatta International Airport Jakarta (CGK)	52.4 million	↑ 18.2
Suvarnabhumi Airport Bangkok (BKK)	47.9 million	↑ 12.0
Changi Airport Singapore (SIN)	46.5 million	↑ 10.7
Kuala Lumpur International Airport (KUL)	37.7 million	↑ 10.6
Incheon International Airport Seoul (ICN)	35.2 million	↑ 4.7

Source: ACI (preliminary)

Apart from benchmarking in respect of overall airport performance, airports could also benchmark specific services under airport service quality in terms of level of services for passengers which include, amongst others, baggage clearance time, minimum walking distances, minimum connecting time and time taken for check-in. Good airport service quality for passengers will provide more pleasant, safe and comfortable travel for passengers which in turn will encourage spending and influence future travel plans. With airport requirements to increase non-aeronautical revenue, passenger satisfaction makes good business sense. MAHB continues to benchmark itself internally against other airports in the region and globally and strives for continuous improvements in its operations as well as in building for the future, including, amongst others, with the construction of the new klia2.

DIVIDEND **POLICY**

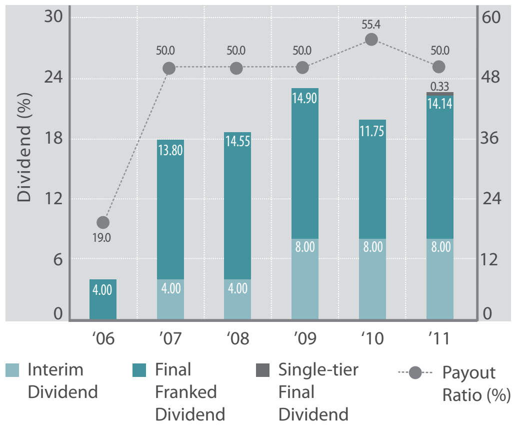
The dividend policy is one of the most important financial policies as shareholders' equity is an important source of a company's working capital.

A good dividend policy always serves in the best interests of a company and its shareholders. A company may use dividends as a signal to inform outsiders regarding the stability and growth prospects of the company. Apart from maximisation of shareholders' wealth, the company may be able to earn the confidence of the shareholders and attract prospective investors to invest in its shares, which further increases the value of the company. A dividend policy may also reduce investors' uncertainty as they seek to secure income in terms of stable or steadily increasing dividend.

Commencing from the financial year ended 31 December 2007, MAHB adopts a dividend policy with a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest annually subject to availability of distributable reserves.

The rationale for the dividend policy is as follows:
(i) to return excess cash of MAHB to shareholders
(ii) improves the return on equity of the Group
(iii) consistent with best practices of listed companies

The summary of dividends declared and paid to the shareholders of MAHB for the financial years ended 31 December 2006 to 2011 are tabulated below:



* *Total dividend for FY2011 represent full year dividend payout ratio of 50.0% of Net Profit After Taxation and Minority Interest (excluding the effects of IC 12)*

The graph above shows that MAHB has been able to maintain high dividend levels resulting from the improved earnings of the Company.

The dividend payments signal management's expectation of high future earnings as well as commitment to its shareholders.

EPS
RM36.47sen

Dividends
RM186.3 million

Payout Ratio
50.0%

FINANCIAL CALENDAR

FINANCIAL YEAR 2011

Quarterly Results Announcements

Unaudited consolidated results for the 1st quarter ended 31 March 2011.

31
May 2011

Unaudited consolidated results for the 2nd quarter ended 30 June 2011.

28
July 2011

Unaudited consolidated results for the 3rd quarter ended 30 September 2011.

25
October 2011

Unaudited consolidated results for the 4th quarter ended 31 December 2011.

21
February 2012

Headline Key Performance Indicators Announcement

2011 Headline Key Performance Indicators.

27
December 2010

Dividends

Interim Dividend of 8 sen per ordinary share less 25% income tax

Notice of book closure date.	Entitlement date.	Payment date.
2 December 2011	20 December 2011	29 December 2011

Final Dividend consisting of a franked dividend of up to 14.14 sen per ordinary share less 25% income tax amounting to RM116,640,174.27, and a single-tier dividend of up to 0.33 sen per ordinary share amounting to RM3,630,000.00.

Notice of book closure date.	Entitlement date.	Payment date.
7 March 2012	12 April 2012	11 May 2012

General Meeting

Notice of 13th Annual General Meeting.	13th Annual General Meeting.
7 March 2012	29 March 2012

Empowering The Passengers

To date, we have welcomed more than 64 million passengers and we have provided them with world-class service standards. From self-service facilities to premium services at the airport, our passengers are empowered with the many options available to them and they can look forward to a seamless experience in their journeys.

DEAR SHAREHOLDERS,

In the year under review, Malaysia Airports Holdings Berhad (Malaysia Airports) has achieved commendable financial performance, registering a double digit passenger traffic growth against what many would consider to be a very challenging economic and geo-political landscape. The myriad of daunting trials faced by the industry included the continued slowdown of the United States economy, the Eurozone economic crisis, the political turmoil and uncertainties in North Africa and Middle East and the natural disasters in North Asia and Oceania.

In spite of these challenges, we outperformed our headline KPIs with higher earnings before interest, tax, depreciation and amortisation (EBITDA) of RM826.5 million compared to our RM773.4 million target, and achieved a return of equity (ROE) of 11.70% compared to our 10.73% target for the financial year ended 31 December 2011 (FY2011). This growth is attributed to the improvement in the overall aeronautical and non-aeronautical performance fuelled by the higher passenger movement, and complemented by the enhancements in retail operations, dividend returns and several other productivity initiatives.

Airports operated by the Group have maintained the momentum of credible traffic growth over the past three years, registering 64.0 million total passenger movements, a 10.7% growth from 2010. This figure represents an almost parallel growth in both international and domestic traffic which grew 10.3% and 11.1%, respectively.

IN THE YEAR UNDER REVIEW, MALAYSIA AIRPORTS HOLDINGS BERHAD (MALAYSIA AIRPORTS) HAS ACHIEVED COMMENDABLE FINANCIAL PERFORMANCE, REGISTERING A DOUBLE DIGIT PASSENGER TRAFFIC GROWTH AGAINST WHAT MANY WOULD CONSIDER TO BE A VERY CHALLENGING ECONOMIC AND GEO-POLITICAL LANDSCAPE.

TAN SRI DATUK DR. ARIS BIN OTHMAN
Chairman

In Group revenue, Malaysia Airports attained a growth of 11.6% to RM2,754.8 million from RM2,468.0 million recorded in the previous financial year (FY2010). These numbers included the effects of IC 12, which is recognised pursuant to the adoption of IC 12 accounting standard effective 1 January 2011, which in Malaysia Airports' case is in relation to the construction of klia2 and expansion of Penang International Airport (PIA). Separating the effect of the IC 12 in the amount of RM820.5 million from the Group revenue figure in 2011, our aeronautical revenue showed an improvement of 2.3% to RM889.0 million, which was mainly contributed by higher passenger growth. Non-aeronautical revenue, on the other hand, recorded a much higher growth of 11.3% to RM897.8 million primarily from the higher rentals achieved from the increased number of outlets and concessionaires, as a result of a greater focus in our commercial business development. Our innovative commercial initiatives, such as the implementation of the Airport Commercial Models amongst many others, were central in facilitating the growth that we see in Malaysia Airports' non-aeronautical revenue.

In remaining committed to our course as guided by our 5-year business direction, 'Runway To Success', we were able to realise these achievements. The year 2011 witnessed swift and significant progress by Malaysia Airports as we leveraged on the three strategic pillars that have been positioned for our success, namely traffic growth, service excellence and commercial development.

With respect to traffic growth, as mentioned earlier, the total passenger movement at all our airports in 2011 has already exceeded the annual passenger target of 60.0 million outlined in 'Runway To Success'. Our remarkable traffic growth was attributable to a number of factors. These factors include the increasing frequencies from both foreign and local airlines, the commencement of new routes as well as operations by new airlines, and the success of our airline incentive initiative – the Airline Recovery Programme (ARP)-in encouraging more frequencies and airlines to fly into our airports. As a catalyst to further complement our traffic growth, the Airbus A380 facility at KLIA that has been ready since 2008 in anticipation of the Malaysia Airlines' fleet expansion, welcomed the inaugural A380 flight by Emirates Airlines just as the year 2011 came to a close.

Parallel to our traffic growth achievement, our focus in service excellence has also generated encouraging results from the continuous improvement programme implemented in our operational processes. The programme was initiated by the Airport Service Quality (ASQ) Cross Functional Team to improve our service quality ranking in the ASQ Survey, the world's benchmark measure of airport excellence. This year, in recognition of our service excellence, KLIA successfully achieved 4th place in the ASQ Survey in the 25–40 million passengers per annum category, up a notch from the 5th place ranking that we received in 2010. On the other hand, in the worldwide category, we were placed 19th where overall, we scored higher in each element evaluated in the ASQ Survey compared to the previous year.

I believe that service excellence stems from our diligent employees and their adherence and dedication to the Company's shared values. Our people are critical to us as they are the engine for Malaysia Airports' success. We constantly recognise the importance of equipping our people with the right skills and knowledge to do their jobs professionally and to take the organisation forward. In line with the nation's principle of 'People First, Performance Now', our aim is to empower our people to make decisions and to act in the best interest of the Company, our stakeholders and our customers. Malaysia Airports currently has some of the best technical airport talents in the industry recognised as the International Airport Professionals, who are graduates of Airport Management Professional Accreditation Programme or AMPAP. We are the world's largest participant in this global accreditation programme, and to date have a total of 15 employees who have graduated from it. Apart from continuously providing venues for our employees to improve their skills and knowledge, we also provide them with a working environment that is conducive and rewarding. To this end, in 2011, we once again successfully signed the 6th Collective Agreement (CA6) that involved 6,772 of our employees. Through the Agreement, our employees will benefit from salary improvements as well as other rewarding incentives. Our continued responsibility towards our workforce and our efforts to create a harmonious and mutually beneficial relationship is paramount to us because just as any other profit-making activity, we view our human capital development as an important factor in driving the success of our business.

Malaysia Airports' highly-skilled employees and their commitment and sense of innovation have made it possible for the Company to achieve numerous milestones in its Commercial Development. These accomplishments include the implementation of our Airport Commercial Model to revolutionise the commercial experience at all our airports, and the Airport Turnaround Programme to grow profitability at high traffic airports. The overwhelming response that we received in the recent unveiling of retail opportunities at klia2 marked another commercial milestone for us where the retail brand concept was introduced to interested concessionaires and retailers in line with the revolutionised commercial experience that we have planned for the new terminal. Likewise, the innovative development of the new rental model for the LCCT, supported by the retail market analysis implemented in 2011, enabled Malaysia Airports to maximise the commercial potentials in the terminal. With the insights gleaned from the retail market analysis, we were able to tap into a more targeted retail market segment, allowing us to take advantage

In line with the nation's principle of 'People First, Performance Now', our aim is to empower our people to make decisions and to act in the best interest of the Company, our stakeholders and our customers.

of the high number of traffic that passed through the airport. On the international front, 2011 saw the ground breaking of Ibrahim Nasir International Airport (INIA) in Maldives that illustrates our achievement in overseas commercial ventures.

To continuously acquire accomplishments similar to these, our vision in building a world-class airport business must be consistently supported with creative and innovative initiatives, on maximising revenue from non-aeronautical activities. This, in turn, will allow us to minimise the incremental changes to our aeronautical charges and offer the best value in the region to airlines operating out of our airports.

Currently, Malaysia Airports operates and manages a diverse range of 39 airports, from the global airport hub of KLIA to short take-off and landing ports (STOLports) in the remote parts of Sabah and Sarawak. We view our ability in operating and managing this diversity not merely as a business, but as a national responsibility, and one which we take seriously. Our success in managing our portfolio of airports comes from our ability to garner the profits derived from the commercial activities at our larger and more profitable airports to cross-subsidise our smaller non-profitable community airports, which form 2/3 of our airport network. Our aeronautical charges have remained among the lowest in the world for many years and in 2011 we received approval from the Government for a modest increment in the landing and parking charges as well as in the Passenger Service Charge (PSC) for international travel. Notwithstanding, the PSC for domestic travel has remained unchanged at RM0 at STOLports, RM6 at LCCT, and RM9 at all other airports. That said , as the PSC charge is independent of the development cost of airports, it is critical that Malaysia Airports continues to evolve and expand its non-aeronautical business and initiate more lucrative commercial ventures in order to build upon its business sustainability.

The above is just an overview of what is expanded further in this Annual Report. These significant milestones we saw in 2011 propel us to move forward and to continue the positive momentum with the strong support of our broader business initiatives.

With this in mind and in describing our next phase of progress, our Annual Report for 2011 is themed 'Taking Flight', as I truly believe Malaysia Airports is now ready to take off and soar to even greater heights. As we continue on our journey, we are clearly taking flight towards a highly promising and successful future.

THE BUSINESS LANDSCAPE

At the beginning of 2011, the air travel industry was clouded with a great deal of pessimistic views due to the global economic crisis, escalating oil prices, inflation, political turmoil and natural disasters. Whilst these events had clearly affected some regions more than others, what was consistent was that air travel trend was globally affected. Despite these challenges, Malaysia Airports emerged better than the industry forecast, recording growth and achievements that met our own as well as the Government's expectations. Against forecasts from international organisations such as the International Civil Aviation Organisation (ICAO), the Airports Council International (ACI) and the International Air Transport Association (IATA), Malaysia Airports' overall passenger growth far exceeded the 5%–6.5% average global passenger growth reported for 2011. Moreover, our passenger growth had consistently mirrored our nation's economic performance. The recorded passenger growth of 10.7% is aligned with the year's national GDP growth of 5.1%, which is typically about 1.5 to 2 times a factor of the latter growth.

Malaysia Airports is fortunate to be located in the Asia Pacific region, as this region is able to sustain itself through its own economic activities such as intra-regional trade.Asia Pacific is fast becoming its own economic eco-system, supported by the global growth forecast that is centric to this region. Malaysia's strategic location in the growth area of Asia Pacific region allows us as an airport operator to capitalise on the catchment area of some 400 million people who live within a radius of 2.5 hours flight time from KLIA. Recognising this potential has allowed us to position KLIA as the Next Generation Hub (NGH) and implement this strategic concept which will sustain our goal for traffic growth in the coming years.

This year, Malaysia Airports' international sector has seen an upward trend in growth. The passenger growth was partly attributed to the increased frequencies from existing airlines as well as new operations at some of our airports including at KLIA, Kota Kinabalu International Airport (KKIA), and Penang International Airport (PIA). Among the key new airlines that initiated services at KLIA include Transaero Airlines, the second largest airline from Russia, and Air Koryo from North Korea flying into KLIA, offering direct flights from Moscow and PyongYang respectively. Malaysia Airports also witnessed the return of Lion Air from Indonesia.

This international sector growth was further facilitated by the introduction of Haj flights from Kuala Terengganu Airport, KKIA, PIA and Kuching International Airport. The introduction of these new sectors and new operations is a very positive development for us, as it offers a potential that is not limited only to a higher traffic growth but also from the commercial yield as well. I am pleased to note that, on top of this new development, Malaysia Airports continues to see positive support from its airline partners. The legacy carriers at the Main Terminal Building of KLIA continued to grow in 2011, reversing the negative trend of the years prior to 2010. The overall passenger load factor, representing the average occupancy rate by our airline partners on the routes they offered, remained above 70%.This comes with improvements by some of the large foreign carriers that fly to our airport, namely Etihad, Air India Express, Lufthansa and Saudi Arabian Airlines. Essentially, the high passenger load factor demonstrates a promising and competitive growth trend in international passenger movements for legacy carriers.

Apart from the notable new foreign airlines and introduction of new routes operating from many of our airports nationwide, closer to home we experienced an interesting development in the form of the Comprehensive Collaborative Framework (CCF) initiative between Malaysia Airlines and AirAsia. Whilst the CCF has already resulted in route reconfiguration and closures that impacted some traffic movements at our airports, we have yet to see the full impact from this collaboration.Nevertheless, we are optimistic of a positive outcome from the exercise and the creation of sustainable routes by the two major local airlines. In the unlikely event that the outcome proves to be contrary to our expectations, I believe we will be ready to face the adverse effects with the support of our strong commercial and retail development.

On another similarly challenging situation, the newly upgraded Terminal 1 at KKIA has suffered some loss in opportunity cost as a result of its unoccupied retail spaces. This is due to the supposed move of AirAsia's operations by 1 January 2012 from the current temporary Terminal 2 to Terminal 1 that was upgraded and enhanced to improve passenger safety, capacity, comfort and convenience. In due course, Malaysia Airports will be able to generate a healthy income from the commercial activities at KKIA when Terminal 1 is fully utilised by AirAsia as originally planned.

Conversely, in terms of cargo movements, the sector had recorded a downward trend this year consistent with the global trend in 2011. Malaysia Airports' cargo movements remained weak throughout 2011, declining by 1.8% compared to the year before. Of this, international cargo decreased by 2.6% while domestic cargo recorded a marginal growth of 1.4% compared to 2010. The contraction, albeit marginal, was due to a deteriorating global trade, higher oil prices and continuing shift to marine cargo.

PROGRESSIVE AIRPORT DEVELOPMENTS AND INITIATIVES

Our stakeholders' safety, security, convenience and their overall satisfaction on the services that we provide have always motivated us to benchmark ourselves and progress to the next level of service standards. Malaysia Airports' service standard is not just about customer relations but also involves the entire airport infrastructure with the needs of our stakeholders in mind. These stakeholders include our airline partners, the passengers, as well as our retail and commercial partners. Annually, we develop extensive plans to upgrade and redevelop the infrastructure at our airports. While these plans are executed in stages, the ultimate goal is to provide facilities that not only meet, but exceed global standards and improve our service standard, as well as the service standard of our airline, and retail and commercial partners as well.

klia2

In the last decade, the aviation world witnessed the tremendous development of the low cost air travel industry in Malaysia through the nation's low cost airline, AirAsia. With the current low cost carrier terminal of LCCT-KLIA already reaching its capacity and expansion limit, the exponential traffic growth recorded over the past ten years in low cost air travel in Malaysia called for a facility that could accommodate the anticipated growing passenger and traffic movements. To this end, the construction of klia2 is important to serve this anticipated growth in traffic needs. The underlying principle of klia2 is to develop a terminal which can accommodate up to 45 million passengers annually, and which can meet the operational model of low cost airlines. The need to complete the terminal is one of our top priorities for the year ahead and involves managing the evolving requirements of the relevant stakeholders such as designing the terminal with departure and arrival halls that enable full segregation of passengers in accordance with the Government's requirements.

Malaysia Airports' service standard is not just about customer relations but also involves the entire airport infrastructure with the needs of our stakeholders in mind.

klia2 has become one of the largest privately funded projects in the country and during the course of its development, has played a major role in spurring the growth of the local economy and providing job creation and employment opportunities.

In line with Malaysia Airports' inspiring vision to be a world-class airport business, the Company also anticipates that klia2 will be a focal point in the success of our Next Generation Hub concept. We foresee ultimately a convergence of routes, airlines and interconnectivity in the years to come and so our concept of NGH promises a seamless travel experience for travellers in both full service airlines as well as low cost carriers.

Towards ensuring safety, security and convenience for passengers, the Company envisioned the design for all gates in this new terminal to be equipped with passenger loading bridges. This is integral to our vision of positioning klia2 as a hub that meets and even surpasses world standards.

klia2's superior facility is centred on its ability to provide a passenger-friendly terminal, featuring a vast retail, F&B and services space of up to 35,200 sq metres, a fully automated Baggage Handling System (BHS), a dedicated run away, a new traffic control tower, aero bridges and smooth connectivity to KLIA's Main Terminal Building. It will be a catalyst for innovative new offerings, including an air-ground multi-modal interchange and a suite of airport city facilities. With the work scope that is in accordance to the stakeholders' revised requirements, we expect the terminal to be completed by April 2013.

International and Domestic Airports

In alignment with our strategic actions and initiatives towards achieving our business objectives, we continue with our infrastructure upgrading and redevelopment project at the airports that we operate. In 2011, five more airports, namely Kota Kinabalu International Airport, Penang International Airport, Sultan Ismail Petra Airport in Kota Bharu, Sultan Azlan Shah Airport in Ipoh and Sibu Airport, underwent phases of upgrading and redevelopment.

The Malaysian Government recently announced a RM60 billion fiscal stimulus package, in which RM250 million was allocated for the upgrading of Penang International Airport. This allocation is also a component of the Northern Corridor Economic Region (NCER) blueprint, part of the Government's initiative to boost Penang's economy in terms of trade and by way of attracting more tourist arrivals into the island. Malaysia Airports as the airport operator utilises this allocation to upgrade and redevelop the ageing airport facilities, giving it a new lease of life that also meets current international standards.

In September 2010, the initial phase of redevelopment works at Sibu Airport commenced, where the terminal building will be expanded to almost double its former area. The redevelopment is slated for completion in September 2012. Similarly, Sultan Azlan Shah Airport in Ipoh underwent an infrastructure upgrading exercise with the main focus being on the airside with improvements to the terminal façade. The improvement works for Ipoh Airport are expected to be completed in March 2012.

Progressive Initiatives

As we strive to reach our aspiration to provide world class airports services, it is pertinent that we constantly evaluate the level of performance of airports under our management. The onus is on us to ensure that innovative measures are taken to improve airports that fall below our performance benchmark.

Malaysia Airports, through the Continuous Improvement Management (CIM) programme, had initiated the 'Airport Turnaround' initiative beginning in early 2011. The core objective of this initiative is to facilitate non-profitable airports with high traffic to achieve their potential for improvement. These improvement opportunities will be in terms of cost efficiencies and revenue growth perspectives and implemented using LEAN Management practices. Our airports that were chosen to take part in the initiative were determined based on their financial performance as well as the airports' forecasted EBITDA analysis. The expected outcome of this initiative goes beyond the profit and loss criteria of the airports. It includes strengthening teamwork among cross-functional units, enriching information sharing and the communication culture within and between the staff involved in the programme.

Additionally, in line with our progressive efforts to support traffic growth, and simultaneously support our airline partners, 2011 saw us continuing with the Airline Recovery Programme (ARP). This incentive programme was introduced in 2009 and provides cash incentives to both existing and new airlines operating from our airports and has become a continuous effort by Malaysia Airports in supporting our airline partners. Since its inauguration, new airlines have enjoyed privileges that include waiver of landing fees and free office rental. This programme has successfully complemented our stellar marketing initiatives to attract more airlines to fly into our airport and had resulted in more airlines operating as well as increasing frequencies into and out of our airports – all of which contributed to our passenger growth this year.

In line with Malaysia Airports' inspiring vision to be a world-class airport business, the Company also anticipates that klia2 will be a focal point in the success of our Next Generation Hub concept.

Another future project earmarked in the pipeline for 2012 is the redevelopment of Terminal 2 at Sultan Abdul Aziz Shah Airport in Subang. Our expectation for the redevelopment of Terminal 2 is to provide improved airport facilities and service standards to cater to our passengers and airline partners currently operating at the SkyPark Terminal.

Aerospace Centre Initiatives

As a major player in the local aviation industry, Malaysia Airports is cognisant of our responsibility in helping the nation realise its vision for the aviation and aerospace industry as a whole. Towards meeting this objective, our business strategies include strengthening the nation's infrastructure and capability and developing the nation's aerospace centre in Subang.

Malaysia Airports through Malaysia International Aerospace Centre Sdn Bhd (MIAC), is the front-runner for the development and execution of the Government's National Aerospace Blueprint that was launched in 1997.

Moving forward, MIAC will further enhance its role in creating high value-added industry and high income jobs in the expansion of aerospace centre. Its business strategies will focus on the development of high-value industry segments and niche areas, large spin-off effects and multipliers for the broader economy, strong long-term growth prospects, high-technical expertise and specialised skill sets that are limited in supply while high in demand.

Amongst the services that would be offered are in the area of Facility Management, Product Marketing, Development Consultancy including manufacturer and vendor matching, as well as Financing and Mortgage agent for Aircraft acquisition or sale.

REVOLUTIONISING COMMERCIAL EXPERIENCE

Commercial Services is going to play an increasingly significant role within Malaysia Airports' sphere of operations in the coming years. In order to achieve our long term goal and targets, we cannot rely solely on aeronautical revenues, and thus the need to create commercial demands and increase values and return on investments. We must have our partners on board with us through a symbiotic relationship in our airports' commercial initiatives. With the ever-changing face of the travel industry, Malaysia Airports recognises that an airport is no longer just a transit point for airline passengers and that there exists an opportunity to develop a revolutionised retail experience for the passengers going through our airports. The commercial and retail components undoubtedly contribute in ever increasing ways to an airport's success.

Among the exciting commercial initiatives this past year was the continuation of the 'Indulge Till You Fly' campaign. The campaign can be seen as our effort to reposition airports as lifestyle destinations, and for the first time, Malaysia Airports embraced the advantage of broadcasting media by launching a television advertisement to support the campaign.

Simultaneously, Malaysia Airports embarked on an exciting and new technology platform as part of its strategic commercial plan by becoming the first organisation in Malaysia to employ iButterfly Asia. iButterfly Asia a cutting-edge mobile marketing system using an iPhone and iPad application, for a ground-breaking mobile information and couponing technology that is seen to drive retail and F&B sales at our international airports. iButterfly Asia promises to give the customers a fun and entertaining platform to enjoy the offerings of participating retailers and F&B outlets at the airports. More importantly, iButterfly Asia demonstrates our forward-looking approach in commercial marketing.

Under the Airports Commercial Model (ACM) initiative, the commercial development of airports under our management is classified into four models, namely Lifestyle, Leisure, Community and Corporate Responsibility. Kuching International Airport, Miri Airport and Mulu Airport were the pioneer airports completed under the ACM development programme. Under this initiative, passengers at these airports benefited from the range of choices and convenience offered by the newly opened F&B outlets as well as financial and personal indulgence services, according to the respective airport's passenger profile.In return, the company will be able to generate healthier commercial revenue for the airport. Similarly, we are hoping to see a positive kick-off of the commercial and retail movements in Kota Kinabalu International Airport that underwent facility upgrading and redevelopment recently.

For our flagship klia2 development, we aim to position the new terminal as the ultimate airport-based platform to showcase our revolutionary retail experience through our 'Mall in the Airport, Airport in the Mall' concept, turning the airport as a destination in its own right. By way of this concept, we will be offering a diverse range of shopping and dining experiences to delight any traveller that passes through the terminal as well as to the 'meeters and greeters' and the working and residential populace in the vicinity.

With the projected traffic of 45 million passengers annually, klia2 will not only be commercially viable from the outset but will set a new benchmark in how airports are perceived.

CHAIRMAN'S STATEMENT

OUR OVERSEAS VENTURES

Another milestone was achieved by Malaysia Airports for the year 2011 as we continue to leverage our expertise in operating and managing two more international airports overseas through the company's consultancy arm, Malaysia Airports Consultancy Services (MACS). MACS had successfully entered into two strategic partnerships with the GMR Group and Nagamas Enterprise (HK) Limited (NEL) for the rights to operate and manage the Ibrahim Nasir International Airport (INIA) in Maldives and the Yongzhou Lingling Airport (Lingling) in China, respectively. These joint ventures further reflect Malaysia Airports' ability in spreading its wing in the international aviation industry beyond Malaysia shores.

Upon the completion of INIA's new terminal in 2014, through a special purpose vehicle company formed by Malaysia Airports with the GMR Group, our strategic partnership aims to develop INIA into a world-class airport. Our goal is not only to build world-class infrastructure but also to provide excellent service, catering to the needs of the multitude of passengers coming in from around the world through INIA as it will serve as the main gateway into Maldives. INIA will be the face of Maldives for all tourists touching down at the airport as Maldives is one of the world's outstanding, famous and thriving travel destinations where the airport is well connected with major airports around the world.

MACS has a very good track record managing the quality of service at KLIA, positioning it as one of the best airports in the world in the 25–40 million passenger category. In its goal to add value, MACS has expanded its expertise in facilitating the Airport Service Quality (ASQ) Benchmarking Programme to INIA in 2012. Malaysia Airports' scope through this joint venture not only focuses on airport operation and management but also extends to human capital services to GMR Malè International Airport Private Limited (GMIAL).

To this end, MACS conducted a three and a half months training in Basic Airport Rescue and Fire Fighting (ARFF) course for 20 of their personnel. The training program, which is in accordance with the ICAO standards and guidelines, had been specifically developed to provide strong fundamentals in aircraft rescue and fire fighting for both aircraft emergencies and building fires at the airport.

Through MACS, Malaysia Airports will be able to tap potential business opportunities around the world that include airports in the Islamic Republic of Iran, Philippines and Qatar.

Not only do these joint ventures further reflect Malaysia Airports' increasing confidence in our ability to provide first class services outside of our home territory, but also indicate our growing stature as an airport operator and manager on the international stage. Our hope is that this kind of partnership will continue to be the bedrock of a longer and endearing future collaboration between all parties involved.

FUTURE OUTLOOK

The aviation industry may be headed for another year of stagnations, and with declining business confidence it will be difficult to see the potential for significant profitable growth. An upsurge in the world's oil price is expected, in much the same way as it was in 2011. Apart from a possible increase in fuel price to levels above USD100 per barrel, economic uncertainties in Europe and USA continue to be of concern. The volatile situation in some Middle East and African countries and the nuclear stand-off with Iran could pose a threat to the oil price and, as a result, the aviation sector.

Nevertheless, airlines in the Asia Pacific region may be able to achieve profits similar to those they achieved in 2011 on the back of some rebound in cargo markets and economic growth that is relatively stronger than that of other regions globally. In general, 2012 promises continuous growth for the aviation industry from the emerging markets in China, India, Middle East and Asia Pacific region. This gives an encouraging outlook for Malaysia as there will be a potentially high increase in travel demands facilitated by full service and low cost carriers.

For 2012, Malaysia Airports has projected passenger movements to grow by 6.6% based on indicative 5% to 6% GDP growth in Malaysia. In January 2012, IMF revised downward the global economic growth for 2012 from 4.0% to 3.3%, and there were also downward GDP forecasts for Malaysia by Malaysian Institute of Economic Research (MIER) and local analysts to a level below 5%. Another future challenge that Malaysia Airports may face in 2012 is the Comprehensive Collaborative Framework (CCF) initiative between Malaysia Airlines and AirAsia. The CCF to date indicates possible reduction of capacity, which could have some negative impact on traffic growth. However, it could turn positive depending on how the capacity is distributed and how Malaysia Airlines' membership to the One World Alliance takes shape, where it will be able to gain access to the alliance's vast global network.

In view of the potentially challenging outlook for the country, strategic initiatives have been put in place for Malaysia Airports to promote the continuous traffic growth in our airports.

In view of the potentially challenging outlook for the country, strategic initiatives have been put in place for Malaysia Airports to promote the continuous traffic growth in our airports. A higher traffic growth will see a higher number of potential customers coming in to our airports, which in turn can only be good news for our commercial development strategies. Noteworthy is the fact that Malaysia Airports had in FY2011 exceeded expectations, where our passenger demand was stronger than predicted as evidenced by the registered passenger growth at our airports. By the same token, our financial performance in FY2011 was more positive and robust than forecasted.

One of the cornerstone components that will boost Malaysia Airports' financial performance in the years to come is klia2. This new purpose-built terminal designed to service Malaysia's low cost carrier, AirAsia, has tremendous business potential from the onset and Malaysia Airports will continue to support it with a number of strategic approaches, geared towards maximising that potential. Malaysia Airports earmarked klia2 as the change platform and has conducted extensive market researches to determine the right products and brands for retail offerings, and to develop a plan to position klia2 as a commercially driven terminal.

With these in mind, we remain optimistic with regard to our prediction for the year 2012.

CORPORATE SUSTAINABILITY

As part of our good corporate governance practices, Malaysia Airports has a very strong Corporate Sustainability policy embedded into all our business operations to create sustained stakeholder value. The four pillars of Corporate Sustainability, namely Workplace, Marketplace, Community and Environment are infused in various corporate and community activities in Malaysia Airports. The policy also identifies eight key areas, which guide decision-making, communication, planning and leadership roles that we need to consider in all areas of our operations, in order to become a sustainable company. Apart from producing a comprehensive annual report at the end of each financial year, since 2009 we have also provided our stakeholders with a sustainability report. This report enables stakeholders to have a wider perspective of the company's business operations and is written in conformance to the Global Reporting Initiative (GRI) framework, which is the most widely recognised sustainability reporting framework in the world.

This year, Malaysia Airports continued to take proactive steps in support of the global movement that upholds the effort to create sustainable environment, especially in the aviation industry. The Company is proud to be a signatory of the Aviation Industry Commitment to Action on Climate Change, a multi-stakeholder declaration to create a pathway to carbon-neutral growth and a carbon-free future. In addition to that, Malaysia Airports also contributes to the National Green Technology and Climate Change Council (GTCCC) in the Transportation Sector as a working group member. Malaysia Airports' participation in these alliances is part of our pledge to provide a sustainable business environment for our business stakeholders and the nation's air transport industry specifically, as well as the industry and its stakeholders generally.

On a local front, as part of our stakeholder engagement efforts, Malaysia Airports participated in the 2011 GLC Open Day, an event that showcased various Government-linked Investment Companies (GLICs) and Government-linked Companies (GLCs) playing their part in the

development of the Malaysian economy. The event aimed to create awareness and increase the understanding of the public on the unique roles played by the various GLCs within the community. During the expo, Malaysia Airports also offered employment opportunities for visitors. Meanwhile, as our internal stakeholder engagement initiative, Malaysia Airports once again hosted the annual Concessionaires Conference in our bid to take the existing partnership with our concessionaires to a new level as we prepare for new and expanded commercial opportunities at klia2. This event was organised in the effort to understand the synergy that needed to be created between us and our partners in commercial services.

At Malaysia Airports, human capital is regarded as essential to ensure our business operation continues smoothly with highly competent staff to manage our world-class airports. As employees are Malaysia Airports' greatest asset, we have invested extensively in staff development and in the wellbeing of staff, whereby in 2011 alone, 4,500 staff were put through workshops, conferences, and educational programmes such as the

We continue to effectively create a sustainable business operations that has become part and parcel of our working culture.

Career Development and Corporate Diploma with UiTM under the Malaysian Institute of Transportation (MITRANS) unit, the Airport Management Professional Accreditation Programme (AMPAP) and the Airport Executive Leadership Programme, to name but a few. We also contributed to the nation's human capital development by participating in related programmes initiated by the Government. One of the programmes initiated by the Government of Malaysia is Skim Latihan 1Malaysia or known as SL1M, an initiative to alleviate unemployment rate amongst graduates. Malaysia Airports contributes to this initiative by developing SL1M-MAHB training scheme to improve graduate marketability and employability.

In relation to further improve our internal stakeholders' engagement, particularly with our employees, Malaysia Airports always looks for ways to nurture a constructive two-way communication. We continue to effectively create a sustainable business operations that has become part and parcel of our working culture. Pursuing in Collective Agreement is one of our efforts to maintain a positive and mutually beneficial working condition within the organisation. Our recent successful negotiation between Management and the workforce resulted in the signing of Collective Agreement 6 (CA6), which benefited 6,772 staff effective 1 January 2011. Moreover, the conclusion of CA6 agreement is a testimony of Malaysia Airports' compliance towards the Malaysian Employment Act and statutory requirements.

The above are some of the highlights of Malaysia Airports Corporate Sustainability events in FY2011. A more detailed account on our Corporate Sustainability activities is provided in a subsequent section of this Annual Report and our third Sustainability Report which will be released later this year.

AWARDS AND ACCOLADES

Diligent and best practices in good corporate governance by Malaysia Airports have led to it being awarded a Distinction A+ Award for the annual Malaysian Corporate Governance Index 2011 by the Minority Shareholder Watchdog Group (MSWG). In brief, the annual Malaysian Corporate Governance (MCG) Index was inaugurated to gauge the level of corporate governance of PLCs in Malaysia. Malaysia Airports was rated on many different levels including its compliance with corporate governance best practices, quality of disclosures, financial sustainability and corporate responsibility efforts. We were also the only company to receive the Special Mention Award as a company with 30% women on its Board of Directors.

Malaysia Airports also received the Practice Solution Award of the National Award for Management Accounting (NAfMA) 2011 in the Public Listed Company category. We received this award for our effort in adopting best practices in our management accounting and creating value that leads to business excellence.

This year we were also honoured by the Asia Responsible Entrepreneurship Awards (AREA) for South East Asia under the Environmental category by winning the Green Leadership Award. AREA is a world-class award recognising and honouring Asian enterprises that champion sustainable entrepreneurship development.

One of our operational objectives is to maintain top quality service levels by benchmarking our operations against the best airports worldwide. To this end, KLIA was ranked 9th in Skytrax World's Top Airports, while the immigration service in KLIA was also awarded the World's Best Airport Immigration Service Award by the Skytrax World Airport Awards. The World Airport Awards serve as acknowledgement of product and service quality across the global airport industry, assessing front-line customer service and general airport customer facilities.

Another accolade that we are proud to receive once again for our consistent performance in the key areas of environmental and social performance impact is the global certification of EarthCheck Benchmarked Airport for KLIA. All these accolades are proof of Malaysia Airports' unwavering commitment towards providing the highest standards of services and facilities to our stakeholders. It also underscores our integrity, commitment and dedication towards conducting a sustainable business operation. To top it all, this year, Pan Pacific Kuala Lumpur International Airport (PPKLIA) won the 2011 Global Luxury Airport Hotel in the World Luxury Hotel Awards. PPKLIA also won the BrandLaureate Awards 2010–2011 in the Best Brands in Airport Hotel category.

I hope that these recognitions will continue to motivate us to constantly improve ourselves whilst remaining committed to our business philosophy.

BOARD ACTIVITIES

Our endeavour to achieve the Group's year to year business objectives stems from the best practices in our business operations and through good corporate governance. We practise the highest standards of business integrity, ethics, accountability and professionalism across the Group's activities. The Board of Directors' best practices are firmly guided by the Board Charter and the Director's Code of Ethics. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure high ethical standards are applied at all times.

The composition and balance of distinctive and highly skilled as well as experienced individuals is the key to our Group's excellent management success. Currently, the board comprises three Independent Non-Executive Directors, five Non-Independent Non-Executive Directors and a Managing Director.

This year Malaysia Airports' Board composition saw several changes. Two of the Board's Non-Independent Non-Executive Directors resigned; namely Puan Dayang Sadiah binti Abang Bohan and Encik Ahmad Jauhari bin Yahya, and the cessation of Puan Nik Roslini binti Raja Ismail's services who acted as the Alternate Director to Puan Dayang Sadiah. We would like to extend our utmost appreciation for the contributions made by them during their tenure as directors in Malaysia Airports' Board.

In July 2011, the Board welcomed Puan Eshah binti Meor Sulaiman as a Non-Independent Non-Executive Director and Puan Norazura binti Tadzim as the Alternate Director. Effective from 4th July 2011, Puan Eshah is part of the Board Procurement Committee and the Board Nomination and Remuneration Committee of Malaysia Airports. Puan Eshah's appointment to the Board will see the Group benefiting from her broad experience and knowledge in finance, economic planning, procurement as well as investment.

APPRECIATION

My sincere appreciation goes to all the employees and management team of Malaysia Airports, whose dedication, sacrifice and steadfast adherence to the Company's shared values were instrumental to this year's achievements. Thank you for ensuring the continued momentum of our business goals which in turn enabled us to continue to generate healthy numbers. I always believe that the excellent work ethics, positive attitude, unrelenting dedication and professionalism of our people are the essence to our continuous progress towards achieving the published headline KPIs. I would also like to take this opportunity to commend the efforts of our Board members in ensuring that we remain true to our Company's vision and mission, and enabling us to embark on the various aspects of our business journey with much resultant success.

I thank our external stakeholders who have been with us on this journey this past year, as our vendors, suppliers or business partners. Malaysia Airports is fortunate to have such partners who are of one mind with us and who help us to mutually grow our partnership. I extend our deepest appreciation to you, our shareholders, whose strong support and confidence have enabled us to move forward and ahead of the challenges we faced in FY2011. Constantly delivering commendable and remarkable results each financial year is one of the ways that Malaysia Airports show our gratitude towards the loyal shareholders standing by us. Our success also depends on the cooperation and understanding of various Government ministries. We owe our gratitude to the Government of Malaysia in general, particularly to the Ministry of Transport, Ministry of Finance, and Khazanah Nasional. Various government transformation programmes guided and supported us in our path to profitable growth. On top of this, I thank all the passengers that have passed through our airports nationwide, for their continuous support to our business operations.

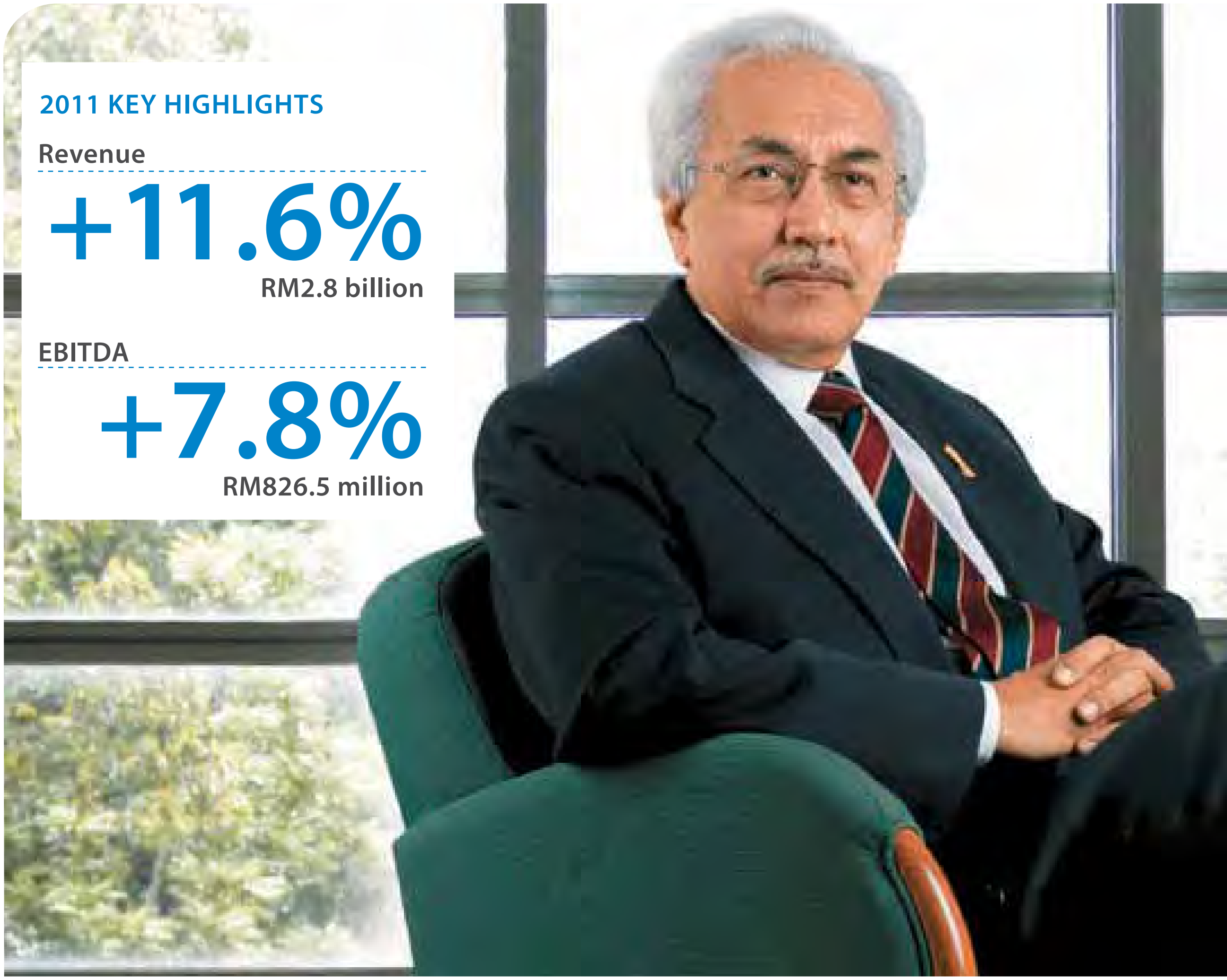
Thank you.

TAN SRI DATUK DR. ARIS BIN OTHMAN
Chairman

From Ground Up

We are driven by the needs of our customers and we will deliver an end-to-end experience that revolves around comfort and convenience. To meet the needs and interests of passengers, our airports are continuously being upgraded with modern infrastructure and facilities to cater for growing capacity.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS



2011 KEY HIGHLIGHTS

Revenue

+11.6%

RM2.8 billion

EBITDA

+7.8%

RM826.5 million

HIGHLIGHTS OF FINANCIAL YEAR 2011

- Malaysia Airports recorded revenues of RM2,754.8 million in FY2011, representing a growth of 11.6% compared to the RM2,468.0 million recorded in FY2010.
- EBITDA (Earnings before interest, tax, depreciation and amortisation) grew 7.8% to RM826.5 million, from RM766.6 million in FY2010.
- PBT (Profit before tax and zakat) stood at RM574.1 million, representing an increase of 20.9% compared to the RM475.0 million registered in FY2010.
- Achieved Return on Equity (ROE) of 11.70% for FY2011, surpassing the headline KPI target of 10.73%.
- Overall passenger volume growth recorded 10.7%, reaching 64.01 million passengers for all 39 airports.
- For the second consecutive year, KLIA immigration service won the Skytrax 2011 World Airport Awards of World's Best Airport Immigration Service, acknowledging the flagship airport's immigration service excellence.

DESPITE THESE GREATLY TUMULTUOUS CHALLENGES FOR THE AVIATION INDUSTRY WORLDWIDE, MALAYSIA AIRPORTS REMAINED STEADY AS WE, YET AGAIN, RECORDED A PROFITABLE YEAR FOR 2011.

TAN SRI BASHIR AHMAD BIN ABDUL MAJID
Managing Director

- Malaysia Airports received the Green Leadership Award of the Asia Responsible Entrepreneurship Awards 2011 for South East Asia region in recognition of its corporate effort championing sustainable and responsible entrepreneurship.
- Malaysia Airports received the Highly Commended Corporate Sukuk award for Malaysia Airports Capital's RM1 billion Islamic medium-term notes by The Asset Triple A Awards 2011 for Islamic Finance.
- Pan Pacific Kuala Lumpur International Airport won the 2011 Global Luxury Airport Hotel in the World Luxury Hotel Awards and the BrandLaureate Awards 2010–2011 in the Best Brands in Airport Hotel category.
- Expansion and upgrades to Kota Kinabalu International Airport, Penang International Airport, Sultan Azlan Shah Airport in Ipoh, Sultan Ismail Petra Airport in Kota Bharu and Sibu Airport.
- Malaysia Airports unveiled the klia2 retail brand proposition, which intend to create an exciting retail adventure that embodies a new and dynamic era of excellent commercial services in the airport with robust offerings, future-oriented facilities and unforgettable experiences.

- Ground breaking of Ibrahim Nasir International Airport (INIA), formerly known as Malé International Airport in Maldives after the successful bid to build, operate, modernise and expand the airport through a consortium by Malaysia Airports and GMR Group of India.

- Malaysia Airports welcomed Air Koryo, Lion Air, Transaero Airlines, Kalstar Aviation, Sky Aviation and Finnair.

- The continuance of Malaysia Airports' Airline Recovery Programme (ARP) that accords all new airlines with a waiver of landing charges and a productivity-driven reward scheme to ensure the sustainability of airlines' existing operations in Malaysia and also to attract more airlines to commence operations into Malaysia.

In 2011, the world continued to witness an uncertain global economy, where some regions are more negatively affected than others. The common factor that affected the global aviation industry, such as the strong headwinds of high oil prices, remains the key challenge in the industry this year on top of other unexpected factors such as natural calamities that impacted North Asia and Oceania, as well as the European debt crisis. Despite these greatly tumultuous challenges for the aviation industry worldwide, Malaysia Airports remained steady as we, yet again, recorded a profitable year for 2011.

OUR FINANCIAL PERFORMANCE

This year's commendable results were accomplished on the back of a very challenging global aviation industry. Malaysia Airports recorded revenues of RM2,754.8 million for the financial year ended 31 December 2011 (FY2011), representing a growth of 11.6% compared to the RM2,468.0 million recorded in the financial year ended 2010 (FY2010). Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 7.8% to RM826.5 million, from RM766.6 million in FY2010. Profit before tax and zakat (PBT) stood at RM574.1 million, representing an increase of 20.9% compared to the RM475.0 million registered in FY2010.

In line with the adoption of IC Interpretation 12: Service Concession Arrangements (IC 12) effective 1 January 2011, Malaysia Airports recognises the construction revenues and costs in accordance with FRS 111: Construction Contracts by reference to the stage of completion of the construction works at klia2 and Penang International Airport, which are public sector infrastructure assets and services currently being undertaken by Malaysia Airports. In FY2011 and FY2010, Malaysia Airports recognised the construction revenues in relation to the aforesaid projects amounting to RM820.5 million and RM655.1 million respectively.

Stripping out the effects of IC 12, revenues for FY2011 was RM1,934.3 million, which was 6.7% higher than the RM1,812.9 million registered in FY2010. PBT for FY2011 was RM535.9 million, which was 20.3% higher than the RM445.5 million registered in FY2010.


Daftar Masuk
Check-in
登机手续
Maklumat
Information
资讯 案内所
Anjung Tinjau
Viewing Gallery
了望走廊
Bilik Solat
Prayer Room
祈祷室 礼拜室

The increases in operating revenues are mainly due to stronger results from the airport operations segment, driven by strong air travel demand. Excluding the IC 12 effects, revenues generated by our airport operations segment improved by 6.7%, to RM1,786.7 million. Aeronautical revenues improved by 2.3%, as the impact of the stronger passenger numbers was negated by the accrual of Airline Incentives in FY2011 amounting to RM91.8 million as compared to RM31.1 million accrued in FY2010. The airline incentives were granted to eligible airlines under the Airlines Recovery Program (ARP) announced on 18 November 2009 and effective for a period of three years ending 31 December 2011. The strong PBT growth for FY2011 was a result of lower interest on borrowings due to the settlement of short term borrowings at the end of 2010, higher dividend received from investment in unquoted shares, lower share of associate losses, as well as Malaysia Airports Group's cost saving initiatives resulting in lower professional fees, utilities and communication expenses.

Besides the aeronautical operations' positive growth, non-aeronautical segment's revenues for FY2011 also registered a growth of 11.3% to RM897.8 million. The positive variance was attributed by the higher income of retail segment, as well as the higher rental revenues from retail and F&B outlets, and airport parking. Malaysia Airports' own retail business grew by 15.2%, ahead of overall passenger traffic growth of 10.7%, to RM474.6 million in FY2011. This was due to an increase in passenger volume and higher retail spending per passenger. Revenues from rental of space, advertising and other commercial segments also grew by 7.2%, to RM423.2 million, contributed mainly by the addition of new tenants and upward revision of rental to some retail tenants effective December 2010, higher tenant occupancy rate in 2011 and increased car park revenue from higher passenger movements and larger number of airport visitors. The strong performance in the retail business was as a result of a double digit passenger growth, in particular from Low Cost Carrier Terminal (LCCT) that had enabled continuous increase in the volume of retail business. The revenues generated by both emporiums at LCCT in YTD December 2011 amounted to RM208.6 million and represents 43.8% of total retail revenue.

Likewise, the non-airport operations segment revenues of RM147.6 million in FY2011 had also contributed positively to the increase in total revenue, with a growth of 7.3% from RM137.6 million recorded in FY2010. This is mainly driven by the hotel and agriculture and horticulture segments. The overall hotel segment recorded a growth of 17.3% or RM10.9 million in revenue to RM73.8 million due to higher room rate, occupancy rate and F&B income. The favourable variance recorded by the hotel segment was attributed to the higher average room rate by 9%, which had increased to RM347.20 from RM318.90 in 2010. This is buoyed by the positive performance of the meeting, discount, wholesale and crew segments. Included in the hotel revenue was guaranteed room revenue arising from Malaysia Airlines – System Transit Passenger Coupon (STPC) contract. The segment had secured a contract to supply food to MAS Golden Lounge effective 1st April 2011, which contributed to an increase in revenue of RM750 thousand per month. Pan Pacific Hotel Kuala Lumpur International Airport, particularly, are already forecasting a 63.1 occupancy rate for 2012 in lieu of its renovation plan that will commence by end of March 2012 and expecting a revenue turnover of RM76.1 million for FY2012. This forecast is seen as another positive outlook in contributing to the non-airport segment's revenues. The increase in agriculture and horticulture revenue by MAB Agriculture-Horticulture Sdn. Bhd. (MAAH) was mainly due to a much higher price attained for fresh fruit bunches (FFB) per tonne despite lower production volume for the period. The FFB price was determined by the price of Crude Palm Oil (CPO) traded in the market. The reduction in the total crop harvested was due to a total of 1,721 hectares of land surrendered for the construction of klia2 and other land development initiatives to date.

Meanwhile, the project and repair maintenance segment recorded a decline of 34.3% to RM18.4 million in FY2011, mainly due to lower number of projects secured and some reversal of management fees.

As an airport operator, Malaysia Airports has been enjoying steady and continuous growth of passenger throughput at our airports, contributed by the growth of both the full service and low cost carriers.

TRAFFIC GROWTH

Despite the ongoing global economic crisis, particularly the Eurozone sovereign debt issue, the political upheavals in North Africa and Middle East, and natural disasters in Japan and New Zealand, the travel and tourism industry remained robust for Malaysia. As an airport operator, Malaysia Airports has been enjoying steady and continuous growth of passenger throughput at our airports, contributed by the growth of both the full service and low cost carriers.

Malaysia Airports' Marketing Division has supported the Next Generation Hub concept with stellar strategies such as dynamic marketing collaboration with various relevant industry players and by boosting our marketing capabilities to achieve the targeted traffic growth by the year 2014. Among the dynamic marketing collaboration includes maintaining the synergies we have created over the years with two Malaysia's strong airlines, Malaysia Airlines and AirAsia.

Passenger Movements

The year 2011 saw Malaysia Airports recording another positive growth of passenger and aircraft movements. The overall passenger movements were recorded at 64.01 million, an increase of 10.7% compared to passenger movement in FY2010. The international sector grew 10.3% to 30.87 million passengers and domestic grew 11.1% to 33.13 million passengers. We had successfully surpassed our target for overall passenger movements in the Company's 5-year business direction goal in traffic growth.

The growth was mainly contributed from the introduction of new routes and additional frequencies by airlines. Domestically, the growth was contributed by new routes and additional frequencies from Firefly, AirAsia and Malaysia Airlines, as well as their competitive price offerings that attracted more passengers to travel by air.

Aircraft Movements

Aircraft movements also have shown an improvement from the previous year, where it grew by 9.3% to 632,136 total movement of commercial aircrafts flying in and out of our airports in FY2011. In international sector, the commercial aircraft movements recorded a higher growth of 10.2% to 277,514 aircraft movements compared to the domestic sector growth of 8.9% to 404,622 aircraft movements. The increase was mainly due to introduction of new routes by budget airlines, additional routes and frequencies by other foreign carriers, and resumed flight operations to Sultan Azlan Shah Airport in Ipoh by Firefly.

The significant improvement through the year reflects the firm passenger demand in the aviation industry led by restoration of consumer sentiments. The higher passenger growth recorded this year had enabled us to maintain the positive momentum established in the preceeding year.

Cargo Movement

Cargo movements on the other hand recorded a downward trend. For the FY2011, Malaysia Airports' cargo movement contracted by 2.0% overall, with a decrease of 2.6% in international cargo movements. Meanwhile, domestic cargo movements recorded a growth of 1.6% compared to FY2010. Overall, air freight was affected by poorer economic conditions in Europe and North America apart from higher fuel prices and competition from excess capacity and cheaper marine transport. The declining result of cargo movements in general was due to a deteriorating global trade.

SERVICE EXCELLENCE

For the second consecutive year, KLIA immigration service was recognised by the Skytrax 2011 World Airport Awards, winning the World's Best Airport Immigration Service Award. Moreover, KLIA maintained its ranking in Skytrax world's top airports at the 9th place in 2011. These recognitions spell in no small measure of Malaysia Airports' commitment towards providing a world-class service standard to the passengers in KLIA. Nevertheless, it is vital that we stay ahead of the curve, constantly checking our standard against the global benchmark by keeping up with the myriads of customer demands.

Some of the several dynamic service excellence strategies we implemented are by leveraging our technology advancements and best practices to maximise operational efficiencies. The organisation's IT division under Malaysia Airports Technologies Sdn. Bhd. (MA Tech) carried out the upgrading of the Baggage Handling System (BHS) IT Application as part of the strategies. The upgrading is seen as an improvement of efficiency level and process overall. The BHS in KLIA was deployed in 1997 and has been operating for 13 years from the first day of the airport's operation. BHS is recognised as one of the critical components in KLIA's Airport Operation; to ensure baggage flow from check-in to the make-up chute and from breakdown to arrival carousel. The BHS is dependent on IT for planning, operations and monitoring. The upgrading resulted with improvements in baggage tracking, interfaces between IT and mechanical components, yielding better services to the passengers and airlines.

OPERATIONAL EFFECTIVENESS

Airport Turnaround Initiative

In early 2011, Malaysia Airports Sdn. Bhd. with Continuous Improvement Management (CIM) of Transformation Management Office has embarked on the initiative of 'Airport Turnaround'. This initiative was introduced to improve the low yields in terms of financial and productivity for certain respective airports as compared to the rest of other airports within Malaysia through effective management practices. The focus was given to six respective airports as a result of financial analysis and certain rigid criteria, which listed the most non-profitable airports with high revenue that has potential and opportunities for improvement from cost and revenue perspectives using LEAN Management. The selection criteria are based on financial performance and analysis of its forecasted EBITDA for FY2011. The airports involved in the turnaround programme were Sultan Mahmud Airport in Kuala Terengganu, Sultan Ahmad Shah Airport in Kuantan, Sultan Abdul Halim Airport in Alor Setar, Bintulu Airport, Tawau Airport and Sandakan Airport.

This initiative has given an opportunity for the respective airport managers and their teams to self-identify the waste from LEAN perspective, which outlined opportunities for cost reduction from the staff cost, repair and maintenance cost, and utility cost segments. The airports and CIM teams also looked into the opportunities in revenue enhancement of the respective airports. Apart from the positive impact on profit and loss, this initiative is seen to strengthen the teamwork across the Company.

A Cross Functional Team (CFT) was established, consisting of headquarter's (HQ) key personnel from Continuous Improvement Management of Transformation Management Office, Operations, Engineering, Commercial, AFRS, AVSEC, Land Development and Marketing. Its main role is to facilitate brainstorming of ideas and '*Gemba*' activities (observing actual processes on location), identifying opportunities for improvement on Aeronautical and Non-Aeronautical segments using the LEAN Management concept. It involves the main cost centre, which are Manpower Planning, Repair and Maintenance, and Utilities and Services, whilst the profit centre areas are Land and Commercial in line with the respective Airport Commercial Model.

Meanwhile, Malaysia Airports (Sepang) Sdn. Bhd. (MA (Sepang)) continues to register 96 improvement projects with the focus on improvement for efficiency, productivity, safety, cost saving and customer service. World-Class Maintenance team has collaborated with LEAN Management to strengthen the improvement methodology. The Company has gained benefit through process re-engineering, product innovation and providing creative solution to meet customer satisfaction. Moving forward, the involvement from airlines, ground handlers, contractors and government agencies in LEAN Improvement events related to customer experience at the airports had certainly contributed to improvement in work culture.

AERONAUTICAL DEVELOPMENT

Routes Development

Consistent with Malaysia's strategic location at the heart of Asia, the Next Generation Hub (NGH) strategies will reinforce KLIA's position to become the epicentre for intra-ASEAN travel and can facilitate intercontinental travel for both the full-service and low cost carriers. As for the other regional airports, efforts have been made and new strategies have been developed, and synergies between Malaysia Airports and other stakeholders have been created to promote the other airports as an ultimate destination on its own merit. A destination marketing campaign to further promote the other four international airports was launched in September by introducing the destinations with its own distinct appeal i.e. Langkawi – a mystical destination; Penang – the living heritage; Kuching – the thrill of adventure and Kota Kinabalu – the power of nature.

Various marketing initiatives were also carried out by the Marketing Division in pursuing new airlines to consider operating and existing airlines to expand their current services at our airports. These initiatives include conducting regular visits to the Marketing and Planning Departments of airlines, offering information sharing activity pertaining to market data as well as providing market proposals that include route analysis to the airlines Airlink section in KL Lifestyle magazine, we provide the avenue to airlines to showcase their promotional packages or any developmental news and updates. Marketing Division also actively participates in major international aviation forums in promoting the airports to airlines worldwide.

As part of Malaysia Airports' strategy to continuously remain competitive in the region, our aeronautical charges have been kept low compared to other airports in the region. Additionally, an attractive incentive package for all airlines that benefits all types of carriers are in place. Malaysia Airports' Airline Recovery Programme introduced in 2009 that accords all new airlines not only with a waiver of landing charges but also a productivity-driven reward scheme has been well received by the airlines. Such incentives will ensure the sustainability of these airlines' existing operations in Malaysia and also to attract more airlines to commence operations into Malaysia.

The highly touted feature that will be offered upon the completion of klia2 over other airports in the world is the seamless connectivity between full service and low cost airlines, where passengers will be able to enjoy a hassle-free travelling experience through the proximity and ease of connectivity between KLIA and klia2.

We welcomed six new airlines to fly into Malaysia with three airlines providing direct flight to and from KLIA in 2011. Malaysia Airports welcomed Air Koryo, Lion Air, Transaero Airlines, Kalstar Aviation, Sky Aviation and Finnair to KLIA as well as at other airports. Air Koryo is North Korea's national carrier, offering direct flights Pyongyang – KLIA route and vice versa. Lion Air, the largest private carrier in Indonesia, commenced its operation to KLIA offering daily flights on the Jakarta – Kuala Lumpur and vice versa route, and utilising its brand new Boeing 737-900ER fleet. Another airline welcomed by KLIA is Transaero Airlines, Russia's second largest airline. Transaero, the sole airline from Russia to fly to Kuala Lumpur with Boeing 763 aircraft, made its maiden landing at KLIA on 31st December 2011.

Apart from KLIA, three other domestic and international airports also welcomed new airlines and new routes this year. Kuching International Airport welcomed Kalstar Aviation from Indonesia with scheduled daily flight for the Jakarta – Pontianak – Kuching and vice versa route using Boeing 737-300 aircraft. Langkawi International Airport welcomed charter flights from Finnair flying Helsinki – Langkawi vice versa route and Melaka Airport welcomed Sky Aviation from Indonesia offering flights to and from Pekanbaru to its runway.

klia2 – A Global Benchmark

Malaysia Airports' vision for klia2 is to position it as the largest terminal for low cost carriers (LCC) in the world, where it will become a global benchmark for future terminals of its kind. The highly touted feature that will be offered upon the completion of klia2 over other airports in the world is the seamless connectivity between full service and low cost airlines where passengers will be able to enjoy a hassle-free travelling experience through the proximity and ease of connectivity between KLIA and klia2. Essentially, the Next Generation Hub concept will be positioned in line with the seamless connectivity feature, where Malaysia Airports will capitalise on Malaysia's strategic location as the growth area of the Asia Pacific Region. There is a high potential catchment area of 400 million people who live within a radius of 2.5 hours flight time to KLIA and the future klia2. klia2 is expected to be operational by April 2013 to accommodate the passenger growth that was forecasted by AirAsia, the low cost carrier that will be servicing the airport upon its completion.

klia2 is designed with flexibility in mind to allow expandability for future growth trends and operational models of airlines. Its robustness will no doubt be able to accommodate the ever-evolving and dynamic global aviation industry. This multi-story terminal building has a gross floor area of 257,845 sq. metres, and will feature a main terminal building and a satellite building with a 'Skybridge' linking them together. Some 35,200 sq. metres of the terminal is dedicated for retail, F&B and services spaces that will have a multitude of offerings for the benefit of both the passengers and visitors. klia2 is set to revolutionise the airport shopping experience. With these world-class features, klia2 will be the largest purpose-built terminal for low cost travel in the world with a capacity of up to 45 million passengers per annum, to cater for future growth in the low cost carrier market.

In addition to that, the terminal will adopt an integrated transportation model for a seamless travelling experience and klia2 will provide multi-modal transportation facilities such as the ERL, busses and taxis, acting as a transportation hub, not only for the convenience of passengers but also the surrounding community. The design of klia2 would allow for operational efficiency for airlines, increased passenger comfort, maximisation of commercial revenue and flexibility to cater for future operations. The design of klia2 has taken into account inputs from all potential airlines in order to achieve excellent operational efficiency.

Airports Development

On a similar note, five more airports under Malaysia Airports' management underwent redevelopment and infrastructure upgrading to accommodate both the increasing passenger growth and elevating the airport infrastructure standard to a higher level. These airports are Kota Kinabalu International Airport, Penang International Airport, Sultan Ismail Petra Airport in Kota Bharu, Sultan Azlan Shah Airport in Ipoh and Sibu Airport.

Kota Kinabalu International Airport

The redevelopment of Kota Kinabalu International Airport (KKIA) consists of the redevelopment of its terminal building, landside infrastructure and facilities, airside infrastructure, and an Air Traffic Control Tower. The main terminal building and landside infrastructure redevelopment was completed in March 2010, where it can accommodate up to 9 million passengers per annum. In this redevelopment plan, the airport will see an expansion that doubles the current terminal size from 40,611 sq. metres to 103,956 sq. metres. Meanwhile, also in the current progress, the runway will be extended to cater up to unrestricted Boeing 747 aircraft and there will be additional aircraft parking capacity. All these are expected to be completed by second quarter of 2012.

Penang International Airport

Penang International Airport is also undergoing the expansion of its terminal building and the related facilities are being upgraded to meet the forecast passenger demand. Penang International Airport expansion is part of the RM60 billion fiscal stimulus packages announced by the Government, which would boost Penang's economy with the attraction of more tourists into the island. The expansion is also a component of the Northern Corridor Economic Region (NCER) blueprint.

The expansion of the airport's facilities would be carried out in 3 Packages and would include extension of the Domestic wing as well as the Departure kerbside. The Departure and Arrival corridor would also be expanded to allow for proper segregation between International and Domestic passengers. With the extension, the current terminal footprint of 27,526 sq. metres would be increased by more than 80% to 51,543 sq. metres.

The upgrading project also includes a main terminal façade improvement, installation of in-line baggage screening system and the upgrading of airside and landside facilities. The upgrading of landside facilities would include a multi-storey car park to cater for 2,000 parking lots, whereas the upgrading of airside facilities would involve new aircraft parking stands, new turboprop and helicopter apron. The upgrading of infrastructure is instrumental to improve capacity and replace the ageing facilities. This ongoing upgrading project is expected to be completed by end of June 2012. Once the project is completed, Penang would be able to boast of having a superior airport infrastructure.

Sultan Ismail Petra Airport, Kota Bharu

The redevelopment and infrastructure upgrading of the Sultan Ismail Petra Airport in Kota Bharu was completed in September 2011. As reported in 2010 annual report, the scope of works involved in the upgrading focuses mainly on the airside infrastructure. The airport was upgraded to accommodate the Full Code 4C aircraft operations with the expansion of the runway from 1,981 metres to 2,400 metres.

Sultan Azlan Shah Airport, Ipoh

Sultan Azlan Shah Airport in Ipoh is also undergoing some redevelopment and infrastructure upgrading works. The upgrading work was done to accommodate the Boeing 737-800 and Airbus A320 aircraft operations where the runway was extended from 1,798 metres to 2,000 metres with a new partial parallel taxiway connecting the parking apron and Taxiway C. The parking apron was also widened to accommodate simultaneous Power-In Power-Out (PIPO) of three B737 or A320 aircrafts. The areas in the terminal for both Departure and Arrival halls were increased from 2,520 sq. metres to 2,926.5 sq. metres, and are now fully air-conditioned. The project that was commenced in April 2011 would be completed by end of 2012.

Sibu Airport

Another airport that is currently undergoing similar redevelopment and infrastructure upgrading is Sibu Airport in Sarawak. Upgrading works that began in September 2010 include the expansion of the terminal building from 8,040 sq. metres to 15,240 sq. metres, airside infrastructure such as parking apron extension that will also accommodate parking for helicopters and general aviation. Other development and upgrading includes engineering office, control post, sewerage treatment plant, central utility building, and renovation of the DCA building. The final upgrading work for Sibu Airport is estimated to be completed in September 2012.

COMMERCIAL OPERATIONS

Parallel to our vision for the Company's 5-year business direction, Commercial Services Division has played its role by developing strategic plans to revolutionise the retail experience and generate new income streams to double revenues by 2014. For 2011, through the Commercial Strategic Planning and Commercial Operating Plan, Commercial Services shall experience three distinct Phases of Development. Phase I, which had spanned for two years (2009–2010), focused on driving a customer centric approach in strengthening internal capabilities and building revenues, in due course leading to improved efficiencies and revenue generation.

The Commercial Services Division has a challenging responsibility of not only increasing commercial revenue and the average-spend per passenger, but also enhancing the various facilities and services at the airports. The Division ensures that the offerings and services provided either meet or exceed customer expectations to remain competitive in the market, ultimately building a profitable and sustainable business.

The key initiatives under Phase II, implemented throughout 2011, have paved the way towards delivering a holistic customer experience that provides convenience, competitive pricing and choices. Phase II key initiatives include establishing concessionaire relationship management, establishing customer experience value chain, branding airports as lifestyle destinations, and executing aggressive implementation of Airport Commercial Models with airside and landside strategy including the community hub development. These initiatives were executed through the successful commercial strategies of promotional activities and shopping campaigns as well as the iStyle Fashion KLIA event. The two promotional activities and shopping campaigns conducted in 2011 were 'Indulge. Be Rewarded!', and 'Indulge Till You Fly (ITUF)' campaign that spans throughout 2011 and early 2012.

Malaysia Airports had initiated the 'Indulge. Be Rewarded!' promotional campaign in support of the Malaysia Mega Sale Carnival 2011. The campaign held from 15 June until 31 August 2011 revolved around fabulous shopping, delectable dining and a whole range of interactive activities. During this period, shoppers at participating airports, which include all international airports, stood a chance to win attractive prizes just for shopping and dining at these airport destinations. The 2011/2012 ITUF Campaign which is a continuation from the previous year's campaign, took place from September 2011 until January 2012 and was held at all international airports. In support of the campaign, Commercial Services has, for the first time, commissioned a television commercial to bring the airport as a lifestyle destination message to a wider audience.

Additionally, to enable and encourage more people to participate in the campaign, Malaysia Airports has employed a captivating new iPhone and iPad app called iButterfly Asia. We are the first organisation in Malaysia to use this ground-breaking mobile information and couponing technology to drive retail and F&B sales at its international airports. iButterfly Asia combines three technologies – augmented reality, global positioning system and motion sensors – to give customers a fun and entertaining platform to enjoy the offerings of participating retailers and F&B outlets at the airports.

The iButterfly Asia application elevates the ITUF Campaign to a different level in terms of reach and customer engagement. With it, going to airports will be fun and looked-forward-to journey. iButterfly Asia demonstrates our forward-looking approach in commercial marketing. More than that, iButterfly Asia underpins perfectly our overall goal of exciting and rewarding visitors and travellers; to get them to see airports as retail destinations comparable, if not surpassing, downtown shopping. This is a long-term objective that we will continue to build on, improve upon and ultimately, culminating in klia2 and the KLIA Aeropolis.

iStyle Fashion KLIA event was piloted under the initiatives of branding airports as lifestyle destinations. As part of our corporate responsibility exercise, the event has provided a platform for budding stylists and fashion designers to showcase their talent and creativity. A more detailed description of this event is available in the Corporate Responsibility section of this annual report.

klia2 - A mall in the airport, Airport in the mall

The business potential in klia2 is tremendous – with about 35,200 sq. meters of floor space dedicated solely for retail, F&B and services – and therefore from the onset, klia2 has been earmarked as 'The Change Platform' through our specific commercial development exercise. These exercises include market research branding of klia2 retail, determining the right products and brands, planning for commercially driven terminal, conducting stakeholders engagement activity, and reviewing policy and rewriting Tender and Contract.

The ultimate change that we want to make is for travellers to start and end their travel at klia2 with the vital aim of evoking the retail explorer within our customers. We intend to create an exciting retail adventure that embodies a new and dynamic era, where services are a step ahead, facilities are future oriented, robust offerings and an experience that is unforgettable. The klia2 brand principles are summarised as E.L.I.T.E – Experiential, Liberating, Innovative, Thrilling and Ever-changing. Holding steadfast to the brand principles, klia2 retail advocates that customers will make an amazing discovery every time they visit klia2.

Malaysia Airports unveiled the klia2 retail brand proposition at a vibrant, animated and highly-visual event for existing and potential retailers on 10th November 2011 at Pan Pacific Kuala Lumpur International Airport. Over 700 participants attended the event to gain a better understanding of the opportunities available for retailers, restaurateurs and service providers at klia2. Following the unveiling of klia2 retail brand proposition, the first open tender exercise for the landside area was held on 14th December 2011 where over 491 companies registered their interest. The subsequent open tender exercises are scheduled to be between February to April 2012.

Commercial Services is truly excited at the promises and potential klia2 brings, not just to Malaysia Airports but to the country in general. When completed, klia2 will serve as the benchmark low-cost carrier terminal for the travel, leisure, retail, airline and aviation industries.

RETAIL DEVELOPMENT

The success of any company stems not only from the vision of its leader but also on the dynamic teamwork, keen commitment and enthusiasm of its key asset, the entire staff. Malaysia Airports Niaga Sdn. Bhd. (MAN) is no exception, and has every confidence that both staff and management are highly driven to soar to greater heights of success in line with the direction and aspirations of the Group. MAN is the retail arm of the Malaysia Airports Group with the forte in the travel retail industry. In line with its objective to boost revenue for the Group and as part of its business priorities in 2011, MAN set out to expand further its retail and F&B presence by opening seven new outlets at the new wing of Kota Kinabalu International Airport and another at Langkawi International Airport. MAN improved its offering for the Core product categories, expanded its F&B business, consolidated its focus on more relevant fashion brands and embarked on strategic marketing initiatives in its progress to achieve its objective.


THAI
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Riding on the successful launch of Fashion Division's in-house label a year earlier at the Kuching International Airport, the division opened the Flying Nomad's first stand-alone concept store at the Domestic Departure Hall at Kota Kinabalu International Airport. The brand offers a wide selection of contemporary ladies' and men's apparel, as well as ladies' handbags, shoes and accessories.On a relevant development, the Kidz Smart Tunnel, an innovative in-house concept store for toys, chocolates and confectioneries, was once again in the limelight, being nominated two years in a row as a finalist for the much coveted DFNI Global Awards. MAN also achieved the rare distinction of rolling out the second outlet of the Martell Experience boutique after Hong Kong International Airport to engage travellers in an innovative way to discover the history of this leading brand in a unique and relaxed atmosphere, while they shop for travel exclusives.

Meanwhile, the brand name of Malaysia Airports Niaga's Core Division, ERAMAN, added another feather in its illustrious cap when it scored an industry exclusive for being the first nationwide to launch the Gucci Guilty Intense fragrance, enjoying a clear two-weeks' head-start ahead of any others in the market. Similarly, MAN's F&B Division has expanded its business operations into Langkawi International Airport when its franchised outlet for Marrybrown was opened at the airport in October 2011. The Division also rolled off its in-house brand, the Apron series, comprising Apron Café, Apron Bites and Apron Marche. Marketing activities initiated by MAN promoted greater awareness of the brands and product categories under its portfolio while contributing to enhanced revenue.

Given that our retail target market comprises a myriad of both local and overseas business and leisure travellers and visitors, investment into human capital and training to deliver customer service excellence remains a key priority and continues to be a major thrust of MAN.

In this regard, the frontline retail staffs of Operations Division play a pivotal role to ensure that the shoppers' experience at our outlets is one which is highly positive, enriching and of mutual benefit to the company and its customers. The Malaysian Retailers Association (MRA) continues to play a strategic role so that our customer service delivery is consistently top-notch.

Come 2012, a number of new outlets will take shape at the Contact Pier and Satellite buildings of KL International Airport, Penang International Airport and also at Kota Kinabalu International Airport. These outlets will comprise offerings from all product categories, based not only on stand-alone but also hybrid concepts, some of which are exclusive, not only nationwide, but on a regional basis as well.

Airport Commercial Models

Under Malaysia Airports' Airport Commercial Models (ACM), the commercial development of its 39 airports is classified into four models, specifically Lifestyle, Leisure, Community and Corporate Responsibility, taking into consideration the different roles that each airport plays in its respective region. Kuching International Airport, Miri Airport and Mulu Airport were the pioneer airports completed under the Airport Commercial Model development, where they were classified under Lifestyle, Leisure and Corporate Responsibility, respectively. The target for these three airports in FY2011 was to increase the total retail and F&B space of Kuching International Airport by 18%, generating additional revenue of 27%; Miri Airport by 23% with revenue increasing by 38%; whilst retail and F&B outlets at Mulu Airport will rise by 49% with an expected revenue increase of 32%. In support of the completion, Malaysia Airports has successfully launched the new shopping experience under the ambit of the 'Indulge. Be Rewarded!' campaign held in conjunction with the Malaysia Mega Sale Carnival.

OPERATIONS AND MAINTENANCE

Urusan Teknologi Wawasan Sdn. Bhd. (UTW) has embarked on a key initiative of rebranding the company towards Total Facility Management services and solution provider. The objective of the initiative is to transform the company to be the leader in the facilities management industry by diversifying its service mix through empowerment of internal competency and strategic alliances for the non-core services. With the strategic initiatives in place, UTW is able to explore and secure more revenue opportunities mainly from external business. In remaining committed to its goal to increase its revenues, UTW has secured external revenues from Sepang International Circuit (SIC), Spirit Aerosystems, Suria KLCC and Malaysia Airlines System (MAS). The company has also explored and secured its additional revenues from installation and refurbishment works for klia2, Tawau Airport and Penang International Airport.

On Service Excellence, UTW focused on delivering service level standards of the highest quality to its clients through pro-active and predictive maintenance programme. UTW has proven to be able to deliver superior quality services by the achievement of 99.99% Equipment Technical Service Availability for Operation and Maintenance at KLIA. Similarly, the efficient services have been extended to other facilities including Skypark, Penang International Airport, Spirit Aerosystems and Sepang International Circuit.

Moving forward, UTW will take its challenge to explore Green Business opportunities, in line with the Government's commitment towards carbon reduction by the year 2020. UTW will promote energy efficiency and renewable energy expertise to the new Green Business market. In the interim, UTW has embarked towards Green Facility Management Certification and looking forward to integrate existing ISO 9001:2008 quality management system with environment ISO 14001:2004 and OHSAS 18001:2007. The certification will enhance UTW business capability and scope of services to explore new Green Business market.

Our overseas ventures further reflect Malaysia Airports' ability in spreading our wings in the international aviation beyond Malaysian shores.

OVERSEAS VENTURES

Yongzhou Lingling Airport

The year 2011 witnessed the realisation of a Joint Venture Agreement (JVA) between Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) and Nagamas Enterprise (HK) Limited (NEL) for the joint provision of airport operation, management and technical consultancy services for the Yongzhou Lingling Airport for the Yongzhou City Government, as well as other airports in China to be mutually agreed by both MACS and NEL. In October 2011, a Letter of Award was signed between MACS and NEL Consortium with Huizhou City Longji Mazhong Real Estate Development Co. Ltd Consortium in conjunction with the Yongzhou ASEAN Business and Investment Promotion Conference held in Nanning, China. The Letter of Award will enable Malaysia Airports to start its provision of consultancy services that includes airport project development plan study, airport planning, operation, management, development, business development and investment for Lingling Airport.

The consultancy agreement comprises the provision of a unified Airport Master Plan and the immediate upgrading of Lingling Airport. This is a breakthrough milestone for Malaysia Airports in penetrating into the China market and will also enable Malaysia Airports to establish a foot hold in China. MACS continue to pursue other business opportunities in the provision of airport consultancy services for airport overseas. The potential projects in the pipeline include those airports in the Islamic Republic of Iran, Philippines and Qatar.

Ibrahim Nasir International Airport, Maldives

In December 2011, Malaysia Airports officially held the ground breaking ceremony of the Malé International Airport, now renamed as Ibrahim Nasir International Airport (INIA) in Maldives. We had successfully won the bid to build, operate, modernise and expand through a special purpose vehicle company created by Malaysia Airports with the GMR Group of India. Our aim is to develop INIA into a global standard airport by the year 2014, where it will serve as the main gateway into Maldives as it is well connected with major airports around the world. Our main focus in this venture is not only to operate and manage the airport but also to provide the human capital services to the special purpose vehicle company, GMR Malè International Airport Private Limited (GMIAL). 20 personnel of GMIAL were given three and a half months training in Basic Airport Rescue and Fire Fighting (ARFF) course by Malaysia Airports. All trainees had completed the training, as well as gaining knowledge in crash fire rescue and fire fighting for aircraft emergencies and building fires, and on-the-job-training at KLIA. The training programme, which is in accordance with the ICAO standards and guidelines had been specifically developed to provide strong fundamentals in aircraft rescue and fire fighting for both aircraft emergencies and building fires at the airport.

Through KLIA, MACS had proven a good track record in positioning the airport as one of the best airports in the world in the category of 25 – 40 million passengers. Based on this success, MACS had embarked on a journey to expand its expertise much further by facilitating the Airport Service Quality (ASQ) Benchmarking Programme to INIA in 2012.

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AEROPOLIS DEVELOPMENT

The development mix of KLIA Aeropolis includes the Commercial development, KLIA MSC-Free zone development, Leisure and Recreational and Institutional development. Some of the development components that have the potential to be housed within the 6,750 acres of KLIA Aeropolis include office parks, retail/commercial centres, auto malls, exposition/convention centres, hotels, service apartments, food & beverage centres, medical centre and training complexes. In the KLIA MSC-Free Zone, high-tech, high value, time sensitive industrial land plots, logistics and warehousing centre will be developed to accommodate industry players operating at KLIA. In the Leisure and Recreational components, golf courses, club house and a resort hotel are also planned. A zone for theme park development is also included in the Aeropolis master plan. For areas that are not included for development in the master plan, agro-tourism activities will be established to complement the existing plantation activities.

The planned 50 acres commercial development consisting of a Premium Factory Outlets Centre, F&B Centre and also an Auto City or Auto Mall is moving closer to reality. A Request For Proposal (RFP) exercise has been carried out and the interested parties have been shortlisted for decision by the Management. Construction works for the development is targeted to commence by mid-2012 with the first phase of the development to be operational by end 2013. Upon completion, it is envisaged that the proposed Premium Outlet centre will be a new retail destination for the country and the region. Its strategic location within the airport boundary coupled with the availability of budget airlines will not only attract local shoppers but will also attract regional shoppers to the area, thus further increasing the country's tourist arrivals.

At the landside of klia2, interesting developments are taking place apart from the ongoing development of the Integrated Complex, which will house the multi-modal transportation hub, car park complex and a landside shopping mall developed by Segi Astana, a joint venture (JV) company between Malaysia Airports and WCT Construction. Two new hotel developments are going to be developed through a concession agreement with Malaysia Airports; the first is a 450-room budget hotel, which is at the advance stage of a planning and expected to commence construction in the 2nd quarter of 2012. Meanwhile, the second hotel is a 3-star hotel, still in the planning stage. Both of these hotels shall be connected to the klia2 Terminal via a link bridge for the passengers' convenience and comfort. On top of these, there is the development of an airline head office complex at klia2.

AGRICULTURE AND HORTICULTURE

A certified ISO 9001:2008 company, MAB Agriculture-Horticulture Sdn. Bhd. (MAAH) is fully involved in the cultivation and management of oil palm and coconut plantations covering an area of 5,233.81 hectares and 126.78 hectares respectively. Besides that, MAAH assumes the responsibility of some of the landscaping activities within KLIA, utilising plants and shrubs, mostly grown on its own nursery. These plantations also serve to mitigate the effects of noise pollution and display a relaxing view to the surrounding areas besides providing a stable source of recurring revenue.

For the year in review, MAAH registered a turnover of RM55.4 million, representing a growth of 18.6% or RM8.7 million compared to revenue posted in 2010, and this is mainly due to higher fresh fruit bunches price per tonne. Sales of oil palm fresh fruit bunches accounted for 98.1% of the total turnover. Meanwhile, landscape activities and coconuts make up the remaining 1.9%. As of date, a total of 1,721.83 hectares of the plantations area surrounding KLIA were surrendered to make way for the constructions of the new klia2 and other associated commercial development projects. Nonetheless, MAAH will continue to make positive contribution to the Group's revenue in 2012, given the expected higher yield and projection of stringer crude palm oil price.

AEROSPACE CENTRE

The development of Malaysia International Aerospace Centre (MIAC) is spearheaded by Malaysia Airports through its subsidiary MIAC Sdn. Bhd. (MIACSB), with a two-pronged objective. Firstly, to be a catalyst towards realising the Government's goal to be a global aerospace player; secondly, to provide facilities and infrastructure as well as competitive leases to attract industry players. To sustain the growth of this initiative, MIACSB would be managed as a business entity, which recovers the cost of investment made in infrastructure and facilities through revenue earned from the leasing of land, facilities and cumulative royalty payments from sales activities. MIAC concentrates on Maintenance, Repair and Overhaul service (MRO), the Helicopter Centre, General Aviation Centre, Aerospace Technology Centre, Aerospace Centre of Excellence and Business Support Centre.

In 2011, notwithstanding the increasingly aggressive competition from emerging economies such as Vietnam, India, Indonesia and Thailand, MIAC proceeded with the implementation of its development plan. The development of its helicopter centre began in June 2011 on 26 acres of land and is expected to be ready for operations in the second quarter of 2012. Eurocopter Malaysia Sdn. Bhd. has taken up 10,000 sq. metres of space in the Helicopter Centre and another 18,000 sq. metres of space has been leased to various helicopter operating companies.

MIAC continue to receive new enquiries from large aerospace companies from Europe and USA, as well as local companies that are exploring to set up aerospace related facilities at MIAC. Currently MIAC is still in talks with several of these companies. A host of new technologies that could be making their way to MIAC include electroplating technology, thermal spraying and precision metal grinding, and the setting up of a Regional Simulator Centre for the Asian region. These developments will be all about offering value added services to the Malaysian market over the next ten years.

The Existing Players

Spirit Aerosystems Malaysia Sdn Bhd (SAM)

- Spirit Aerosystem is the Tier 1 composite component supplier to Airbus and Boeing. Their facility at MIAC has acquired new work packages for the assembly of parts and components for the Airbus A350. A new facility comprising a logistic centre and an additional assembly facility is currently being planned and would begin construction in the second quarter of 2012.

Zetro Aerospace

- The company is involved in the maintenance, overhaul, design and building of radar systems, upgrade of sensors, command and control, associated communications and avionics systems. In 2012, Zetro Aerospace will be expanding its services into the civil MRO market concentrating on avionics and helicopter MRO.

These developments will be all about offering value added services to the Malaysian market over the next ten years.

Augusta Westland

- The company provides MRO services and sales operations for Augusta helicopters. They are experienced in training and provide Integrated Operational Support solutions to military and commercial operators around the world. Augusta has also announced its plan to establish a simulator facility for its aircraft type in MIAC and continue to assemble new helicopters at its current facility.

Aerospace Development

MIAC Helicopter Centre

- Eurocopter (M) Sdn. Bhd. is the anchor tenant of the facility that is being developed by MIAC and is scheduled to be completed by the second quarter of 2012.

Light Aircraft Parking and Operation Centre

- A hangar complex that will house 12 light aircraft operating companies conducting MRO services, light maintenance and other support services. Development began in January 2011 and completion is targeted by June 2012.

Subang Skypark (Regional Aircraft Centre)

- Regional Aircraft Centre is scheduled to start in January 2012 with targeted completion in October 2012. The facility will house 10 hangars for corporate jet MRO, an aircraft finishing centre and a forward base for the Malaysia Maritime Enforcement Agency.

UniKL-MIAT Campus

- A training facility designed to train 7,000 airport mechanics is being planned and targeted to be completed by 2015 to meet the demands of the aerospace industry.

- The 50 acre site will house a hangar and workshops for practical training and internship facilities for MRO activities. It will also have a training campus for 3,000 students.

Flying Schools established under the purview of MIAC

- Flying school facilities for HM Aerospace at Langkawi International Airport, with detachment facilities at Kuala Terengganu and Alor Setar.
- Asia Pacific Flight Training at Kota Bharu Airport with a detachment facility in Kuala Terengganu.
- Integrated training and services at Ipoh Airport for helicopter flight training.
- Gulf Golden Flying Academy at Bintulu Airport and Austral Aviation Academy at Sandakan Airport.

SAFETY AND SECURITY

Our commitment in maintaining a high standard of airport safety and security stems from the realisation that any delays caused by safety and security issues will give impact to the airport economics. In particular, it will impact business travellers and potential revenue from this source. Therefore, it is imperative that we consider the outcomes and effectiveness of implementing security measures. Malaysia Airports Aviation Security Division (AVSEC) had improved the security measures in KLIA by installing surveillance cameras that provide 100% recordings and behaviour and intruder detection analytic features, recruiting highly trained auxiliary policemen for both airside and landside, and collaborating in a joint effort of landside patrolling by the Police and Military forces.

AVSEC constantly work in close ties with the other authorities at the airports to ensure every security entity is effective in enforcing the law. This was further proven when this year KLIA was certified to be in full compliance with International Civil Aviation Organisation (ICAO) under the second cycle of Universal Security Audit Programme (USAP). The professional international auditor rated KLIA security as among the best in the world with a high percentage score in the implementation of the critical elements of an aviation security oversight system. This has given us the assurance that we have been taking the right security measures in our flagship airport and this best practice will be our standard when it comes to other airports' security practices as well.


ATM
KELUAR
KLIA transit
LCCT
Now you can take the fast train to the city!

Our commitment in maintaining a high standard of airport safety and security stems from the realisation that any delay caused by safety and security issues will give impact to the airport economics.

Accordingly, we complemented this achievement by fortifying our security strength in numbers and by conducting joint patrolling efforts by Police and Military personnel at our airports. Malaysia Airports recruited an additional 449 auxiliary policemen in January 2011, almost doubling the number of new recruits in 2010, and all of which had successfully completed six months basic training programmes. These trainings involved a two-month Basic Training at the Royal Malaysia Police Training Centre (PULAPOL), a two-month Basic Aviation Security Training at Malaysia Airports Training Centre (MATC) and a two-month On-the-Job Training at KLIA. The Aviation Security Training programme for these auxiliary policemen was conducted based on the ICAO Annex 17, DCA's National Civil Aviation Security Program (NCASP) and Royal Malaysian Police competency requirement. In July 2011, under the Blue Ocean strategy and National Key Result Area (NKRA), elite Royal Malaysia Police (PDRM) General Operation Force (PGA) and Malaysia Armed Forces (ATM) personnel started joint patrolling efforts at the public areas of KLIA. Each patrol unit comprised of two armed policemen and one military personnel. This effort was introduced to meet the new challenges and security threats at the landside area of the airport.

Our STOLports underwent safety procedures improvement as well. Malaysia Airports Sdn. Bhd. (MASB) has embarked on a strategic alliance with *Jabatan Bomba dan Penyelamat Malaysia* (JBPM) and *Ikatan Relawan Rakyat Malaysia* (RELA) for the provision of Airport Rescue and Fire Fighting Service (ARFFS) at STOLports. The delegation of ARFFS at Lawas, Marudi, Mukah and Kudat STOLports (Town Airstrips) to JBPM and ARFFS at Bario, Ba'kelalan, Long Lellang, Long Seridan, Long Banga and Long Akah STOLports (Rural Airstrips) to RELA has resolved logistics problems pertaining to fire rescue and security services at these rural areas. However, in accordance to DCA's regulations, for STOLports that are located at urban areas, such as at Marudi, Lawas, Mukah and Kudat, the level of ARFF protection provided is as per ICAO requirement.

This is more economical and practical for MASB, and has been implemented with the support from the DCA. MASB has also signed a Memorandum of Understanding (MoU) with RELA to carry out Security Services at Bario, Ba'kelalan, Long Lellang, Long Seridan, Long Banga and Long Akah STOLports. Nevertheless, we are fully aware that the delegation of these duties to JBPM does not absolve us of our responsibilities towards the airport safety and security.

On top of that, Malaysia Airports employed assertive programmes and policies such as Rating, Rehabilitation, Fitness, Retirement, and Fleet Replacement and Redeployment programme. These programmes were necessary in ensuring that safety personnel of AFRS, whose responsibilities of the ARFFS duties in all airports under Malaysia Airports' operation, are always physically fit and mentally prepared to face airport related emergencies. In 2011, the Rating Programme implemented by AFRS successfully achieved 98.76% for overall airport safety personnel achievement. The Rating Programme is followed by Rehabilitation programme, which includes physical activities such as cardiac exercise, short and long distance runs, functions to improve health by lowering blood pressure, cholesterol level and improve blood circulation of the participating personnel. Following these are two fitness modules, the Fundamental of Fitness and Physical Enhancement Programme. Fundamental of Fitness module is to maintain and to increase the fitness level by implementing good exercise and nutrition need for daily consumption. Whereas, the Physical Enhancement Programme, was conducted to monitor the Body Mass Index (BMI) level of AFRS personnel.

Under the Collective Agreement (CA 6) agreed between the Company and unions, the mandatory retirement age is 58 years old. However, in our commitment to ensure AFRS personnel are in excellent physical and mental condition while in duty, they are required to undergo full medical check-up at the age of 45, in addition to passing the Rating Programme. All unfit personnel will be submitted for Selective Voluntary Separation Scheme (SVSS), either to be redeployed to other division or to be offered early retirement. The implementation of the optimal 45 years retirement age for personnel employed in this service, which involves performing strenuous aircraft rescue and fire fighting duties, will ensure that personnel are not retained in this job until well over their prime physical condition.

ENHANCEMENT OF SECURITY SYSTEM

The replacement of the CCTV system in Malaysia Airports' efforts for security enhancement provides extensive coverage for Main Terminal Building, Contact Pier, Satellite Building, Car Park, Runways and Taxiways. The installation of the new CCTV system is fully supported and handled by Malaysia Airports Technologies (MA Tech). A total of 2075 cameras with full recording capability of all CCTV cameras were installed, improving the visibility for KLIA's airport security and airport operations. The upgrade also includes implementation of analytic features for behaviour and intruder detection for the cameras at strategic locations enabling situational awareness. The existing IP-based Closed Circuit Television (CCTV) system at KLIA was upgraded with a new integrated system that has the ability and protocols to monitor, detect, asses, and provide 100% recordings of any events at the airport. The newly installed intelligent CCTV system at KLIA was commissioned and fully operational on October 2011.

STRIVING FOR EXCELLENCE

Talent is the key for Malaysia Airports business to move beyond the boundaries of airport business in order to increase revenue. Professionalism by way of highly skilled and competent personnel is the Human Resource Services Division's (HR) objective in ensuring that the airport business is being managed thoroughly to achieve our vision and mission. One of the key initiatives is High Performance Workforce (HPW), which comes under the Orange Book program for strengthening Leadership Development that focused on Performance Management at line series. This covers Human Resource Head briefing and project expectation, chief officers briefing on Best Practice of Performance Management, Train the Trainer Program and Rolling-out Performance Management Workshop. All these programs are Khazanah's initiatives to develop the leaders of Government Link Companies.

We have invested a substantial fund for Human Capital Development which benefited 4,500 staff through various workshops, conferences and educational programmes such as Career Development and Corporate Diploma with UiTM's Malaysia Institute of Transportation (MITRANS), the Airport Management Professional Accreditation Programme (AMPAP) that produces our International Airport Professionals and the Airport Executive Leadership Programme among others. We also participated in international program with ICAO and ACI-Global Training Hub that provides accreditation syllabus, which has attracted participants from local and international organisations. HR has also actively developed and equipped our trainers with professional certification as part of our progressive talent management initiatives.

Besides internal growth, Malaysia Airports has also invested the human capital development through Education Sponsorship programmes since 2010. This is another platform for Malaysia Airports to ensure it business continuity for the future growth and expansion are well planned. The objective is to develop new talent, enhance leadership skills and readiness of workforce to meet the global challenge in managing airports.

Other significant programmes are Cross Fertilisation and Cross Assignment with Government Link Companies (GLC). The Government has provided an exposure, new knowledge and experience to the staff to further understand other organisations working cultures.

Besides training our own workforce, Malaysia Airports is also committed to train the personnel of its joint venture partners in managing the overseas airports to ensure the workforce is equipped with the required skills. One related programmes is the Management Development Programme for International Assignee, which is a special programme designed for potential candidates to be positioned at overseas airports.

Employee Engagement

Malaysia Airports had embarked on its sixth Employee Engagement Survey throughout the Company. The survey result had increased by 2% from the previous year of 74% in 2010 to 76% in 2011. This program is to gauge the workforce engagement and areas to be improved. Malaysia Airports understands the importance of Employee Engagement for it business and strives to maintain this intellectual property from loss to others. Through this engagement tool, Malaysia Airports is able to plan for improvement in its business culture among workforce in order to realise its goals and objectives. Several initiatives have been carried out which include provision of staff benefit and compensation to meet the service level of HR customer and creating conducive and safe workplace. Higher employee engagement will result in Malaysia Airports being well-branded locally and can elevate the business opportunity for Malaysia Airports at international level. This will attract talents in the open market and recognition of Malaysia Airports as Best Employer can be realised.

Professionalism by way of highly skilled and competent personnel is the Human Resource Services Division's (HR) objective in ensuring that the airport business is being managed thoroughly to achieve our vision and mission.

Collective Agreement

The 5th Collective Agreement between Malaysia Airports and the Company Unions in essence had expired on 31st December 2010. Prior to the expiry of the 5th Collective Agreement, the Unions have submitted their proposal for the 6th Collective Agreement (CA6) which comprised 44 articles to remain unchanged, five articles to be amended due to validity or applicability and 35 articles to be improved or enhanced. The Unions had also proposed 11 new articles. With the agreement of both parties, the CA6 took effect from 1st January 2011 and the implementation date was from 25th October 2011.

Efficiency Improvement

Malaysia Airports places high importance to safety, and will continue to maintain the highest level of safety measures in our operations. In 2011, four more domestic airports; Sultan Mahmud Airport in Kuala Terengganu, Sultan Azlan Shah Airport in Ipoh, Tawau Airport and Miri Airport was successfully certified with Safety Management System (SMS) Certification. The Safety Management System is established based on ICAO requirements of Aerodrome Design and Operations Safety Management Manual, covering the role of MASB as airport operator particularly on managing airport services related to Airside Operations.

The main scope of the SMS certification directly includes operations, maintenance, repair, support services, training and checking and other operational activities particularly on airside operations i.e. to constantly inspect and monitor the whole of airside areas to ensure all aircraft movements, activities and situations at the airport which may affect the runways, taxiways and parking apron are safe for operations. The SMS indicates conformance to all safety requirements and achieving continuous improvement in safety performance. It also certifies that the airports have successfully implemented the Hazard Identification, Risk Assessment and Risk Control (HIRARC).

Since 2009 all five of Malaysia Airports' international airports and five other domestic airports, namely Sibu Airport, Bintulu Airport, Sandakan Airport, Alor Setar Airport and Limbang Airport have received their SMS certification. Moving forward, Malaysia Airports is aiming for the remaining domestic airports under its management to obtain the SMS certification by 2014. These certified airports will continue to undergo Annual Scheduled Inspections to ensure that the requirements of the certification are continuously met.

In another relevant advancement, four more domestic airports – Sultan Mahmud Airport in Kuala Terengganu, Sultan Abdul Halim Airport in Alor Setar, Bintulu Airport and Labuan Airport – have embarked for OHSAS and EMS Certification. Sultan Mahmud Airport has successfully completed the certification exercise whilst the three other airports mentioned above are at the final stage of receiving the OHSAS 18001:2007 and ISO 14001:2004 (EMS) Certificate and are expected to be certified in early 2012. OHSAS 18001 standard (Occupational Health and Safety Assessment Series) is an international standard giving requirements related to health and safety management systems that enables organisations to have control over, and knowledge of, all relevant hazards resulting from normal operations and abnormal situations, and improve its performance. Whereas, EMS or Environmental Management System referred to as ISO 14001 standards, is primarily a management system that addresses the full spectrum of environmental issues. EMS takes a systematic approach to minimising negative impacts on the environment and surrounding community. The system provides a framework for an organisation to manage its legal compliance and improve environmental performance.

In year 2011, MACS has embarked into a new certification system for MS 1900:2005 Quality Management System Requirements from Islamic perspective. This new scheme and certification was offered by SIRIM QAS International Sdn. Bhd. The aim of this standard and certification is to ensure that organisations are managed in accordance with universally accepted values such as justice, honesty, truthfulness, sincerity, timeliness and discipline according to Islamic requirements. The standard requires the Shariah compliances and non-Shariah compliances aspects for all processes and products necessary for the delivery are identified and communicated within the organisation and effectively implemented and managed. This development has put MACS as Malaysia Airports' first subsidiary company to be certified with MS 1900:2005, and the first Government-Linked Company (GLC) in Malaysia to obtain the certificate. With this additional system in place, it will contribute in expanding and extending MACS business to wider markets especially to those that acknowledge Islamic perspective and requirements. This advancement will also form as one of MACS' marketing strategies to further promote its services to the Middle East and North African countries.

Our drive to establish an excellent management culture is continued with the conception of Energy Management Unit under Malaysia Airports Engineering Division, where policies in regards of energy management and energy efficiency practice are consistently being monitored and implemented with objectives that are parallel to the success of transforming Malaysia Airports as a world-class airport business.

Malaysia Airports Engineering Division commenced a replacement strategy of fire vehicles in support of the AFRS tasks to handle emergencies in airports. The replacement strategy was necessary to ensure all fire and rescue services can be conducted efficiently, smooth and fast without increasing the risk of damage and injuries related to the incident.


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SAFETY, HEALTH AND ENVIRONMENT

As we aspire to transform Malaysia Airports towards a world-class airport business, our commitment includes ensuring that the requirements of Safety, Health and Environment (SHE) are met and provided for our workforce. Zero accident at the workplace has been our main target and several initiatives have been conducted to ensure the objective of preserving a safe workplace at all airports with a healthy working culture while caring for the environment through reducing the use of products that release carbon. The SHE programme that was implemented included the "Energising SHE Management Programme" at MA (Sepang) where the objectives were to improve SHE administration capabilities and to elevate the operational controls associated with work hazards to the highest level. The programme that was launched in February 2011 is benchmarked against the Malaysian Society of Occupational Safety and Health (MSOSH) standards and requirements.

To enhance the workplace quality, the SHE Department has embarked on a Medical Cost Analysis to evaluate the possibility of illness due to workplace hazards and unhealthy lifestyle among staff. The analysis has been carried out in collaboration with Medijaring as the third party administrator for Malaysia Airports. From the data analysis, management could identify the trend of diagnosis and plan for cost containment measures.

Other initiatives undertaken by the SHE Department include the implementation of Job Safety Analysis to complement the existing risk management tools. This exercise began with identification of high risk jobs, evaluation of each job step and determination of control measures. Besides that, the department also actively monitors the klia2 construction project. Construction activity is well known to be one of the major contributors of national accident statistics due to its risky process and hazardous work environment. Malaysia Airports is highly aware of safety and health issues at construction sites which could lead to accidents, fatalities, injury and damage of property. Therefore, the necessary framework and strategies have been established.

Malaysia Airports' strength and competitive advantage will continue to spur a healthy revenue generation in the coming years.

Continuous Improvement and Excellence Centre Initiatives

In Malaysia Airports, our holistic view of radio communication has triggered us to not only operate in voice mode with no data capability and no further revenue enhancement but to transform this into a commercially viable, efficient and world-class communication services to airport partners and potential customers. Furthermore, we foresee that this would be an opportunity for Malaysia Airports to align communication infrastructure development with the airport growth expectations and communication demand. Hence, we have outlined a strategy to capitalise digital radio system for efficient and productive airport operation and identify potential revenue opportunities with digital technology especially on data applications. The strategy is to utilise the Tetra Digital Trunked Radio System with a revenue driven optimisation migration plan. This initiative will be partly instrumental in Malaysia Airports' bid to achieve sustainability while vying the most optimum business model. We hope to see similar initiatives to be continuously developed to reach our inspiration to become a World-Class Airport Business.

In the year 2011, Malaysia Airports (Properties) Sdn. Bhd. (MA (Properties)) has assisted MA (Tech) to roll out the Bar Code Asset Tagging System (BCAT) to 14 airports. These airports include the international airports at Penang, Langkawi, Kota Kinabalu, and Kuching, the domestic airports at Melaka, Kuala Terengganu, Ipoh, Labuan, Sandakan, Sibu, and Mulu, as well as at Pulau Tioman, Pulau Redang and Pulau Pangkor STOLports. The implementation began in July 2011 and was completed in December 2011. In a related development by MA (Properties) with the assistance of CIM team was successful in selling the disposed assets in the former Malaysia Airports office at Terminal 2 Subang to an interested party through an open exercise.

Throughout 2011, MA (Properties) encountered several exciting and positive challenges on top of its development programmes. The year 2011 saw it successfully renewing the ISO 9001 Certification audited by SIRIM Malaysia with flying colours, carried out the enforcement of Fixed Asset Management Policy and targeted to obtain a 100% occupancy rate at Southern Common Amenities and Facilities. Similarly, the year 2012 foresee MA (Properties) to continue to achieve positive results in its third accreditation of ISO 9001 Certification by implementing continuous improvement programmes and to follow the working procedure as per Quality Manual. Among the improvement programme it has under its belt is the Fixed Asset Management Policy enforcement.

OUTLOOK FOR 2012

The continuous growth from emerging markets in China, India, Middle East and Asia Pacific region in general has provided encouraging outlook for Malaysia with a high potential increase in travel demand, facilitated by full service and low cost carriers. Eventhough the high fuel price in 2011 has impacted the airlines globally, our traffic movements were not adversely affected. As airlines persistently seek to use the best type of aircraft to be deployed on the respective routes, there seems to be a winner for the aviation industry recently with the arrival of the much awaited Boeing 787 aircraft or more famously known as the Dreamliner. Malaysia Airports is well prepared to position itself to benefit from this achievement as more airlines consider flying to Malaysia using this new aircraft with outstanding aircraft economics.

That said, 2012 will pose another challenging year for the industry as the economic outlook will have an impact on air travel and the cargo market. Our passenger forecast remains optimistic especially in the domestic sector, whereas the international sector is still expected to grow but to a lesser extent.

In terms of commercial, the outlook for the year 2012 will see us focusing on Phase III key initiatives that revolves mainly in customer experience management capabilities to improve profitability, expansion of airport commercial advisory beyond our shore, to ensure consistent brand promises delivery through all customer interaction channels, and to review and refine our airport commercial model.

Malaysia Airports' strength and competitive advantage will continue to spur a healthy revenue generation in the coming years. Malaysia Airports' five international airports are located within a high population catchment area that includes four of the strongest global growth markets of India, China, Thailand and Indonesia. The strong Malaysian inbound tourism market will continue to support air travel to the country. In addition, the strong LCC market will be a catalyst for innovative new offerings, and the implementation of the Next Generation Hub.

ACKNOWLEDGEMENTS

Malaysia Airports' reputation as the nation's main airport operator and manager is derived from how our stakeholders perceive us, our communication, engagement and behaviour within our marketplace. Our vision to become a World-Class Airport Business has been the basis of our business philosophies and has continuously geared our drive for success. However, the success we recorded this financial year would not have been possible if it were not for the full support that we have received from our stakeholders. Our business goals and objectives were accomplished because of the professionalism, dedication and skills of our management team and employees. As we are in the business of providing services, we thank the millions of customers that passed through our airports and participated in our great commercial offerings.

Furthermore, we owe our success to the unyielding support of our shareholders, who remained confident and supportive towards our business. We would also like to extend our appreciation to our partners that have been directly and indirectly supported our business. These partners include particularly all airlines, vendors and suppliers, retail and concessionaire operators, authorities such as police, immigration and custom departments, as well as our joint venture partners. These myriad of entities are part of our operations backbone, with each playing their part in facilitating us to achieve our success.

Our appreciation goes to everyone who has made it possible for us to once again record a commendable performance in 2011.

TAN SRI BASHIR AHMAD BIN ABDUL MAJID
Managing Director