AN IMMERSIVE AIRPORT EXPERIENCE

i-MAHB

MALAYSIA AIRPORTS

ANNUAL REPORT 2016

AN IMMERSIVE AIRPORT EXPERIENCE

i-MAHB

MALAYSIA AIRPORTS

ANNUAL REPORT 2016

HOW TO
BREEZE THROUGH THE AIRPORT?

Check-in · Boarding Pass Security · Immigration · Customs · Security Screening · Boarding Gate

AT HOME

01 Opt for online or mobile check-in to avoid queuing

02 Weigh both your check-in and hand luggage to avoid excess baggage charges

03 Bring all your travelling documents

04 Pack all Liquid, Aerosols and Gels (LAGs) in clear sealed plastic bags. Each container must not exceed 100ml and maximum capacity in a bag is 1 litre

RECOMMENDED TIME TO BE AT THE AIRPORT FOR DEPARTURE

2-3H international flights

1-2H domestic flights

40M* at boarding gate

* Depending on airlines

AT THE AIRPORT

CHECK-IN	Go to Check-in counter or kiosk to check-in. Ensure passport, I/C and boarding pass is with you
BOARDING PASS SECURITY	Keep passport, I/C and boarding pass in a separate bag to ease boarding pass security process
IMMIGRATION	Check your lane and take your passport out of its sleeve
CUSTOMS	Place luggage on the conveyor belt. You are NOT required to remove your jacket, belt or empty your pockets at this point
SECURITY SCREENING	Remove jacket, belt, wallet and empty pockets for security screening
BOARDING GATE	Get your passport, I/C and boarding pass ready

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MALAYSIA AIRPORTS

1992-2017

AN IMMERSIVE AIRPORT EXPERIENCE

We take seriously our role as one of the world's leading airport operators; responsible for the smooth-running of airports under our management - from busy international hubs to small rural STOLports.

As we celebrate our Silver Jubilee, we are proud of our achievements in creating a business that is efficient, sustainable and ethical, and renew our commitment to improving the quality of our services and creating a truly immersive airport experience.

WHAT IS i-MAHB?

i-MAHB combines image recognition and Augmented Reality (AR) technology to deliver messages that go beyond print. i-MAHB this page to find out how you can get the most out of this amazing technology.

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MALAYSIA AIRPORTS

KLIA Premier Access

Fast Track Service

Take advantage of the seamless airport experience with KLIA Premier Access and sail through the journey when you purchase the Priority Access Pass today!

Concierge | Relax & Lounge

Priority Access | Buggy Service | Departure Gate

Standard Rate

RM68.00 nett per person
RM136.00 nett per couple
RM206.00 nett per family*

* Two adults and two children below 12 years old

Rates include lounge facility, refreshment, and dedicated priority access

Premium Rate

RM188.00 nett per person
RM300.00 nett per couple
RM390.00 nett per family*

* Two adults and two children below 12 years old

Rates include meet and greet at kerbside, buggy service, lounge facility, refreshment include wine and beer, escort service and dedicated priority access

All rates inclusive 6% GST

Open Daily: Monday – Sunday | Operation Hours: 7am-11pm

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KLIA Premier Access

KL International Airport, Level 5, Main Terminal Building, 64000, KLIA, Sepang, Selangor, Malaysia

Tel: +603 877 64606 Email: premieraccess.klia@samasamahotels.com

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Owned by KL Airport Sdn Bhd (330863-D)

AN IMMERSIVE AIRPORT EXPERIENCE

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TABLE OF **CONTENTS**

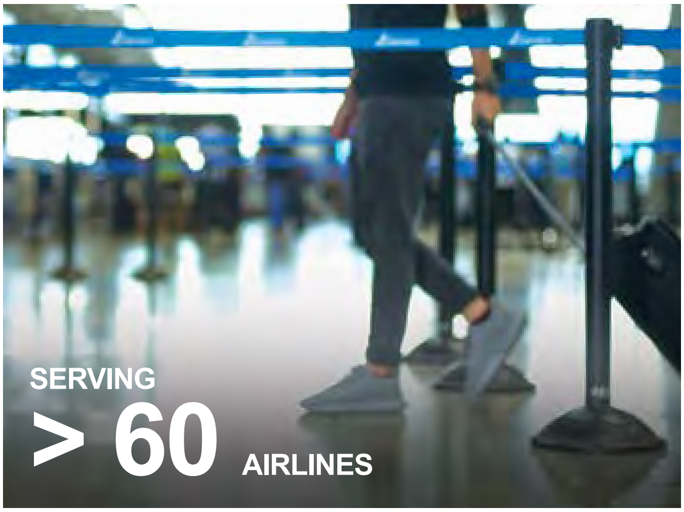
OUR **VISION**

TO BE THE GLOBAL LEADER
IN CREATING AIRPORT CITIES

OUR **MISSION**

TOGETHER WE CREATE JOYFUL
EXPERIENCES BY CONNECTING
PEOPLE AND BUSINESSES

MALAYSIA AIRPORTS **TODAY**



KEY MILESTONES

1992

ESTABLISHMENT OF MALAYSIA AIRPORTS

1998

OPENING OF KLIA

1999

MALAYSIA AIRPORTS listed on KLSE Main Board (now Main Market of Bursa Malaysia)

2004

50% MINISTRY OF FINANCE (INC.) stake transferred to Khazanah Nasional

2006

MALAYSIA AIRPORTS is Khazanah's Top 20 GLC

KEY MILESTONES

2010

klia2 GROUND BREAKING CEREMONY

2013

LAUNCHING OF SAMA-SAMA HOTEL

2013

GRADUATION from GLC Transformation Programme

2014

OPENING OF klia2

FULL ACQUISITION of Istanbul Sabiha Gokcen International Airport in Turkey

2015

OPENING OF MITSUI OUTLET PARK KLIA

2016

LAUNCH OF RUNWAY TO SUCCESS 2020

LAUNCH OF KLIA AEROPOLIS

GROUND BREAKING of Mitsui Outlet Park KLIA Sepang Phase 2

MEDIA **HIGHLIGHTS**

QR CODE
Scan this QR code to
view more news on the
Malaysia Airports' website.

KLIA sambut pesawat gergasi

Mampu sumbang RM30 bilion

Aeropolis KLIA sasar sumbangan KDNK kira-kira RM30 bilion

New Mukah airport expected to begin construction soon

MAHB optimis operasi SGIA

10 laluan baru di lima negara

MAHB bawa nama Malaysia ke Turki

全球机场排名

MAHB jangka kerja pembinaan Lapangan Terbang Mukah bermula tahun ini

KLIA Aeropolis a major boon

Orphans get lessons in wildlife conservation at KLIA

KGSA dijangka tampung pelancong ke Turki

Vietjet mendarat di KLIA

Aeropolis to add RM30b to GDP

MAHB beri sumbangan RM16,000 bantu Madrasah Tahfiz Al-Redzuan

Aerospace to drive Selangor RM6b investment goal

MAHB records 4% y-o-y passenger growth in May

Kuching welcomes first HK flight

Penang airport set to handle 6.4m passengers

Expansion mode

Astro Awani iktiraf kejayaan GLC

Greater capacity at SGIA by 2018

HOTEL ANJUR MALAM PENGHARGAAN

Malaysia Airports lauded for promoting Sabah

Saham MAHB antara yang paling untung

MEDIA **HIGHLIGHTS**

LETTER FROM THE **CHAIRMAN**

DEAR SHAREHOLDERS

"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) for the year ended 31 December 2016. The Annual Report also contains the Notice of the 18th Annual General Meeting (the AGM or the Meeting) and a map showing the location of the meeting. The AGM will be held at Gateway Ballroom, Level 1, Sama-Sama Hotel, KL International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan on Thursday, 25 May 2017 at 11.00 a.m."

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

For the year 2017, 10 resolutions are proposed for the consideration at the AGM. The purpose and reasons for each resolution 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 an informed 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 the payment of a final single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2016 with a total quantum of final single-tier dividend amounting to RM99.55 million, subject to the shareholders' approval at the AGM.

At the AGM, the Board is recommending the re-election of five Directors who are due for retirement, namely, Datuk Ruhaizah binti Mohamed Rashid, Dato' Ir. Mohamad bin Husin, Datuk Azailiza binti Mohd Ahad, Datuk Mohd Badlisham bin Ghazali and Dato' Mohd Izani bin Ghani and being eligible, offer themselves for re-election.

LETTER FROM THE CHAIRMAN

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 and benefits payable to Non-Executive Directors, and the re-appointment of the auditors, 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 to 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 enclosed in the Annual Report, according to the instructions as provided in the Proxy Form, and submitting 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 24 hours before the time appointed for taking of the poll.

I look forward to meet all the shareholders at the forthcoming AGM and to share the latest issues and activities concerning the Company.

Yours sincerely,

Tan Sri Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah
Chairman
Malaysia Airports Holdings Berhad

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 18th Annual General Meeting (AGM) of Malaysia Airports Holdings Berhad (MAHB or the Company) will be held at Gateway Ballroom, Level 1, Sama-Sama Hotel, KL International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan on Thursday, 25 May 2017 at 11.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors and Auditors Reports thereon.

   Please refer to Explanatory Note A

2. To declare and approve the payment of a final single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2016 as recommended by the Directors. **Resolution 1**

   Please refer to Explanatory Note B

3. To approve the payment of Directors' fees totalling RM1,037,835.48 to the Non-Executive Directors of MAHB for the financial year ended 31 December 2016. **Resolution 2**

   Please refer to Explanatory Note C

4. To approve the payment of Directors' fees up to an amount of RM2,400,000.00 to the Non-Executive Directors of MAHB, as follows: **Resolution 3**
   (i) MAHB amounting to RM1,740,000.00 with effect from 1 January 2017 until the next AGM of the Company; and
   (ii) MAHB Subsidiaries amounting to RM660,000.00 with effect from 1 June 2017 until the next AGM of the Company.

   Please refer to Explanatory Note D

5. To approve the payment of Directors' benefits payable up to an amount of RM2,169,020.00 to the Non-Executive Directors of MAHB with effect from 1 January 2017 until the next AGM of the Company, as follows: **Resolution 4**
   (i) MAHB amounting to RM1,697,210.00; and
   (ii) MAHB Subsidiaries amounting to RM471,810.00.

   Please refer to Explanatory Note E

6. To re-elect Datuk Ruhaizah binti Mohamed Rashid who shall retire in accordance with Article 129 of the Company's Constitution and who being eligible, offers herself for re-election. **Resolution 5**

   Please refer to Explanatory Note F

7. To re-elect Dato' Ir. Mohamad bin Husin who shall retire in accordance with Article 129 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 6**

   Please refer to Explanatory Note G

NOTICE OF THE
18TH ANNUAL GENERAL MEETING

8. To re-elect Datuk Azailiza binti Mohd Ahad who shall retire in accordance with Article 129 of the Company's Constitution and who being eligible, offers herself for re-election. **Resolution 7**

   Please refer to Explanatory Note H

9. To re-elect Datuk Mohd Badlisham bin Ghazali who shall retire in accordance with Article 131 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 8**

   Please refer to Explanatory Note I

10. To re-elect Dato' Mohd Izani bin Ghani who shall retire in accordance with Article 131 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 9**

    Please refer to Explanatory Note J

11. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 10**

    Please refer to Explanatory Note K

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

SABARINA LAILA BINTI DATO' MOHD HASHIM
LS 0004324
Company Secretary
Sepang, Selangor Darul Ehsan
28 April 2017

Notes to the Notice of Annual General Meeting

Proxy

1. Section 334 of the Companies Act 2016 (CA 2016) provides that a member of a company shall be entitled to appoint another person or persons as his/her proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the company. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

2. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 104 of the Company's Constitution.

3. The instrument appointing a proxy/representative shall be in print or writing under the hand of the appointer or his/her 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/representative 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 24 hours before the time appointed for the taking of the poll, in accordance with Section 334 (3) of the CA 2016.

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

Voting by Poll

5. Paragraph 8.29A (1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in this notice to be voted by poll.

Members Entitled to Attend

6. For the purpose of determining a member who shall be entitled to attend the 18th AGM, the Company shall request Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 48(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 18 May 2017. Only a depositor whose name appears on the Record of Depositors as at 18 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend, participate, speak and/or vote on his/her behalf.

7. 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.

8. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of 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 account (omnibus account) to appoint multiple proxies in respect of each omnibus account it holds.

Explanatory Note A:

9. The Audited Financial Statements is laid in accordance with Section 340(1)(a) of the CA 2016 and meant for discussion only as the Audited Financial Statements do not require shareholders' approval under the provision of Section 251(1) of the CA 2016. As such, this Agenda item is not to be put forward for voting.

Explanatory Note B:

10. In accordance with Article 154 of the Company's Constitution, the Board is recommending that the shareholders approve the payment of the final dividend.

    With reference to Section 131 of the CA 2016, a company may only make a distribution to the shareholders out of available profits of the company if the company is solvent. On 28 February 2017, the Board of Directors' of MAHB (the Board) had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

    The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution date which would be announced by the Company after the AGM in accordance with Sections 132(2) and (3) of the CA 2016.

Explanatory Note C:

11. The Board is recommending that the shareholders approve the payment of Directors' fees totalling RM1,037,835.48 to the Non-Executive Directors of MAHB (NEDs) for the financial year ended 31 December 2016 based on the following fee structure approved by shareholders at the 14th AGM held on 28 March 2013:

DESCRIPTION	CHAIRMAN	NEDS
MAHB Directors' Fee	RM15,000 per month	RM9,000 per month

The details of the Directors' fees totalling RM1,037,835.48 to the NEDs for MAHB for the financial year ended 31 December 2016 is provided on page 148 of the Statement of Corporate Governance in the 2016 Annual Report.

Explanatory Notes D and E for Resolutions 3 and 4:

12. Section 230(1) of the CA 2016 provides amongst others, that "the fees" of the directors, and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 18th AGM on the Directors' fees and benefits payable with effect from 1 January 2017 until the next AGM in 2018 (Relevant Period).

NOTICE OF THE
18TH ANNUAL GENERAL MEETING

A review of the Directors' remuneration package comprising of Directors' fees and Meeting Allowances, for the external Directors and NEDs on the Board of MAHB's subsidiaries (MAHB Subsidiaries) was conducted internally by the Board via its Board Nomination & Remuneration Committee (BNRC) in order to be competitive with the other Government-Linked Companies (GLCs) to entice professionals and experts in specialised fields to be on the Boards of MAHB Subsidiaries and to acknowledge the accountability and responsibility of external Directors and NEDs as Directors.

The BNRC was of the view that the external Directors and NEDs on the Boards of MAHB Subsidiaries should be accorded with monthly Directors' fees over and above the Meeting Allowances that are currently paid to the respective external Directors and NEDs of MAHB Subsidiaries.

The Board has recommended that the effective date of the revised Directors' remuneration package for the external Directors and NEDs on the Boards of MAHB Subsidiaries is to be effective on 1 June 2017.

(i) Resolution 3: Shareholders' approval is to be sought on the payment of Directors' fees up to an amount of RM2,400,000.00 to NEDs, as follows:
  (a) MAHB amounting to RM1,740,000.00 with effect from 1 January 2017 until the next AGM in 2018; and
  (b) MAHB Subsidiaries amounting to RM660,000.00 with effect from 1 June 2017 until the next AGM in 2018.

  The estimated amount of RM2,400,000.00 for the Directors' fees is derived from a total of RM480,000.00 for the period of 1 January 2017 until 31 May 2017 (five months period for MAHB) and a total of RM1,920,000.00 for the period from 1 June 2017 until the next AGM in 2018 (12 months period for both MAHB and MAHB subsidiaries), based on the following fee structure:

NO.	DESCRIPTION	CHAIRMAN	NEDs
1.	MAHB Directors' Fee	RM15,000 per month	RM9,000 per month
2.	Directors' fees for MAHB Subsidiaries: (The payment of the Directors' fees for MAHB Subsidiaries will only be effective from 1 June 2017)		
	2.1. First Tier Companies	RM4,000 per month	RM3,000 per month
	2.2. Second Tier Companies	RM3,000 per month	RM2,000 per month

(ii) Resolution 4: Shareholders' approval is to be sought on the payment of Directors' benefits payable up to an amount of RM2,169,020.00 to the NEDs with effect from 1 January 2017 until the next AGM in 2018, as follows:
  (a) MAHB amounting to RM1,697,210.00; and
  (b) MAHB Subsidiaries amounting to RM471,810.00.

  The Directors' benefits payable comprises the allowances, other emoluments and other claimable benefit payable to the Chairman and NEDs of MAHB.

  The estimated amount of RM2,169,020.00 for the Directors' benefits payable is derived from a total of RM595,200.00 for the period from 1 January 2017 to 31 May 2017 (five months period based on the current rate) and a total of RM1,573,820.00 for the period from 1 June 2017 until the next AGM in 2018 (12 months period based on the revised rate).

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

The benefits payable for NEDs are as set out below:

NO.	DESCRIPTION	CHAIRMAN	NEDs
1.	Senior Independent Director's Allowance of MAHB (per month)		RM1,000
2.	Meeting Allowance (per meeting)		
	A. **MAHB**		
	(i) Board	RM5,000	RM3,000
	(ii) Board Committees	RM4,000	RM2,000
	B. **Board of MAHB Subsidiaries**		
	(i) The following rate of meeting allowance is from 1 January 2017 until 31 May 2017:		
	(a) First Tier Companies	RM3,500	RM3,000
	(b) Second Tier Companies	RM3,000	RM2,000
	(ii) The following rate of meeting allowance rate will be effective from 1 June 2017 onwards:		
	(a) First Tier Companies	RM1,500	RM1,200
	(b) Second Tier Companies	RM1,200	RM1,000
	C. **Committee of MAHB Subsidiaries**		
	(i) The following rate of meeting allowance is from 1 January 2017 until 31 May 2017:		
	(a) Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. (ISG)	RM2,500	RM2,000
	(b) LGM Airport Operations Trade and Tourism Inc. (LGM)	RM2,500	RM2,000
	(ii) The following rate of meeting allowance rate will be effective from 1 June 2017 onwards:		
	(a) ISG and LGM#	RM2,500	RM2,000
	D. **Management Committee of MAHB**		
	(i) Land Development Advisory Committee	RM3,500	RM3,000
	(ii) Whistleblowing Independent Committee	RM1,500	RM1,000
	(iii) Other new Corporate Committee	RM1,500	RM1,000
3.	Other Claimable Benefits	Directors' appreciation gift, out of pocket expenses, retirement benefits, car allowance*, entertainment allowance*, petrol*, toll, telecommunication devices, club and professional membership.	

*Chairman Only

Deemed as one meeting due to the fact that the contents of the meetings are similar in nature and meetings are held on the same day.

Note: The Managing Director does not receive any Directors' fees.

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

In determining the estimated total amount of Directors' fees and benefits payable for the NEDs of the Board of MAHB, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees, Board of Subsidiaries and Management Committees as well as the number of NEDs involved in these meetings.

Payment of the NEDs' fees and benefits payable will be made by the Company on a monthly basis and/or as and when incurred should the proposed Resolution 3 and Resolution 4 have been passed at the 18th AGM.

The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' fees and benefits payable on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

In the event where the payment of Directors' fees and benefits payable during the Relevant Period exceed the estimated amount sought on the 18th AGM, a shareholders' approval is to be sought in the next AGM in 2018 on the payment of the exceeded amount.

Explanatory Notes F, G and H for Resolutions 5 to 7:

13. Article 129 of the Company's Constitution stipulates that any newly appointed Director shall hold office only until the next following AGM of the Company at which the Director is due to retire under this Article, when he shall retire but shall then be eligible for re-election.

    The profiles of the Directors standing for re-election are provided on pages 80 to 95 of the Board of Directors' Profile in the 2016 Annual Report.

Explanatory Notes I and J for Resolutions 8 and 9:

14. Article 131 of the Company's Constitution expressly states that in every subsequent AGM, 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.

    Datuk Ruhaizah binti Mohamed Rashid, Dato' Ir. Mohamad bin Husin, Datuk Azailiza binti Mohd Ahad, Datuk Mohd Badlisham bin Ghazali and Dato' Mohd Izani bin Ghani are standing for re-election at the 18th AGM.

    Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin, a Non-Independent Non-Executive Director, who also retires by rotation pursuant to Article 131 of the Company's Constitution does not offer himself for re-election. Hence, he will retire at the conclusion of the 18th AGM.

    The Board has conducted an assessment on the independence of the NEDs who are seeking re-election at this 18th AGM inclusive of their skills, experience, character, integrity, competency and contribution.

    The profiles of the Directors standing for re-election are provided on pages 80 to 95 of the Board of Directors' Profile in the 2016 Annual Report.

Explanatory Note K:

15. The Board Audit Committee (BAC) and the Board of MAHB have considered the re-appointment of Messrs. Ernst & Young (EY) as Auditors of the Company and collectively agreed that EY has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF THE 18TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

1. The Directors who are retiring pursuant to Article 129 of the Company's Constitution and seeking re-election are as follows:

   (i) Datuk Ruhaizah binti Mohamed Rashid;
   (ii) Dato' Ir. Mohamad bin Husin; and
   (iii) Datuk Azailiza binti Mohd Ahad.

2. The Directors who are retiring pursuant to Article 131 of the Company's Constitution and seeking re-election are as follows:

   (i) Datuk Mohd Badlisham bin Ghazali; and
   (ii) Dato' Mohd Izani bin Ghani.

The profiles of the above Directors are set out in the section entitled "Board of Directors' Profile" from pages 80 to 95 of this Annual Report. Their shareholdings in the Company are set out in the section entitled "Statement of Shareholdings" on page 361 of this Annual Report.

AGM ADMINISTRATIVE DETAILS

ADMINISTRATIVE DETAILS FOR THE 18TH ANNUAL GENERAL MEETING OF MALAYSIA AIRPORTS HOLDINGS BERHAD (MAHB OR THE COMPANY) WILL BE HELD AT GATEWAY BALLROOM, LEVEL 1, SAMA-SAMA HOTEL, KL INTERNATIONAL AIRPORT, JALAN CTA 4B, 64000 KLIA, SEPANG, SELANGOR DARUL EHSAN ON THURSDAY, 25 MAY 2017 AT 11.00 A.M.

LOCATION OF THE AGM

Gateway Ballroom, Level 1, Sama-Sama Hotel,
KL International Airport,
Jalan CTA 4B, 64000 KLIA, Sepang,
Selangor Darul Ehsan

Tel: **03-8787 3333** Fax: **03-8787 5555**

Website: **www.samasamahotels.com**

HOW TO GET THERE?

BY CAR

The Sama-Sama Hotel, Kuala Lumpur International Airport 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 directions to the right location.

PARKING

- Ample parking spaces are available at the Hotel and at the short term car park, KLIA.
- The Company will only bear parking charges incurred by shareholder/proxies attending the AGM and who park their vehicles at the car park at the Hotel.
- The validation counter for the parking will be opened after the AGM.

BY EXPRESS RAIL LINK

The Express Rail Link service can be boarded at the KL Sentral Station.

REGISTRATION

- Registration will commence at 8.30 a.m. at the front entrance of the Gateway Ballroom.
- Please produce your original Identity Card (IC) to the registration staff for verification.
- Please note that you will not be allowed to register on behalf of another person even with the original IC of that other person is produced/presented.
- Please note that you will not be allowed to enter the Gateway Ballroom without wearing the identification wristband. After registration, please vacate the registration area immediately and proceed to the Gateway Ballroom.

DOOR GIFT POLICY

- Door gifts will be distributed upon registration. Each person, whether attending as shareholder or proxy, shall be eligible for one door gift only.
- A shareholder who is also attending as a proxy is entitled to a maximum of two door gifts.
- Where a shareholder appoints two proxies, only the proxy who registers first is eligible for the door gift.

TOUCH & GO

- A Touch & Go card will be distributed to each person, who is present personally, whether attending as shareholder or proxy, shall be eligible for one Touch & Go only.

REFRESHMENT

- Light breakfast will be served before the AGM.
- Brunch will be served after the AGM.

Mobile Phones

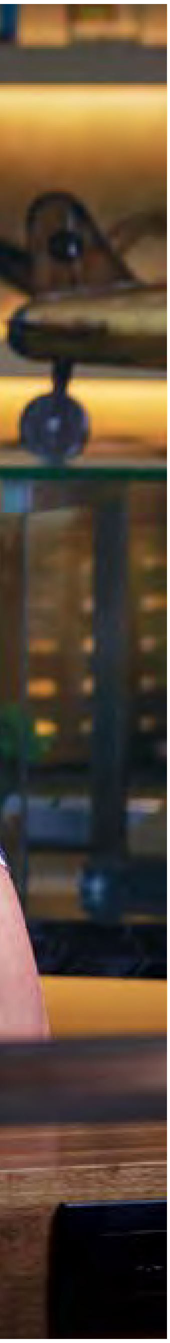
Please ensure that your mobile phones are switched off during the Meeting.

VOTING PROCEDURE

- The voting at the 18th AGM will be conducted on a poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Securities Services (Holdings) Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and Commercial Quest Sdn Bhd as scrutineers to verify the poll results.
- E-voting for each of the resolutions as set out in the Notice of 18th AGM will take effect place only upon the conclusion of the deliberations of all the businesses transacted at the 18th AGM. The registration for attendance will be closed, to facilitate commencement of the poll.
- E-voting counters will be set up for the purpose of conducting the poll using e-voting system at the front entrance of the Meeting hall. Each counter will be equipped with a laptop and a barcode reader. Each shareholder/proxy will be directed to the e-voting counter with his/her personalised passcode slip which is issued during registration for the 18th AGM.
- Each shareholder/proxy is invited to cast his/her vote, and the whole polling process for the 18th AGM is expected to be concluded in 30 minutes. Thereafter, the 18th AGM will resume for the declaration of the poll results by the Chairman.

MEETING
BASIC NEEDS

GETTING THE BASICS RIGHT FOR OUR VALUED STAKEHOLDERS - AIRLINE PARTNERS, RETAILERS AND THE MILLIONS OF AIRPORT USERS. EFFICIENT SERVICE, CLEAN AND WELL-MAINTAINED FACILITIES LEADING TO A JOYFUL EXPERIENCE.



FREE
BUGGY SERVICE TO REDUCE WALKING TIME
AT klia2

WIFI @ KLIA
CATERING TO THE NEEDS OF AIRPORT USERS TO ENSURE
FAST INTERNET ACCESS

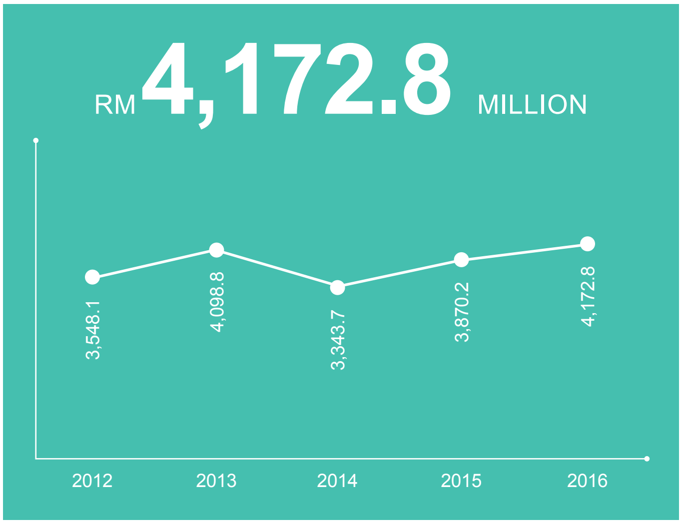
Wi Fi ZONE

TOILET REFURBISHMENT
NEW FEATURES PROVIDING
OPTIMUM COMFORT

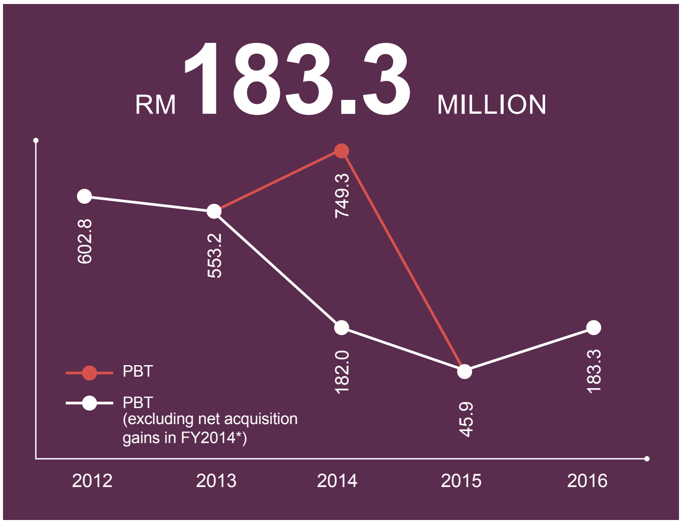
RESTROOM

FIVE-YEAR **FINANCIAL HIGHLIGHTS**

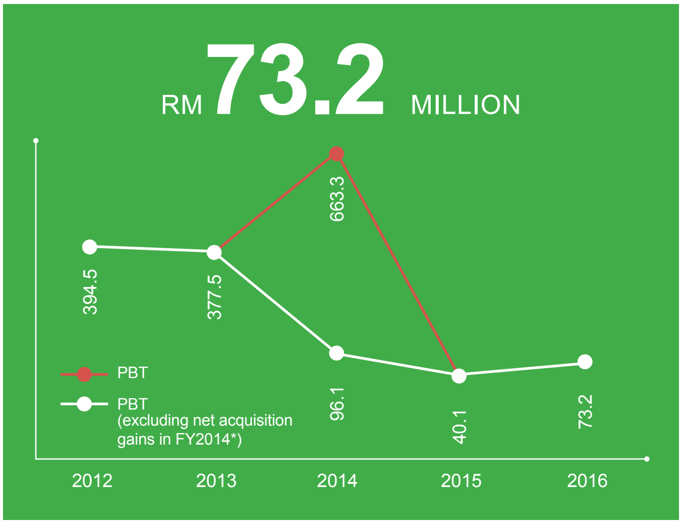
REVENUE
(RM Million)



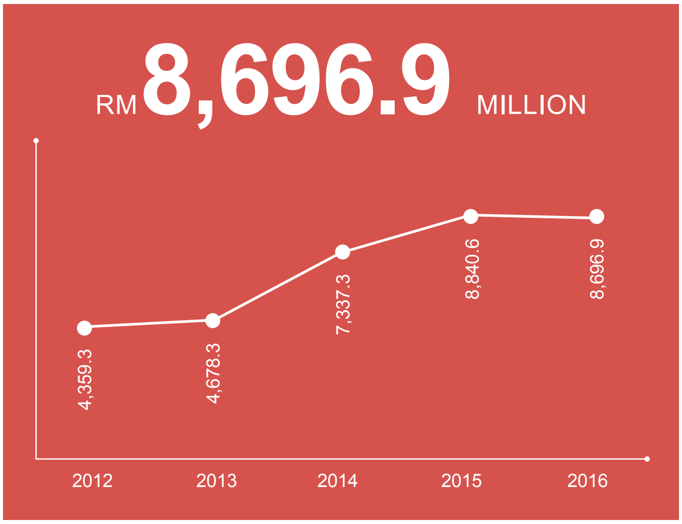
PROFIT BEFORE TAXATION
(RM Million)



PROFIT FOR THE YEAR
(RM Million)



TOTAL EQUITY
(RM Million)



* Net acquisition gains in FY2014 includes gain on bargain purchase, gain arising from re-measurement of fair value of investment and impairment of goodwill totalling RM567.3 million

GROUP FIVE-YEAR **SUMMARY**

Statement of Profit or Loss
for the financial years ended 31 December

In RM Million	2016	2015	2014	2013	2012
Revenue	4,172.8	3,870.2	3,343.7	4,098.8	3,548.1
Profit before tax and zakat from continuing operations	183.3	45.9	749.3	553.2	602.8
Taxation and zakat	(110.2)	(5.8)	(85.9)	(175.5)	(208.5)
Profit from continuing operations, net of tax	73.2	40.1	663.4	377.7	394.3
(Loss)/profit for the year from discontinued operations, net of tax	(0.0)	(0.0)	(0.1)	(0.1)	0.2
Profit for the year	**73.2**	**40.1**	**663.3**	**377.5**	**394.5**
Profit attributable to:					
Owners of the parent	70.4	40.9	663.4	377.4	394.5
Non-controlling interest	2.8	(0.8)	(0.1)	0.1	-
Profit for the year	**73.2**	**40.1**	**663.3**	**377.5**	**394.5**
Earnings per share attributable to equity holders of the Company (sen)					
Basic, for profit/(loss) from continuing operations	0.94	(1.09)	49.10	30.80	33.24
Basic, for (loss)/profit from discontinued operations	-	-	-	(0.01)	0.02
Basic, for profit/(loss) for the year	**0.94**	**(1.09)**	**49.10**	**30.79**	**33.26**

GROUP FIVE-YEAR **SUMMARY**

Consolidated Statements of Financial Position
for the financial years ended 31 December

In RM Million	2016	2015	2014	2013	2012
ASSETS					
Non-current assets	18,698.8	19,415.3	19,285.9	9,485.1	7,326.2
Current assets	2,589.6	2,576.9	2,912.2	1,038.2	1,513.5
Asset of disposal group classified as held for disposal	0.2	0.2	0.1	0.1	0.1
Total assets	**21,288.6**	**21,992.3**	**22,198.2**	**10,523.3**	**8,839.8**
EQUITY					
Share capital	1,659.2	1,659.2	1,374.2	1,232.4	1,210.0
Perpetual sukuk	997.8	997.8	997.8	-	-
Share premium	3,455.1	3,455.1	2,373.1	1,409.4	1,320.4
Distributable retained earnings	2,321.2	2,449.5	2,591.9	2,037.4	1,826.8
Fair value adjustment reserve	8.3	5.3	(1.9)	(0.6)	5.1
Hedging reserve	(37.4)	(13.5)	-	-	-
Other reserves	6.8	5.1	2.6	2.5	2.6
Foreign exchange reserve	283.8	282.8	(0.5)	(2.9)	(5.6)
	8,694.9	**8,841.4**	**7,337.3**	**4,678.3**	**4,359.3**
Non-controlling interest	2.0	(0.8)	-	-	-
Total equity	**8,696.9**	**8,840.6**	**7,337.3**	**4,678.3**	**4,359.3**
Non-current liabilities	10,825.9	10,927.7	11,129.7	4,674.5	3,646.9
Current liabilities	1,765.7	2,224.0	3,731.1	1,170.4	833.5
Liability of disposal group classified as held for disposal	0.0	0.0	0.0	-	0.1
Total liabilities	**12,591.7**	**13,151.7**	**14,860.8**	**5,845.0**	**4,480.5**
Total equity and liabilities	**21,288.6**	**21,992.3**	**22,198.2**	**10,523.3**	**8,839.8**
Net asset per share (RM)	**5.24**	**5.33**	**5.34**	**3.80**	**3.60**

GROUP QUARTERLY **PERFORMANCE**

Year 2016 **In RM Million**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year 2016**
Operating revenue	1,019.5	997.6	1,075.7	1,080.0	4,172.8
Profit before tax and zakat from continuing operations	38.2	17.5	43.0	84.6	183.3
Profit net of tax	16.5	8.6	11.0	37.1	73.2
Earnings per share (sen)	0.13	(1.21)	(0.21)	1.36	0.94

Year 2015 **In RM Million**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year 2015**
Operating revenue	876.2	940.0	1,017.9	1,036.1	3,870.2
Profit/(loss) before tax and zakat from continuing operations	39.3	1.7	58.8	(53.8)	45.9
Profit/(loss) net of tax	32.0	(20.1)	68.5	(40.3)	40.1
Earnings per share (sen)	1.28	(3.20)	3.44	(3.44)	(1.09)

KEY **FINANCIAL HIGHLIGHTS**

Statement of Profit or Loss
for the financial year ended 31 December 2016

In RM Million	2016	2015	% Change
Revenue	**4,172.8**	**3,870.2**	**7.8**
Operating profit	857.4	777.3	10.3
Finance costs	(689.8)	(741.9)	(7.0)
Share of results of associates	1.7	(0.3)	580.2
Share of results of joint ventures	14.1	10.8	30.7
Profit before tax and zakat from continuing operations	**183.3**	**45.9**	**299.1**
Taxation and zakat	(110.2)	(5.8)	(1,793.4)
Profit from continuing operations, net of tax	**73.2**	**40.1**	**82.4**
Profit attributable to:			
Owners of the parent	70.4	40.9	72.1
Minority interests	2.8	(0.8)	(452.0)
	73.2	40.1	82.4
Earnings/(loss) per share attributable to owners of the parent (sen per share)			
- Basic, for profit for the year	**0.94**	(1.09)	

KEY FINANCIAL HIGHLIGHTS

Consolidated Statement of Financial Position
as at 31 December 2016

In RM Million	2016	2015	% Change
Assets			
Property, plant and equipment	455.5	435.0	4.7
Investments	353.6	441.5	(19.9)
Intangible asset	17,231.0	17,842.4	(3.4)
Other non-current assets	658.7	696.4	(5.4)
Current assets	2,589.6	2,576.9	0.5
Asset of disposal group classified as held for disposal	0.2	0.2	-
Total assets	**21,288.6**	**21,992.3**	**(3.2)**
Equity and liabilities			
Share capital	1,659.2	1,659.2	-
Perpetual sukuk	997.8	997.8	-
Share premium	3,455.1	3,455.1	-
Retained earnings	2,321.2	2,449.5	(5.2)
Fair value adjustment reserve	8.3	5.3	56.0
Hedging reserve	(37.4)	(13.5)	(177.3)
Other reserve	6.8	5.1	33.8
Foreign exchange reserve	283.8	282.8	0.4
	8,694.9	**8,841.4**	**(1.7)**
Non-controlling interest	2.0	(0.8)	368.2
Total equity	**8,696.9**	**8,840.6**	**(1.6)**
Non-current liabilities	10,825.9	10,927.7	(0.9)
Current liabilities	1,765.7	2,224.0	**(20.6)**
Liability of disposal group classified as held for disposal	0.0	0.0	**0.2**
Total liabilities	**12,591.7**	**13,151.7**	**(4.3)**
Total equity and liabilities	**21,288.6**	**21,992.3**	**(3.2)**
Net asset per share (RM)	**5.24**	**5.33**	**(1.6)**
Return on assets	**0.3%**	**0.2%**	

GROUP **SEGMENTAL ANALYSIS**

MALAYSIA OPERATIONS

2016 TOTAL REVENUE
RM4,172.8 MILLION

2016 TOTAL PROFIT BEFORE TAXATION
RM183.3 MILLION

In RM Million

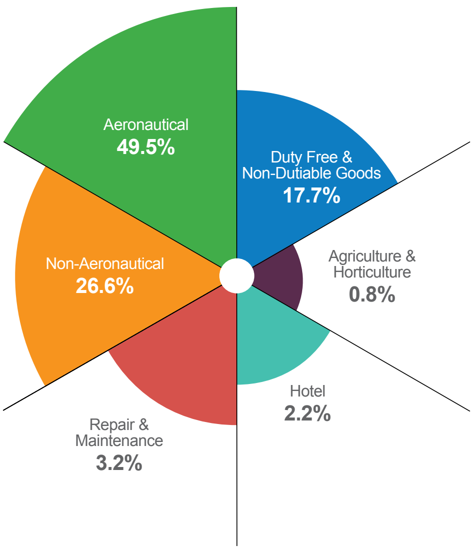
Segment	Year	Revenue	Profit Before Taxation
Duty Free & Non-Dutiable Goods	2016	740.9	25.6
	2015	673.4	(72.5)
Airport Services	2016	2,223.0	366.0
	2015	2,037.8	144.2
Agriculture & Horticulture	2016	34.3	5.8
	2015	29.9	2.3
Hotel	2016	82.9	1.4
	2015	73.9	0.4
Repair & Maintenance	2016	18.1	38.2
	2015	20.4	20.4
Other@	2016	-	(183.2)
	2015	-	(95.8)

OVERSEAS OPERATIONS

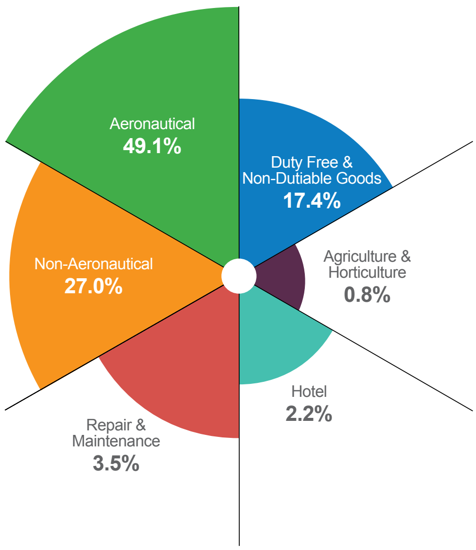
Segment	Year	Revenue	Profit Before Taxation
Airport Services	2016	958.8	(56.7)
	2015	919.3	29.9
Repair & Maintenance	2016	114.7	(13.7)
	2015	115.5	17.1

Note: The Group revenue segmental analysis above excludes inter-segment transactions.
@ Other profit before taxation includes inter-segment eliminations and consolidation entries.

REVENUE



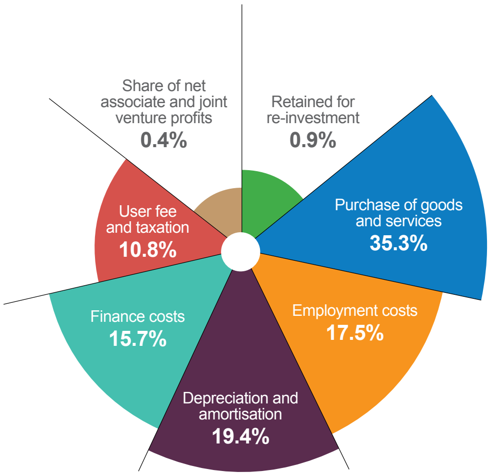
2016
TOTAL RM4,172.8 million



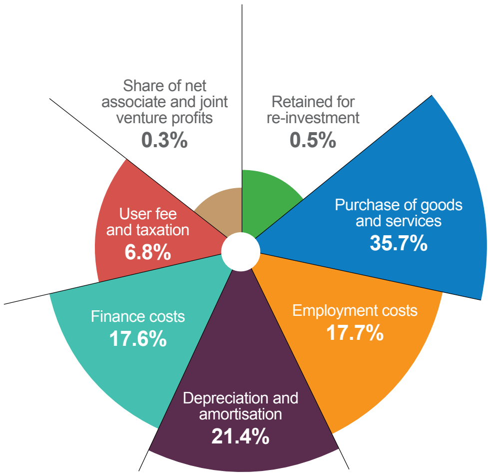
2015
TOTAL RM3,870.2 million

STATEMENT OF **INCOME DISTRIBUTION**

2016
TOTAL RM4,393.5 million



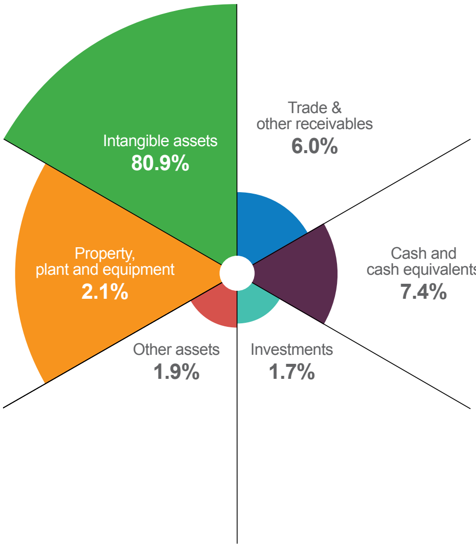
2015
TOTAL RM4,207.3 million



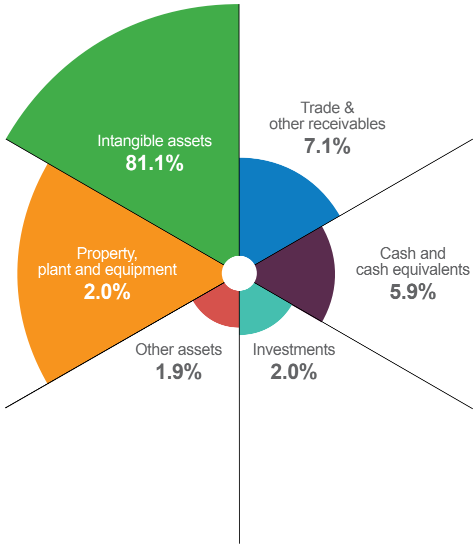
In RM Million	2016	%	2015	%
Current income available for distribution	**4,393.5**		4,207.3	
To supplier				
Purchase of goods and services	**1,550.6**	35.3	1,502.2	35.7
To employees				
Employment costs	**770.3**	17.5	744.0	17.7
Utilisation of assets				
Depreciation and amortisation	**852.5**	19.4	901.7	21.4
To financier				
Finance costs	**689.8**	15.7	741.9	17.6
To government				
User fee and taxation	**472.6**	10.8	287.9	6.8
To share of net associate and joint ventures profits				
Share of net associate and joint ventures profits	**15.7**	0.4	10.4	0.3
Retained for re-investment and future growth and dividend payment				
Current year	**42.0**	0.9	18.5	0.5
	4,393.5	100.0	4,207.3	100.0

STATEMENT OF FINANCIAL POSITION

ASSETS

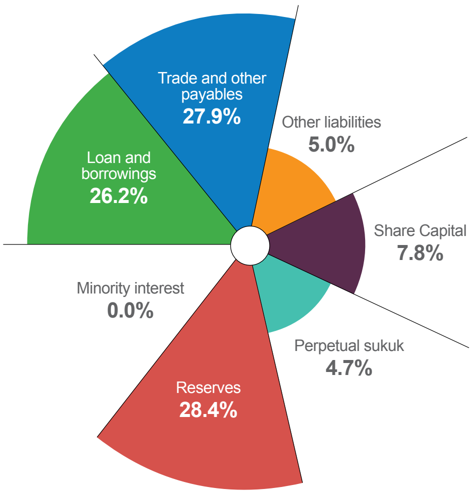


2016
TOTAL RM21,288.6 million

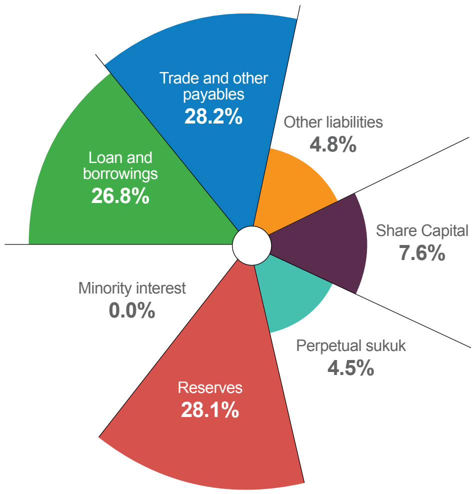


2015
TOTAL RM21,992.3 million

EQUITY AND LIABILITIES



2016
TOTAL RM21,288.6 million

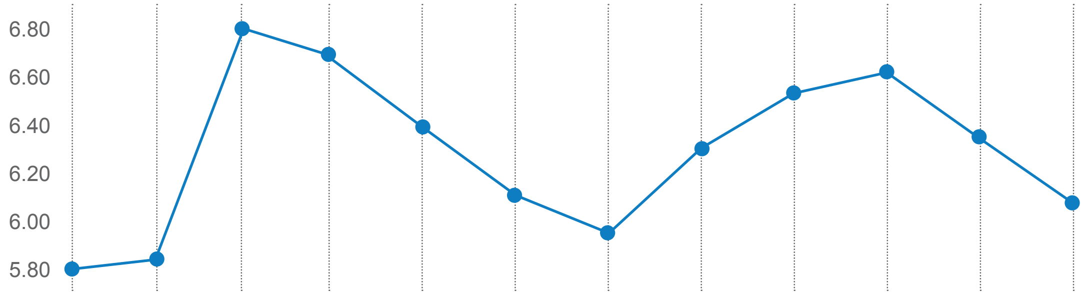


2015
TOTAL RM21,992.3 million

SHARE PRICE, VOLUME TRADED, MARKET CAPITALISATION

SHARE PRICE MOVEMENT

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
5.80	5.85	6.80	6.70	6.39	6.12	5.95	6.30	6.54	6.63	6.35	6.06

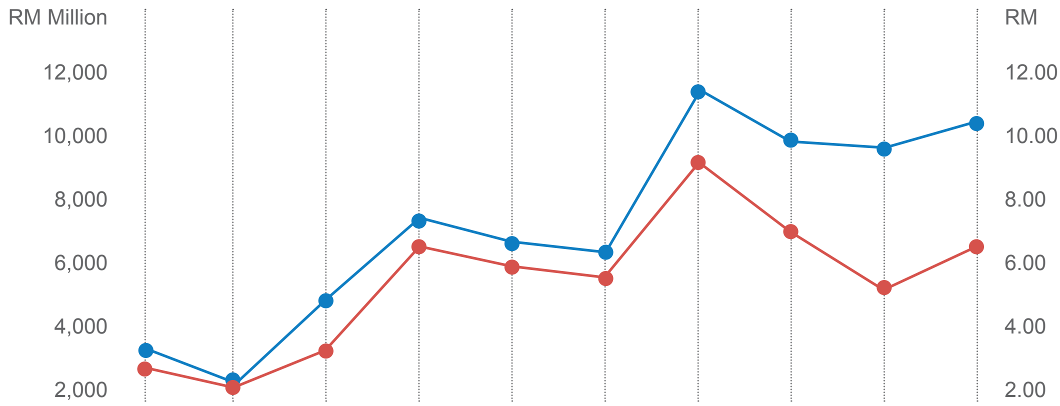


2016 MONTHLY TRADING VOLUME & SHARE PRICE STATISTICS

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Volume (million)	17.66	21.22	40.55	27.42	36.14	26.08	56.69	35.17	29.31	29.80	28.37	25.26
High (RM)	5.91	6.32	6.97	6.86	6.84	6.63	6.47	6.40	7.30	6.76	6.64	6.45
Low (RM)	5.37	5.63	5.81	6.27	6.05	5.97	5.76	5.86	6.15	6.44	6.11	5.91
Closing Price (RM)	5.80	5.85	6.80	6.70	6.39	6.12	5.95	6.30	6.54	6.63	6.35	6.06

CLOSING PRICE AND MARKET CAPITALISATION

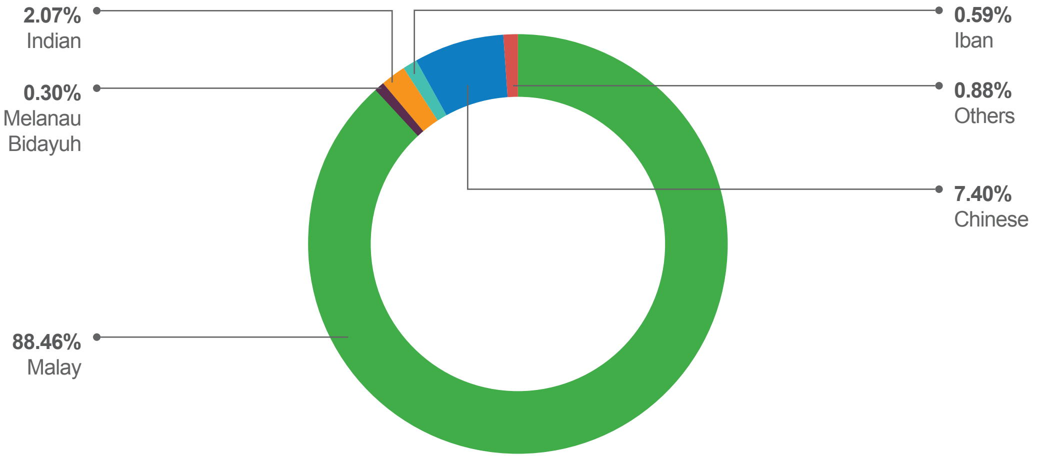
YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Closing price for the year (RM)	3.02	2.21	3.97	6.28	5.80	5.21	9.00	6.80	5.61	6.06	
Market capitalisation (RM Million)	3,322	2,431	4,367	6,908	6,380	6,304	11,092	9,344	9,308	10,055	



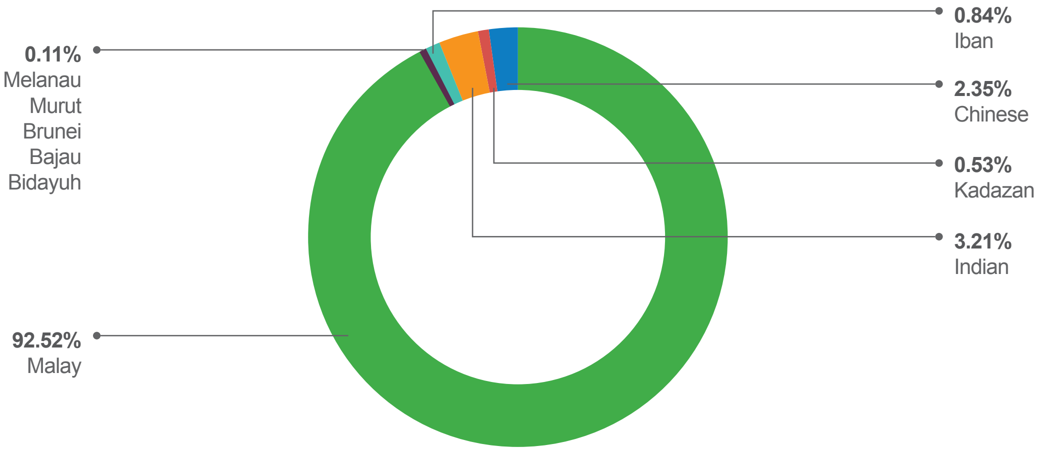
STATEMENT OF **WORKFORCE**

YEAR 2016

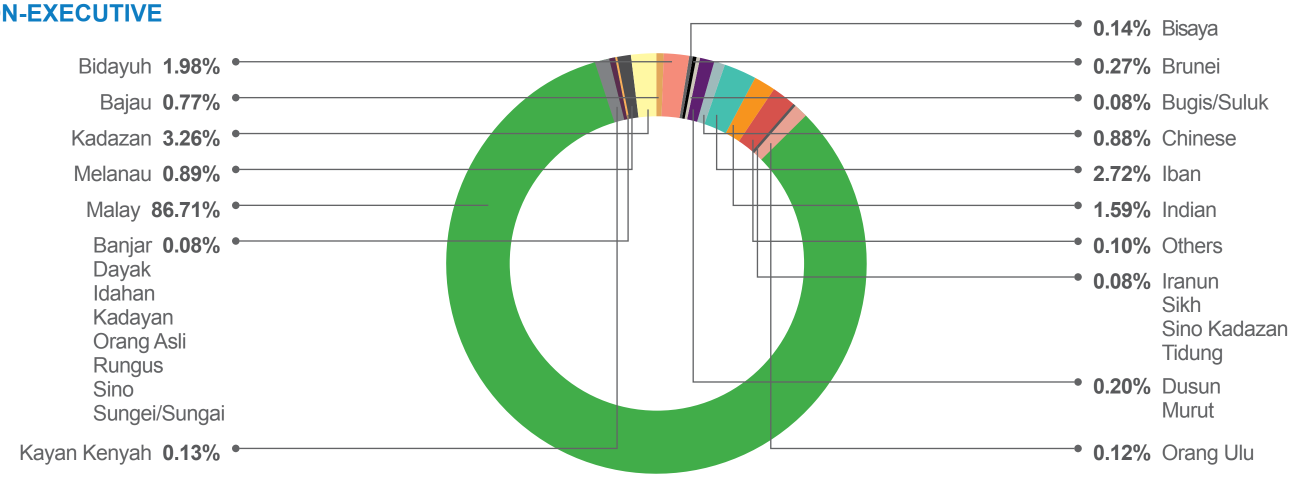
MANAGEMENT



EXECUTIVE



NON-EXECUTIVE



GROUP **FINANCIAL PERFORMANCE**

KEY FINANCIAL PERFORMANCE

Malaysia Airports Holdings Berhad (Malaysia Airports) had registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM1,709.9 million for the financial year ended 31 December 2016 (FY2016), representing a growth of 1.8% when compared to the financial year ended 31 December 2015 (FY2015). The achievement was on the back of the strong growth in revenue, primarily arising from the Group's Malaysian Operations.

GROUP PROFITABILITY

Malaysia Airports registered revenue of RM4,172.8 million for FY2016 which was 7.8% higher than the RM3,870.2 million registered in its corresponding period in FY2015. PBT had increased by 299.1% to RM183.3 million while profit after tax (PAT) had also increased by 82.4% to RM73.2 million from RM40.1 million in FY2015.

The higher operating revenues were attributable to the improved results from airport operations segment which grew by 8.1% to RM3,912.8 million. Revenue in non-airport operations segments grew by 3.2% to RM259.9 million. Malaysia Airports recorded a favourable PBT and PAT in line with improved revenue and lower total cost from its Malaysia operations. Decrease in this total cost was mainly due to lower amortisation and depreciation by 33.2% resulting from the extension of the operating agreement by an additional 35 years, ending 2069. However, this favourable variance was negated by a higher Overseas operation loss before tax by 91.7% to RM296.9 million.

OPERATIONS REVIEW

The increase in airport operations revenue segment as mentioned above was mainly driven by the 8.6% growth in aeronautical revenue to RM2,062.6 million. This was largely attributed to the strong passenger growth of 5.8% to 118.6 million passengers. Total commercial aircraft movements grew by 1.0% to 1,031,874 movements while cargo movements dropped by 7.1%, registering a volume of 948,613,216 metric tonnes.

The growth in non-aeronautical revenue also contributed to the overall increase in the airport operations segment. Non-aeronautical revenue recorded a growth of 7.6% to RM1,850.2 million on the back of improved performance in the retail and commercial businesses. Revenue from rental of space, advertising and other commercial segments grew 6.1% to RM1,110.2 million, contributed by higher occupancy rate and higher average rental resulting from increased in rental space at klia2. Malaysia Airports' own retail business also registered a growth of 10.0% in FY2016.

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, and 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 food and beverages (F&B) outlets, management and operations of airport parking facilities, advertising business, Hotel and the Free Commercial Zone at KLIA.

GROUP FINANCIAL PERFORMANCE

Total commercial activities above continues to be a key earnings driver for Malaysia Airports, accounting for 44.3%, or RM1,850.2 million, to the Group's revenue and this is in line with the Group's long term plan to further grow this branch of business.

The non-airport operations business include revenue derived from Sama-Sama Hotel and Sama-Sama Express operations, agriculture and horticulture activities, project and repair maintenance services and other activities that may be described in the Group's financial statement.

BUSINESS SEGMENT

In RM Million	FY2016	FY2015	Variance
I) Airport Operations	**3,912.8**	3,618.4	8.1%
1. Airport Services:			
Aeronautical	**2,062.6**	1,899.3	8.6%
Non-aeronautical	**1,110.2**	1,046.5	6.1%
2. Duty Free and Non-Dutiable goods	**740.0**	672.5	10.0%
II) Non-airport Operations	**259.9**	251.8	3.2%
Hotel	**92.8**	86.0	7.9%
Agriculture and horticulture	**34.3**	29.9	14.8%
Project and repair maintenance	**132.8**	135.9	-2.3%
	4,172.8	**3,870.2**	**7.8%**

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 ISG Airport 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 is non-aeronautical revenue.

GROUP **FINANCIAL PERFORMANCE**

SEGMENTAL REVENUE

MALAYSIA OPERATIONS

1. Airport operations

(a) **Airport services:** This business segment comprises of aeronautical and non-aeronautical revenues. Aeronautical revenue consists of collection of PSC, landing and parking fees, and other ancillary charges to airlines; while non-aeronautical revenue is generated from rental and other commercial activities. Aeronautical revenue increased by 9.9% to RM1,563.9 million in tandem with growth in passenger traffic. The improvement was also attributed to the recognition of Marginal Cost Support for Passenger Service Charge (MARCS PSC) as the PSC rates are lower than the benchmark rate as stipulated in the Operating Agreements signed with the Government.

Non-aeronautical revenue rose by 7.1% to RM659.2 million. This favourable variance was due to more aggressive marketing campaign and higher occupancy rate resulting from increase in rental space at klia2.

(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 10.1% to RM740.9 million in FY2016 attributed to stronger spending from North Asian and Asean passengers.

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. The higher revenue contribution is due to the higher price attained for Fresh Fruit Bunch (FFB) per tonne, despite the lower production volume (FY2016: RM588.48/57,624MT; FY2015: RM440.22/67,056MT) resulting in revenue for the agriculture and horticulture segment to increase to RM34.3 million in FY2016, or 14.8% higher than the RM29.9 million registered in FY2015.

(b) **Hotel:** The hotel segment manages and operates Sama-Sama Hotel and Sama-Sama Express in Malaysia. The hotel segment revenue increased by 12.2% to RM82.9 million, mainly attributed to higher average room rate in Malaysia (FY2016:RM405.18; FY2015: RM392.09).

(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 negative growth of 11.3% in revenue to RM18.1 million in FY2016.

OVERSEAS OPERATIONS

1. Airport operations

(a) **Airport services:** The increase in airport services revenue by 4.3% to RM958.8 million was mainly due to improved aeronautical revenue that grew by 4.6% to RM498.7 million. The growth is in line with the positive passenger growth at ISG by 4.8%. The increase in revenue was also contributed by better non-aeronautical performance by 4.0% to RM460.1 million mainly from rental revenue.

GROUP **FINANCIAL PERFORMANCE**

2. **Non-airport operations**

   (a) **Project and repair maintenance services:** The project and repair maintenance segment revenue relates to MACS Middle East LLC which provides facilities maintenance services at Hamad International Airport. The segment recorded flat growth at RM114.7 million in FY2016.

SEGMENTAL PROFITABILITY

MALAYSIA OPERATIONS

1. **Airport operations**

   (a) **Airport services:** In line with the increase in the airport services revenue and lower depreciation and amortisation costs, Malaysia operations recorded a PBT of RM366.0 million or 153.8% higher compared to RM144.2million in FY2015.

   (b) **Duty free and non-dutiable goods:** This segment generated a PBT of RM25.6 million in FY2016 from a loss before tax of RM72.5 million in FY2015, in tandem with the higher growth in sales.

2. **Non-airport operations**

   (a) **Agriculture and horticulture:** The agriculture and horticulture business PBT had increased by 158.5% to RM5.8 million from a PBT of RM2.3 million in FY2015 due to higher price attained for FFB per tonne despite lower production output.

   (b) **Hotel:** The hotel business recorded PBT of RM1.4 million in FY2016, a 253.6% improvement compared to PBT of RM0.4 million recorded in FY2015. This was mainly due higher average room rate.

   (c) **Project and repair maintenance:** This segment recorded a PBT of RM38.2 million in FY2016 compared to a PBT of RM20.4 million in FY2015.

OVERSEAS OPERATIONS

1. **Airport operations**

   (a) **Airport services:** Overseas operations recorded an increase in loss before tax (LBT) of RM56.7 million compared to a PBT of RM29.9 million in the previous year. The unfavourable variance was mainly due to the increase in depreciation and amortisation.

2. **Non-airport operations**

   (a) **Project and repair maintenance:** The segment recorded a LBT of RM13.7 million as compared to a PBT of RM17.1 million in the previous year due to lower revenue generated by MACS ME and higher labour costs.

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 loss of RM661.5 million for FY2016 as compared to a loss of RM595.0 million in FY2015. The higher economic loss in 2016 was mainly due to higher average cost of capital.

GROUP **FINANCIAL PERFORMANCE**

DIVIDENDS

Malaysia Airports has declared and paid a single tier interim dividend amounting to RM66.4 million (4.0 sen per ordinary share) in cash.

The board will propose a final dividend in respect of the financial year ended 31 December 2016 of 6.0 sen per ordinary share amounting to RM99.6 million for shareholders' approval at the forthcoming Annual General Meeting. Subject to approval of the shareholders, the total dividend declared will translate into a payout of 55.5% of total adjusted PAT, surpassing Malaysia Airports' Dividend Policy of a minimum 50% payout ratio.

HEADLINE KEY PERFORMANCE INDICATORS (KPIs) FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017 (FY2017)

The Headline KPIs are targets or aspirations meant to drive Malaysia Airports' performance in 2017. These Headline KPIs are disclosed publicly on a voluntary basis, signalling Malaysia Airports' commitment towards transparent performance measures and good corporate governance.

These Headline KPIs shall not be construed as forecasts, projections or estimates of Malaysia Airports or representations of any future performance, occurrence 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 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 business will continue to grow as expected.

FY2017 HEADLINE KPIs

FINAL	FY2017
(i) Group EBITDA	**RM1,796.6 million**
Malaysia Operations	RM980.0 million
Overseas Operations	
Turkey Operations	EUR172.8 million (RM795.0 million - constant currency)
Qatar Operations	QAR19.4 million (RM21.6 million - constant currency)
(ii) Airport Service Quality Awards	**Above 40 million pax category: KLIA Ranking Top 12**

Malaysia Airports' Headline KPIs for FY2017 are as follows:

The Group's EBITDA KPI target for the financial year ending 2017 is RM1,796.6 million. The increase in the Group EBITDA will be in tandem with the expected growth in passenger traffic, both in Malaysia and Turkey.

However, the Group expects to incur additional operating expenditure in 2017, in line with several initiatives lined up under its five year business plan, Runway to Success 2020 (RtS2020). RtS2020 places priority on establishing KLIA as a preferred ASEAN hub, improving airport experience for all stakeholders, developing KLIA Aeropolis, and expanding our presence overseas. Some of the initiatives include enhancing passenger experience via digitalisation, uplifting airport service quality and offerings, providing improved transfer connectivity between KLIA and klia2 and further development of KLIA Aeropolis.

AIRPORT PERFORMANCE BENCHMARK

Airports tend to operate under different circumstances in terms of aviation activities, commercial activities, site constraints, governance and ownership structure, etc., and as a result, there are no specific performance indicators that individual airports would find consistently relevant and useful. For example, privatised airports are likely to focus on different financial performance indicators compared to non-profit government-owned airports. Larger airports are likely to focus on different performance indicators compared to smaller airports. Airports with large developable land areas are likely to focus on different performance indicators than tightly constrained airports in large urban areas. As such, benchmarking becomes relatively complex. These are well-illustrated in the International Civil Aviation Organisation's (ICAO) Airports Economics Manual and Airport Council International's (ACI) Guide to Airport Performance Measures.

Even among airports with similar characteristics, managers may have different views regarding which performance indicators are most important, and how many performance indicators the airport should track. A smaller set of closely monitored performance indicators tend to be a more effective performance management tool than a larger set of performance indicators that attracts less focus.

Airport benchmarking is divided into two types of comparisons; firstly the internal or self-benchmarking, where an airport compares its performance with itself over time; and secondly external or peer benchmarking where an airport compares its performance against other airports, either at a single point in time or over a period of time. Malaysia Airport's Annual Report and the accompanying Sustainability Report cover both these areas to some detail. In addition, this section attempts to cover only those areas of benchmarking not covered elsewhere in this report but considered being of some relevance to the esteemed stakeholders and shareholders.

When comparing one airport to another, some of the typical factors that drive different results and should be considered in making comparisons include passenger volume, capacity constraints, mix of international and domestic traffic, mix of local and transfer passengers, mix of passenger by service carrier (full-service network, low-cost, charter), mix of passenger versus cargo activity, degree of outsourcing, range of services provided by the airport, airport development programme status, weather conditions, geographic location, urban versus rural location, physical size of the airport, public transportation access and usage, regulatory environment, local labour conditions, and ownership and governance structure.

Internal benchmarking, where an airport compares its performance with itself over time, is less complex than external benchmarking because the number of variables that change at an airport from one year to another is limited. However, year-over-year comparisons may not be simple as the variables involved may have changed. The complexities involved in making airport comparisons do not suggest that external benchmarking is totally meaningless but rather to show that many indicators will be useful primarily for internal benchmarking and even internal benchmarking should be viewed not as an end in itself. For external benchmarking results to be meaningful, it is essential to find truly comparable peer airports in terms of the many factors that drive the indicator and many performance indicators measure or include as a denominator, passengers, aircraft movements, or other factors which are largely beyond the airport's control.

The common benchmarks reflected in the ICAO and ACI documents are as below:

(i) Core measurements that shows the activity level at the airports such as passengers and categories of passengers, aircraft movements, cargo movements, airlines and destinations.

(ii) Safety and security statistics such as runway accidents and incursions, bird strikes, occupational injuries etc. Safety indicators are used to track airfield safety issues as well as safety issues involving other portions of the airport, including roadways, and general employee safety. Security indicators may be used to track security violations, thefts and crimes, and responsiveness.

AIRPORT **PERFORMANCE BENCHMARK**

(iii) Service quality levels such as customer satisfaction, delay statistics, and security, passport, check in and baggage clearing times. Service quality indicators focus both on how passengers perceive the level of service provided by the airport, and on objective measures of service delivery.

(iv) Productivity/cost effectiveness such as passengers/aircraft movements per employee, aircraft movements per gate, total cost per passenger/aircraft movement, operating cost per work load unit etc. These indicators of airport ef-ficiency measure the resources used to produce a certain volume of activity, e.g., departures per gate or total passengers per airport employee.

(v) Financial and commercial measurements such as aeronautical/non-aeronautical revenue per passenger/aircraft, non-aeronautical operating revenue as a percentage of total revenue, EBIDTA per passenger etc. Financial/commercial performance indicators are used to track the airport's financial performance, including airport charges, airport financial strength and sustainability, and the performance of individual commercial functions.

(vi) Environmental-related such as carbon footprint, waste reduction percentage, utilities/energy usage per passenger, water consumption per passenger etc. Environmental indicators are used to track an airport's progress in minimising the environmental impacts of its operations.

ICAO produces airport financial statistics annually but it is published not early enough and the financial information on airports is often limited and difficult to obtain. In addition, for airport operators that are listed, the available data from published accounts is for the whole Group. Even Malaysia Airports' published accounts does not carry detailed accounts of individual airports. Other organisations which have done airport benchmarking include ACI, LeighFisher, Skytrax and International Air Transport Association (IATA). Data obtained from IATA suggest that KL International Airport (KLIA) is competitive in terms of passenger service charges and passenger security service charges and landing charges when compared against other airports in the region. LeighFisher's Report 2016 that tracks the world's top 50 airports (or airport group), indicate that aeronautical revenue per passenger as well as aeronautical revenue per aircraft movement at Malaysia Airports are only around one-third of the benchmarked average.

On the passenger traffic side, KLIA continues to register high growth in the region in 2016. The traffic performance of some airports in the region is as follows:

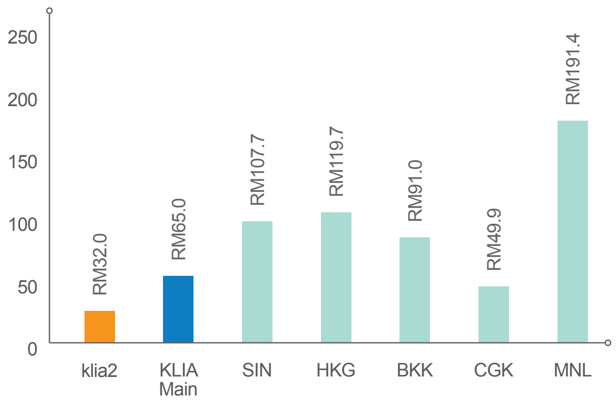
AIRPORT	2016 (MILLION)	% CHANGE
Hong Kong International Airport **(HKG)**	70.32	3.0
Changi Airport Singapore **(SIN)**	58.70	5.9
Soekarno-Hatta International Airport Jakarta **(CGK)**	54.97	1.7
Suvarnabhumi Airport Bangkok **(BKK)**	55.89	5.7
Incheon International Airport Seoul **(ICN)**	57.86	17.1
KL International Airport **(KUL)**	52.64	7.6

AIRPORT **PERFORMANCE BENCHMARK**

Source: ACI (Preliminary)

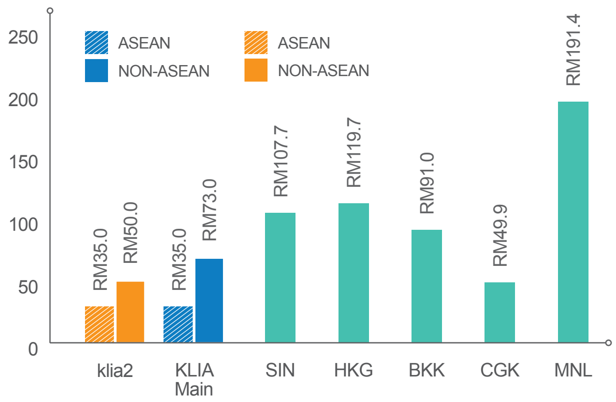
Benchmarking of airport charges provides a glimpse of airlines and passengers cost for using an airport. Aircraft landing and passenger service charges at some airports in the region is as follows:

INTERNATIONAL PSC



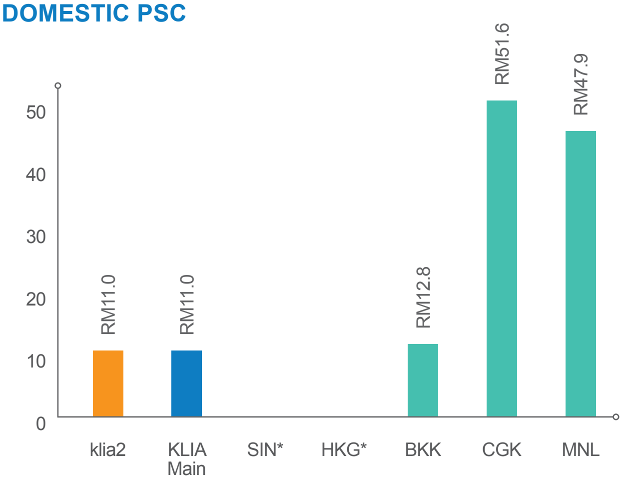
2016

INTERNATIONAL PSC



2017

DOMESTIC PSC



2017

** No domestic passengers*

LANDING CHARGES (A330-300)

2017

With respect to benchmarking of airport charges, airports globally structure their charges in different ways. Some airports may have higher charges than other airports due to revenue optimisation reasons, charge structure reasons as well as due to provision of higher level of facilities and services. For measure of productivity, airports which are congested may appear to have higher productivity, in the form of higher passenger & aircraft movements per hour when in fact they reduce the economic efficiency of commercial aviation.

DIVIDEND **POLICY**

Dividend policy is one of Malaysia Airports' 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 the company and its shareholders.

A company may use dividends as a signal to inform investors 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 its 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 from stable or steadily increasing dividend.

Commencing from the financial year ended 31 December 2007, Malaysia Airports adopts a dividend policy with a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest, subject to availability of distributable reserves. The rationale for the dividend policy is as follows:

(i) to return excess cash of Malaysia Airports to shareholders
(ii) improves the return on equity of the Group
(iii) consistent with best practices of public listed companies

The summary of dividends declared and paid to the shareholders of Malaysia Airports for the financial years ending 31 December 2007 to 2016 are tabulated below:

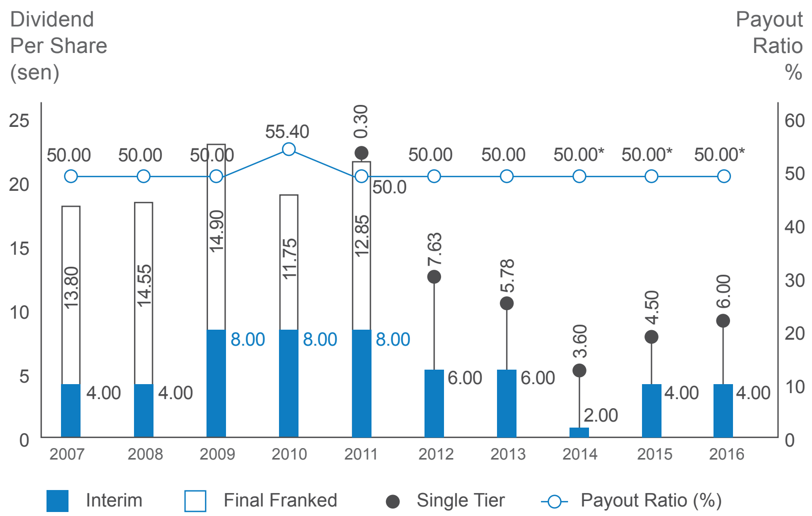
DIVIDENDS DECLARED FROM 2007 TO 2016

Financial Year	Interim Dividend (Sen)		Final Dividend (Sen)		Payout Ratio (%)*
	Franked	Single Tier	Franked	Single Tier	
2007	4.00		13.80		50.00%
2008	4.00		14.55		50.00%
2009	8.00		14.90		50.00%
2010	8.00		11.75		55.40%
2011	8.00		12.85	0.30	50.00%[1]
2012		6.00		7.63	50.00%[1]
2013		6.00		5.78	50.00%[1]
2014		2.00		3.60	61.20%[1]
2015		4.00		4.50	58.10%
2016		**4.00**		**6.00**	**55.50%**

* The minimum dividend payout ratio of 50% is based on adjusted core net profit of the company (excluding exceptional & one-off items).
[1] Excluding IC 12.

DIVIDEND **POLICY**

Dividend per share (sen)



* The dividend payout ratio of 50% is based on adjusted core net profit of the company (excluding exceptional & one-off items)

The graph above shows that Malaysia Airports has been able to maintain high dividend levels resulting from the robust earnings of the Company. The dividend payments signal management's expectation of high future earnings as well as commitment to rewards its shareholders.

DIVIDEND REINVESTMENT PLAN

In our commitment to reward shareholders as well as to strengthen the Group's capital base, Malaysia Airports had established a dividend reinvestment plan (DRP). The DRP allows shareholders of Malaysia Airports to reinvest their dividends into new ordinary share(s) of RM1.00 each in Malaysia Airports shares. The rationale for the DRP is as follows:

(i) enhance shareholders' value via the subscription of new Malaysia Airports shares where the new Malaysia Airports shares issued typically bears a discount
(ii) provide the shareholders with greater flexibility in meeting their investment objectives by providing a choice of receiving cash or reinvesting in Malaysia Airports
(iii) dividends that are reinvested are utilised to fund the continuing business growth of the Group
(iv) improve liquidity of Malaysia Airports' shares traded on the Main Market of Bursa Malaysia Securities Berhad

The details of the past six DRP exercises completed by the Company is as shown in the table below:

Financial Year	Type of dividend	Dividend per share	Total dividend amount (RM Million)	Number of shares made available for investment	Number of shares re-invested	Subscription (%)
2012	Interim	6.00	72.60	15,343,229	7,088,046	46.2%
	Final	7.63	92.86	18,060,421	15,355,833	85.0%
2013	Interim	6.00	73.95	9,169,678	8,102,473	88.4%
	Final	5.78	78.87	10,901,346	9,553,502	87.6%
2014	Interim	2.00	27.48	4,479,556	2,391,485	53.4%
	Final	3.60	59.47	9,909,098	7,342,222	74.1%

FINANCIAL CALENDAR

GENERAL MEETING

28

April 2017

Notice of 18th Annual General Meeting

25

May 2017

18th Annual General Meeting

FINANCIAL YEAR 2016

Quarterly Results Announcements	
27 April 2016	Unaudited consolidated results for the 1st quarter ended 31 March 2016.
28 July 2016	Unaudited consolidated results for the 2nd quarter ended 30 June 2016.
27 October 2016	Unaudited consolidated results for the 3rd quarter ended 30 September 2016.
28 February 2017	Unaudited consolidated results for the 4th quarter ended 31 December 2016.
Headline Key Performance Indicators Announcement	
28 February 2017	2017 Headline Key Performance Indicators.
Dividends	
Final Single-Tier Dividend of 4.5 sen per ordinary share of RM1.00 each	
27 April 2016	Notice of book closure date.
13 May 2016	Entitlement date.
3 June 2016	Payment date.
Single-Tier Interim Dividend of 4 sen per ordinary share of RM1.00 each	
28 July 2016	Notice of book closure date.
12 August 2016	Entitlement date.
26 August 2016	Payment date.

INVESTOR **RELATIONS**

QR CODE
Scan this QR code to view Malaysia Airports' Investor Relations Portal.

At Malaysia Airports, we dedicate our efforts in continuously creating and maximising values for our esteemed shareholders. We understand the importance to continuously engage our existing shareholders and prospective investors to keep them up to date with insights, strategies, business performance and latest developments within the Group. Our comprehensive Investor Relations Programme was implemented to consistently deliver effective, timely and transparent communication with the investment community.

QUARTERLY FINANCIAL RESULTS AND ANALYST BRIEFING

Malaysia Airports organises presentations with teleconferencing facilities during quarterly financial results briefings to the media, equity and fixed income analysts as well as the fund managers. Our proactive Investor Relations initiatives ensure timely dissemination of relevant information to the public and investment community for better understanding of the financial, operational performance as well as key strategies of the Group.

Malaysia Airports further emphasises on timely disclosure through the circulation of investor presentation. Presentation of financial results and performance are prepared in a concise and transparent manner and are made available on our website in conjunction with the release of financial results announcement to Bursa Malaysia Securities Berhad. Hardcopies of the presentations are disseminated to participants who attended the briefings.

INVESTOR ENGAGEMENT

- **One-on-one Meetings, Conference Calls and Investor Conferences**
  The Chief Financial Officer and Investor Relations team have been actively participating in meetings and conference calls with institutional investors, fund managers, analyst and rating agencies held in Malaysia as well as abroad. We participated in over 450 meetings, conference calls and large group presentations organised by local and foreign research houses, as an effort to continuously reaching out to wider investor base.

  The team's efforts have not come unnoticed, as the company and its representative had bagged awards by IR Magazine for 2016 Best Investor Relations Company (for Malaysia) and the Institutional Investor 2015 All-Asia Executive Team for the Best Investor Relations Company and Best Investor Relations Professional (Industrials), being the only Malaysian ranked recipient.

- **Investor Relations Portal**
  In further efforts to enhance access by various stakeholders, the Investor Relations unit maintains an Investor Relations portal, on the company's website, http://www.malaysiaairports.com.my. The website offers an effective communication platform with a wide range of information for shareholders, prospective investors and the general public including the key financial highlights, annual reports, financial results, investor presentation, press releases, and disclosures to Bursa Malaysia Securities Berhad.

- **Investor feedback**
  To further strengthen the relationship with the investing community, we value their feedback or enquiries which can be communicated directly to us via our dedicated email address at investorrelations@malaysiaairports.com.my.

  The Investor Relations team endeavours to provide timely responses to feedback or queries by ongoing engagement and direct communication with the stakeholders.

MALAYSIA AIRPORTS CREDIT RATING

Malaysia Airports is committed towards sound financial position and robust balance sheet. In FY2016, Malaysia Airports continues to exhibit strong fundamentals; evident by its strong investment grade credit ratings:

Rating Agency	Credit Rating
RAM	AAA
Moody's	A3

Malaysia Airports is committed to maintain the above ratings, which is achieved via prudent and pragmatic capital management approach taken by the Group in the course of doing its business.

Investor Relations Contact:
Zeid Abdul Razak, Investor Relations
Tel : +603 8777 7495
Fax : +603 8777 7830
E-Mail : investorrelations@malaysiaairports.com.my

INVESTOR RELATIONS

CONFERENCES, ROADSHOWS AND EVENTS IN 2016

6 JAN
CIMB Annual Malaysia Corporate Day, Kuala Lumpur

21 - 22 JAN
UBS Malaysia Corporate Day, Hong Kong

29 JAN
MIDF Corporate Day, Kuala Lumpur

14 MAR
RHB Corporate Day, Istanbul

29 MAR
Maybank Aviation Day, Kuala Lumpur

5 - 6 APR
Credit Suisse Asian Investment Conference, Hong Kong

25 APR
Runway to Success 2020 Launch, Kuala Lumpur

5 - 6 MAY
Bursa Malaysia Invest Malaysia, Kuala Lumpur

17 MAY
Maybank Invest Malaysia, London

23 MAY
KLIA Aeropolis Launch, Kuala Lumpur

4 AUG
CIMB Investor Day, Kuala Lumpur

7 - 9 SEP
Global Airport Development Conference Asia, New Delhi

19 - 20 SEP
CLSA Investors' Forum, Hong Kong

3 - 6 OCT
JP Morgan US Non Deal Roadshow, New York & Boston

11 NOV
Citibank Non Deal Roadshow, Singapore

21 NOV
JP Morgan Asia Rising Dragons 1x1 Forum, Kuala Lumpur

28 - 29 NOV
Nomura Investment Forum, Tokyo

29 NOV - 1 DEC
Global Airport Development Conference, Lisbon

8 DEC
Credit Suisse Malaysia Transport & Logistics Corporate Day, Kuala Lumpur

EQUITY RESEARCH COVERAGE	
Affin Hwang Investment Bank Bhd	JP Morgan Securities (Malaysia) Sdn. Bhd.
Alliance DBS Research Sdn. Bhd.	KAF-Seagroatt & Campbell Securities Sdn. Bhd.
AmResearch Sdn. Bhd.	Kenanga Investment Bank Berhad
BNP Paribas Capital (Malaysia) Sdn. Bhd.	Macquarie Capital Securities (Malaysia) Sdn. Bhd.
CIMB Investment Bank Berhad	Maybank Investment Bank Berhad
Citi Research	MIDF Research
CLSA Limited	Nomura Securities Malaysia Sdn. Bhd.
Credit Suisse Securities (Malaysia) Sdn. Bhd.	RHB Research Institute Sdn. Bhd.
Deutsche Bank Equity Research	TA Securities Holdings Berhad
Goldman Sachs Global Investment Research	UBS Securities Malaysia Sdn. Bhd.
Hong Leong Investment Bank Berhad	UOB Kay Hian Pte. Ltd.

CHAIRMAN'S STATEMENT

DEAR STAKEHOLDERS

"When I wrote to you this time last year, I said that we were prepared for a challenging year in 2016, but that we were also in a strong position to face any difficulties and were positioning ourselves for sustainable long-term growth."

I am delighted to report that for the financial year ended 31 December 2016 (FY2016), the Group recorded an encouraging performance, with revenue increasing by 7.8% to RM4,172.8 million. Meanwhile, profit after tax (PAT) had increased by 82.4% to RM73.2 million for the same period.

Most heartening was the solid growth in our Malaysian operations, where we handled 89.0 million passengers, 6.1% more than in 2015 and well above our expectations of 2.5%. Also of note, the strong double digit growth in four of our international and domestic airports in Malaysia ranging from 10% to 21%.

I am delighted to inform you that in December, the government of Malaysia approved the extension period of our Operating Agreement for a further 35 years. In effect, the agreement means we now have a 60-year concession to operate nearly all the country's airports, including its major gateway, KLIA. While we are still in the process of finalising the terms and conditions, this extension will provide us with the long-term stability necessary to achieve our business objectives.

Events in Turkey proved far more challenging than we had imagined as the country grappled with a failed coup in July, and a series of terror attacks in Istanbul and further afield. The instability undermined the confidence of many potential foreign tourists resulting in a decline in the number of international arrivals.

REVENUE
RM4,172.8 MILLION
7.8%

PROFIT AFTER TAX
RM73.2 MILLION
82.4%

EBITDA
RM1,709.9 MILLION
1.8%

CHAIRMAN'S **STATEMENT**

Our wholly-owned airport, Istanbul Sabiha Gokcen International Airport (ISG), located on the eastern side of Istanbul, did not escape the fallout, but resilient domestic demand, which grew 8.3% compared with our forecast of 5.9%, helped offset the impact on international traffic.

The events of the year are a reminder of the geopolitical risks that can affect the aviation industry and we believe ISG's performance was commendable given the circumstances as it was the only major airport in Turkey which had experienced growth. Despite the difficulties of 2016, ISG remains well-placed for growth over the longer term. The Turkish government's ongoing efforts for capacity expansion in ISG through the construction of the airport's second runway, is expected to double ISG's capacity by 2019. The government is also investing in better road and rail connections in and around Istanbul, including constructing a tunnel under the Bosphorus and this is anticipated to enhance ISG's position as a hub within the region. Malaysia Airports will also continue to invest in capacity expansion by earmarking EUR25 million in capital expenditure to improve the terminal and increase capacity by another eight million passengers per annum (mppa). The work is scheduled to be completed in 2018 and will help enhance our competitive advantage when the Istanbul Grand Airport opens.

Last year, also marked the first year of implementation of our new business plan, Runway to Success 2020 (RtS2020) which we had launched in April 2016. Later in this statement, I will share with you the progress of RtS2020 in its first year, including developments that are crucial to its long-term success. I also aim to provide you with a brief overview of the business and the risks, financial and non-financial, that may present themselves in the coming years.

First, however, I would like to review our performance in FY2016.

Despite lower oil prices, which generally boost demand for air travel, the health of the global economy as well as rising geopolitical uncertainty following the political developments in the United Kingdom and the United States of America added to the uncertain mood in 2016. Here in Malaysia, GDP growth was a steady 4.2%, and the ringgit remained volatile against the world's major currencies, including the US Dollar and the British Pound.

GROUP PASSENGER TRAFFIC MOVEMENTS
118.6 MILLION
5.8%

MALAYSIA PASSENGER TRAFFIC MOVEMENTS
89.0 MILLION
6.1%

ISG PASSENGER TRAFFIC MOVEMENTS
29.7 MILLION
4.8%

CHAIRMAN'S **STATEMENT**

Against the challenging global and domestic market conditions, we had achieved all-time record high results and achieved several firsts. Apart from growing by 7.8%, the Group had surpassed the RM4 billion revenue mark in FY2016. On top of that, we registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM1,709.9 million, with our Malaysia operations reaching the RM1 billion EBITDA mark for the first time.

Meanwhile, the Group registered passenger traffic movements of 118.6 million in FY2016 increasing by 5.8% compared to FY2015. Out of 89.0 million passenger traffic movements for our Malaysia operations, KL International Airport (KLIA) registered 52.6 million, surpassing the 50 million mark for the first time.

Our investment and effort in improving airport efficiencies are also paying off, with more people using the upgraded facilities at our airports. For instance, Langkawi International Airport registered passenger growth of 13.7% while Kota Kinabalu International Airport (KKIA) registered growth of 10.5%. Meanwhile, introduction of a direct Singapore service at Sultan Azlan Shah Airport Ipoh, and an increased number of chartered and scheduled flight connections with China at Penang International Airport and KKIA had also contributed to overall growth.

KLIA passenger traffic movements

52.6 MILLION

7.6%

At ISG, we registered 29.7 million passenger traffic movements in FY2016. The 8.3% increase in domestic passenger traffic movements helped offset the decrease in international passenger traffic movements of 1.8%, giving rise to an overall growth of 4.8% compared with the year before.

Throughout the year, and as part of our continuing strategy to establish KLIA as the preferred ASEAN hub, we welcomed new airlines into the KLIA family and were pleased to see existing carriers increasing frequencies. I am particularly encouraged by the overall increase of passenger traffic and new airlines from North Asia, with Shenzhen Airlines adding a new route to KLIA in December, Hong Kong Airlines starting twice weekly flights between Kuching and Hong Kong in May 2016, China Southern Airlines operating every five days between Guangzhou in southern China and Melaka, Lucky Air operating from Kunming to Kuala Lumpur, Pulau Pinang, Kota Kinabalu, as well as Spring Airlines flying to Kota Kinabalu.

THE AVIATION INDUSTRY IN 2016

As we had anticipated, last year turned out to be a lacklustre one for the world economy, as well as the region. Global growth was expected to remain flat at 3.1% for 2016, the same as in 2015, according to the IMF.

However, the performance of the aviation industry has remained robust. Although IATA reported reduction in its net profit forecast for airlines over the course of 2016 compared to earlier estimates,

CHAIRMAN'S STATEMENT

reflecting slower growth and rising costs, the association estimates profit for its members would still reach a record USD35.6 billion.

Our strong performance in Malaysia, which is the core of our operations had helped to offset our performance in the international arena, specifically ISG, where traffic was affected by the ongoing political developments and a number of security-related incidents which had resulted in some uncertainties. Nevertheless, we are mindful of the geopolitical risks, and as I had mentioned earlier, we are encouraged that the Turkish government's commitment to improving the airport's connectivity continues to underline its potential for long-term growth.

A FOUNDATION FOR FURTHER GROWTH

RtS2020 is a statement of our business goals, and our vision for the future. It sets out how we intend to create a sustainable business that delivers growth and allow us to capitalise on future opportunities, providing a firm financial base from which to expand and make further investments.

The plan has two main thrusts – to strengthen our core airport business, and to expand and diversify our operations. This means we will strengthen KLIA's position as an established hub within ASEAN, and improve the total airport experience for all our stakeholders. We will also develop KLIA Aeropolis, leveraging on KLIA's substantial land bank to develop a thriving airport city that will serve as an economic enabler not only for Malaysia but also the region, as well as continue to increase our international footprint.

For this purpose, five working committees have been established and they are KUL Hub, Total Airport Experience (TAE), KLIA Aeropolis, International Expansion, and Innovation and Value Enhancement. In order to meet the business objectives, our Transformation Management Office division has been tasked with ensuring that all our planned initiatives are integrated and cohesive across the entire company.

KUL* Hub

Over the past year and in the first few months of 2017, we have made significant progress in strengthening our core airport business. KLIA's central location within the Asia-Pacific region, as well as its combined terminal capacity of 75 million passenger per annum (mppa), three independent runway system that improves efficiency of flight operations, and a competitive cost structure are factors which give our flagship airport its strategic advantage within the region.

We will continue to place emphasis on traffic development in KLIA. Recent development growth by our local carriers indicates that KLIA is on the path to becoming a strong connectivity hub. For example, Malindo Air expanded its fleet and network considerably while the AirAsia Group also added new destinations and increase frequencies. Several more foreign carriers have also begun operations at KLIA since last year, namely Cathay Dragon, Himalaya Airlines, US Bangla Airlines, to name a few.

We have also been working towards enhancing airport efficiencies in order to promote seamless connectivity and facilitate the growth of our partner airlines. Plans such as improving transfer process

** KUL is the IATA code for KLIA*

CHAIRMAN'S STATEMENT

between our two terminals through the KLIA-klia2 Terminal Transfer initiative, and implementation of auto bag drops at both terminals have begun and we expect to launch these initiatives some time this year.

TOTAL AIRPORT EXPERIENCE (TAE)

Since it opened in 1998, KLIA has won numerous awards as one of the best airports in the region if not the world. Airport Service Quality, the benchmarking programme by Airports Council International, inducted KLIA into the Director General's 'Roll of Excellence' 2011 – 2016, as recognition of its rank in the top five airports by size or region over five of the previous six years.

However, we recognise that excellent service is something that requires dedication and attention to detail. We cannot rest on our laurels. Thus, we have structured our TAE initiative into three key areas which are meeting basic needs, providing unique experience and creating memorable moments.

In meeting basic needs, we have taken concrete measures to respond to feedback received such as on walking distance and toilet cleanliness. 2016 marked the completion of our initiative to install additional walkalators in klia2. With an additional 25 units, klia2 now has a total of 42 units of walkalators to ease walking distance, on top of a buggy service that is free and available to all customers.

We have also enhanced collaboration with our cleaning service contractors to improve toilet cleanliness level at our airports. Last year we had embarked on a large scale maintenance exercise on the condition of 130 of our toilets which involved works such as repainting the ceiling, as well as replacing fixtures and fittings. Starting 2017, we have begun plans to completely refurbish 131 of our toilets in order to ensure that our toilets are easier to maintain thus improving passenger comfort. This exercise will be completed in phases up until the year 2020.

Our ongoing efforts in improving service levels also include regular engagements with the airport community such as airlines and government agencies on a formal and informal basis; as well as employing the use of data analytics to improve our understanding of customer needs. This was evident with KLIA's recent win as the World's Best Airport for Immigration Services at the 2017 Skytrax World Airports Awards in Amsterdam, Netherlands.

One of the unique experience which we launched last year was KLIA Premier Access - an exclusive and seamless end-to-end airport concierge service that includes meet and greet, buggy service, fast track immigration and customs lane, and premier lounge usage for our passengers at KLIA. This service is provided by one of our subsidiaries, Sama Sama Hotel KL International Airport. Early this year, we also extended this unique service offering by launching KUL VIP Access through working

CHAIRMAN'S STATEMENT

with our partners such as KLIA Ekspres and Plaza Premium Lounge.

We also wish to provide more memorable moments at our airports. In conjunction with our 25th Anniversary celebrations this year, we are bringing the Malaysian experience to our airports through several initiatives such as Joyful Malaysia, Proudly Malaysian and KULinary. These initiatives are implemented through collaboration with various government agencies and retail partners. Passengers passing through our airport will be treated to exciting cultural shows, delicious local cuisine and unique Malaysian products.

We have also not forgotten that service quality mainly lies in the hands of our greatest asset – our employees. In late 2016, we had formed the Customer Experience Management unit to spearhead the revamp of our customer service model. Also underway is a training programme for frontline staff to give them the tools and confidence in dealing with customers in an engaging and friendly manner. These employees are expected to be more mobile and visible at key touch points of the passenger journey and are to serve as 'ambassadors' not only for Malaysia Airports, but also the country.

KLIA AEROPOLIS

We made good progress on KLIA Aeropolis in 2016. The KLIA Aeropolis Master Plan which was completed in 2016 has earmarked about 60% out of the total 22,000-acre land bank for airport and aeronautical use.

The development of KLIA Aeropolis is focused on three key clusters – Aerospace & Aviation, Air Cargo & Logistics, and MICE & Leisure – which are synergistic to the larger airport system and will serve to benefit the aviation supply chain as a whole. These three clusters are also aligned to the national development agenda specifically the National Aerospace Blueprint (2015 -2030), the Logistics Trade and Facilitation Masterplan (2015-2020) and the Kuala Lumpur Tourism Master Plan (2015-2025).

As part of the aerospace belt which spans across Subang – KLIA Aeropolis – Melaka, the development will provide space for aviation businesses including fixed-base operators (FBO), maintenance, repair and operations (MRO) companies, and original equipment manufacturers (OEM). Following this, Malaysia Airports had also opened discussions with several industry players such as General Electric, Global Turbine Asia, RUAG Aviation and TCR Solutions to develop KLIA Aeropolis and Subang Aerospace Park as an ASEAN aerospace hub. Earlier this year, we had also signed a Memorandum of Understanding (MoU) with Invest Selangor to support and expand the aerospace industry's future growth with the development of an MRO and an aircraft conversion centre.

The current focus for the Air Cargo & Logistics cluster will be to establish a regional e-commerce and logistics hub in KLIA Aeropolis to cater to business-to-business (B2B) and business-to-consumer (B2C) segments. KLIA Aeropolis – has been identified to be the site of the initial phase of the Digital Free Trade Zone – specifically at the KLIA Air Cargo Terminal 1 or what was before, the LCCT. Following this, Cainiao Network and Lazada – affiliates within the Alibaba Group will cooperate with Malaysia Airports for the development of an e-fulfilment hub which we hope to launch by the end of 2019.

Meanwhile for the MICE & Leisure cluster, Mitsui Outlet Park KLIA Sepang (MOP), a Malaysia Airports joint venture with Japan's Mitsui Fudosan, had started construction works on its second phase of development beginning November 2016. Covering over 27,500 square metres, the second phase will add another 60 shops and 500 parking lots bringing the total to 188 and 2,600 lots respectively. The works is expected to complete by early 2018.

Mitsui Outlet Park KLIA Sepang

188

SHOP LOTS

by 2018

CHAIRMAN'S STATEMENT

INTERNATIONAL EXPANSION

As mentioned earlier, we remain confident that ISG will prove to be a sound investment over the longer-term. We also continue to be open to international opportunities, whether equity investments or management contracts. I am pleased to note that in August 2016, a major service contract for Hamad International Airport, Doha was extended by three years to June 2019.

GOVERNANCE

Governance and transparency are matters of immense importance to me, as Chairman of the Board, and Malaysia Airports.

In recent years, Bursa Malaysia has been amending the listing requirements for publicly-traded companies to improve transparency, and provide shareholders with a clearer picture of company operations and management's strategy for the future.

The Managing Director's Review of Operations that usually forms a significant part of this report will become the Management Discussion and Analysis (MD&A). Managing Director Datuk Mohd Badlisham bin Ghazali will provide more detail on our financial and non-financial performance over the past year, to give you, our shareholders, a clearer picture of Malaysia Airports' business and operations, as well as where we are headed over the short, medium and longer-term. We hope that this analysis will enable you to participate more fully in our shareholder meetings.

For now, I would like to reiterate that sustainability and the highest standards of corporate governance are at the heart of Malaysia Airports' business strategy. We are fully committed to the enhanced Companies Act 2016, as well as the updated Malaysian Code of Corporate Governance.

The success of this approach was acknowledged in the GLC Transformation Plan (GLCTP), the ten-year programme to transform Malaysia's government-linked companies into high-performing businesses. Malaysia Airports emerged the number two performer in terms of shareholder returns when it completed the GLCTP in August 2015, recognising our ability to create value in what is a highly-regulated environment.

In line with the new Bursa Malaysia requirements, we are introducing e-voting at our shareholder meetings to ensure an accurate count and give all shareholders a clear voice in decision-making. The vote itself will be shown in real-time, and the process will be overseen by an independent monitor.

The GLCTP programme also acknowledged our commitment to improving corporate governance by creating frameworks for procurement, leadership development and social responsibility. Malaysia Airports has also signed the gender diversity pledge and we actively work towards ensuring at least 30% female representation on our Senior Management Team and Board of Directors.

The regulatory environment for our industry evolved significantly last year when the Malaysian Aviation Commission (MAVCOM) started formal operations in March. MAVCOM, which was established as an independent regulator under the Malaysian Aviation Commission Act in 2015, works to ensure the country has a commercially viable, consumer-oriented and resilient civil aviation industry. Improving airport service levels is a key part of the Commission's remit, and a prerequisite for the higher Passenger Service Charge (PSC) that was announced in October and came into effect in January. MAVCOM has made clear that high service levels and financial efficiency will be linked to the charges levied.

These talks are still ongoing, but as I mentioned earlier, Malaysia Airports has continuously put improved service standards at the centre of our business strategy. We aim to be a service leader, by establishing a customer-centric culture at our airports, and reimagining the airport experience.

OUTLOOK FOR 2017

In our 25th year of operations, the prospects for the aviation industry appear to be brightening after a challenging couple of years. The momentum in the growth of international passenger traffic accelerated in the second half of 2016 – 11% compared with 5% in the first half – and 27 airlines reported double or triple digit growth over the year.

CHAIRMAN'S **STATEMENT**

We expect these trends to continue into 2017, supported by Malaysian GDP growth that is forecast at 4-5%. The global economy is estimated to grow at 3.4% in 2017, compared with 3.1% in 2016, according to the IMF. Malaysia's recent visa relaxation and the depreciated Malaysian Ringgit will futher stimulate higher volume of passenger.

IATA is predicting global passenger traffic for scheduled services to rise 5.1% in 2017 with growth in the Asia Pacific at 7%. Cargo demand is also expected to rise. Although, the airline association expects oil prices to rise to USD55 a barrel (2016: USD44.6 a barrel), it is confident that airlines will record a net profit of USD29.8 billion in 2017.

Even at ISG, we were pleased to note gradual return of international travellers as the 2016 came to an end. Restoring confidence will be the key to the return of foreign visitors and to this effect security has been stepped up to ensure the safety of our airport users. We believe ISG is now entering a new phase of development and growth. Earlier this year we have instituted some management changes that will allow us to shift to a more global perspective and create bigger opportunities for ISG.

As we look ahead to 2020, we have set ourselves what we consider to be ambitious, but achievable targets. Under RtS2020 we are targeting revenue from our Malaysia operations to be at RM5.0 billion by 2020 with EBITDA increasing to RM1.5 billion. These increases represent a compounded annual growth return (CAGR) of 12% and 15%, respectively.

Aided by technology, we are improving our engagement with all our stakeholders from airlines to vendors and passengers; a signal of our commitment to ensuring a pleasurable airport experience for all who use our facilities.

Over the past quarter of a century, Malaysia Airports has laid the foundations for a sustainable future. Our airports are the gateway to Malaysia – the country we call home – and we have taken an active role in making Malaysia into the great nation that it is today. We can be proud of our achievements so far. We move towards 2020 confident that the business strategies we are enacting today will prove to be the foundation of our future success.

THE BOARD

Throughout 2016, the Board proved an invaluable resource to the success of Malaysia Airports operations.

In particular, I would like to thank Jeremy bin Nasrulhaq for the nine years he has served as an independent director. Jeremy resigned in November in line with the Malaysian Code of Corporate Governance, which recommends independent directors serve no more than nine years on the Board. Following his resignation, Datuk Seri Yam Kong Choy was appointed as the Senior Independent Director.

I would also like to welcome three Board members who joined us in 2016 – Datuk Ruhaizah binti Mohamed Rashid, Dato' Ir. Mohamad bin Husin and Datuk Azailiza binti Mohd. Ahad. Meanwhile, Dato' Chua Kok Ching was appointed as an Alternate Director to Datuk Ruhaizah, and Mohd Shihabuddin bin Mukhtar replaced Norazura binti Tadzim in 2017 as the Alternate Director to Dato' Sri Dr Mohmad Isa bin Hussain.

The Board is fully invested in ensuring the successful implementation of RtS2020 and I have every confidence in their ability to guide the company forward.

APPRECIATION

Finally, I would like to record my deepest appreciation to all those who have helped ensure the continued success of Malaysia Airports not only throughout 2016 but also for the past 25 years.

To the government of Malaysia, as well as the regulatory agencies, for devising the framework for our future development.

To our valued customers, vendors, bankers and airline partners, we look forward to your continued support.

To Malaysia Airports' management team – my sincere thanks for your leadership, commitment and contribution towards ensuring the company's continued growth.

To all our dedicated employees, for your commitment to Malaysia Airports and all that the company wants to achieve.

And last, but by no means least, our shareholders, for the trust and confidence that you have placed in us. I can assure you that Malaysia Airports will continue to deliver sustainable growth even as we embark on the next exciting phase of our development.

Thank you.

Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST TIME ACHIEVEMENTS OF MALAYSIA AIRPORTS

EBITDA FOR MALAYSIA OPERATIONS
RM1.0 BILLION
7.8%

KLIA PASSENGER TRAFFIC MOVEMENTS
> 50 MILLION

LANGKAWI INTERNATIONAL AIRPORT
3rd World's Best Airport
2 - 5 MPPA
ACI ASQ AWARD 2016

DEAR STAKEHOLDERS

"This year we are adopting a more critical approach to our annual report in line with Bursa Malaysia's revised reporting guidelines. Rather than providing you with a simple synopsis of how we performed in the last financial year, we aim to give you a deeper insight into the performance of our business for the financial year ended 31 December 2016 (FY2016), as well as the prospects for the future."

First, I would like to take this opportunity to share with you the highlights of FY2016.

A strong performance from our Malaysia operations helped underpin our growth in FY2016, despite the challenges faced at our wholly owned airport in Turkey, Istanbul Sabiha Gokcen International Airport (ISG), after the country went through the challenges of an attempted coup and a series of terror attacks.

Revenue for the Group rose to RM4,172.8 million in FY2016, fuelled by increased passenger numbers in Malaysia, an improved retail performance and a rise in commercial revenue. Profit Before Tax (PBT) nearly quadrupled to RM183.3 million.

Our performance in FY2016 is testament to our past and moving forward business strategy. In view of the elevated performance and foregoing confidence in our business prospects, the Board has proposed a final dividend of 6 sen per ordinary share for FY2016, which combined with an interim dividend of 4 sen per share, brings the total dividend for the year to 10 sen per ordinary share. This is above the 8.5 sen per share dividend for the financial year ended 2015 (FY2015).

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS OF FY2016

- Passenger traffic at our airports in Malaysia rose 6.1% in FY2016, compared with an earlier forecast of 2.5%. Passenger traffic movements at KLIA surpassed the 50 million mark for the first time, recording growth that was relatively higher than major airports in the region. Aeronautical revenue per passenger in Malaysia rose by 3.6%.
- Passenger growth at ISG proved more difficult given the challenging environment, nevertheless it pulled through the year with a positive performance of 4.8% to 29.7 million passenger movements. Slower growth in international passengers, who pay higher charges, caused a dent in earnings growth.
- Total passenger traffic movements at all our airports rose 5.8% to 118.6 million movements.
- Revenue for the Group rose 7.8% to RM4,172.8 million in FY2016, supported by the growth in passengers and higher contribution from the retail and commercial segments.
- Total commercial aircraft movements for the Group rose 1.0% to 1,031,874. Commercial aircraft movements at ISG increased by 6.8% to 220,290, while in Malaysia there was a marginal decline to 811,584.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) rose to RM1,709.9 million.
- EBITDA for our Malaysia operations crossed the RM1 billion mark for the first time.
- EBITDA for ISG was below our target of RM813.9 million, though it did record an increase of 2.7% over FY2015 with RM719.1 million.
- In December 2016, the government of Malaysia has approved in principle an extension of the Operating Agreement by 35 years to 2069, from the original term that was to terminate in 2034. This has provided a new dimension to our operations, entrenching our lead position in charting a thriving aviation industry in Malaysia.
- One of our major management contracts at Hamad International Airport (HIA) in Qatar has been extended by three years, and we have been awarded additional sub-contracts at the airport; testament to our success in operating the facility.
- KLIA retained its place among the world's Top 10 airports in its category of above 40 million passengers, according to Airports Council International's (ACI) Airport Service Quality (ASQ) Awards, where it was placed 9th.
- Langkawi International Airport was ranked third in the ASQ Awards in the category of airports handling 2-5 mppa.
- In the Skytrax 2017 World Airport Awards, immigration services at KLIA was voted the world's best.
- The Malaysian Aviation Commission (MAVCOM) began operations in 2016 with the objective of regulating economic matters pertaining to the civil aviation industry. It carried out a study on passenger service charges (PSC) and recommended several changes to the PSC which became effective in January 2017. The PSC for domestic sector and some international sectors including at klia2 was raised, while a new ASEAN tier was introduced with the aim of stimulating ASEAN travel.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Malaysia operations exceeded all expectations in FY2016, benefiting from the expansion of the global airline industry and sustained economic growth within the region, helping to mitigate the impact of the slowdown at ISG.

Traffic growth of 6.1% in FY2016 for our Malaysia operations was an indication of continuing latent demand for air travel. It is encouraging to note that international passenger growth momentum year-on-year had picked up in the second half of FY2016, improving from 5.0% in the first half to 11.0% in the second half. In addition, average load factors remained buoyant for both domestic and international traffic at 74.4% and 75.3% respectively.

Overall international passenger growth in Malaysia was contributed by both local and foreign carriers. 27 airlines registered double or triple digit growth over FY2015 including AirAsia, AirAsia X, Malindo Air, Air China, All Nippon Airways, KLM, British Airways, China Southern Airlines, Mahan Air, Oman Air, Royal Jordanian, Shanghai Airlines, Xiamen Airlines, Spring Airlines, Eastar Jet, Saudi Arabian Airlines, Qatar Airways, China Airlines and Turkish Airlines.

Domestic passenger growth was contributed by AirAsia, Malaysia Airlines and Malindo Air.

All the five international airports in Malaysia grew between 3.0% and 14.0%, and 11 of the 21 international and domestic airports posted growth ranging from 1.0% to 21.0%. This growth was achieved despite capacity reduction by Malaysia Airlines as part of its restructuring process.

Passenger traffic to and from a large number of countries increased in FY2016 by double digits, including China, Vietnam, Korea, Japan, Qatar, Saudi Arabia, Oman, Taiwan, Turkey, Sri Lanka, Iran, Laos, Pakistan, Mauritius and New Zealand.

Despite the solid performance in 2016, we are mindful of the potential risks to world trade from the election of governments of a more protectionist stance, and the effect that could have on global growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Group EBITDA of RM1,709.9 million in FY2016 increased by 1.8% when compared with RM1,679.1 million in FY2015. Strong revenue growth, with Malaysia's airport operations outperforming Turkey, boosted EBITDA.

Revenue in FY2016 climbed 7.8% to RM4,172.8 million at the Group level with our Malaysia and Qatar operations contributing RM3,214.0 million or more than three quarters of the Group's total. Meanwhile, revenue from ISG increased by 4.3% to RM958.8 million.

PBT was more than four times the level of FY2015 at RM183.3 million, supported by the strong performance in our Malaysia operations, which offset the impact of the slower growth at ISG. In Malaysia, PBT more than doubled to RM466.5 million, while ISG reported losses increased to RM283.2 million.

The continued growth in revenue represents the underlying strength of our core airport operations, and the proactive measures we have taken in recent years to grow the business, working closely with airlines on route development.

The Group's aeronautical revenue rose 8.6% to RM2,062.6 million in FY2016. The increase in passenger traffic boosted income from PSC. Excluding our Turkish operations, where PSC grew moderately because of lower contribution from international passengers, aeronautical revenue rose 9.9% to RM1,563.9 million.

Our 39 airports across Malaysia, including the international hubs at Kuala Lumpur, Kota Kinabalu and Penang, experienced increased passenger traffic movements throughout FY2016, together handling 89.0 million passengers, as airlines opened new routes and increased frequencies. Malindo Air's decision to move its operations from klia2 to KLIA Main Terminal also helped lift revenue.

PSC revenue rose 13.2% to RM999.6 million in FY2016, while the increase in the Marginal Cost Support (MARCS) for PSC as well as MARCS ERL also helped boost aeronautical revenue.

The MARCS PSC is the restitution for the difference between the actual PSC and the benchmark PSC by the government as provisioned in the Operating Agreement (OA) that was signed with the government of Malaysia in February 2009. Under the OA, benchmark PSC rates are revised every five years, with the second tariff cycle revision taking effect on 12 February 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

MARCS PSC was RM106.2 million in FY2016, compared with RM87.7 million FY2015. MARCS ERL, the reimbursement by the government of subsidies paid to the operator of the Express Rail Link, rose to RM97.2 million compared with RM56.5 million.

Meanwhile, the Group's non-aeronautical revenue rose 7.6% to RM1,850.2 million, among others contributed by the increase in retail and rental income from our Malaysia operations.

The Group's revenue from non-airport operations rose 3.2% to RM259.9 million as our hotel, and agriculture and horticulture segments reported improved performances.

ECONOMIC PROFIT

The Economic Profit statement is provided on a voluntary basis. It is a measure of value created by a business during a single period and reflects the return made by a company over its cost of capital.

Malaysia Airports recorded a wider economic loss of RM662.0 million in the financial year under review (RM595.0 million in FY2015) due to the higher weighted average cost of capital.

TRAFFIC PERFORMANCE

Passenger Traffic Movements

In FY2016, the Group registered 118.6 million passenger movements for the combined operations in Malaysia and Turkey. In contrast to FY2015 when our operations in Turkey reported a double-digit increase in passenger traffic, in FY2016, it was our Malaysia operations that performed stronger. Our Malaysia operations posted solid growth of 6.1%, well above our expectations for a 2.5% increase.

International passenger traffic movements in Malaysia surged 8.1% to 43.3 million passengers, while there were 45.7 million domestic passengers, a rise of 4.3%. Additional capacity both in terms of higher frequencies and new routes underpinned the growth in passenger traffic with Sultan Azlan Shah Airport in Ipoh now having a regular connection with Singapore, reporting a 21.2% increase, Langkawi International Airport reporting 13.7% and Kota Kinabalu International Airport (KKIA), which saw more scheduled and charter traffic, up 10.5%.

Passenger traffic movements from a large number of countries, including China, Saudi Arabia, Mauritius and New Zealand reported double digit growth.

Our KLIA hub handled 52.6 million passenger movements (KLIA Main Terminal: 25.5 million; klia2: 27.1 million), crossing the 50 million mark for the first time. International traffic movements at KLIA Main Terminal rose 7.8% to 18.9 million as airlines increased frequencies. Malindo Air's move to KLIA Main Terminal from klia2 also significantly added volume to domestic traffic at KLIA Main Terminal, which surged 30.4%. klia2, meanwhile, saw international traffic rise 6.1% while domestic traffic declined slightly by 2.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

We are particularly heartened by the strong growth in the fourth quarter of FY2016. Our facilities in Malaysia registered the highest number of passengers for the year in the fourth quarter (Q4) of FY2016, increasing by 11.0% over Q4 FY2015. Meanwhile, international passenger traffic movements climbed 12.2% during the same period, the fastest quarterly growth for the year. In addition, average load factors remained high at 74.4% for domestic flights and 75.3% on international routes.

In Turkey, the situation was more moderate, with international demand hurt by security threats and political instability. While ISG handled 4.8% more passengers than it did in FY2015, the increase was fuelled by an 8.3% rise in the number of domestic travellers. International passenger traffic declined by 1.8% as foreign tourists remained hesitant.

Although it was encouraging to see a slight improvement in the final quarter, our expectations for passenger growth at ISG remain moderate.

Aircraft Movements

There were 1,031,874 commercial aircraft movements across the Group in FY2016, a rise of 1.0%.

For our Malaysia operations, there was a marginal decline in aircraft movements both for international and domestic sectors. The high passenger traffic contribution mainly came from increased load factors. KLIA Main Terminal and klia2 combined, currently cater to more than 60 airlines serving more than 130 direct destinations, and handle more than 1,000 flights daily.

Turkey reported the strongest growth, led by domestic aviation, which rose 8.2%. International aircraft movements increased by 4.5% showing some resilience against the challenging geopolitical backdrop.

International passenger traffic movements for Malaysia operations

43.3 MILLION

8.1%

MANAGEMENT DISCUSSION AND ANALYSIS

Cargo Movements

Cargo movements for our Malaysia operations declined by 9.1% to 885,672 metric tonnes in FY2016 (974,330 metric tonnes in FY2015). 2016 was a positive year for cargo in general, though the global growth was only 3.8% over 2015. The negative growth may be attributable to shipping dynamics and relatively lower import/export in US Dollar terms for Malaysia.

OVERSEAS VENTURES

ISG, Istanbul's second airport, is the main focus of our operations outside Malaysia and a business which we believe offers an attractive growth story and the opportunity for us to play a lead role in crafting its long-term success.

With the full acquisition of ISG, we became the first Asian company to own a European airport. Despite the challenges in 2016, we remain convinced the airport offers significant potential over the longer-term.

Our airport in Turkey, which is named after the country's first female fighter pilot, has a 20 + 2 year concession from the Turkish government on a design-build-operate contract, which began in May 2008. Some 66 airlines offer direct flights to 39 domestic and 97 international destinations, catering to a catchment area of nearly 21 million people.

In FY2016, ISG welcomed two new scheduled airlines and one new charter airline. Etihad Airlines started a service connecting ISG and Abu Dhabi in July 2016, operating four times a week on the route. In the same month, Nile Air also started operating a thrice weekly route connecting ISG and Cairo.

The past year proved more challenging than we anticipated as Turkey was hit by a series of terror attacks and an attempted coup. As a result of the political situation, and the temporarily suspension of visas for Russian tourists, the growth in passenger traffic was slower than anticipated, and the number of international visitors fell.

ISG reported a total of 29.7 million passengers in FY2016, but the decline in the number of international visitors adversely affected income as PSC for international passengers is five times the level for domestic passengers. Aircraft

MANAGEMENT DISCUSSION AND ANALYSIS

movements rose 6.8% over the year. The airport reported a core loss before tax of RM56.7 million, compared with a PBT of RM29.9 million in FY2015, prior to reflecting the amortisation of fair value of concession rights.

We remain committed to our key international asset. We expect that growth will remain moderate in the near-term and driven predominantly by outbound traffic. The restoration of cordial ties between Turkey and Russia earlier this year was welcome news. With it, came the relaxation of visa entry for Russian nationals and we expect that it will pave the way for improved passenger traffic movements between the two countries for both business and leisure travellers.

Moving forward, we are focusing on optimising revenue and improving operational efficiency, as well as continuing to invest in order to ensure the long-term success of the business.

We are working to improve the passenger transfer facility between international and domestic flights, build a new boarding hall to cater to expanding local traffic, and improve the airport's rapid exit taxiways. Two new rapid exit taxiways which will be completed by April 2017 will increase ISG's present runway capacity. A second runway will be completed by 2019, almost doubling capacity and allowing more carriers to take off and land during the peak morning period.

As we shift to a more global perspective to create bigger opportunities for ISG, we are making changes across all segments of the business to ensure that we are positioned for the next phase of growth. These changes include new leadership for the airport. I would like to take this opportunity to thank Gokhan Bugday who stepped down as CEO in March 2017, after eight years at the helm.

We are confident that ISG's strategic location and enhanced road and rail connections to the city will provide it with a strong competitive edge as we move forward.

Malaysia Airports currently has several management consultancy contracts in Qatar. One of our major management contracts for HIA was extended by three years from June 2016, with additional sub-contracts added, reflecting the airport owner's confidence in our management ability. Malaysia Airports owns 49% in the joint venture that manages the airport with the remainder held by Watad Group. It is worth noting that HIA was voted a five-star airport by Skytrax and the 6th best in the world in the 2017 World Airport Awards. The airport handles about 30 million passengers a year.

Malaysia Airports also continues to own an 11% stake in Rajiv Gandhi Hyderabad International Airport.

MANAGEMENT DISCUSSION AND ANALYSIS

RUNWAY TO SUCCESS 2020 (RtS2020)

FY2016 MARKED THE OFFICIAL LAUNCH OF OUR NEW FIVE-YEAR BUSINESS PLAN RUNWAY TO SUCCESS 2020 (RtS2020) GUIDED BY OUR VISION OF 'BECOMING THE GLOBAL LEADER IN CREATING AIRPORT CITIES'.

We believe that RtS2020 is the key to sustainable growth not only for Malaysia Airports but also for the nation's aviation industry. While we forge ahead to create a better future, we will give careful consideration to the way in which we balance our competing resources.

KUL* Hub

To bolster our core airport business, we are working on establishing KLIA as the preferred hub for ASEAN. Apart from strengthening the national aviation industry, KLIA's position as a connectivity hub is also a critical success factor to achieve the goals of RtS2020.

The opening of klia2 – the world's largest terminal serving low-cost carriers – has allowed KLIA to enjoy a combined capacity of 75 mppa, thus catering to future growth. Additionally having a three independent airport runway system further optimises flight operations and efficiencies, allowing KLIA to handle 78 flight movements per hour. We are also delighted to share that the ground breaking ceremony for the Department of Civil Aviation's (DCA) new KL Air Traffic Control Centre (KL ATCC) was held in February 2017. The new KL ATCC in KLIA will further optimise flight operations by increasing our capacity to handle up to 108 flight movements per hour.

** KUL is the IATA airport code for KLIA*

MANAGEMENT DISCUSSION AND ANALYSIS

RUNWAY TO SUCCESS 2020 (RtS2020)

As part of our ongoing efforts to develop connectivity at KLIA, we have also been stepping up our efforts to engage with our airline partners. In FY2016, we engaged with more than 50 airlines, with the aim of encouraging and supporting network growth in Malaysia, or soliciting prospective airlines to begin operations at KLIA. This has resulted in an increase in international routes and frequencies across Asia, the Middle East and Africa.

Another key initiative is to improve connectivity and streamline transfers between KLIA's two terminals. A study done in late 2016 had shown that transfers between KLIA Main Terminal and klia2 have tripled to 1.5 million passengers. Given the growing demand for inter-terminal transfers, we have initiated plans to introduce the KLIA-klia2 Terminal Transfer service in the later part of 2017. A smoother journey between terminals will not only improve passenger experience at KLIA, but also contribute to the growth of our airline partners at both terminals. Apart from this, we will also introduce automation such as auto bag drop services with the installation of between 15 to 20 units at KLIA Main Terminal and klia2.

TOTAL AIRPORT EXPERIENCE

Total Airport Experience (TAE) represents the company's commitment to continuously improve service standards. This is in line with our mission to 'Create Joyful Experiences by Connecting People and Businesses' and our target of placing KLIA among the top in the ASQ rankings. Thus, we will step up efforts to enhance the airport experience across all touchpoints for all our stakeholders.

We are proud to say that KLIA currently ranks in the top ten of ACI's list of the world's best airports within its category, with a score of 4.68 out of 5.00 for 2016. As a comparison, the global industry average score for airports in the same category of above 40 million passengers is 4.23 while the best score is 4.99. As such, TAE is a key strategy for us to improve our service levels so that we can be considered to be among the world's best airports.

In designing the TAE, we have identified 40 initiatives across the passenger journey to enhance passenger experience. Some of the expected outcomes of these initiatives include shorter queuing times during the check-in process, immigration, customs and security checkpoints, as well as waiting times for baggage delivery.

As part of this customer-centric approach, we have worked with AeroDarat Services, the ground-handler for Malaysia Airlines and several other carriers, to reduce check-in queuing time from 18 minutes to 13 minutes. The Department of Immigration has also deployed more officers to KLIA, and this has reduced immigration queuing times for departing and arriving passengers. We are also focusing our attention on improving baggage delivery and aerotrain services. Among initiatives implemented is an alternative service to the aerotrains whereby six buses are available to transport passengers at all times. While we have made headway in some areas as mentioned above, there are still opportunities for improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

RUNWAY TO SUCCESS 2020 (RtS2020)

We have begun to implement toilet refurbishment plans, including plans to refurbish nine special needs toilets. We have also increased monitoring on toilet cleanliness levels to 15-minute intervals during peak hours to ensure cleanliness standards are maintained. Apart from this, a dedicated hotline has been set up, for the public to notify us immediately of any problems that they encounter while using our facilities.

ASQ is a holistic benchmarking programme, where it also looks at airport ambience. In FY2016, we also initiated several ambience improvement initiatives that include a newly revamped customer experience centre, a children's playground and a vertical garden wall at KLIA. These new features are meant to provide our airport users with a differentiated experience when they pass through our airport.

Meanwhile, our investments in Big Data analytics will enable us to understand and serve the needs of airport users more effectively. Enhancements to our analytics capabilities and digital readiness is necessary to enable faster, more insightful data not only to gain competitive advantage, improve profitability, and efficiency of airport operations, but also to enhance customer experience through service quality. The first phase of our Big Data and digital implementation journey will deal with customer experience management, retail analytics, wayfinding, crowd and congestion management, and financial analytics.

Through this initiative we expect to achieve at least 20% improvement in service levels, 30% improvement in retail revenue and 20% savings in total cost of asset ownership in the initial stages.

KLIA AEROPOLIS

We are also focusing on diversifying our business through the development of KLIA Aeropolis; our own airport city of logistics and aviation parks together with world-class business and leisure facilities. It is an ecosystem development that is synergistic with the airport business and aligned with Malaysia's development agenda.

KLIA has evolved from being a major transportation interchange into a maturing centre of economic activity. By improving on KLIA's functional core as an airport, the KLIA Aeropolis development will propel further domestic economic growth and emerge as a regional economic enabler. We will leverage our strategic location within the Asia Pacific region which has one of the fastest growing air traffic growth, available land bank and also our competitive cost of doing business.

We also aim to capitalise on global market uptrends - evident from the GDP growth of ASEAN that is expected to double by 2020 to approximately USD5 trillion. Meanwhile, Malaysia's GDP growth is expected to be about 4.9% per annum up to 2020.

In FY2016, we had incorporated KLIA Aeropolis Sdn. Bhd. which will act as a Special Purpose Vehicle (SPV) intended to invite participation from both local and foreign, institutional and private investors.

In developing KLIA Aeropolis, our aim is to maintain a 'capital expenditure-light' approach modelled on the development of the Mitsui Outlet Park KLIA Sepang (MOP), a joint venture between Mitsui Fudosan Co. Ltd., which owns a 70% stake, and Malaysia Airports. As such, we will be able to limit the financial impact on our own accounts, as well as the need for fund-raising, recognising that shareholders are wary of private

MANAGEMENT DISCUSSION AND ANALYSIS

RUNWAY TO SUCCESS 2020 (RtS2020)

placements which would potentially dilute their holdings and that additional debt could affect the AAA credit rating which currently enables us to borrow at cheaper rates.

Focusing on three key clusters which are Air Cargo & Logistics, Aerospace & Aviation, and MICE & Leisure, we have begun to make progress on various initiatives as identified in the KLIA Aeropolis Masterplan.

For instance, the conversion of the former low-cost carrier terminal (LCCT) was completed at the end of 2016 and is now renamed as the KLIA Air Cargo Terminal 1 (KACT 1). Our cargo ecosystem will focus on three core business areas which are cargo express delivery, e-commerce and cool ports – purpose-built airfreight terminals that are able to handle temperature-sensitive goods.

IATA notes that Asia Pacific is the world's largest market for air cargo with a 37.5%

share, followed by Europe with 23.5% and North America at 20.7%. We believe our position at the heart of Southeast Asia places us in a strong position to capitalise on the industry's likely expansion in the coming years.

A much welcome news in 2017 was the announcement of KACT 1 as the site of the initial phase of the Digital Free Trade Zone (DFTZ) – the world's first outside of China, incorporating the Electronic World Trade Platform (eWTP) concept. In conjunction with the DFTZ launch, we had signed a Memorandum of Understanding (MoU) with Cainiao Network, the logistics arm and affiliated network of the Alibaba Group to explore the establishment of a regional e-commerce and logistics hub in KLIA Aeropolis in order to cater to the business-to-consumer (B2C) and business-to-business (B2B) segments. We believe this will unlock the value of the South East Asia's e-commerce market which is expected to reach USD88 billion by 2025.

Meanwhile for the Aerospace & Aviation cluster, KLIA Aeroplis will provide space for aviation businesses including fixed-base operators (FBO), maintenance, repair and operations (MRO) companies, and original equipment manufacturers (OEM). It is part of the the aerospace belt which spans across Subang – KLIA Aeropolis – Melaka. In 2016, we signed various MoUs with several industry players such as General Electric, Global Turbine Asia, RUAG Aviation and Area Management. Since then, we have concluded an agreement with RUAG Aviation who has already commenced operations of its MRO rotary component facilities in Subang Aerospace Park.

Earlier this year, we had also signed a Memorandum of Understanding (MoU) with Invest Selangor to further promote and market KLIA Aeropolis and Subang Aerospace Park as an ASEAN regional aerospace hub, as well as signed an agreement with TCR Solutions to offer its ground support equipment (GSE) facilities at KLIA which will serve as TCR International's Asia Pacific headquarters.

MANAGEMENT DISCUSSION AND ANALYSIS

RUNWAY TO SUCCESS 2020 (RtS2020)

MOP is a development under the MICE & Leisure cluster. Work on the expansion of MOP has begun in November 2016, just over a year after the completion of the outlet's first phase. This second phase will be built on a 27,500 square meter site, adding another 60 shops to the current 128. It will introduce more premium brands into the outlet and will explore a new ambient experience with its Sky Walk and River Walk themes. A third and final phase of construction is planned for completion in 2021 when the park will host 260 shops over 46,000 square meters. Upon completion, MOP will potentially be one of the largest outlet malls in South East Asia.

The MOP project was granted entry Point Project status under the Economic Transformation Programme (ETP), National Key Economic Area (NKEA) for Tourism.

As we envision the development of KLIA Aeropolis to have world-class amenities, earlier this year we had also signed an MoU with VADS Lyfe, a subsidiary of TM to explore ways in which to strengthen the telecommunications infrastructure at KLIA Aeropolis, as well as incorporating smart services to improve efficiency into areas of security, building management and energy use.

The development of KLIA Aeropolis is expected to take place over the next 15 to 25 years, bringing in about RM7 billion in investments.

INTERNATIONAL EXPANSION

Malaysia Airports aims to increase its international footprint by building a balanced portfolio of investments beyond Malaysia, from equity acquisitions to management contracts. We believe that our experience in managing a variety of airports from simple take-off and landing strips to single runway airports and the three-runway hub that is KLIA, gives us a unique edge in our industry.

By strategically investing, growing and diversifying assets overseas, we will be able to establish continuous revenue streams while contributing to overall value accretion.

MANAGEMENT DISCUSSION AND ANALYSIS

AIR SERVICES DEVELOPMENT

Malaysia Airports continues to benefit from sustained economic expansion in Asia's emerging markets, and China's deepening relationships with the region.

Apart from KLIA, several of our airports in Malaysia also welcomed new airlines in FY2016. KLIA welcomed three new airlines, namely VietJet Air from Ho Chi Minh City, Shenzen Airlines from Guangdong, and Shaheen Air from Karachi. KKIA saw the arrival of Tigerair Taiwan from Taipei, Lucky Air from Kunming, and Jeju Air from Seoul. The latter had also added Penang International Airport to its route later in the year and KLIA in early 2017. On top of this, Kuching International Airport and Penang International Airport welcomed Hong Kong Airlines from Hong Kong and Thai Smile from Thailand respectively. Meanwhile, Melaka Airport had attracted Xpress Air flying from Pekanbaru and charter flights by China Southern Airlines from Guangzhou.

Existing airlines also opened new routes and increased frequencies to cater to growing demand, fuelling the growth of passenger traffic through our terminals. Malindo Air, which moved from klia2 to KLIA Main Terminal in March 2016, was among the most aggressive, adding 15 additional aircraft and launching nine new international destinations namely, Ho Chi Minh City, Hong Kong, Lahore, Wuhan, Medan, Hanoi, Taipei, Chiang Mai and Phuket. It has continued to grow its network in 2017, adding Jeddah, Guangzhou, and Brisbane. Over the past year it has also increased frequencies to international destinations such as Perth, as well as on domestic routes such as Kota Kinabalu and Kuching.

At klia2, AirAsia X resumed expansion adding six new destinations including New Delhi, Auckland, Tehran, and Mauritius. At the same time, it also stepped up services to six other destinations including Shanghai, Beijing and Macau. AirAsia also introduced new destinations from its secondary hubs including Kota Kinabalu-Wuhan, Langkawi-Guangzhou, Pulau Pinang-Yangon and Ho Chi Minh City. Other airlines also expanded. All Nippon Airways added a daily service to Tokyo Haneda International Airport in October 2016, a year after it began operations between KLIA and Tokyo Narita International Airport, while KLM increased its Amsterdam-Kuala Lumpur service from daily to ten times weekly.

On top of that, several airlines had also upgraded its service. One example is Emirates which introduced the 611-seater A380 aircraft for one of its Dubai-Kuala Lumpur turnaround flights. The same flight also operated beyond to Melbourne from Kuala Lumpur. Another example is Japan Airlines which had upgraded to the Dreamliner B787-9 for its Tokyo-Kuala Lumpur service.

We will continue to work closely with our airline partners on market intelligence and traffic forecasts, and provide carriers with the chance to market their services and promotions through Airlink, a special section of the KL Lifestyle magazine. Our Airline Incentive Programme has proved a useful tool for encouraging airlines to join us in Malaysia, while our aeronautical and landing charges – even with the latest revisions – remain among the most affordable in the region.

AIRPORT IMPROVEMENTS

Malaysia Airports operates a policy of continual improvement for its facilities with a view to ensuring our airports run efficiently – in the past year we had resurfaced the runways in Penang International Airport and Long Lellang, a remote short take-off and landing port (STOLport) – to preserve the safety of flight operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The government of Malaysia had also approved two airport development projects in FY2016 – the expansion of Sultan Ismail Petra Airport, Kota Bharu and the construction of a new Mukah Airport in Sarawak. Mukah is being developed as a ‘smart city’ under the Sarawak Corridor of Renewable Energy (SCORE), a large-scale development project.

The RM453.3 million Mukah Airport will have a 1,500 metre runway that will be able to handle ATR-72 type (3C) aircraft, with a terminal capacity of 265,000 passengers per year and a new air traffic control (ATC) tower. Construction will start in 2017 and is scheduled for completion in 2019.

Work to improve the Sultan Ismail Petra Airport, Kota Bharu will also start in 2017 and is expected to take three years. Once construction is complete, the airport should be capable of handling 4 mppa, from 1.5 mppa currently, in a more comfortable terminal building. It will also have an extended runway, six additional aircraft parking bays and a new multi-storey car park.

The opening of the klia2 terminal in May 2014 was a milestone for Malaysia Airports, reducing congestion and improving the travelling experience for passengers on low-cost carriers.

Since operations began, we have upgraded the terminal to include more walkaltors and reduce walking times between the immigration counters and the arrival/departure gates. The defects liability for construction of the terminal expired in January 2017, and we anticipate some increase in spending on maintenance in order to maintain the facility at an optimal condition.

AIRPORT OPERATIONS PERFORMANCE

Malaysia Airports’ Engineering Division is responsible for the maintenance of our airport infrastructure to ensure we continue to offer the most efficient and secure service to airport users. Every year, the condition of our infrastructure and development needs are discussed at our Engineering seminar, which is attended by engineering staff from across the company.

Our equipment is monitored based on an Asset Replacement Master Plan (ARM) that reflects industry best practice. It also recognises the importance of properly functioning equipment and airport infrastructure in ensuring exemplary service levels.

The ARM is linked to the life cycle cost (LCC) structure of the airport specialised systems enabling us to optimise cost and repair over the equipment’s useful life and determine a time for replacement. In FY2016, we successfully established LCC for airport pavement, track transit system (aerotrains), people movers, air conditioning system and airfield ground lighting (AGL).

This approach has already resulted in cost savings. For example, the implementation of the asset replacement programme in relation to the air-conditioning system at Langkawi International Airport was completed in 2016 and has led to an energy saving of 3%. The group has also embarked on a parts replacement programme for the people movers at KKIA, Sultan Ismail Petra, Kota Bharu and Miri airports.

In line with our green commitments, and our support for the national goal of reducing 45% of carbon emission by 2030, we are working to reduce energy consumption and ensure more of our power is derived from renewable sources.

Already, we have been able to reduce electricity consumption by 9,510,583 kWh/year – equivalent to 1,463 homes electrified per year. The installation of light emitted diode (LED) masts has created a significant energy saving of 69% or 782,784 kWh/year, and also reduced carbon emissions at KLIA by 1,951 tonnes CO_2e per year.

The e-Energy Management System (EnMS), a globally accepted framework for managing energy, has been in use since 2015 at KKIA and Langkawi, and allows us to monitor and adjust the energy performance, profile and building energy index of each facility.

SAFETY AND SECURITY

Safety and security are at the heart of the global aviation industry and crucial to passenger confidence. Malaysia Airports is proud that KLIA is certified in full compliance with the International Civil Aviation Organisation’s (ICAO) Standards and Recommended Practices (SARPs) under the Universal Security Audit Programme, which is conducted by ICAO auditors.

Nevertheless, recent security-related incidents at several airports around the world had further reinforced the importance of security to our business. These incidents have given us an indication of the way in which our security strategies are working, but also highlighted to us the opportunities

MANAGEMENT DISCUSSION AND ANALYSIS

for improvement. As an organisation, we take safety and security extremely seriously and have implemented stricter security measures. We are also focusing on identifying potential threat areas. In December 2016, for the first time we had embarked on a full-scale Airport Terminal Attack and Hijacking exercise in KKIA involving all the intelligence and enforcement agencies. This exercise will also be conducted in KLIA in the later part of 2017. Prior to this, our full scale airport exercises had focused on aircraft hijacking scenarios only.

We continue to invest in technology such as surveillance and screening apparatus to ensure that we provide a secure airport environment. We are also stepping up controls in airport staff screening process and vehicle movements at the landside area.

Crime prevention at the airport is a collaboration between our Aviation Security division and the Royal Malaysia Police. Initiatives undertaken in FY2016 have helped prevent major security incidents and security breaches – during the year, there were 182 confiscation cases of scheduled weapons such as firearms, replica firearms and bullets. Of these, 104 were in KLIA alone. Meanwhile, seizures of prohibited items such as knives and scissors have declined as passenger awareness has improved with regards to what can and cannot be taken on board an aircraft.

AVSEC has also reduced baggage theft and pilfering at KLIA to 156 cases against total 36.6 million pieces of luggage in FY2016, compared with 182 cases against 36.7 million pieces of luggage in FY2015.

"DURING THE YEAR, THERE WERE 182 CONFISCATION CASES OF SCHEDULED WEAPONS SUCH AS FIREARMS, REPLICA FIREARMS AND BULLETS. OF THESE, 104 WERE IN KLIA ALONE"

Throughout FY2016, we have undertaken risk management initiatives designed to improve our response to any crises that may emerge, whether natural or manmade. Measures taken include strengthening Business Continuity Management strategies for both terminals in KLIA and fine-tuning emergency response plans for floods at affected airports.

At ISG, we are mindful of the fluid nature of Turkey's geopolitical situation, and have taken steps to enhance security in and around the airport. Apart from hiring more security staff, we are also collaborating with the government of Turkey in increasing measures. For instance, the government has invested in car scanning technology for use at the airport, as well as installed a police watch tower outside the airport perimeter.

MANAGEMENT DISCUSSION AND ANALYSIS

Malaysia Airports' Airport Fire and Rescue Services (AFRS) division, which manages all airport rescue and firefighting at our airports, completed all 74 of its planned Airport Emergency Exercises in 2016, the third consecutive year of 100% achievement. Some 54 new officers were hired by AFRS during the year under review and began seven months of AFRS basic training in November 2016.

AFRS also took delivery of a HAZMAT (hazardous material) vehicle and a Mobile Command and Control Vehicle to increase its ability to respond to emerging threats and emergencies. The vehicles were procured at a cost of RM1.2 million.

COMMERCIAL PERFORMANCE

Our Commercial Services division is responsible for the Group retail outlets, as well as services such as banks, customer lounges and hospitality in Malaysia. As well as reviewing and improving the mix of retailers and service providers to boost revenue per passenger, the division also devises marketing and advertising campaigns to drive both spending and loyalty by prioritising customer needs.

Commercial Services posted revenue growth of 3.9% in FY2016, as Malindo Air and AirAsia expanded their networks and Umrah pilgrimage traffic increased, thereby boosting the number of people using our airport facilities.

Our commercial revenue is derived from both minimum guaranteed payments (MGP) or fixed rents, and royalty or percentage rents. Total revenue from retail and F&B, which includes MGP and royalty grew by 6.3% to RM560.7 million in FY2016, reflecting the return of higher spending visitors from mainland China, and the growth in passenger traffic.

The royalty growth trend at KLIA showed phenomenal double digit growth of 38.7% in FY2016 against compounded annual growth rate (CAGR) for the last five years of 13.8% - with KLIA Main Terminal recording growth of 31.2% against CAGR of 25.9% and klia2 recording 47.6% against CAGR of 5.5%.

Total sales at KLIA Main Terminal reached RM1.1 billion compared to RM939.7 million in FY2015, and RM741.5 million at klia2 compared to RM644.9 million in FY2015. In terms of sales per passenger, it rose by 5.2% overall to RM32.23.

Our retail division, MA Niaga, which operates more than 50 outlets across Malaysia Airports' five international airports under its Eraman brand, also saw strong growth at klia2, where revenue grew faster than KLIA Main Terminal by 2 percentage points. Aggressive marketing and quick win initiatives including promotions and contests helped boost revenue by 10% to RM648.1 million in FY2016.

The occupancy rate at both terminals at KLIA went beyond 90%, and as contracts at KLIA Main Terminal came up for renewal, we were able to introduce a raft of new brands including Sunglass Hut, Michael Kors and Rolex. We have also refreshed and expanded the retail offering at klia2. About 12% of the 257,845 square metre terminal is devoted to commercial use. We will begin a contract renewal exercise in 2017 that is likely to result in more brands making their debut at the airport.

In line with our commitment to total airport experience, we are also exploring plans to install automated vending machines close to departure and arrival gates, and a sleeping/business pod initiative to provide a convenient meeting point for business travellers, and allow passengers to rest comfortably.

Beyond Kuala Lumpur, the retail experience and food and beverage offerings at Malaysia's other airports have also improved. Several brands that had presence in KLIA have opened their doors in other parts of the airport network. The consolidation of operations at KKIA into one terminal at the end of FY2015 also had a positive effect on occupancy and rental income. Rental income rose to RM12.8 million in FY2016, while the occupancy rate improved to 91.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Our decision to take over management of car parks at several airports continues to pay dividends. Total car park revenue at Kota Kinabalu, Penang, Kuching, and Langkawi International Airports, as well as Miri Airport has risen by about 113.9% since this decision was made. This initiative was extended to Sultan Mahmud Airport, Kuala Terengganu and Sultan Abdul Halim Airport, Alor Setar in FY2016 whereby combined car park revenue at both these facilities showed an increase of 3.1%.

Enhancing Engagement

We continued to operate a number of marketing campaigns throughout the year that were designed to entice passengers to spend while they are at the airport. 'Indulge and Explore' is an umbrella campaign in KLIA that offers an opportunity to win an overseas trip for a minimum spend of RM250. Throughout the year, we also rolled out campaigns linked to major national and international events including the Rio 2016 Summer Olympics, and sought to showcase our Malaysian identity through cultural performance and local cuisine.

We launched a month-long KULinary campaign in December 2016 to promote the dining experience in KLIA. This campaign was a follow up to our collaboration with FriedChillies.com, an independent online food reviewer. We facilitated FriedChillies' efforts to mystery shop and evaluate food and service quality. As a result, 18 F&B outlets received the Dining Choice Awards to recognise their outstanding performance in food quality and overall dining experience.

Supporting Bumiputera Businesses

Malaysia Airports' retail development programme under the Bumiputera Empowerment Agenda (BEA) is designed to support Bumiputera retailers and brands, focusing on small and medium-sized enterprises (SME) owned by Malaysia's Bumiputera communities. It is part of the company's Bumiputera empowerment initiatives and a sign of our commitment to the nation's call for government-linked companies to support the Bumiputera Empowerment Agenda.

The programme provides a platform for these SMEs to gain retailing experience in an international airport environment, and performance is closely monitored to ensure their operations meet our service and quality standards.

There are 106 Bumiputera outlets across KLIA and klia2, which were awarded through tender exercises that were organised in collaboration with the Ministry of International Trade and Industry (MITI) and Unit Peneraju Agenda Bumiputera (TERAJU). Among the Bumiputera brands that have made their debut at the airport are the Upin & Ipin Café, inspired by the popular Malaysian cartoon series, Santai Reflexology, Print Expert, Rasa Tidbit and Agrobazaar Malaysia, to name a few.

Royalty growth trend at KLIA

38.7%

VS 5-YEAR CAGR OF 13.8%

MANAGEMENT DISCUSSION AND ANALYSIS

ETHICS AND INTEGRITY

Malaysia Airports places a premium on good governance and is committed to operating a highly principled business in line with its adoption of the Code of Ethics and Conduct. Among related policies in place include whistleblowing, employee asset declaration and no gift policies. We have also developed an integrity plan that outlines various strategies and activities aimed at inculcating the values of integrity and ethical culture in the company.

The Corporate Integrity Unit operates independently and is a secretariat for the whistleblowing programme, designed to provide staff with a safe and secure environment in which to raise concerns about possible wrongdoing. On top of which, we have also introduced a Vendor Code of Ethics to outline Malaysia Airports' expectations of the companies with which it does business.

A REWARDING PLACE TO WORK

Malaysia Airports aspires to be an employer of choice and invests heavily in training, career development and employee recognition programmes to ensure that excellence in work performance is rewarded.

At the end of FY2016, the Group had 10,584 employees on the payroll, compared with 10,239 the year before.

In line with RtS2020, our Human Resources division has undertaken a series of studies on manpower productivity to ensure our staffing structure is optimised to meet the challenges of the new business plan.

We intend to reduce cumbersome reporting structures, speed up decision making process, improve efficiency, strengthen customer engagement, enrich job functions and encourage multi-tasking. We will also be implementing a 'Total Rewards' remuneration structure that will be grounded in productivity, initiative and high performance, rather than tenure and cost of living, and have been holding a series of briefing sessions to explain the policy to employees since October 2016.

We recognise that in order for us to achieve our RtS2020 goals, it is crucial for us to attract, nurture and retain the best talent.

The Employee of the Year Award was started in 2013 and is given to individuals who show excellence in their job and contributes significantly to the company's development. Heroes of the Quarter, meanwhile, recognises extraordinary performance on a quarterly basis.

Employees at all levels can take advantage of training opportunities whether in-house or through industry groups such as ACI and INSEAD.

Malaysia Airports also collaborates with Department of Skills Development under the Ministry of Human Resources to offer our non-executive staff the National Dual Training System (NDTS) – an up-skilling programme. In 2016, 38 employees graduated from the programme specifically designed to enhance their understanding of financial management including accounts payable, payroll and cash and bank transactions.

HR has been deepening our talent development functions through a number of leadership development programmes. These initiatives allow us to identify the next generation of talent and provide them with the kind of training that will enable them to meet their potential. Through a People Review mechanism, we have discovered 219 potential successors for manager roles and above, with 100 seen as 'ready now' and the others likely to be in a position to take on a more senior role in one or two years.

We continue to participate in the government-backed Skim Latihan 1Malaysia (SL1M), which we have branded as the Airport Apprentice Programme. The scheme provides graduates with a six-month introduction to all aspects of the airport. In 2016, 415 people joined this programme, with 20 trainees being offered permanent employment at the end of their training period.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR 2017

Malaysia Airports marks its silver jubilee in 2017, and the traffic trends and forecasts for the global economy suggest that it should be a year of steady growth, particularly for our Malaysian businesses.

The IMF estimates global growth at 3.4% in 2017 with advanced economies expanding 1.9%, and the economies in Europe steadying at 1.6% growth. China will moderate to 6.5%, while ASEAN-5 will increase slightly to 4.9% in 2017 accelerating to 5.2% into 2018. Malaysia's economy is forecast to grow between 4.3% and 4.8% in 2017, compared with 4.2% in 2016.

Traffic has shown strong growth at the beginning of 2017, with IATA reporting worldwide passenger growth of 9.6% in January compared with the same period in 2016, the biggest increase in five years. Meanwhile, load factor in the Asia-Pacific, increased to 81.5% during the same period as airlines increased flight frequencies and opened new routes. European carriers also had a strong start to 2017 with load factor rising to 80.3% for January 2017.

At home, we have also had a strong start. International traffic at KLIA increased 13.6% in January, 9.8% in February and 13.1% in March, while domestic passenger numbers surged nearly 19.8% in January thanks to the early Lunar New Year holiday. In February, domestic traffic grew 5.6%, despite the high base in 2016 when the holiday fell during the month while in March it grew by 13.2%. The average load factor in March was 76.0% suggesting both latent and emerging demand.

Malindo Air, AirAsia and Malaysia Airlines are all offering more capacity, suggesting a confidence in the industry outlook, while visitor interest in Malaysia itself should increase as the country hosts Kuala Lumpur 2017, covering both the 29th Southeast Asian Games and the 9th ASEAN Para Games in August and September 2017 respectively, as well as participates in the Visit ASEAN@50 tourism campaign. The government's continued initiatives to attract greater tourist arrivals from China and India also bode well for us.

IATA predicted that global scheduled passenger traffic growth for 2017 will be in the range of 5.1% and for Asia Pacific, it is expected to be 7.0%. Cargo demand is expected to increase by 3.5%. The Malaysia passenger traffic in 2017 is expected to continue to perform well in view of the upward trend in the second half of 2016. Seat capacity offered by airlines for the immediate future does provide a positive outlook for 2017. We expect 2017 passenger growth of 6.5% in Malaysia, fuelled by a 4.7% expansion in international traffic and 8.2% growth at the domestic level.

In Turkey, we are forecasting growth of 7.2%, and remain mindful of the risks from the political situation in Turkey. Passenger numbers for the first quarter of 2017 were down 1.9% to 6.6 million, with international arrivals declining 2.7% to 1.4 million with bad weather adding to the gloom.

We take a cautious approach to capital expenditure, but as KLIA Aeropolis gathers momentum, there will inevitably be some increase in operational expenditure. Maintenance costs are also likely to rise now that the defect liability period for klia2 has expired.

We are forecasting an increase in EBITDA at the Group level to RM1,796.6 million. EBITDA for our Malaysia operations is forecast at RM980.0 million, and EUR172.8 million for ISG in Turkey and QAR19.5 million for HIA in Qatar.

With the government agreeing to extend our Operating Agreement for the management and operations of our airports in Malaysia, we are now in the process of finalising the terms and conditions of the said agreement. While there is no fixed timeline for this, we are hopeful the discussions will conclude within the next one to two years.

WORDS OF APPRECIATION

Before I conclude, I would like to thank Malaysia Airports' Board of Directors for their guidance as we navigated a mixed year, and record my appreciation for putting their trust in the senior management team.

Appreciation is also due to my colleagues in the senior management team, as well as all our employees in Malaysia and Turkey for their continual hard work and commitment to the company. Without them, we would not be able to achieve our goals.

Finally, I would like to take this opportunity to extend my sincere thanks and appreciation to all our airline partners, vendors, suppliers, joint venture partners and government agencies. I would also like to extend my thanks to our shareholders and customers for their continued support.

Datuk Mohd Badlisham bin Ghazali
Managing Director

SUBSIDIARIES' PERFORMANCE

MA (SEPANG)

MASB

MA (NIAGA)

MA (PROPERTIES)

KL AIRPORT HOTEL

MACS

MAAH

UTW

MALAYSIA AIRPORTS (SEPANG) SDN. BHD.

Malaysia Airports (Sepang) Sdn. Bhd. is responsible for managing and operating our airport in Sepang, KL International Airport (KLIA). In FY2016, KLIA handled passenger movements of 52.6 million, attracted two new passenger carriers and two new freighter airlines. The company handled more than 350,000 total aircraft movement and approximately 33.9 million bag movements last year.

Our fastest growing routes include Lahore, Madinah, Karachi, Zhengzhou and Shenzen of which the growth rates were double digit or more. On top of that, we also have new links to many cities including Luang Prabang, Guiyang, Haikou and many more.

Being one of the top 10 Best Airports in the ASQ World ranking last year, we continue to ensure our maintenance improvement plans are well-planned and executed effectively. Recently, we presented our idea for innovation, the Timing Belt Replacement project at the International Convention on Quality Control Circle (QCC) 2016 held in Bangkok from 23-25 August 2016 for which we won Gold. We also won another award from Suruhanjaya Pengangkutan Awam Darat (SPAD) for 'Best Pratices in Complaint Management for Train Transit System' for our aerotrain services.

Malaysia Airports (Sepang) places great emphasis on airport safety and health performance and has obtained accreditation for ISO 9001:2015 certification, ISO 14001:2004, OHSAS 18001:2007 and ISO/IEC 27001:2013. We had also won the MSOSH OSH Gold Class 1 award presented by the Malaysian Society for Occupational Safety and Health (MSOSH). The company was recognised as an organisation with commendable safety and health records which had also shown good process improvement through our safety and health management system.

SUBSIDIARIES' PERFORMANCE

MALAYSIA AIRPORTS SDN. BHD. (MASB)

Malaysia Airports Sdn. Bhd. (MASB) is responsible for managing, operating, and mantaining all the Group's airports in Malaysia apart from KLIA. This includes international and domestic airports, as well as Short Take-off and Landing Ports (STOLports).

The company ensures that all the airports are managed efficiently, safely and securely, ensuring a smooth service for everyone. The airports' management complies with present standards and procedures, and consistently meet regulatory requirements. Various awards won by the international airports are testament to our efficient airport management.

Pursuant to RtS2020 initiatives, MASB had taken over several commercially viable MASB airports' car park operations and management. In 2016, MASB took over six car park operations and management, and is still outsourcing another 10 car park operations at other airports. This initiative first started in the Penang International Airport in 2015, followed by Kuching International Airport in February 2016 and Kota Kinabalu International Airport as well as Miri Airport in April 2016.

The initiative has proven to be more profitable than out sourcing it to the third party and the company expects to extend it to other potential airports in future.

With regards to major projects at other airports and STOLports, runway resurfacing at Long Lellang STOLport and for Penang International Airport was completed in July 2016.

MALAYSIA AIRPORTS (NIAGA) SDN. BHD.

Malaysia Airports (Niaga) Sdn. Bhd. [MA (Niaga)], which is known through its Eraman Malaysia branding, is the premier duty-free and retail operator at our airports in Malaysia, with more than 50 outlets across five international airports, Sultan Ismail Petra Airport, Kota Bharu and Labuan Airport.

After a challenging couple of years, MA (Niaga) surpassed its overall financial target in FY2016, the result of better than expected passenger traffic and more aggressive marketing. Its revenue grew 10% to RM741.7 million in FY2016, compared with the year before. Profit before tax (PBT) more than RM20 million.

One of our campaigns, the Eraman Shopping Extravaganza, took place over three phases offering passengers the chance to win attractive weekly prizes and enter a grand prize draw for a car by spending a minimum of RM250. The third and final phase of the campaign ended in February 2017 with a Mazda 6 as the grand prize. In FY2016, MA (Niaga) had also unveiled the new Bally store at the satellite building in KLIA.

SUBSIDIARIES' PERFORMANCE

MALAYSIA AIRPORTS (PROPERTIES) SDN. BHD.

Malaysia Airports (Properties) Sdn. Bhd. handles the non-passenger related revenue (excluding aviation and hangar services) of the Group, and manages the Southern Common Amenities and Facilities (SCAF) area. It is also responsible for the management of fixed asset, Staff Homestay, and Child Care Centre for Malaysia Airports Group in Malaysia. On top of that, it provides facilities management services for the Malaysia Airports Corporate Office KLIA.

The Malaysia Airports Child Care Centre was completed in December 2015 and opened for operations in January 2016. It is a corporate responsibility initiative that is meant to facilitate and ease routine challenges faced by employees in sending their children to affordable nurseries and kindergartens. Able to accommodate 75 0-4-year old children and 75 5-6-year old children, the facility currently has 104 children under its care.

A pre-school operator has been appointed to run the facility with school fees partly subsidised by Malaysia Airports. The children are looked after by 15 trained and certified personnel.

During the year, we organised a number of activities for the children including a Merdeka Day event at the Sepang Mini Stadium.

K.L. AIRPORT HOTEL SDN. BHD

Overlooking KL International Airport, Sama-Sama Hotel is K.L. Airport Hotel Sdn. Bhd.'s five-star flagship property. The company also operates two airside transit hotel, Sama-Sama Express, at KLIA Main Terminal and klia2. These two facilities extend the Sama-Sama signature hospitality to transit passengers and provide travellers with an opportunity to refresh and relax after or before a flight.

For the year under review, Sama-Sama Hotels achieved total revenues of RM82.9 million, a growth of 12.2% when compared to the same period in FY2015. This was a 9.0% growth against budget. Sama-Sama Hotels has an exclusive identification affiliation agreement with Worldhotels AG, supported by its global distribution system, reservation and marketing services, since November 2015. In 2016, the Worldhotels partnership contributed RM6.3 million in sales, ahead by 42.2% against FY2015 and 33.4% against FY2014, in comparison to our previous affiliation with Pegasus Solutions.

Our hotels continue to pick up awards. In FY2016, Sama-Sama Hotel won the 'Best Luxury Airport Hotel' from World Luxury Hotel Awards for the fourth straight year. For the first time, the hotel also won two awards from Haute Grandeur – 'Best Airport Hotel' in the Global category and 'Best Luxury Hotel' in the

SUBSIDIARIES' PERFORMANCE

Malaysia region. TripAdvisor named the hotel among the 'Top 10 Luxury Hotels in Malaysia' from 2014 – 2016, awarding the property a TripAdvisor 'Certificate of Excellence'. Sama-Sama Express KLIA was recommended on Holiday Check as one of the 'Best Rated Hotels' while Sama-Sama Express klia2 won a 'Bravo Badge' and was voted 'Excellent' by TripAdvisor's travellers. Both Sama-Sama Express KLIA and klia2 were awarded a KULinary 2016 Dining Choice Award for their Lamb Rack and Satay Pizza dishes. We have also been named as one of the 'Best Companies to Work for in Asia' in the HR Asia Awards for the third time.

MALAYSIA AIRPORTS CONSULTANCY SERVICES SDN. BHD.

Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) has a proven track record in providing airport consultancy both at home and abroad, stretching back to its first international project in Cambodia 20 years ago. It was involved in a number of new projects in 2016.

Through its MACS Middle East (MACS ME) unit, MACS secured a three-year extension to its contract to manage facilities at the Hamad International Airport in Qatar. The contract is valued at QAR163.9 million and expires in June 2019. MACS ME also provides a range of repair and maintenance services at the airport.

MACS is also recognised as an ICAO Aviation Security Training Centre, an ACI Global Training Hub for the Asia Pacific region, and last year conducted Crisis Management courses as well as Aviation Security (AVSEC) Screener Certification and Recertification Programmes.

In the middle of the year, MACS provided training on Airport Council International's ASQ Benchmarking Programme to Istanbul Sabiha Gokcen International Airport, Turkey (ISG) to prepare the airport for the programme. In the third quarter, the company also assisted Senai International Airport, Johor Bahru conduct the Airport Customer Satisfaction Program (ACSPP), a precursor to the ASQ Benchmarking Programme.

In May 2016, Sarawak Timber Industry Development Corporation appointed MACS to prepare a pre-audit of the Tanjung Manis airport and ensure the facility meets the minimum safety specifications set down by ICAO. MACS also helped the Jabatan Laut Malaysia (JLM) to conduct a study on the efficiency of its boat maintenance system at Tanjong Pelepas in Johor. The findings will help JLM decide whether to improve the current facility or outsource the work.

MACS has MS 1900:2015 certification from SIRIM QAS in relation to Syariah management, and MACS is now expanding its services in Syariah and halal compliance services in collaboration with MA (Niaga) Sdn. Bhd. at Food Apron Restaurant.

MAB AGRICULTURE-HORTICULTURE SDN. BHD.

A certified ISO9001:2008 company, MAB Agriculture-Horticulture Sdn. Bhd. (MAAH) is mainly involved in the cultivation of mature oil palm (5,140.27 hectares) and coconut (126.78 hectares) as well as landscape activities at KLIA (472.90 hectares).

During the year under review, MAAH was also managing immature oil palm areas covering 1,557.93 hectares at KLIA, Sibu, Miri and Bintulu. These green areas not only provide recurring revenue, they also help mitigate the effect of noise pollution.

Sales of oil palm fresh fruit bunches accounted for 98.9% of MAAH's total turnover, while coconut and landscape activities made up the remaining 1.1%. MAAH expects to make a positive contribution to the overall Group revenue in 2017, given the improvement in the Crude Palm Oil price, and the expectation of higher yields.

URUSAN TEKNOLOGI WAWASAN SDN. BHD.

Urusan Teknologi Wawasan Sdn. Bhd., certified with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards, has provided asset and facilities management solutions to clients across Malaysia since 1998.

UTW continues to play an important role in ensuring that KLIA remains one of the world's best airports, implementing continuous improvement programmes, and ensuring the airports are more environmentally friendly.

Over the years UTW has expanded its customer base beyond the Malaysia Airports Group, securing contracts from companies including KLCC Urusharta, and Airbus Helicopters Malaysia. More recently, Port of Tanjung Pelepas and ExxonMobil Tower became clients of UTW.

UTW clinched three major awards in 2016 from KLCC Urusharta as the Best Contractor for Operations & Maintenance, Best Team Leader and Demonstrated Knowledge of Services.

SUSTAINABILITY AT MALAYSIA AIRPORTS

SUSTAINABILITY AT MALAYSIA AIRPORTS

QR CODE
Scan this QR code to view Malaysia Airports' Sustainability page.

At Malaysia Airports, we put strong emphasis on managing our business responsibly and with integrity. We are committed to creating sustainable world-class aviation gateways; as we focus on five pillars of corporate responsibility in our business operations namely Practicing Sensible Economics, Environmental Consciousness, Creating an Inspiring Workplace, Community Friendly Organisation and Memorable Airport Experiences.

MALAYSIA AIRPORTS FIVE PILLARS OF SUSTAINABILITY

1. PRACTICING SENSIBLE ECONOMICS
2. ENVIRONMENTAL CONSCIOUSNESS
3. CREATING AN INSPIRING WORKPLACE
4. COMMUNITY FRIENDLY ORGANISATION
5. MEMORABLE AIRPORT EXPERIENCE

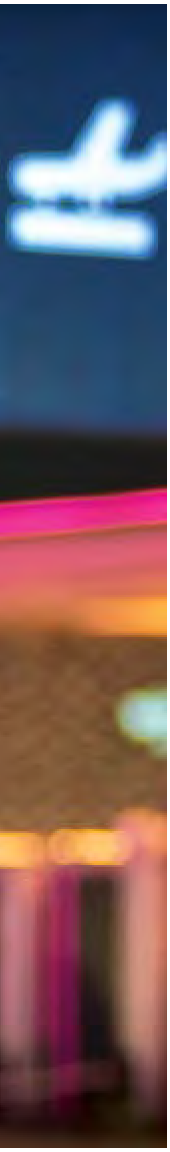
Our 2016 Sustainability Report was recognised as one of the Top 10 Shortlisted Malaysia's standalone report at the ACCA Malaysia Sustainability Reporting Awards (MaSRA). This year's sustainability initiatives and activities can be found in our standalone Sustainability Report titled which is available for download from our Malaysia Airports corporate website at http://www.malaysiaairports.com.my.

CREATING
MEMORABLE MOMENTS

ENJOY MEMORABLE MOMENTS AT OUR AIRPORTS - THE COLOURFUL CULTURE OF MALAYSIA, DELICIOUS LOCAL AND INTERNATIONAL CUISINE, AND MALAYSIAN HOSPITALITY.

TOP 25
FOOD DISCOVERIES
AT KLIA & klia2
BY FRIEDCHILLIES.COM

JOYFUL MALAYSIA AT KLIA & klia2
MALAYSIA'S DIVERSE
HERITAGE, CULTURE AND CUISINE



KULinary AT KLIA & klia2
MEMORABLE
DINING EXPERIENCE

TOUCHING THE LIVES OF
> 100 MILLION
PASSENGERS AT OUR AIRPORTS

BOARD OF DIRECTORS' **PROFILE**

01

Tan Sri Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah

Chairman
Non-Independent
Non-Executive

Malaysian
Male
Aged 64

Tan Sri Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah was appointed to the Board of MAHB as a Non-Independent Non-Executive Director and Chairman of MAHB on 7 June 2012. He chairs the Board Finance & Investment Committee and Board Risk Management Committee of MAHB. He is also the Chairman of Malaysia Airports Consultancy Services Sdn. Bhd., K.L. Airport Hotel Sdn. Bhd., MAB Agriculture-Horticulture Sdn. Bhd., Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. and LGM Airport Operations Trade and Tourism Inc., all are wholly-owned subsidiaries of MAHB.

He began his career in the Administrative and Diplomatic Service as Assistant Director of the Economic Planning Unit in the Prime Minister's Department in 1975. He was later promoted to the position of Senior Assistant Director, Macro Economics in 1984, Senior Assistant Director, Human Resource Section and Director, Energy Section in 1988. In the same year, he was seconded to the World Bank Group in Washington DC, United States of America (USA), representing South East Asia Group as an Alternate Executive Director. He then served the Ministry of Finance as Deputy Secretary in the Economics and International Division in 2001. He later served the Economic Planning Unit in the Prime Minister's Department as Deputy Director General, Macro Planning Division in 2004. In 2005, he was appointed as the Deputy Secretary General of Treasury (Policy), Federal Treasury in the Ministry of Finance. In 2007, he was appointed as Secretary General of Treasury in the Ministry of Finance, the position he held until August 2012. He also served as an Executive Director of Islamic Development Bank Group based in Jeddah from 2011 until 2013.

He holds a Bachelor of Economics (Honours) in Applied Economics from University of Malaya and a Master of Philosophy in Development Studies from the Institute of Development Studies, University of Sussex, UK. He also holds a Doctor of Philosophy (Ph.D) in Economics from the School of Business and Economic Studies, University of Leeds, United Kingdom. In 2004, he attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

He is currently Chairman of Bank Pembangunan Malaysia Berhad, Sime Darby Motors Sdn. Bhd., and GOM Resources Sdn. Bhd., a subsidiary of Puncak Niaga Holdings Berhad. He is also the Deputy Chairman of Sime Darby Berhad and sits on the Boards of Permodalan Nasional Berhad and RAM Holdings Berhad.

BOARD OF DIRECTORS' PROFILE

02

Datuk Mohd Badlisham bin Ghazali

Managing Director
Non-Independent
Executive

Malaysian
Male
Aged 54

Datuk Mohd Badlisham bin Ghazali was appointed as Managing Director of MAHB on 23 June 2014. He is currently the Chairman of Malaysia Airports (Sepang) Sdn. Bhd. and Malaysia Airports Sdn. Bhd.

He began his career with Hewlett Packard Group (HPG) after his graduation from the United States of America in 1987. His career in HPG progressed well where he was steadily promoted over 18 years of service until reaching his last position there as the Director and Country General Manager of Hewlett Packard Technology Solutions Group in 2005.

Datuk Mohd Badlisham was appointed as the Chief Executive Officer (CEO) and Non-Independent Director of the Multimedia Development Corporation (MDeC) on 16 January 2006. At the helm of MDeC, Datuk Mohd Badlisham led the development of the National Information and Communications Technology (ICT) Initiatives for Malaysia. The MSC Malaysia Initiative has evolved and grown, giving rise to over 3,400 ICT companies that are innovative and globally competitive via a thriving ICT ecosystem in Malaysia. The Digital Malaysia Initiative is underway towards a growing and robust digital economy for Malaysia.

As the CEO of MDeC, he was also a member of the Ministry of Education's Cluster School Advisory Board and co-chairperson with Tan Sri Chief Secretary to the Government of Malaysia (KSN) on the Flagship Coordination Committee (FCC) and co-chair of the Ministry of Education's Smart School Programme.

He graduated with a Bachelor of Science Degree majoring in Computer Science from the University of Northern Illinois, USA and Diploma in Computer Science from Universiti Teknologi MARA.

Datuk Mohd Badlisham currently sits on the Boards of MAHB wholly-owned subsidiary companies, namely Malaysia Airports (Niaga) Sdn. Bhd., Malaysia Airports Consultancy Services Sdn. Bhd., K.L. Airport Hotel Sdn. Bhd., Malaysia Airports Capital Berhad, Malaysia Airports Capital (Labuan) Limited, MAHB (Mauritius) Private Limited, Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc., and LGM Airport Operations Trade and Tourism Inc. He also sits on the Boards of MFMA Development Sdn. Bhd., GMR Hyderabad International Airport Limited, GMR Male International Airport Private Limited, Delhi International Airport Private Limited, and Sepang International Circuit Sdn. Bhd.

BOARD OF DIRECTORS' **PROFILE**

03

Dato' Sri Dr Mohmad Isa bin Hussain

Non-Independent
Non-Executive

Malaysian
Male
Aged 59

Dato' Sri Dr Mohmad Isa bin Hussain was appointed as a Non-Independent Non-Executive Director of MAHB on 29 May 2015. He also sits on the Board Procurement Committee and Board Finance & Investment Committee of MAHB.

Dato' Sri Dr Mohmad Isa currently serves as the Deputy Secretary General (Investment), Ministry of Finance.

Prior to his current position, he has held various positions in several ministries, amongst others, as Assistant Director in the Prime Minister's Department in 1983 and subsequently appointed as Assistant Director at the Pahang State Economic Planning Unit of Pahang in 1985.

He then joined MOF, holding various positions, including Assistant Secretary in the Government Procurement Management Division from 1990 to 1995 and as Senior Assistant Director of the Budget Division from 1995 until 2000. In 2004, he assumed the position of Deputy Under Secretary of Investment, Minister of Finance Incorporated (MOF Inc.) and Privatisation Division.

Thereafter, he moved to the Ministry of Transport in 2008 as Deputy Secretary General (Operations) and was later appointed as Interim Head of the Public Land Transportation Commission (SPAD) from 2009 to 2010. Prior to assuming his current position, he was appointed as Deputy Under Secretary in Government Investment Companies (GIC) Division in MOF in 2010 and as Under Secretary in the same division in January 2015.

Dato' Sri Dr Mohmad Isa holds a Doctor of Philosophy in Finance from Universiti Putra Malaysia. He also holds a Master of Business Administration in Finance from Universiti Kebangsaan Malaysia, Bachelor of Economics (Honours) (Applied Statistics) from Universiti Malaya and a post-graduate Diploma in Public Management from National Institute of Public Administration (INTAN).

Dato' Sri Dr Mohmad Isa also sits on the Board of several companies owned by MOF Inc., amongst others are EXIM Bank Berhad, Felcra Berhad, Permodalan Felcra Sdn Bhd, Telekom Malaysia Berhad, Destini Berhad, Pos Malaysia Berhad, Syarikat Jaminan Kredit Perniagaan and Syarikat Jaminan Pinjaman Perumahan.

BOARD OF DIRECTORS' PROFILE

04

Datuk Ruhaizah binti Mohamed Rashid

Non-Independent
Non-Executive

Malaysian
Female
Aged 59

Datuk Ruhaizah binti Mohamed Rashid was appointed as a Non-Independent Non-Executive Director of MAHB on 3 June 2016. Datuk Ruhaizah is currently the Deputy Secretary General (Policy) for the Ministry of Transport. She is a member of the Board Finance & Investment Committee, and Board Risk & Management Committee of MAHB.

Prior to her current position, she has held various positions in several ministries, amongst others, as Assistant Director, Economic Planning Unit, Prime Minister's Department; Assistant Director, Highway Planning and Research Unit, Ministry of Works, and various positions in Ministry of Transport such as Assistant Secretary (MKJR), Land Division, Principal Assistant Secretary, International Administration Unit, Principal Assistant Secretary, Policy Planning Unit, Corporate and International Division, Deputy Director General, Road Transport Department and Chief Coordinator of National Key Results Area (NKRA) Unit. She was also appointed as General Manager at Railway Asset Corporation from 2005 to 2008.

She holds a Bachelor of Economic Studies from Universiti Kebangsaan Malaysia and a Diploma in Public Administration from the National Institute of Public Administration (INTAN).

BOARD OF DIRECTORS' **PROFILE**

05

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

Non-Independent
Non-Executive

Malaysian
Male
Aged 58

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin was appointed to the Board of MAHB as a Non-Independent Non-Executive on 5 December 2012.

Tunku Dato' Mahmood Fawzy received his BA (Hons) Business Studies from the Polytechnic of Central London, Masters in Business Administration from the University of Warwick, and Diploma in Marketing from the Chartered Institute of Marketing. He is a member of the Malaysian Institute of Management, and Malaysian Institute of Corporate Governance. He is a member of the Board Finance & Investment Committee of MAHB.

Tunku Dato' Mahmood Fawzy draws on a wealth of governance, management, and cross border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.

Tunku Dato' Mahmood Fawzy is a professional company director and is currently the Chairman of Deutsche Bank (Malaysia) Berhad and Hong Leong MSIG Takaful Berhad. He is also a board member of Telekom Malaysia Berhad, Webe Digital Sdn. Bhd., Hong Leong Assurance Berhad, and Hong Leong Asset Management Berhad.

He was previously a board member of Hong Leong Islamic Bank Berhad, Pos Malaysia Berhad, SapuraKencana Petroleum Berhad/Kencana Petroleum Berhad, Ethos Capital One Sdn. Bhd., Federation of Investment Managers Malaysia, Energy Africa Limited, and Engen Limited in South Africa.